OPTION AND JOINT VENTURE AGREEMENT

Between

GARSON RESOURCES LTD.

And

PIPER CAPITAL INC.

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OPTION AND JOINT VENTURE AGREEMENT

THIS AGREEMENT made effective as of the 30th day of May, 2006.

BETWEEN:

GARSON RESOURCES LTD., having an office at Suite 1260 – 1188 West Georgia Street, Vancouver, British Columbia, V6E 4A2

(hereinafter referred to as "Garson")

AND:

PIPER CAPITAL INC., a company having its office at #311, 470 Granville Street Vancouver, B.C. V6C 1V5

(hereinafter referred to as "Piper")

WHEREAS pursuant to Letter of Intent dated March 21, 2006, Garson has agreed to grant to Piper the sole and exclusive right and option to acquire up to an undivided 60% right, title and interest in and to certain patented mineral claims located in the Falconbridge Township, Sudbury Mining Division, Ontario, subject to the terms and conditions of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements herein contained the parties hereto mutually agree as follows:

1. DEFINITIONS

1.1 For the purposes of this Agreement:

(a) "Accounting Procedure" means the accounting procedure prescribed from time to time by the Management Committee;

(b) "Aggregate" means, on any date, the cumulative total of all Expenditures made to that date;

(c) "Area of Interest" means that area within five kilometres of the boundary of the Property;

(d) "Assets" means the Property, Other Tenements, Facilities, Mineral Products and Supplies and all other assets acquired or held by the parties with respect thereto or pursuant to this Agreement as the same may exist from time to time;

(e) "Associated Company" means:

(i) any corporation which owns directly or through any other means more than 30% of the outstanding capital stock of a party hereto;

(ii) any corporation of which a party hereto owns directly or through any other means more than 30% of the outstanding capital stock; and

(iii) any corporation of which either of the corporations referred to in paragraphs (i) and (ii) owns directly or through any other means more than 30% of the outstanding capital stock;

(f) "Commercial Production" means the commercial exploitation of Mineral Products from the Property or any part as a mine subsequent to the Participation Date, but does not include milling for the purpose of testing or milling by a pilot plant. Commercial Production shall be deemed to have commenced:

(i) if a plant is located on the Property, on the first day following the first period of 45 consecutive days during which Mineral Products have been produced from the Property at an average rate not less than 80% of the initial design rated capacity of such plant, or

(ii) if no plant is located on the Property, on the first day of the month following the first period of 45 consecutive days during which Mineral Products have been shipped from the Property on a reasonably regular basis for the purpose of earning revenue;

(g) "Cost Share" means the respective share of Costs and other liabilities to be borne by each Participant after the Participation Date, and will be equal to the respective Interests of each Participant as determined from time to time pursuant to this Agreement;

(h) "Costs" means Expenditures, Program Overruns, Production Program Costs, Production Program Overruns and Operating Costs, as applicable;

(i) "Encumbrances" means mortgages, charges, pledges, security interests, liens, actions, claims, demands, third party interests and equities of any nature;

(j) "Effective Date" means the day and year first above written;

(k) "Exchange" means the TSX Venture Exchange;

(l) "Expenditures" means, without duplication, all costs, expenses, obligations, liabilities and charges of whatever kind or nature actually and directly incurred by Piper from the date hereof up to the Participation Date, excluding the payments required to be made pursuant to subsection 5.2(a) hereof, and thereafter by the Participants from the date of exercise of the Option up to the implementation of a Production Program in connection with the exploration and development of the Property, including without limiting the generality of the foregoing, monies expended on government fees for licenses with respect to the Property, maintaining the Property in good standing by doing and filing assessment work, in doing geophysical, geochemical and geological surveys, drilling, drifting and other underground work, assaying and metallurgical testing and engineering, in acquiring Facilities, in paying the fees, wages, salaries, travelling expenses, and fringe benefits (whether or not required by law) of all persons engaged in work with respect to and for the benefit of the Property, in paying for the food, lodging and other reasonable needs of such persons and including all costs at prevailing charge out rates for any personnel or officers of the Operator who from time to time are engaged directly in work on the Property, such rates to be in accordance with industry standards, and a charge in lieu of overhead and other unallocated costs equal to 5% of all Expenditures incurred by Piper until the Participation Date;

(m) "Facilities" means all mines, plants and facilities including, without limitation, all pits, shafts, haulageways, and other underground workings, and all buildings, plants, facilities and other structures, fixtures and improvements, and all other property, whether fixed or moveable, as the same may exist at any time in, or on the Property and relating to the operation of the Property as a mine or outside the Property if for the exclusive benefit of the Property only;

(n) "Feasibility Report" means a detailed report, showing the feasibility of placing all or any part of the Property into Commercial Production at an acceptable rate of return on capital, in such form and detail as is customarily required by institutional lenders of major financing for mining projects, and shall include a reasonable assessment of the mineable ore reserves and their amenability to metallurgical treatment, a complete description of the work, equipment and supplies required to bring the Property into Commercial Production and the estimated cost thereof, a description of the mining methods to be employed and a financial appraisal of the proposed operations supported by detailed explanations of the information set out in subsection 15.1;

(o) "Interest" means the undivided beneficial percentage interest of a Participant in the Assets following the Participation Date and shall be equal to its right, title and interest in and to the Property as determined pursuant to this Agreement;

(p) "Joint Venture" means the joint venture which will be created by this Agreement between Garson and Piper following exercise of the Option pursuant to subsection 9.1;

(q) "Management Committee" means a committee formed pursuant to section 16 of this Agreement;

(r) "Mineral Products" means minerals derived for the account of the individual Participants from operating the Property as a mine to which has been applied the least number of treatments or processes necessary to render the minerals into a substance or state for which there is a commercially significant market involving arm's length sales or purchases between unrelated parties;

(s) "Net Profits Royalty" means the royalty which may be payable to a former Participant pursuant to subsection 10.5 calculated and paid in accordance with Schedule "C" hereof;

(t) "Non-Operator" means the Participant which is not acting as Operator;

(u) "Operating Costs" means, for any period after commencement of Commercial Production in respect of the Property, all costs, expenses, obligations, liabilities and charges of whatsoever kind or nature actually incurred or chargeable, directly by the Operator in connection with the operation of the Property as a mine during such period, which costs, expenses, obligations, liabilities and charges include, without duplication and without limiting the generality of the foregoing, the following:

(i) all costs of or related to the mining and concentrating of ores or other products and the operation of the Facilities and all costs of or related to marketing of Mineral Products including transportation, commissions and/or discounts,

(ii) such amount of cash for working capital as, in the opinion of the Operator, is required for the operation of the Property as a mine,

(iii) all costs of or related to operating employee facilities, including housing,

(iv) all duties, charges, levies, royalties, taxes (excluding taxes levied on the income of the Participants) and other payments imposed by any government or municipality or department or agency thereof upon or in connection with operating the Property as a mine,

(v) fees, wages, salaries, travelling expenses and fringe benefits (whether or not required by law) of all persons directly engaged in respect of and for the benefit of the Property and all costs involved in paying for the food, lodging of such persons,

(vi) a fee made by the Operator in accordance with paragraph 12.1(f) for unallocable overhead costs,

(vii) all reasonable costs of consulting, legal, accounting, insurance and other services,

(viii) all exploration expenditures incurred after commencement of Commercial Production,

(ix) all capital costs of operating the Property as a mine including all costs of construction, equipment and mine development including maintenance, repairs and replacements, and any capital expenditures relating to an improvement, expansion, modernization or replacement of the Facilities,

(x) all costs for pollution control, reclamation costs and any other related costs incurred or to be incurred in connection with the operation of the Property as a mine including bonds or deposits for such costs required by any governmental authority or agency,

(xi) any costs or expenses incurred or to be incurred relating to the termination of the operation of the Property as a mine,

(xii) uninsured losses on the Facilities,

(xiii) all costs of maintaining in good standing or renewing from time to time the Property and Assets or any interest therein, including payment of all government royalties and taxes of any nature whatsoever in connection therewith,

less the amount of all insurance recoveries and settlements received during such period to the extent such recoveries and settlements were not deducted in any previous period and, except where specific provision is made otherwise, all Operating Costs will be determined in accordance with generally accepted accounting principles applied consistently from year to year but such costs will not include any amount in respect of amortization of the Costs, depletion or depreciation;

(v) "Operating Plan" means a plan presented by the Operator pursuant to subsection 18.2;

(w) "operating the Property as a mine" or "operation of the Property as a mine" means any or all of the mining, milling, leaching, smelting, and refining of ores, minerals, metals or concentrates derived from the Property after commencement of Commercial Production;

(x) "Operating Year" means the period described in section 18.1;

(y) "Operator" means the party acting as operator pursuant to this Agreement after the Participation Date;

(z) "Option" means the sole and exclusive right and option granted by Garson to Piper to earn up to a 60% right, title and interest in and to the Property as more particularly described in subsection 5.1;

(aa) "Option Period" means the period commencing on the date hereof and terminating on the earlier of the termination of the Option pursuant to subsection 7.1 hereof or the exercise of the Option pursuant to subsection 8.1(a) hereof;

(bb) "Other Tenements" means all surface water, access and other non-mineral rights of and to any lands within or outside the Property including surface rights held in fee or under lease, licence, easement, right of way or other rights of any kind (and all renewals, extensions and amendments thereof or substitutions therefor) acquired by or on behalf of the parties with respect to the Property;

(cc) "Participant" means, after the Participation Date, either Garson or Piper, as the context requires, and its successors and permitted assigns and "Participants" means collectively Garson and Piper and their successors and permitted assigns;

(dd) "Participation Date" means that date on which Piper exercises the Option pursuant to subsection 8.1(a) or, in the event Piper elects to exercise the right to acquire an additional 10% interest in the Property, the date on which Piper acquires the additional 10% option pursuant to subsection 8.1(b);

(ee) "Prime Rate" means, for any month, the annual rate of interest declared to Piper by the main branch in Toronto, Ontario of the Bank of Nova Scotia as the reference rate of interest for determining Canadian dollar loans in Canada at noon on its first business day in that month;

(ff) "Production Program" means any Program contemplating achievement of Commercial Production pursuant to a Feasibility Report;

(gg) "Production Program Costs" means all costs, expenses, obligations, liabilities and changes of whatever kind or nature spent or incurred directly or indirectly by the Participants in connection with a Production Program including, without limitation or duplication, all costs, expenses, obligations, liabilities and charges in connection with working capital required for the initial six month operation of the Property as a mine or such longer period as may be reasonably justified in the circumstances, and the overhead charge made by the Operator under subsection 12.1(e);

(hh) "Production Program Overruns" means all Production Program Costs which exceed those estimated under a Production Program;

(ii) "Program" means as the context requires:

(i) any program and budget to carry out work and incur Expenditures or Production Program Costs,

(ii) a document wherein there is specified in detail an outline of any and all research, prospecting and exploration and development work proposed to be carried out during such Program, the estimated Expenditures or Production Program Costs to be incurred in carrying out such work and the area of the Property on which such work is to be undertaken, and

(iii) the preparation of any Feasibility Report and the preparation of any Production Program;

(jj) "Program Overruns" means all Expenditures which exceed those estimated under a Program;

(kk) "Property" means the mineral interest held by Garson Resources Ltd., referred to as the Copper Prince Property and more particularly described in Schedule "A" together with all mineral interests acquired within the Area of Interest, the Other Tenements, and all surface rights, mineral rights, personal property and permits associated therewith and shall include any renewal thereof and any other form of successor or substitute title thereto or tenure derived there from;

(ll) "Letter of Intent" means the agreement dated March 21, 2006, between Garson and Piper;

(mm) "Supplies" means all tangible personal property of a non-capital nature (other than Mineral Products or Facilities) acquired or held by the Participants with respect to the Property; and

(nn) "Piper Shares" means common shares in the capital stock of Piper.

2. REPRESENTATIONS AND WARRANTIES

2.1 Garson represent and warrants to Piper and Piper represents and warrants to Garson that:

(a) it is a company duly incorporated, organized and validly subsisting in good standing under the laws of its incorporating jurisdiction and, that it is qualified to carry on business in those jurisdictions where it is necessary to fulfill its obligations under this Agreement;

(b) it has full power and authority to carry on its business and to enter into and perform its obligations under this Agreement and any agreement or instrument referred to or contemplated by this Agreement;

(c) all necessary corporate and shareholder approvals have been obtained and are in effect with respect to the transaction contemplated hereby, and no further action on the part of the directors or shareholders is necessary or desirable to make this Agreement valid and binding on it;

(d) neither the execution and delivery of this Agreement nor any of the agreements referred to herein or contemplated hereby, nor the consummation of the transactions hereby contemplated conflict with, result in the breach of or accelerate the performance required by, any agreement to which it is a party;

(e) the execution and delivery of this Agreement and the agreements contemplated hereby will not violate or result in the breach of the laws of any jurisdiction applicable or pertaining thereto or of its constating documents; and

(f) except for the acceptance of the transactions contemplated by this Agreement by the Exchange on behalf of each of Garson and Piper, there are no consents, approvals or conditions precedent to its performance under this Agreement which has not been obtained.

2.2 Garson hereby represents and warrants to Piper that:

(a) the patented mining claims comprising the Property are accurately described in Schedule "A" hereto;

(b) pursuant to the Letter of Intent, Piper has a right to acquire a 60% equity interest in the Property;

(c) Garson legally and beneficially owns 100% of the Property free and clear of any and all Encumbrances or other claims of any description other than those set out in Schedule "B" hereto, and, except for this Agreement, no person has any right, agreement, option or understanding, commitment or privilege capable of becoming an agreement for the acquisition from Garson of any interest in and to the Property;

(d) no person, firm or corporation has any proprietary or possessory interest in the Property other than Garson and no person is entitled to any royalty or other payment in the nature of rent or royalty on any minerals, ores, metals or concentrates, or any such other products removed from the Property except as disclosed in Schedule "B" to this Agreement;

(e) there are no actual, pending or threatened actions, suits, claims or proceedings regarding the Property of which it is aware;

(f) the conditions existing on or related to the Property and its ownership and operations thereon are in compliance with and are not in violation of any laws including, without limitation, any environmental laws and including, without limitation, waste disposal and storage;

(g) there are no outstanding orders or directions relating to environmental matters requiring any work, repairs, construction or capital expenditures with respect to the Property and the conduct of the operations related thereto, it has not received any notice of the same and it is not aware of any basis on which any such orders or direction could be made; and

(h) it is not aware of any material fact or circumstance which has not been disclosed to Piper which should be disclosed in order to prevent the representations and warranties in this section from being misleading or which may be material in Piper's decision to enter into this Agreement and acquire an interest in the Property.

(i) it has the authority to enter into this Agreement and to dispose of an interest in the Property in accordance with the terms of the Agreement;

2.3 Piper hereby represents and warrants to Garson that:

(a) the Piper Shares to be issued to Garson pursuant to this Agreement will, when issued, be issued as fully paid and non-assessable common shares, free and clear of all liens, charges and encumbrances other than resale restrictions imposed under applicable securities legislation and the policies of the Exchange;

(b) the authorized capital of Piper consists of an unlimited number of common shares without par value of which as at the date hereof, 16,255,167 common shares are issued and outstanding as fully paid and non-assessable shares;

(c) the common shares of Piper are listed on the TSX Venture Exchange; and

(d) there are no legal conflicts of any nature and no investigations or legal or administrative proceedings pending against Piper or any of its directors or officers or assets, and there is no fact, circumstance or condition of any kind which could reasonably cause any law suit, action, procedure or investigation to be established against Piper or its directors or officers or assets.

2.5 The representations and warranties hereinbefore set out are conditions on which the parties have relied in entering into this Agreement and will survive the acquisition of any interest in the Property by Piper and each of the parties will indemnify and save the other harmless from all loss, damage, costs, actions and suits arising out of or in connection with any breach of any representation, warranty, covenant, agreement or condition made by it and contained in this Agreement.

3. COVENANTS OF GARSON AND PIPER

3.1 During the currency of this Agreement and prior to the Participation Date:

(a) Garson covenants and agrees with Piper that it will not do or permit or suffer to be done any act or thing which would or might in any way adversely affect the rights of Piper hereunder;

(b) Garson covenants and agrees:

(i) to make available to Piper and its representatives all documents, records and files relating to the Property and will permit Piper and its representatives at their own expense to take abstracts therefrom and make copies thereof;

(ii) to promptly provide Piper with any and all notices and correspondence from government agencies in respect of the Property;

(iii) to assist Piper in doing all things reasonably required to obtain the acceptance of the Exchange to the terms of this Agreement;

(iv) it shall immediately notify Piper of any claims, actions, demands of a civil, legal or juridical nature, filed against Garson in respect of the Property; and

(v) to execute and deliver to Piper or its associates such powers of attorney, consents or authorizations as are, in the opinion of counsel to Piper, necessary or desirable to permit Piper to carry out activities on the Property as contemplated hereunder.

4. COVENANTS OF PIPER

4.1 During the currency of this Agreement and prior to the Participation Date, Piper covenants and agrees with Garson to:

(a) keep the Property free and clear of all Encumbrances arising from its operations hereunder (except liens for taxes, which are the responsibility of Garson, inchoate liens or liens contested in good faith by Piper) and in good standing with respect to the doing and filing of all necessary assessment work and proceed with all diligence to contest or discharge any lien that is filed;

(b) conduct all work on or with respect to the Property in a careful and workmanlike manner and in compliance with all applicable federal, provincial and local laws, rules, orders and regulations, and indemnify and save Garson harmless from any and all claims, suits or actions including, without limitation, with respect to environmental problems, made or brought against it as a result of work done by Piper on or with respect to the Property;

(c) obtain and maintain and cause any contractor or subcontractor engaged hereunder to obtain and maintain, during any period in which active work is carried out on the Property hereunder, adequate insurance;

(d) record all work performed by Piper with respect to the Property as required for assessment purposes with the appropriate government offices; and

(e) indemnify Garson for all costs, liabilities and obligations incurred by Garson as a result of the actions of Piper on or in connection with the Property.

(f) until such time as Piper has incurred $200,000 in Expenditures, Piper shall not transfer, convey, assign, mortgage or grant an option in respect of or grant of rights to purchase or in any manner transfer or alienate any of its rights under this Agreement.

(g) in the event that subsequent to incurring $200,000 in Expenditures but prior to the Participation Date, Piper assigns its interest in this Agreement, in order for the Option to be exercised Piper must pay to Garson the cash payments set out in subsection 5.2(a) and issue and deliver the shares set out in subsection 5.2(b).

5. OPTION

5.1 Garson hereby grants to Piper the sole and exclusive irrevocable right and option to acquire in two stages from Garson up to an undivided sixty (60%) percent right, title and interest in and to the Property (50% in the first stage and an additional 10% in the second stage) free and clear of all Encumbrances, subject to the terms of this Agreement.

5.2 In order to maintain in force the Option, subject to subsections 34 and 35, Piper agrees to:

(a) pay to Garson:

(i) $10,000 in cash upon signing of this Agreement (the "Effective Date");

(ii) $15,000 in cash on the first anniversary date of the Effective Date;

(iii) $20,000 in cash on the second anniversary date of the Effective Date; and

(iv) $30,000 in cash on the third anniversary date of the Effective Date;

(b) issue and deliver to Garson

(i) 150,000 common shares of Piper on the acceptance of this Agreement by the Exchange;

(ii) 150,000 common shares of Piper on the first anniversary date of the Effective Date;

(iii) 150,000 common shares of Piper on the second anniversary date of the Effective Date;

(iv) 200,000 common shares of Piper on the third anniversary date of the Effective Date;

(c) incur:

(i) $200,000 in Expenditures by the first anniversary of the Effective Date; and

(ii) an additional $500,000 in Expenditures on or before the third anniversary of the Effective Date;

5.3 Any excess in the amount of Expenditures required to be incurred by Piper to maintain the Option during any one of the periods referred to in subsection 5.2(c) will be applied as a credit against Expenditures required to be incurred by Piper during any subsequent period of time.

5.4 A written notice by Piper to Garson accompanied by:

(a) a certificate of a senior officer of Piper certifying that the amount of Expenditures for the period specified in subsection 5.2(c) has been made; and

(b) a reasonably itemized statement of such Expenditures;

will be conclusive evidence of the making thereof unless Garson delivers to Piper a notice in writing questioning the accuracy of such statement within 30 days of receipt by Garson thereof. The certificate, notice and itemized statement of Expenditures will be delivered to Garson by Piper not later than 30 days from the expiration of each of the periods set out in subsection 5.2. Upon delivery by Garson of a notice questioning the accuracy of such certificate, the matter shall be referred to the auditor of Piper for final determination. If Piper's auditor determines that Piper has not spent the required Expenditures within the time specified in subsection 5.2(c), Piper shall not lose any of its rights hereunder and the Option will not terminate if Piper pays in cash to Garson within 30 days of receipt of the auditor's determination 100% of the deficiency in such Expenditures.

5.5 Until the exercise of the Option pursuant to subsection 8.1(a), title to the Property will remain in the name of Garson. Upon the execution of this Agreement, Garson will cause to be delivered in trust to Piper's Lawyers registerable transfers of the Property, in form and substance sufficient to transfer up to a 60% interest in the Property. Upon Piper exercising the Option pursuant to subsection 8.1(a) and 8.1(b) hereto it will be entitled to registrar such transfers to the extent of its percentage ownership in the Property.

5.6 The Option is an option only and nothing in this Agreement shall be construed as obligating Piper to do any acts or make any payments hereunder before the Participation Date, and any acts or payments made by Piper hereunder shall not be construed as obligating Piper to do any further act or make any further payment, except that Piper shall be liable to perform or pay for the performance of any reclamation work required as a result of activities carried out on the Property during the Option Period.

5.7 Within 15 days of the execution of this Agreement and during the term of the Option Period, Garson and Piper will establish a management committee for the Property consisting of two members from Garson and two members from Piper. Each of Garson and Piper shall designate in writing to the other the names of its members of the management committee. If Piper elects to incur Expenditures on the Property, Phase 1 of such Expenditures shall be as recommended by David Beilhartz, B.Sc. Hons, P.Geo., and Hadyn R. Butler, B.Sc. Hons, P.Geo., in their Technical (Geological) Report of the Property dated April 7, 2006. In respect to all subsequent Expenditures, the management committee shall have the exclusive right, power and authority to approve, modify, or reject any Program proposed by Piper in relation to its incurring of Expenditures on the Property pursuant to subsection 5.2(c). All decisions of the management committee shall be by the affirmative vote of a majority of the votes entitled to be cast by the members. In the case of an equality of votes on any matter which cannot be resolved, an independent arbitrator mutually acceptable to both members shall be appointed to determine the matter. The arbitrator's decision shall be final and binding on the management committee.

6. RIGHT OF ENTRY

6.1 During the currency of the Option, Piper, its directors, officers, employees, agents and independent contractors shall have the sole and exclusive right and option to:

(a) enter upon the Property;

(b) have exclusive and quiet possession thereof subject to the right of Garson, or its duly authorized representatives, at their own risk and expense, to have access to the Property at all reasonable times for the purpose of inspecting work on the Property;

(c) do such prospecting, exploration, development or other mining work thereon and thereunder as Piper may deem advisable;

(d) bring and erect upon the Property such mining facilities as Piper deems advisable; and

(e) remove from the Property and dispose of Mineral Products, but only for the purpose of testing.

7. TERMINATION OF OPTION AND OBLIGATIONS AFTER TERMINATION

7.1 The Option will terminate (unless otherwise agreed by Garson in writing) to the extent not previously exercised pursuant to subsection 8.1(a) hereof:

(a) subject to subsections 34 and 35, at the election in writing of Garson, if any cash payment or issuance of Piper Shares required to be paid or issued, as the case may be, by Piper pursuant to subsection 5.2(a) or (b) respectively or Expenditures required to be incurred by Piper pursuant to subsection 5.2(c) is not paid, issued or incurred, as the case may be, by the Effective Date set out in subsection 5.2, as applicable; or

(b) upon Piper giving 30 days' written notice to Garson that it has abandoned the Option herein.

7.2 In the event of termination of the Option for any reason other than through the exercise thereof, Piper will:

(a) leave the Property:

(i) in good standing with respect to annual maintenance or lease payments as at the effective date of termination;

(ii) free and clear of all liens, charges and Encumbrances arising from its operations hereunder; and

(iii) in a safe and orderly condition with respect to the work carried out by Piper;

(b) deliver to Garson within 90 days of termination a comprehensive report on all work carried out by Piper on the Property (limited to factual matters only) together with copies of all maps, drill logs, assay results and other technical data compiled by Piper with respect to the Property;

(c) have the right to remove from the Property, within 12 months of the effective date of termination, all Supplies and Facilities erected, installed or brought upon the Property by or at the instance of Piper, provided that any such Supplies and Facilities not removed by Piper will thereupon either be removed by Garson and costs associated with the removal will be the responsibility of Piper or the Supplies and Facilities will become the property of Garson; and

(d) deliver to the Garson an acknowledgement of abandonment and release of any interest in the Property or under this Agreement, together with the transfers held by Piper's lawyers pursuant to subparagraph 5.5, free of any liens or charges arising from Piper's activities in respect of the Property.

8. EXERCISE OF OPTION

8.1 Subject to the Option being in good standing and subject to Piper having paid the cash and delivered the shares pursuant to subsections 5.2(a) and 5.2(b) hereof, and delivery of the reports of Expenditures pursuant to subsection 5.4, and subject to subsection 5.5, upon Piper:

(a) having incurred not less than an aggregate of seven hundred thousand dollars ($700,000) in Expenditures, Piper will be deemed to have exercised the Option and to have acquired an undivided fifty (50%) percent right, title and interest in and to the Property; and

(b) subject to the exercise of the Option pursuant to subsection 8.1(a) within sixty days of the delivery of the written notice by Piper to Garson pursuant to subsection 5.4 confirming that not less than $700,000 in Expenditures has been incurred, Piper must elect as to whether or not it wishes to exercise the right to acquire an additional ten (10%) interest in and to the Property and, Piper having incurred not less than an additional five hundred thousand dollars ($500,000) in Expenditures and issuance to Garson of an additional 250,000 common shares of Piper on or before the fourth anniversary of the Effective Date, Piper will be deemed to have exercised the Option for an additional ten (10%) percent and to have acquired an undivided sixty (60%) percent right, title and interest in and to the Property.

(c) if Garson questions the accuracy of the Certificate accompanying the notice from Piper pursuant to subsection 5.4, Piper shall have sixty (60) days from the date that Piper's auditors make their final determination as to the accuracy of such Expenditures to elect as to whether or not it wishes to exercise the right to acquire an additional ten (10% interest in the Property. In order to make such election pursuant to section 8.1(b) or (c) Piper shall give written notice of such election to Garson.

8.2 Following exercise of the Option by Piper pursuant to subsection 8.1(a) and 8.1(b) above, Garson and Piper will take the necessary actions to transfer to Piper the percentage interest earned in the Property by Piper as set out in subsection 8.1.

8.3 Upon Piper having acquired either an undivided fifty (50%) percent interest in the Property or an undivided sixty (60%) percent interest in the Property, whichever shall last occur, Piper and Garson will be deemed to have formed the Joint Venture.

9. ASSOCIATION OF PARTICIPANTS

9.1 On the Participation Date, Garson and Piper shall associate as joint venturers for the following limited functions and purposes:

(a) to further explore and, if deemed warranted as herein provided, to develop the Property and equip it for Commercial Production;

(b) to operate the Property as a mine; and

(c) to engage in such other activity as may be considered by the parties to be necessary or desirable in connection with the foregoing.

9.2 After the Participation Date, all transactions, contracts, employments, purchases, operations, negotiations with third parties and any other matter or act undertaken on behalf of the Participants in connection with the Assets and the Property shall be done, transacted, undertaken or performed in the name of the Operator only, and no party shall do, transact, perform or undertake anything in the name of the other parties or in the joint names of the Participants.

9.3 After the Participation Date, the rights and obligations of the Participants shall be, in each case, several, and shall not be or be construed to be either joint or joint and several. Nothing contained in this Agreement shall, except to the extent specifically authorized hereunder, be deemed to constitute a Participant a partner, an agent or legal representative of any other party. It is intended that this Agreement shall not create the relationship of a partnership between the Participants and that no act done by any Participant pursuant to the provisions hereof shall operate to create such a relationship.

9.4 After the Participation Date, except as otherwise provided herein, each Participant:

(a) shall be solely liable for its Cost Share of Costs and any other costs associated with the exploration, development or operation of the Property as a mine at such time as the liability is incurred by the Operator pursuant to an approved Production Program or Operating Plan;

(b) shall be solely liable for its Cost Share of any debts, liabilities or obligations arising from operations hereunder; and

(c) in proportion to its Interest, shall indemnify and hold harmless the other Participants from any claim of or liability to any third person asserted upon the ground that any action taken under this Agreement has resulted in or will result in any loss or damage to such third person, to the extent, but only to the extent that such claim or liability is paid by such other Participant pursuant to an order of the courts or an agreement in writing of both Participants in an amount in excess of such other Participants' Interests.

9.5 Each Participant shall devote such time as may be required to fulfil any obligation assumed by it hereunder but, except for the parties' respective obligations hereunder in relation to the Property in connection with the Joint Venture:

(a) each Participant shall be at liberty to engage in any other business or activity outside the joint venture constituted hereby, including the ownership and operation of any other exploration or exploitation concessions, permits, licenses, claims and leases wherever located;

(b) neither Participant shall be under any fiduciary or other obligation to the other Participant which shall prevent or impede such Participant from participating in, or enjoying the benefits of, competing endeavours of a nature similar to the business or activity undertaken by the Participants hereunder; and

(c) the legal doctrines of "corporate opportunity" or "business opportunity" sometimes applied to persons occupying a relationship similar to that of the Participants shall not apply with respect to participation by either Participant in any business activity or endeavour outside the joint venture constituted hereby and, without implied limitation, a Participant shall not be accountable to the other for participation in any such business activity or endeavour outside the joint venture constituted hereby which is in direct competition with the business or activity undertaken by the joint venture except as aforesaid.

10. INTEREST OF PARTICIPANTS

10.1 The Participants shall have such Interest as is determined from time to time in accordance with subsections 10.2 and 10.3.

10.2 The Participants will be deemed to have the following respective Interests in the Property and to have incurred the following Expenditures:

(a) on the Participation Date and during the period prior to the exercise or abandonment of the second stage Option pursuant to subsection 8.1(b):

Participant	Interest	Deemed Expenditures
Garson	50%	$700,000
Piper	50%	$700,000
Deemed total expenditures		$1,400,000

(b) upon, and subject to, the exercise of the second stage Option pursuant to subsection 8.1(b):

Participant	Interest	Deemed Expenditures
Garson	40%	$800,000
Piper	60%	$1,200,000
Deemed total expenditures		$2,000,000

10.3 For the purposes of 14.4, 14.8, 15.2 and 15.7 the percentage level of each Participant's Interest in the Property shall be determined from time to time as being equal to the product obtained by multiplying one hundred percent (100%) by a fraction of which the numerator is the amount of such Participant's contributions or deemed contributions to Costs on the Property since the Participation Date plus the deemed Expenditures as at the Participation Date and the denominator of which is the amount of all contributions or deemed contributions to the Costs by all Participants plus the aggregate deemed Expenditures since the Participation Date.

10.4 Subject to subsection 15.2, the percentage level of the respective Interests of the Participants in the Property shall not change so long as each Participant contributes its respective Cost Share of every Program and any Production Program. At any time and from time to time after a Participant has first elected or is deemed to have elected not to contribute its Cost Share to a Program or Production Program or loses its right to contribute to Programs or any Production Program, the percentage level of such Participant's Interest in the Property shall be adjusted in accordance with the formula set out in subsection 10.3.

10.5 If as a result of adjustment pursuant to subsection 10.3 and 10.4, a Participant's Interest in the Property is reduced to 10% or less, or if a Participant elects, or is deemed to have elected, not to participate up to its full Cost Share, the Interest of such Participant (the "Diluted Participant") in the Property shall be deemed to be transferred to the other Participant (the "Remaining Participant") and thereafter the Diluted Participant shall be deemed not to be a Participant but in consideration of such transfer shall be entitled to receive, and the Remaining Participant shall pay to it a five (5%) percent Net Profits Royalty ***Net Profits Royalty*** determined and paid in accordance with the provisions of Schedule "C" hereto. Upon such transfer the Diluted Participant will forthwith execute and deliver to the Remaining Participant all such documents as may, in the opinion of legal counsel for the Remaining Participant, be necessary to transfer to the Remaining Participant all Interest of the Diluted Participant, subject to the right of the Diluted Participant to receive a Net Profits Royalty. The remaining Participant shall not transfer any of its interest in the Property without first causing the transferee to assume the Net Profits Royalty.

10.6 If the Interest of any Participant in the Property is converted to a Net Profits Royalty pursuant to subsection 10.5, any decision thereafter to place the Property into Commercial Production shall be at the sole discretion of the Remaining Participant and the Remaining Participant shall be under no obligation and nothing in this Agreement shall be construed as creating an obligation upon the remaining Participant to place the Property into Commercial Production and if the remaining Participant commences the operation of the Property as a mine, the remaining Participant shall have the unfettered right to suspend or curtail any such operation from time to time as they in their sole discretion may deem advisable.

11. OPERATOR

11.1 Subject to the right of the Management Committee to change or appoint the Operator and to the Management Committee's general direction and control, Piper will act as the initial Operator under this Agreement with respect to the Property commencing immediately after the Participation Date. The party acting as Operator may resign as Operator at any time by giving 120 days' prior written notice to the other Participant and within such 120 day period the Management Committee shall appoint the other Participant to act as the Operator upon the terms set out in this Agreement.

11.2 Title to any of the Assets held by the Operator, or a Participant, shall be held by the Operator, or such Participant in trust for the Participants in accordance with their respective Interests, subject to the terms of this Agreement. Any party may require any other party to transfer any of the Assets to be held to a mutually acceptable escrow holder on terms to be agreed upon.

11.3 If after the Participation Date the Operator fails to perform in a manner consistent with its powers and duties under this Agreement then any Participant may give to the Operator written notice setting forth particulars of the Operator's default. The Operator shall within 30 days of receipt of such notice either dispute the occurrence of such default, or commence to remedy the default within the time limit aforesaid (and thereafter, in the latter case, shall proceed continuously and diligently to complete all require remedial action). The Operator may take action to remedy an alleged default without prejudice to its right to dispute the occurrence of the default and to claim recovery of expenses incurred in remedial work not occasioned by its default. If the Operator disputes any alleged default or if the Participant alleging a default gives to the Operator a further written notice that the Operator has failed to proceed continuously and diligently to complete all required remedial action to remedy a default previously alleged by such Participant, then the matter shall be referred to arbitration under Section 30 of this Agreement.

11.4 If after the Participation Date any of the following occur, the Operator will be deemed to have offered to resign, which offer shall be accepted, if at all, within 30 days following such deemed offer upon the occurrence of any of the following events:

(a) if an attachment in respect to any material liability of the Operator is made on the Property which is not related to the business of the Joint Venture;

(b) if the Operator:

(i) admits in writing its inability to pay its debts as they become due other than indebtedness ("non-recourse financing") for money borrowed or guaranteed where the recourse of the holder thereof is restricted to realization upon specific assets none of which consist of any Interest, and where failure to pay the indebtedness does not result in the creation of an unsecured obligation of the Operator;

(ii) makes an assignment for the benefit of creditors;

(iii) consents to the appointment of a receiver (other than a receiver appointed under non-recourse financing) for all or a substantial part of its assets;

(iv) files a petition in bankruptcy or for a reorganization or an arrangement under applicable bankruptcy, insolvency or creditors' relief laws, or otherwise seeks the relief therein provided; or

(v) is adjudicated bankrupt or insolvent; or

(c) if a Court order is pronounced in respect to the Operator appointing a receiver or trustee for all or a substantial part of its property (except for property, other than the Property, securing non-recourse financing), or approving a petition in bankruptcy or for a reorganization under applicable bankruptcy, insolvency or creditors' relief laws or for any judicial modification or alteration of the rights of creditors.

11.5 Upon ceasing to be Operator, the former Operator shall forthwith deliver to its successor all Assets, books, records and other property both real and personal relating to this Agreement or its role as Operator under this Agreement. The former Operator shall use its best efforts to transfer to its successor, as of the effective date of the former Operator's resignation or removal, its rights and obligations, if any, as Operator under all contracts relating to the Assets, and pending such transfer and in relations to all other contracts relating to the Assets, the former Operator shall hold its right and interest as Operator from the date of resignation or removal for the account and to the order of the new Operator.

11.6 As soon as practicable after the effective date of resignation or removal of the Operator the Management Committee shall have the accounts of the Operator relating to the Assets audited by an independent auditor (who may be the auditor of a Participant), and shall conduct an inventory of all Assets and such inventory shall be used in the return of and the accounting for the Assets by the Operator who has resigned or has been removed. All costs and expenses incurred in connection with such audit and inventory shall be deemed to be Costs.

11.7 The Operator shall not act or hold itself out as agent for any of the Participants nor make any commitments on their individual behalf unless specifically permitted by this Agreement or directed in writing by a Participant.

12. POWER AND AUTHORITY OF OPERATOR

12.1 After the Participation Date and subject to the control and direction of the Management Committee, the Operator shall have full right, power and authority to do everything necessary or desirable in accordance with good mining practice in connection with the exploration and development of the Property and to determine the manner of operation of the Property as a mine, including and without limiting the generality of the foregoing, the right, power and authority to:

(a) prepare and present to the Management Committee for approval Programs, Production Programs, any Feasibility Report and Operating Plans in respect of the Property, as applicable;

(b) implement the Programs in accordance with section 14 and any Production Program in accordance with a Feasibility Report approved by the Participants in accordance with section 15 and any Operating Plan in accordance with section 18;

(c) regulate access to the Property subject to the right of the Participants to have reasonable access to the Property at all times;

(d) employ and engage such employees, agents, and independent contractors as it may consider necessary or advisable to carry out its duties and obligations hereunder and in this connection to delegate any of its powers and rights to perform its duties and obligations hereunder, but the Operator shall not enter into contractual relationships with an Associated Company except on terms which are commercially competitive;

(e) exclude any part of the Property from this Agreement provided it shall give 60 days prior notice to the Participants of its intention to do so and if any of the Participants notifies the Operator within such 60 day period of its desire to hold such part of the Property the Operator shall deliver to such Participants, duly executed transfers of the Property in registrable form in favour of such Participants transferring such part of the Property to such Participants, and any such part of the Property so transferred shall no longer be subject to this Agreement; and

(f) charge the Participants the following sums in respect of its Head Office overhead functions which are not charged directly:

(A) with respect to Costs:

(i) two (2%) percent for each individual contract which expressly includes an overhead charge by the party contracted;

(ii) five (5%) percent for each individual contract which exceeds $50,000 and is not subject to subsection 12 (f)A(i);

(iii) ten (10%) percent of all other Costs not included in subsection 12(f)A(i) and (ii).

(B) with respect to Costs incurred following the completion of a Feasibility Report showing that production is commercially viable and up to the commencement of Commercial Production: one (1%) percent of all other such Costs;

(C) subsequent to the commencement of Commercial Production: two (2%) percent of all Costs;

and its compensation shall be included and form part of the budget for each Program, such charges to be payable monthly in arrears for the Costs incurred in that month, on the basis that such fee will be reviewed annually by the Management Committee to ensure that the Operator is reimbursed its actual costs for acting as such but neither profits nor loses as a result of charging such fee.

13. DUTIES AND OBLIGATIONS OF THE OPERATOR

13.1 After the Participation Date, the Operator shall have such duties and obligations as the Management Committee may from time to time determine including, without limiting the generality of the foregoing, the following duties and obligations:

(a) to propose to the Management Committee and, if approved, to implement Programs, the Production Program and Operating Plans;

(b) subject to the cooperation of the parties to the Joint Venture, to maintain the Property in good standing and record for assessment credits;

(c) to manage, direct and control all exploration, development and producing operations in and under the Property, in a careful, prudent and workmanlike manner, and in compliance with all applicable laws, rules, orders and regulations including, without limitation, those relating to reclamation and environmental protection;

(d) to prepare and deliver to the Participants during periods of active field work quarterly progress reports of the work in progress in such form as the Management Committee may direct which include statements of Costs and comparisons of such Costs to the approved Programs or Production Program and comprehensive annual reports on or before April 30th each year covering the activities hereunder and results obtained during the calendar year ending on December 31st immediately preceding and timely current reports and information on any material results obtained together with such other reports as any Participant may reasonably request;

(e) to account to the Participants for all contributions to Costs and to use all reasonable efforts to limit or curtail Program Overruns or Production Program Overruns;

(f) to maintain true and correct books, accounts and records of operations hereunder in accordance with generally accepted accounting principles, applied consistently from year to year;

(g) to permit the Participants, at their own expense, to inspect, have access to, take abstracts from or audit all maps, drill logs, core tests, reports, surveys, assays, analyses, production reports, operations, technical, accounting and financial records, including any or all of the records and accounts referred to in subsection 13.1(e) that have been prepared exclusively in respect of operations hereunder, during normal business hours;

(h) to obtain and maintain, or cause any contractor engaged hereunder to obtain and maintain, during any period in which active work is carried out hereunder, adequate insurance coverage with a bodily injury, death and property damage limit of not less than $3,000,000 per occurrence;

(i) to permit the Participants or their representatives so appointed, at their own expense and risk, access to the Property and all data derived exclusively from carrying out work thereon;

(j) to arrange for and maintain Workers' Compensation or equivalent coverage for all eligible employees engaged by the Operator in accordance with local statutory requirements;

(k) to perform its duties and obligations in a manner consistent with good exploration and mining practices;

(l) to transact, undertake and perform all transactions, contracts, employments, purchases, operations, negotiations with third parties and any other matter or thing undertaken on behalf of the Participants in the Operator's name; and

(m) to obtain and maintain comprehensive automobile liability insurance covering all vehicles, hired, owned and non-owned, with a limit on liability of not less than $2,000,000 combined single limit per occurrence for bodily injury and property damage.

14. PROGRAMS

14.1 After the Participation Date, and subject to a non-Operator's (as defined below) right to present a Program as set out in subsection 14.2, Expenditures shall only be incurred under and pursuant to Programs prepared by the Operator and approved by the Management Committee as provided in this section. Any Feasibility Report shall be prepared pursuant to a separate Program.

14.2 Forthwith after the Participation Date and on or before the earlier of 90 days after the completion of the last Program or, subject to the rights of the Participant other than the Operator (the "non-Operator") to present a Program as set out below, on or before April 15 in each year if no Program has been approved or completed in that year, the Operator shall prepare and submit to the Management Committee a Program proposed by the Operator for the following year. If in any year the Operator fails to submit a Program in accordance with this subsection, the non-Operator will have the right to prepare and submit a Program in its stead and the provisions of this section will apply, mutatis mutandis, to such Program. If the Participant acting as Operator elects or is deemed to have elected not to contribute to the Program presented by the non-Operator in accordance with this section, the Management Committee shall be deemed to have approved such Program and to have appointed the non-Operator who presented such Program as Operator for the purpose of implementing such Program.

14.3 Within 90 days of the approval by the Management Committee of the first Program following the Participation Date and, thereafter, within 30 days of the approval of a Program by the Management Committee, each Participant shall give written notice to the Operator and the other Participant stating whether or not it elects to contribute its Cost Share of such Program. Failure to give notice pursuant to this subsection within such 90 day or 30 day period, as the case may be, will be deemed to be an election by a Participant not to contribute its Cost Share of such Program.

14.4 If a Participant (the "Non-Contributing Participant") elects or is deemed to have elected not to contribute its Cost Share of a Program approved by the Management Committee pursuant to subsection 14.3 the remaining Participant (the "Contributing Participant") may give notice in writing to the Operator that such Contributing Participant will contribute all Expenditures to be incurred under or pursuant to such Program by the Non-Contributing Participant in addition to its own Cost Share, and thereafter, the Operator will proceed with such Program. If at least 80% of the budgeted Expenditures in respect of such Program are incurred, the Participants' respective Interests shall thereafter be adjusted in accordance with subsection 10.3. If less than 80% of the budgeted Expenditures in respect of such Program are incurred, the Interests of the Participants will not be adjusted unless notice is first given by the Operator to the Non-Contributing Participant (the "Non-Contributing Participant") that the Program was abated together with notice of the amount of the actual Expenditures incurred, and the Non-Contributing Participant does not within 30 days thereafter reimburse the Contributing Participant to the extent of the Non-Contributing Participant's Cost Share of such Program (being the amount which the Contributing Participant elected to and did contribute instead of the Non-Contributing Participant) together with interest thereon from the date contributed at a per annum rate of the Prime Rate plus 3%. If the Non-Contributing Participant so reimburses the Contributing Participant within such 30 day period it shall be deemed to have contributed its Cost Share of such Program and the Participants' respective Interests shall not be adjusted in accordance with subsection 10.3. The Operator will not proceed with any Program which is not fully funded by the Participants.

14.5 An election to fund a Program shall make a Participant liable to pay its Cost Share of all of the Expenditures actually incurred under or pursuant to such Program, including Program Overruns up to but not exceeding 10% of estimated Expenditures.

14.6 After having elected to fund a Program which is proceeded with, each Participant shall, within 10 days after being requested in writing to do so by the Operator, pay such amount of Expenditures incurred or to be incurred under or pursuant to such Program as the Operator may require, but the Operator shall not require payment of any funds more than one month in advance of the period during which the same are to be expended. Monthly Expenditure projections will be delivered by the Operator to the Participants once each calendar quarter for the next succeeding three months.

14.7 If it appears that Expenditures will exceed by greater than 10% those estimated under a Program, the Operator shall immediately give written notice to the Participants outlining the nature and extent of the Program Overruns. If such Program Overruns are accepted by the Participants then, within 10 days after the receipt of a written request from the Operator, each Participant shall pay to the Operator its Cost Share of such Program Overruns. If any Participant does not accept such Program Overruns, or fails to pay the same, the Operator shall be entitled to curtail or abandon such Program, failing which it will be solely responsible for the amounts in excess of 10%, which will be deemed not to be Costs under this Agreement.

14.8 If a Participant at any time fails to pay such amount of Expenditures as is requested by the Operator in accordance with subsection 14.6 after having elected to do so or, after all Participants have accepted Program Overruns in accordance with subsection 14.7, fails to pay its Costs of such Production Overruns upon request to do so, the Operator may give written notice to such Participant demanding payment, and if such Participant has not paid such amount within 30 days after receipt of such notice, such Participant shall be deemed to:

(a) be in default under subsection 14.6 or 14.7, as applicable; and

(b) have lost its right to contribute to such Program;

and the other Participant shall have the right to contribute all Costs to be incurred under or pursuant to that Program and the Participants' respective Interests in the Property shall be adjusted in accordance with subsection 10.3 at which point such default shall be deemed to have been cured. The Operator shall have the right to curtail or abandon any Program which is not fully funded by the Participants.

15. PRODUCTION PROGRAMS

15.1 If the Operator determines that the economic potential of any part of the Property warrants the preparation of a Feasibility Report the Operator will present a Program in accordance with section 14 contemplating the preparation of a Feasibility Report. The Operator will forthwith deliver to the Management Committee any internal or draft report or reports on the economics of Commercial Production and on completion of the Feasibility Report pursuant to such Program the Operator shall forthwith deliver to the Participants a Feasibility Report and if in the opinion of the Management Committee it is warranted based on the conclusions reached in the Feasibility Report, the Operator shall prepare a Production Program in respect to such part of the Property which shall include at least the following:

(a) a description of that part of the Property to be covered by the proposed mine;

(b) the estimated recoverable reserves of minerals and the estimated composition and content thereof;

(c) the costs and time estimate for permitting and the proposed procedure for development, mining and production;

(d) results of ore amenability tests (if any);

(e) the nature and extent of the Facilities proposed to be acquired which may include mill facilities, if the size, extent and location of the ore body makes such mill facilities feasible, in which event the study shall also include a preliminary design for such mill;

(f) the total costs, including capital budget, which are reasonably required to obtain permitting for and to purchase, construct and install all structures, machinery and equipment required for the proposed mine, including a schedule of timing of such requirements;

(g) all environmental, socio-economic and heritage baseline impact studies and costs;

(h) the period in which it is proposed the Property shall be brought to Commercial Production;

(i) such other data and information as are reasonably necessary to substantiate the existence of an ore deposit of sufficient size and grade to justify development of a mine, taking into account all relevant business, tax and other economic consideration; and

(j) working capital requirements for the initial four month operation as a mine or such longer period as may be reasonably justified in the circumstances.

15.2 After the Participation Date, so long as it has not lost its right to contribute to Programs and to Production Programs should the Operator fail to present a Program pursuant to subsection 15.1 within one (1) year of the Participation Date, any Participant (the "non-Operator" for the purpose of this subsection) may at any time thereafter request the Operator to present a Program contemplating the preparation of a Feasibility Report with respect to Property and if the Operator fails to do so within 60 days of such request, such Participant shall have the right to become Operator for the purpose of completing such a Program at its own cost and expense but the Participant's respective Interests in that Property will not be adjusted under subsection 10.3 during the course of such Program. Upon completion of a Feasibility Report the non-Operator shall forthwith deliver a copy to the Management Committee together with a Production Program and the non-Operator's election to fund its Cost Share of such Production Program if, in the opinion of non-Operator, it is warranted based on the conclusions reached in the Feasibility Report. If the Participant who did not contribute to the preparation of the Feasibility Report and Production Program elect pursuant to subsection 15.3 to participate in a Production Program based on the Feasibility Report prepared by the non-Operator, the Participant who did not contribute shall reimburse the non-Operator their respective Cost Share of an amount equal to 150% of such Participant's Cost Share of the Feasibility Report in order to maintain their respective Interest in the Property, failing which its Interest will be adjusted in accordance with subsections 10.3 and 10.4. If the Participant who did not contribute to the Feasibility Report does not elect to contribute its respective Cost Share pursuant to subsection 15.3 the non-Operator may contribute all Costs relating thereto, and, as a result, the Participants' respective Interests in the Property shall thereafter be adjusted in accordance with subsections 10.3 and 10.4 including the cost of Feasibility Report. If the non-Operator does not elect to contribute to the Production Program, the cost of the Feasibility Report will not result in the adjustment of the Participants' Interest in the Property pursuant to subsection 10.3.

15.3 Subject to subsection 15.2, within six months of the delivery to the Participants of a Production Program and Feasibility Report delivered pursuant to either subsection 15.1 or 15.2 each Participant shall give written notice to the Operator stating whether it elects to contribute its Cost Share of the Production Program. Failure to give such notice within such six month period shall be deemed to be an election not to contribute to such Production Program and the provisions of subsection 15.7 shall apply. If all Participants elect to contribute their respective Cost Shares of the Production Program the Operator shall implement the Production Program. The Operator will not proceed with any Production Program which is not fully funded by the Participants.

15.4 An election to fund a Production Program shall make a Participant liable to pay its Cost Share of:

(a) all of the Production Program Costs actually incurred under or pursuant to such Production Program, including Production Program Overruns up to but not exceeding 10% of estimated Production Program Costs,

(b) Operating Costs and any other costs associated with establishing and operating the Property as a mine at such time as the liability is incurred by the Operator; and

(c) any debts, liabilities or obligations arising from operations hereunder in respect of the Property, except financing costs incurred by the other Participant in connection with such other Participants' contributions to the Production Program.

15.5 Commencing 90 days after having elected to fund a Production Program which is proceeded with, each Participant shall, within 30 days after being requested in writing to do so by the Operator, pay such amount of Production Program Costs incurred or to be incurred under or pursuant to such Production Program as the Operator may require, but the Operator shall not require payment of any funds more than one month in advance of the period during which the same are to be expended.

15.6 If it appears that Production Program Costs will exceed by greater than 10% those estimated under a Production Program, the Operator shall immediately give written notice to the Participants outlining the nature and extent of the Production Program Overruns. If such Production Program Overruns are accepted by the Participants then, within 30 days after the receipt of a written request from the Operator, each Participant shall pay to the Operator its Cost Share of such Production Program Overruns. If any Participant does not accept such Production Program Overruns, or fails to pay the same, the Operator shall be entitled to curtail or abandon such Program, failing which it will be responsible for the amounts in excess of 10%, which will be deemed not to be Costs under subsection 10.3.

15.7 If a Participant elects or is deemed to have elected not to contribute its Cost Share of a Production Program pursuant to subsection 15.4, such Participant will be deemed to have lost its right to contribute to the Production Program and the other Participants will have the right, pro rata in accordance with their respective Interests in the Property, to contribute all

Production Program Costs to be incurred under or pursuant to the Production Program and the Operator will proceed with the Production Program and the Participants' respective Interests in the Property will thereafter be adjusted in accordance with subsection 10.3.

15.8 If a Participant:

(a) at any time fails to pay such amount of Production Program Costs as is requested by the Operator in accordance with subsection 15.5; or

(b) at any time fails to pay such amount of Production Program Overruns as was accepted by such Participant in accordance with subsection 15.6,

the Operator may give written notice to such Participant demanding payment, and if such Participant has not paid such amount within 30 days after receipt of such notice, such Participant shall be deemed to be in default under subsection 15.5 or 15.6 and have lost its right to contribute to the balance of the Production Program in respect of the Property. The remaining Participant shall have the right to contribute the remaining Production Program Costs to be incurred under or pursuant to the Production Program in respect of the Property and the Operator will proceed with the Production Program and the Participants' respective Interests in respect of the Property shall thereafter be adjusted in accordance with subsection 10.3.

15.9 If neither of the Participants elects to pay the Cost Share of a Non-contributing Participant, then the Operator may elect any of the following remedies:

(a) the Operator may elect to pay the Non-contributing Participant's Cost Share of Production Program Costs in respect of which such demand relates, in which case the Operator will be entitled to recoup such amount together with interest at a rate equal to the Prime Rate plus three (3%) percent per annum, compounded semi-annually, not in advance, on June 30 and December 31 in each year, pursuant to subsection 19.3, and upon such payment being made by the Operator such amount so contributed (but not including any such interest) will be deemed to be a contribution to Production Program Costs by the Non-contributing Participant for purposes of the calculation of each Participant's Interest as set out in subsection 10.3 and the Non-contributing Participant will no longer be in default;

(b) in the event that the Operator elects to pay the Non-Contributing Participant's Cost Share of Production Program Costs and such payment results in the Non-Contributing Participant's Interest being reduced to 10% or less, the Operator may elect to have the Interest of the Non-contributing Participant transferred to the Operator in consideration of the Non-contributing Participant receiving, as consideration therefore, a five (5%) percent Net Profits Interest, and thereupon the Operator will be deemed to have assumed to obligation to contribute to Production Program Costs all of the Cost Share of the Non-contributing Participant not theretofore contributed by the Non-contributing Participant and that any loans made by the Operator on behalf of the Non-contributing Participant pursuant to subparagraph (a) will be deemed to have been satisfied by such transfer of the Non-contributing Participant's Interest to the Operator. Following such transfer, the Non-contributing Participant will no longer have an Interest nor will it be a Participant or have any rights to participate in the development and exploitation of the Property; or

(c) the Operator may elect to terminate the Production Program.

16. MANAGEMENT COMMITTEE

16.1 The Participants will, as soon as is practicable after the Participation Date, establish a Management Committee for the Property consisting of two members of each Participant. Each Participant shall designate in writing to the other the names of its members of the Management Committee.

16.2 A Participant may from time to time revoke in writing the appointment of its member to the Management Committee and appoint in writing another in his place. A Participant may from time to time in writing appoint one alternate member for any member theretofore appointed by such Participant to the Management Committee. Alternate members may attend meetings of the Management Committee, and in the absence of the member, his alternate may vote and otherwise act in the place and stead of a member. Whenever any member or alternate member votes or acts, his votes or actions shall for all purposes of this Agreement be considered the actions of the Participant whom he represents. The Participants shall give written notice to each other from time to time as to names, addresses, telephone numbers and facsimile numbers of their respective members and alternates on the Management Committee.

16.3 Meetings of the Management Committee may take place by means of counterpart resolutions delivered by facsimile, mail or courier or by means of conference telephones or other communication facilities by which means all Participants or their alternates participating in the meeting can hear each other. The persons participating in a meeting in accordance with this subsection shall be deemed to be present at the meeting and to have so agreed and shall be counted in the quorum therefor and be entitled to speak and vote thereat.

16.4 Meetings of the Management Committee shall be held at least once in each calendar year and may be called by the Operator or any Participant by giving ten days' notice in writing to the others except that 60 days' notice shall be given in respect of a meeting to consider a pre-Feasibility Report or Feasibility Report and Production Program, unless otherwise agreed to by the Participants.

16.5 The initial chairman of the Management Committee (the "Chairman") shall be determined by Piper and thereafter designated by the Participant with the greatest Interest in the Property.

16.6 The Operator shall consult freely with the Management Committee and the members thereof, and keep them fully advised of the present and prospective operations and plans and shall furnish the Management Committee with quarterly reports relating to the status of the Property together with timely current reports and information on any material results relating to the Property.

16.7 Voting by the Management Committee may be conducted by verbal, written, facsimile or electronic ballot.

16.8 Except as hereinafter provided in subsection 16.11 and 16.2, a quorum of any meeting of the Management Committee shall consist of any combination consisting of one member or one alternate of each Participant. If a quorum is not present within thirty minutes after the time fixed for holding any such meeting, the meeting shall be adjourned to the same day in the next week (unless such day is a non-business day in which case it shall be adjourned to the next following business day thereafter) at the same time and place. At the adjourned meeting the members or alternate members present in person (which may include only one person) shall form a quorum and may transact the business for which the meeting was originally convened.

16.9 One member of the two members appointed by each Participant will be designated as the voting member. The voting member (or alternate member in the absence of the member) of the Management Committee shall have a number of votes equal to the Interest held by the Participant such member or alternate member represents.

16.10 Except as otherwise provided in this Agreement, all decisions of the Management Committee shall be by the affirmative vote of a majority of the votes entitled to be cast by members. The member or members representing a Participant, which is in default shall be entitled to attend meetings of the Management Committee but shall not be entitled to vote.

16.11 In the case of an equality of votes on any matter which cannot be resolved, the Chairman shall have a casting vote in respect of all matters related to Programs, Production Programs, or otherwise incurring Expenditures on the Property, and if the Chairman exercises such vote it will be deemed to be a resolution approved by a majority of the votes of the Participants, and in all other cases, the matter shall be referred to arbitration pursuant to section 30.

16.12 The following matters shall require the unanimous approval of the Management Committee:

(a) the acquisition or disposition of an Asset or series of Assets with a fair market value in excess of $1,000,000 or an Asset that the acquisition or disposition of which would substantially change the nature of the business ordinarily conducted by the Joint Venture;

(b) the borrowing of any funds in an amount greater than $1,000,000, on behalf of the Joint Venture or the incurrence, assumption or guarantee of any debt by the Joint Venture, except as incurred in the ordinary course of business;

(c) the commencement of any litigation on behalf of the Joint Venture seeking damages in excess of $100,000 or the settlement of any litigation or other dispute involving the Joint Venture for an amount in excess of $100,000; and

(d) the disposition of all or any material portion of the Property.

16.13 All meetings shall be held at such place in the City of Vancouver, as shall be designated by the Operator unless otherwise agreed to by the Participants.

16.14 There shall be included with a notice of meeting such material and data as may be reasonably required to enable the members of the Management Committee to determine the position they should take in respect of any vote or election to be made at such meeting.

16.15 The Operator shall have the responsibility of preparing and distributing notices and agendas of meetings and keeping records of the proceedings at such meetings and distributing same to the Participants. Unless any Participant whose representative was present at the relevant meeting objects by notice in writing delivered to the Operator within 30 days of receipt of minutes of meetings, detailing the basis for such objection, the minutes so distributed shall be deemed a conclusive record of the proceedings of such meetings. The Participants shall not effect any action based on minutes, which are in dispute and, in the event of any dispute in respect of the minutes, the Participants shall reconvene a Management Committee meeting within seven days to resolve such dispute.

17. POWERS OF MANAGEMENT COMMITTEE

17.1 The Management Committee shall, without limiting any of its powers as specified elsewhere in this Agreement, have the exclusive right, power and authority separately with respect to the Property to:

(a) approve, modify, or reject any Program, Feasibility Report, Production Program or Operating Plan proposed by the Operator or any Program, Feasibility Report or Production Program proposed by a Participant;

(b) remove the Operator of the Property;

(c) appoint a new Operator if the Operator resigns pursuant to subsection 11.1 or is deemed to have resigned pursuant to subsection 11.3;

(d) determine the terms of engagement of the Operator, including any remuneration payable to the Operator on the basis that the Operator should neither profit nor lose for acting as such;

(e) approve or reject the sale, abandonment or disposition of any part of the Assets (other than the Property), which, in the case of any asset or series of related assets having a value in excess of $200,000; and

(f) establish accounting procedures from time to time for the Operator.

18. OPERATING PROGRAMS, BUDGETS AND PAYMENTS

18.1 On the commencement of Commercial Production for the Property, all mining operations on the Property will be planned and conducted and all estimates, reports and statements will be prepared and made on the basis of an operating year and in accordance with the Accounting Procedure. The first operating year for the Property will be the period from the commencement of Commercial Production to December 31st of the same calendar year and thereafter each operating year will coincide with the calendar year (an "Operating Year").

18.2 Prior to the beginning of each Operating Year the Operator will prepare and deliver to the Participants an Operating Plan for the ensuing Operating Year. The Operating Plan applicable to the first Operating Year will be submitted not later than the third quarter of each Operating Year, and the Operating Plan for each subsequent operating year will be submitted not later than November 15 in the year immediately preceding the Operating Year to which such Operating Plan relates. Each Operating Plan will contain, with reference to the Operating Year to which it relates, the following:

(a) a plan of proposed mining operations including, without limiting the generality of the foregoing, particulars of any special items such as:

(i) an increase of 20% or more in the capacity or through put of the concentrating mill or mining capacity,

(ii) additional general exploration of the Property outside the mine,

(iii) opening and equipping an additional mine or mines on the Property,

(iv) any departure from development or mining plans previously followed by the Operator,

(v) any plans for stockpiling of Mineral Products, or

(vi) any development work to be completed in any Operating Year if such work in not required in the ordinary course to continue mining as contemplated by the approved Operating Plan and Costs therefore are reasonably estimated by the Operator to exceed $1,000,000;

(b) a detailed estimate of all Operating Costs plus a reasonable allowance for contingencies;

(c) an estimate of the quantity of Mineral Products to be produced from the Property; and

(d) such other facts and figures as may be necessary to give the other parties a reasonably complete picture of the results the Operator plans to achieve;

and the Operator shall promptly supply to each Participant any additional or supplemental information which that Participant may reasonably require in respect to the Operating Plan.

18.3 Each Participant will have 60 days from receipt of any annual Operating Plan within which to consider such Operating Plan following which a meeting of the Management Committee will be called to deal with any objections and alternative proposals. The proposed Operating Plan will then be voted on by the Management Committee. If the proposed Operating Plan is approved but any Participant objects to the approved Operating Plan on the basis of any of the items as set out in subparagraphs 18.2(a)(i) to (vi) the Operator will either modify the Operating Plan or may elect to bear the Operating Costs of such Participant relating to such item, in which event it will be entitled to recoup such amount together with interest at the Prime Rate plus two percent.

18.4 Based upon the budgets submitted to and approved by the Management Committee as the same may be revised from time to time the Operator shall submit to each Participant on or before the 10th day of each month an estimate of the cash requirements for the next month which shall show:

(a) separately the estimated cash disbursements which the Operator will be required to make for Operating Costs and any other expenditures approved by the Participants;

(b) the extent if any to which such disbursements will be satisfied out of cash in the Operating Fund (as hereinafter defined) after allowing for the cash balance to be maintained in the Operating Fund as approved by the Management Committee;

(c) the amounts, if any, which are credited to each Participant in the immediately preceding month;

(d) the Cost Share which each Participant will be required to furnish to the Operator for such disbursements net of and indicating the amount of Operating Costs, if any, to be advanced by the Operator on behalf of that Participant pursuant to subsection 18.3; and

(e) the account into which the required funds are to be deposited.

18.5 Within 15 days after receipt of each such cash estimate, the Participants will remit to the Operator their respective Cost Shares required under paragraph 18.4(d) and if any Participant fails to pay all or any part of its Cost Share pursuant to paragraph 18.4(d) the Operator shall be entitled to pay the unpaid share of that Participant. If the Operator pays such unpaid share, it will be entitled to recoup such amount, together with interest thereon at a rate equal to the Prime Rate plus three (3%) percent per annum, compounded semi-annually, not in advance, on June 30 and December 31 in each year, pursuant to subsection 19.3, and have a lien in respect of 100% of such amount pursuant to section 24.

18.6 Prior to incurring any Operating Cost hereunder or as soon as reasonably practicable thereafter, the Operator will open an account or accounts in bank(s) approved by the Participants for the purpose of establishing and maintaining therein at all times a cash fund (the "Operating Fund") from which Operating Costs will be paid by the Operator or from which the Operator may be reimbursed for Operating Costs spent by it.

18.7 All money received by the Operator from the Participants and the payment of the Operator's invoices for accrued Operating Costs shall be deposited in the Operating Fund and, in addition, each Participant shall deposit or cause to be deposited in the Operating Fund at the times and in the manner provided in subsection 18.4 the sums provided for therein. The total amount of deposits in the Operating Fund, regardless of the source thereof, shall at no time exceed the gross Operating Costs of the Operator for the then current and next succeeding month as estimated in the Operating Plan then in effect.

18.8 On commencement of the Production Program or on such earlier date as the Operator considers it necessary based on the work being carried out on the Property, the Operator shall establish and administer a contingency fund (the "Contingency Fund"), in addition to all required statutory funds, to be maintained as a separate account for the purpose of paying all costs, outlays, expenses, obligations, liabilities and charges of whatever kind or nature incurred or chargeable, directly or indirectly, by the Participants for environmental protection, reclamation, pollution control, testing, monitoring, clean-up, containment and removal of hazardous substances from the Property, remediation, decommissioning, shutdown and other similar matters ("Reclamation and Remediation Costs"), severance pay and pensions for employees arising as a result of operations and in connection with the permanent shut down in whole or in part of any mine on the Property. At the time such Contingency Fund is established the Operator will estimate the amount required throughout the life of the mine and, based upon the estimated mine life, the amount required to be contributed by each Participant in accordance with its Interest in the Property on an annual basis or from time to time in the case of special or unexpected Reclamation and Remediation Costs. Such Contingency Fund shall be held in trust on behalf of the Participants and invested and reinvested by the Operator in Government of Canada treasury bills or similar liquid investments as the Management Committee may from time to time authorize acting prudently on behalf of the Participants. To the extent that additional funds are required once the Contingency Fund is in place and the Management Committee is of the view that there will be sufficient future Mineral Products produced from the Property to replenish any moneys borrowed from the Contingency Fund the Operator will distribute such funds to the

Participants in accordance with their respective Interests in the Property. In the event of any subsequent shortfall in the Contingency Fund, each Participant will within 30 days of being requested to do so in writing by the Operator, repay its Cost Share of such funds.

18.9 If the Interest of a Participant in the Property is converted to a Net Profits Royalty pursuant to subsection 10.5 the Participant whose Interest in the Property was converted shall remain liable for its Cost Share of all amounts chargeable to it in respect of the Property through to the date of such conversion. If the remaining Participants require it to do so, the Participant whose Interest in respect of the Property was so converted shall secure to the satisfaction of the remaining Participants its Cost Share of the costs of reclamation of the surface lands to the Property and other environmental rehabilitation as may be required, such Cost Share to be determined on the basis of the Interest of such Participant in respect of the Property at the time the events giving rise to such liabilities occurred.

19. DISPOSITION OF PRODUCTION

19.1 Subject to the provisions of subsection 19.3, for any period after the commencement of Commercial Production on the Property and provided that each Participant has paid to the Operator its respective Cost Share of Operating Costs for that period, the Participants shall take in kind and separately dispose of Mineral Products in the ratio of their respective Interests in the Property.

19.2 For purposes of determining the value of Mineral Products taken in kind pursuant to subsection 19.1, each Participant's share of Mineral Products shall be valued at the time of delivery to the Participants (or purchase or sale by the Operator pursuant to subsection 19.5) and at a value equal to that received by the Participant acting as Operator for its share of such Mineral Products after deduction of:

(a) all costs of transporting Mineral Products, including insurance, from the Property to the place of delivery designated by the purchaser of such Mineral Products,

(b) such reasonable charge for marketing Mineral Products as is consistent with generally accepted industry marketing practices, and

(c) all taxes (other than income taxes), royalties or other charges or imposts provided for pursuant to any law or legal obligation imposed by any government if paid by such Participant in connection with the disposition of Mineral Products taken in kind.

19.3 If the Operator makes any payment on behalf of a Participant pursuant to subsections 15.9 (a) and 18.5, it shall have the prior and preferred right pursuant to section 24 to receive that Participant's share of Mineral Products under subsection 19.1 until the Operator has received Mineral Products in kind of a value equal to 100% of the actual payment plus interest at the Prime Rate plus three (3%) percent made as provided in subsection 18.5. If the Operator makes any payment on behalf of a Participant pursuant to subsection 18.3 it shall have the prior and preferred right pursuant to section 25 to receive that Participant's share of Mineral Products under subsection 19.1 until the Operator has received Mineral Products in kind of a value equal to the actual payment made by the Operator pursuant to subsection 18.3 together with interest at the Prime Rate plus three per cent, calculated on the outstanding balance from time to time from the date of advance of such funds.

19.4 Any extra expenditure incurred by reason of the taking in kind or separate disposition by a Participant of its proportionate share of Mineral Products shall be borne by that Participant and that Participant shall be required to construct, operate and maintain, at its own expense, any and all facilities which may be necessary to receive, store and dispose of its share of Mineral Products.

19.5 If either Participant elects not to take Mineral Products in kind or fails to make the necessary arrangements to take in kind or separately dispose of its proportionate share of Mineral Products, the Operator as agent may purchase for its own account or sell such share, subject to the right of the Participant owning such share to revoke at will the Operator's authority under this subsection in respect of Mineral Products not then purchased by the Operator or committed for sale to others, and the Operator shall be entitled to deduct from the sale proceeds all costs of or related to marketing such Mineral

Products including, without limitation, transportation, storage, commissions, and discounts but all contracts of sale executed by the Operator for a Participant's share of Mineral Products shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances and in no event shall any such contract be for a period in excess of one year.

19.6 Proceeds, if any, from the sale by the Operator of Mineral Products pursuant to subsection 19.5 shall be calculated by the Operator separately for each Participant at the end of each calendar month and shall be paid monthly within 20 days after the end of each such calendar month following payment to the Operator by each Participant of its respective Cost Share of Operating Costs outstanding as at the end of that calendar month.

19.7 If a Participant, any Associated Company of a Participant or any person with whom a Participant is not dealing at arm's length is a purchaser of Mineral Products from a Participant, and if the value of such Mineral Products is to be used to determine any matter arising under this section, such Participant shall be required to receive competitive prices for all Mineral Products so sold.

20. AUDIT

20.1 The records relating to the Property including all Costs and Mineral Products taken in kind or to the calculation of proceeds from the sale thereof shall be audited annually at the end of each fiscal year of the Operator and:

(a) any adjustments required by such audit shall be made forthwith;

(b) a copy of the audited statements shall be delivered to the Participants within six months of the end of such fiscal year; and

(c) the expenses of any such audit will be deemed to be Costs;

and all such accounts and records shall be deemed to be correct and accurate unless questioned by a Participant within 12 months following the end of the calendar year to which the accounts relate.

20.2 Each Participant at reasonable times and upon notice in writing to the Operator, shall have the right to inspect, audit and copy the Operator's accounts and records relating exclusively to the operations of the Joint Venture for any calendar year within 12 months following the end of such calendar year. The Participants shall make all reasonable efforts to conduct audits in a manner which will result in a minimum of inconvenience to the Operator and the expenses of any such audit will be borne by the Participant which implemented it.

21. SHARING OF AND CONFIDENTIAL NATURE OF INFORMATION

21.1 Subject to subsection 21.2, each Participant agrees that all information obtained hereunder shall be the exclusive property of the Participants and not publicly disclosed or used other than for the activities contemplated hereunder and except as required by law or by the rules and regulations of any regulatory authority or stock exchange having jurisdiction, or with the written consent of the other Participants, such consent not to be unreasonably withheld or delayed.

21.2 Consent to disclosure of information pursuant to subsection 21.1 shall not be unreasonably withheld where a Participant wishes to disclose any such information to a third party for the purpose of arranging bona fide financings for its contributions to Costs hereunder or for the purpose of selling its Interest in the Property, or attracting a third party to enter a joint venture in respect of the Property, provided that such third party gives its undertaking to the Participants that any such information not theretofore publicly disclosed shall be kept confidential and not disclosed to others.

21.3 Each party will, prior to making any press release or other written public disclosure, provide to the other a draft not less than twenty-four (24) hours prior to the proposed release thereof and will, prior to making such disclosure, consider the comments of the other party with respect to such draft in finalizing the disclosure.

21.4 Neither Participant shall be liable to the other for the fraudulent or negligent disclosure of information by any of its employees, servants or agents, provided that such Participant has taken reasonable steps to ensure the preservation of the confidential nature of such information.

22. LIMITED CHARGING

22.1 Each Participant hereby covenants and agrees with the other to cooperate fully in connection with any production financing for the Property which is presented on reasonable commercial terms for projects of a similar nature, size and financial risk and to hold its Interest free and clear of all liens, charges and encumbrances including any floating charge (except liens for taxes not yet due and other inchoate liens and arising from operations on the Property being contested in good faith) and each Participant shall, if so required by the terms of such project financing, issue to any lender providing such financing, bonds, debentures or other security instruments charging its Interest in the Property, inter alia, by way of a specific first mortgage and charge limited to its Interest in the Property. No such project financing shall require either Participant to give any guarantee to any third party on behalf of the other Participant, to be jointly and severally liable for the repayment of such financing or to give security to any lenders in respect of such financing in an amount greater than its Interest in the Property.

22.2 If a joint financing for the Production Program is not arranged as contemplated in subsection 22.1, then notwithstanding the provisions of section 25, for the purpose of financing its share of the Production Program a Participant may, at any time, mortgage, charge or otherwise encumber the whole or any part of its Interest in the Property but only upon the condition that the holder of such encumbrance, (hereinafter called the "Chargee"), first enters into a written agreement with the other Participant in form satisfactory to counsel for such other Participant, binding upon the Chargee, to the effect that:

(a) the Chargee will not enter into possession or institute any proceedings for foreclosure or partition of the encumbering Participant's Interest in the Property and that such encumbrance shall be subject to the provisions of this Agreement;

(b) the Chargee's remedies under the encumbrance shall be limited to the sale of the whole, (but only of the whole), of the encumbering Participant's Interest in the Property to the other Participants in accordance with section 23, or failing such disposition, at a public auction to be held after 90 days' prior notice to the other Participants, such sale to be subject to the purchaser entering into a written agreement with the other Participants whereby such purchaser assumes all obligations of the encumbering Participant under the terms of this Agreement; and

(c) if the Interest of a Participant in the Property is forfeited, the right of such Participant to act as Operator for the Property will cease.

23. RESTRICTIONS ON ALIENATION

23.1 Except in accordance with this Agreement neither Participant shall transfer, convey, assign, mortgage or grant an option in respect of or grant a right to purchase or in any manner transfer or alienate any or all of its Interest in the Property or transfer or assign any of its rights under this Agreement.

23.2 Neither Participant shall sell any of its Interest in the Property or otherwise transfer or assign any of its rights under this Agreement except:

(a) in its entirety, unless specifically provided otherwise hereunder;

(b) pursuant to an agreement in writing;

(c) as a single transaction not directly or indirectly part of some other sale or purchase or agreement for any additional consideration of any nature whatsoever; and

(d) when there is no default of any of the covenants and agreements herein contained by such Participant.

23.3 Nothing in this section shall prevent:

(a) a sale by either Participant of all of its Interest in the Property or an assignment of all its rights under this Agreement to an Associated Company provided that such Associated Company first complies with the provisions of subsection 23.11 and agrees with the other parties in writing to retransfer such Interest to the originally assigning party before ceasing to be an Associated Company of such Participant; or

(b) a joint disposition of the Property or all or any part of the other assets constituting any part of the Assets to a third party by the Participants; or

(c) a transfer of all or any part of the Interest of one Participant to the other Participant.

23.4 Subject to subsections 23.1, 23.2 and 23.3 if either Participant (in this section called the "Offeror") intends to sell its Interest in the Property or assign its rights under this Agreement it shall give notice in writing to the other Participant (in this section the Participant receiving such notice is called the "Offeree") of such intention together with the terms and conditions on which the Offeror intends to sell its Interest in the Property or assign its rights under this Agreement.

23.5 Subject to subsections 23.1, 23.2 and 23.3, if either Participant (in this section also called the "Offeror") receives any offer to purchase its Interest in the Property or assign its rights under this Agreement which it intends to accept, the Offeror shall not accept the same unless and until the Offeror has first offered to sell such Interest in the Property or rights to the other Participant (in this section also called the "Offeree") on the same terms and conditions as in the offer received and the same has not been accepted by the Offeree in accordance with subsection 23.7.

23.6 Any communication of an intention to sell pursuant to subsections 23.4 or 23.5 (the "Offer" for the purposes of this section only) shall be in writing delivered in accordance with section 26 and shall:

(a) set out fully and clearly all of the terms and conditions of any intended sale;

(b) if it is made pursuant to subsection 23.5, include a photocopy of the Offer and clearly identify the entity making the offer and include such information as is known by the Offeror about such entity;

and such communication will be deemed to constitute an Offer by the Offeror to the Offeree to sell the Offeror's Interest in the Property or transfer or assign its rights under this Agreement to the Offeree on the terms and conditions set out in such Offer.

23.7 Any Offer made as contemplated in subsection 25.6 shall be open for acceptance by the Offeree for a period of 60 days from the date of receipt by the Offeree.

23.8 If an Offeree accepts the Offer within the time limited, such acceptance shall constitute a binding agreement of purchase and sale between the Offeror and the Offeree for the Interest in the Property or its rights under this Agreement on the terms and conditions set out in such Offer.

23.9 If the Offeree does not accept the Offer within the time limited the Offeror may complete a sale and purchase of its Interest or its rights under this Agreement on exactly the same terms and conditions set out in the Offer and, where applicable, only to the party making the original offer to the Offeror as contemplated in subsection 23.5, and in any event such sale and purchase will be completed within 60 days from the expiration of the right of the Offeree to accept such Offer or the Offeror must again comply with the provisions of this section.

23.10 While any Offer is outstanding no other Offer may be made until the first mentioned Offer is disposed of and any sale resulting therefrom completed in accordance with the provisions of this section.

23.11 Before the completion of any sale by a Participant of its Interest or rights under this Agreement, to an Associated Company or otherwise, the entity purchasing such Interest shall, at the election of the Participants not selling, enter into an agreement with the Participant not selling on the same terms and conditions as set out in this Agreement.

23.12 Each Participant agrees that its failure to comply with the restrictions set out in this section would constitute an injury and damage to the other Participant impossible to measure monetarily and, in the event of any such failure the other Participant shall, in addition and without prejudice to any other rights and remedies at law or in equity, be entitled to seek injunctive relief restraining or enjoining any sale of any Interest in the Property or assignment of any rights under this Agreement save in accordance with the provisions of this section.

23.13 If the Participant acting as Operator sells its Interest in the Property or transfers or assigns its rights under this Agreement to a third party, its right as Operator under this Agreement shall be included in such sale only if the third party is acceptable to the remaining Participant and is capable of assuming and performing the duties and obligations of the Operator imposed under this Agreement.

24. OPERATOR'S LIEN

24.1 The Operator will have a first lien and charge (subject only to the rights of any third party providing financing for the Production Program), on the Participants' respective Interests, their right to receive either Product in kind or proceeds from the sale thereof and their interests in any contracts for the sale of Product as security for:

(a) their respective Cost Shares of Operating Costs; and

(b) any amount paid on behalf of a Participant by the Operator pursuant to this Agreement, plus (if applicable) interest as set out therein;

such lien and charge to be secured, upon the request of the Operator, by a mortgage, pledge and charge, general security agreement and *Personal Property Security Act* (Ontario) financing statement in favour of the Operator upon a Participant's Interest, its right at any time to receive either Product in kind or proceeds from the sale thereof and its interest in any contracts for the sale of Product, but if a Participant wishes to provide a sufficient bond for securing such payment, in the place of a mortgage, pledge and charge, general security agreement and financing statement, it may elect to do so, and if the Operator objects thereto, the sufficiency of the bond (including the acceptability of the obligor thereunder) will be submitted to arbitration pursuant to section 30.

25. ENCUMBRANCE, PARTITION AND INDEMNIFICATION

25.1 Except as otherwise provided herein, a Participant shall not encumber or suffer to exist any lien, charge or encumbrance on its Interest.

25.2 Neither Participant shall partition or seek partition, whether through order of any court or otherwise, of the Property, or other assets constituting any part of the Assets.

25.3 A Participant shall not have authority to act for or assume any obligations or liabilities on behalf of the other Participant except such as are specifically authorized pursuant to and in accordance with the terms of this Agreement, and each Participant shall indemnify and hold the other, and their officers, employees, and agents, harmless from and against any and all losses, claims, damages and liabilities arising out of any act or any assumption of any obligations by it done or undertaken on behalf of the other Participant other than as provided herein.

26. NOTICE

26.1 Any notice, direction or other instrument required or permitted to be given under this Agreement shall be in writing and may be given by the delivery of the same or by sending the same by, telecommunication, facsimile or other similar form of communication, in each case addressed as follows:

(a) If to Garson:

Garson Resources Ltd.
Suite 1260, 1180 West Georgia Street
Vancouver, British Columbia
V6E 4A2

Attention: President
Facsimile No.: (604) 684-3350

(b) If to Piper at:
Piper Capital Inc.
#311, 470 Granville Street
Vancouver, B.C.
V6C 1V5

Attention: President
Facsimile No.: (604) 683-8544

26.2 Any notice, direction or other instrument will, if delivered on a regular business day, be deemed to have been given and received on the day it was delivered and otherwise on the next business day, and if sent by telecommunication, facsimile or other similar form of communication on a regular business day, be deemed to have been given or received on the day it was so sent and otherwise on the next business day.

26.3 Any party may at any time give to the others notice in writing of any change of address of the party giving such notice and from and after the giving of such notice the address or addresses therein specified will be deemed to be the address of such Participant for the purposes of giving notice hereunder.

27. FURTHER ASSURANCES

27.1 The Participants will execute such further and other documents and do such further and other things as may be necessary or convenient to carry out and give effect to the intent of this Agreement.

28. MANNER OF PAYMENT

28.1 All references to monies hereunder shall be in Canadian funds. All payments to be made to any Participant hereunder may be made by cheque or draft mailed or delivered to such Participant at its address for notice purposes as provided herein, or deposited for the account of such Participant at such bank or banks as such Participant may designate from time to time by written notice said bank or banks shall be deemed the agent of the designating Participant for the purpose of receiving, collecting and receipting such payment.

29. TERMINATION

29.1 Subject to the provisions of subsection 5.3 in the case of termination price to the exercise of the Option this Agreement shall terminate upon the occurrence of the earliest of:

(a) a written agreement by the Participants to terminate;

(b) the termination of the Option and this Agreement pursuant to subsection 7.1;

(c) except with respect to the Net Profits Royalty, upon the transfer of all of a Participant's Interest to the Remaining Participant; or

(d) such time as there is only one Participant and no party holds a Net Profits Royalty.

29.2 A Participant may elect to withdraw as a Participant from this Agreement by giving notice to the other Participants of the effective date of withdrawal. Such notice of withdrawal will:

(a) indicate a date for withdrawal not less than three (3) months after the date on which the notice is given;

(b) contain an undertaking that the withdrawing Participant will:

(i) satisfy its Cost Share, based on its then current Interest, for all amounts chargeable to it in respect of operations hereunder performed prior to the date of withdrawal,

(ii) pay its Cost Share, based on the Interest which it surrendered, of the Costs of rehabilitating and reclaiming the Property as at the date of surrender, and

(iii) not, for a period of two (2) years from the date of surrender, acquire, directly or indirectly any rights or interests in or to minerals in the area covered by the Property; and

(c) include with it a release in writing, in form acceptable to counsel for the Operator, releasing the other parties from all claims and demands hereunder, except for those which arose or accrued or were accruing due on or before the date of withdrawal.

29.3 A Participant to whom a notice of withdrawal has been given as contemplated in subsection 29.2 may elect, by written notice given within ninety (90) days to the withdrawing Participant, to accept the withdrawal or to join in the withdrawal. The withdrawing Participant will execute and deliver all such documents as are required to convey its Interest to the Participants that elect to accept the withdrawal, if more than one then in proportion to their respective Interests. If all of the Participants join in the withdrawal, the Joint Venture will terminate in accordance with this section 29, the Participant which was the Operator being obligated to continue as Operator to effect the termination and the other Participants being obligated to fund their respective Cost Shares of the Costs incurred. Any withdrawal under subsection 29.2 or 29.3 will not relieve the withdrawing Participant of its Cost Share of liabilities to third persons (whether such accrues before or after such withdrawal). For purposes of this subsection 29.3, the withdrawing Participant's Cost Share of such liabilities will be equal to its Interest at the time such liability was incurred.

29.4 On termination of this Agreement pursuant to this section 29, the Participants will remain liable for continuing obligations hereunder until final settlement of all accounts and for any liability, whether it accrues before or after termination, if it arises out of operations hereunder during the term of this Agreement.

29.5 Promptly after termination under this section 29, the Operator will take all action necessary to wind up the activities of the Joint Venture, and all costs and expenses incurred in connection with the termination of the Joint Venture will be Costs chargeable to the Joint Venture. The Assets will first be paid, applied, or distributed in satisfaction of all liabilities of the Participants to third parties and then to satisfy any debts, obligations, or liabilities owed to the Participants. Before distributing any funds or Assets to Participants, the Operator will have the right to segregate amounts which, in the Operator's reasonable judgment, are necessary to discharge continuing obligations or to purchase for the account of the Participants, bonds or other securities for the performance of such obligations. Thereafter, any remaining cash and all other Assets will be distributed (all Assets other than cash being distributed in undivided interests unless otherwise agreed) to the Participants in proportion to their then current Interest.

29.6 A Participant that withdraws pursuant to subsection 29.2, or has transferred its Interest in consideration of a Net Profits Return Royalty pursuant to subsection 10.5, will not, directly or indirectly, acquire any rights to or interest in minerals within the area covered by the Property for two (2) years after the effective date of withdrawal. If a withdrawing Participant, or the Affiliate of a withdrawing Participant, breaches this subsection 29.6, such Participant or Affiliate will be obligated to offer to convey to the non-withdrawing Participants, without cost, any such right or interest so acquired. Such offer will be made in writing and can be accepted by the non-withdrawing Participants at any time within sixty (60) days after it is received by such non-withdrawing Participants.

29.7 Prior to the distribution of the Assets or the net revenues received on the disposal thereof on termination of this agreement, the Management Committee will meet and may approve a procedure for the retention, maintenance and disposal of documents maintained by the Management Committee (the "Documents") and will appoint such party as may consent thereto to ensure that all proper steps are taken to implement and maintain that procedure. If a quorum is not present at the meeting or if the Management Committee fails to approve a procedure as aforesaid, the Operator, if a party, or otherwise the party holding the largest Interest as at the day immediately preceding the date the Management Committee was called to meet, will, subject to the provisions of section 21, retain, maintain and dispose of the Documents according to such procedure, in compliance with all applicable laws, as it deems fit. The Participant entrusted with the retention will be entitled to receive payment of those costs and expenses prior to any distribution being made of any of the Property or the net revenues received on the disposal thereof.

29.8 On termination of this agreement or on the deemed withdrawal of a Participant or the withdrawal of a Participant, the Operator will have the power and authority, subject to control of the Management Committee, if any, to do all things on behalf of the Participants which are reasonably necessary or convenient to:

(a) wind up all operations hereunder; and

(b) complete any transaction and satisfy any obligation, unfinished or unsatisfied at the time of such termination or withdrawal, if the transaction or obligation arises out of operations hereunder prior to such termination or withdrawal.

The Operator will also have the power and authority, but only in the event of termination or withdrawal as referred to in this subsection 29.8, to grant or receive extensions of time or change the method of payment of an already existing liability or obligation, prosecute and defend actions on behalf of the Participants and the Joint Venture, mortgage Assets, and take any other reasonable action in any matter with respect to which the former Participants continue to have, or appear or are alleged to have, common interest or a common liability.

30. ARBITRATION

30.1 Any dispute arising between the Participants in respect of the interpretation of this Agreement or any matter to be agreed upon hereunder will be submitted to a single arbitrator to be agreed upon by the parties to that dispute, provided that if a single arbitrator cannot be agreed upon within ten business days after the appointment of the single arbitrator has been requested in writing by one of the parties, then the dispute will be referred to a board of three arbitrators, one to be appointed by each side to the dispute and a third arbitrator to be appointed by the first two named arbitrators in writing.

30.2 Any Participant may, upon written notice to the others demand arbitration of any dispute hereunder.

30.3 No person will be appointed as an arbitrator hereunder unless such person agrees in writing to act.

30.4 Upon appointment in accordance with subsection 30.1 the arbitrator(s) will immediately proceed to hear and determine the dispute.

30.5 The award of the arbitrator(s) will be made within 45 days after his (their) appointment subject to any reasonable delay due to unforeseen circumstances. The award of the arbitrator(s) will be in writing and signed by the arbitrator(s) and will be final and binding upon the Participants who will abide by the award.

30.6 The provisions of this section will be deemed to be a submission to arbitration within the provisions of the Commercial Arbitration Act (British Columbia).

31. TIME OF ESSENCE

31.1 Time is of the essence in the performance of this Agreement.

32. HEADINGS

32.1 The headings of the sections of this Agreement are for convenience only and do not form a part of this Agreement nor are they intended to affect the construction or meaning of anything herein contained or govern the rights and liabilities of the parties.

33. ENUREMENT

33.1 This Agreement shall enure to the benefit of and be binding upon the Participants and their respective successors and permitted assigns.

34. FORCE MAJEURE

34.1 Neither Participant will be liable for its failure to perform any of its obligations under this Agreement due to a cause beyond its control (except those caused by its own lack of funds) including, but not limited to, war, insurrection, civil unrest, adverse weather conditions, environmental protests or blockages, acts of God, fire, flood, explosion, strikes, lockouts or other industrial disturbances, laws, rules and regulations or orders of any duly constituted governmental authority or non-availability of materials or transportation (each an "Intervening Event").

34.2 All time limits imposed by this Agreement will be extended by a period equivalent to the period of delay resulting from an Intervening Event described in subsection 34.1.

34.3 A Participant relying on the provisions of subsection 34.1 will take all reasonable steps to eliminate any Intervening Event and, if possible, will perform its obligations under this Agreement as far as practical, but nothing herein will require such Participant to settle or adjust any labour dispute or to question or to test the validity of any law, rule, regulation or order of any duly constituted governmental authority or to complete its obligations under this Agreement if an Intervening Event renders completion impossible.

35. DEFAULT

35.1 Notwithstanding anything in this Agreement to the contrary (other than the provisions of this Agreement providing for elections to contribute and contributions to any Program and any Production Program for which no notice of default need be given), if either Participant (a "Defaulting Participant") is in default of any requirement herein set forth the other Participant shall give written notice to the Defaulting Participant specifying the default and the Defaulting Participant shall not lose any rights under this Agreement, unless within 30 days after the giving of notice of default by the affected Participant the Defaulting Participant has failed to take reasonable steps to cure the default by the appropriate performance and if the Defaulting Participant fails within such period to take reasonable steps to cure any such default, the affected Participant shall be entitled to seek any remedy it may have on account of such default.

36. FURTHER AGREEMENT

36.1 After the commencement of Commercial Production, either Participant may give notice to the other Participant requiring such Participant to enter into negotiations to settle a detailed operating agreement to supersede this Agreement. The Participants will endeavour to settle and execute such an agreement but if they fail to do so this Agreement will remain in full force and effect.

36.2 If either Participant determines that it would be in the best interests of the Joint Venture to have the Participants' Interests held by a joint venture company, owned by the Participants, for the sole purpose of holding such interests, such Participant may give notice to the other Participant, requiring such Participant to enter into negotiations to settle a new joint venture structure and related documentation to supersede this Agreement, but if they fail to do so this Agreement will remain in full force and effect.

37. ENTIRE AGREEMENT

37.1 This Agreement constitutes the entire agreement between the Participants and, except as hereafter set out, replaces and supersedes all prior agreements, memoranda, correspondence, communications, negotiations and representations, whether oral or written, express or implied, statutory or otherwise between the parties with respect to the subject matter herein.

38. GOVERNING LAW

38.1 This Agreement shall be governed by and construed according to the laws of British Columbia, and the laws of Canada applicable therein.

39. SEVERABILITY

39.1 If any term of this Agreement is determined to be invalid or unenforceable, in whole or in part, that invalidity or unenforceability will attach only to such term or part term, and the remaining part of the term and all other terms of this Agreement will continue in full force and effect. The invalidity or unenforceability of any term in any particular jurisdiction will not affect its validity or enforceability in any other jurisdiction where it is valid or enforceable.

40. AREA OF INTEREST

40.1 Each Participant hereby covenants and agrees with the other that if it, or any Associated Company of it (an "Offeror") acquires, directly or indirectly or pursuant to any third party agreement, any form of interest in minerals located wholly or in part within the Area of Interest the Offeror will promptly offer, or in the case of an Associated Company, use its best efforts to cause such Associated Company to offer such interest to the other Participant (the "Offeree") by notice in writing to the Offeree setting out the nature of such mineral interest and including all information known by the Offeror about such mineral interest, the Offeror's, or its Associated Company's, acquisition costs and all other details relating thereto and if, within 60 days from the date of the receipt of such notice, the Offeree accepts such mineral interest by notice in writing to the Offeror and pays to the Offeror a portion of the Offeror's acquisition costs as set out in such notice equal to the Offeree's Interest in the Property as of the date of this Agreement, such mineral interest will become part of the Property and any acquisition costs so paid will form part of that Participant's Costs.

40.2 Each Participant hereby covenants and agrees with the other to use its best efforts in any acquisition agreement under which it acquires any interest in minerals within the Area of Interest to acquire a 100% undivided interest in such minerals subject only to royalty interests in favour of the property vendor and financial provisions contemplating the use of one processing facility for ores derived from the various properties in the Area of Interest and to obtain unencumbered rights to assign an interest in any such agreement and the mineral rights related thereto pursuant to the provisions of this Agreement.

41. COUNTERPARTS

41.1 This Agreement may be executed in one or more counterparts by original or facsimile signature, each of which will be deemed an original, but all of which together will constitute one and the same agreement.

IN WITNESS WHEREOF the parties hereto have executed these presents as of the day and year first above written.

GARSON RESOURCES LTD.

Per:
Authorized Signatory

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GARSON RESOURCES LTD.

Per:
Authorized Signatory

PIPER CAPITAL INC.

Per:
Authorized Signatory

to the Offeree setting out the nature of such mineral interest and including all information known by the Offeror about such mineral interest, the Offeror's, or its Associated Company's, acquisition costs and all other details relating thereto and if, within 60 days from the date of the receipt of such notice, the Offeree accepts such mineral interest by notice in writing to the Offeror and pays to the Offeror a portion of the Offeror's acquisition costs as set out in such notice equal to the Offeree's Interest in the Property as of the date of this Agreement, such mineral interest will become part of the Property and any acquisition costs so paid will form part of that Participant's Costs.

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IN WITNESS WHEREOF the parties hereto have executed these presents as of the day and year first above written.

GARSON RESOURCES LTD.

Per:
Authorized Signatory

PIPER CAPITAL INC.

Per: Pamela Strand
Authorized Signatory

SCHEDULE "A" – PROPERTY DESCRIPTION

THIS IS SCHEDULE "A" TO THE JOINT VENTURE AGREEMENT MADE BETWEEN GARSON RESOURCES LTD. AND PIPER CAPITAL INC.

COPPER PRINCE GOLD MINE PROPERTY DESCRIPTION AND LOCATION

The claims are registered under the name of Garson Resources Ltd:

The Copper Prince Property comprises a contiguous block of 16 patented mining claims in Lots 5, 6 and 7 and Concessions 2 and 3 of Falconbridge Township, Sudbury Mining Division, Sudbury District, Ontario, Canada.

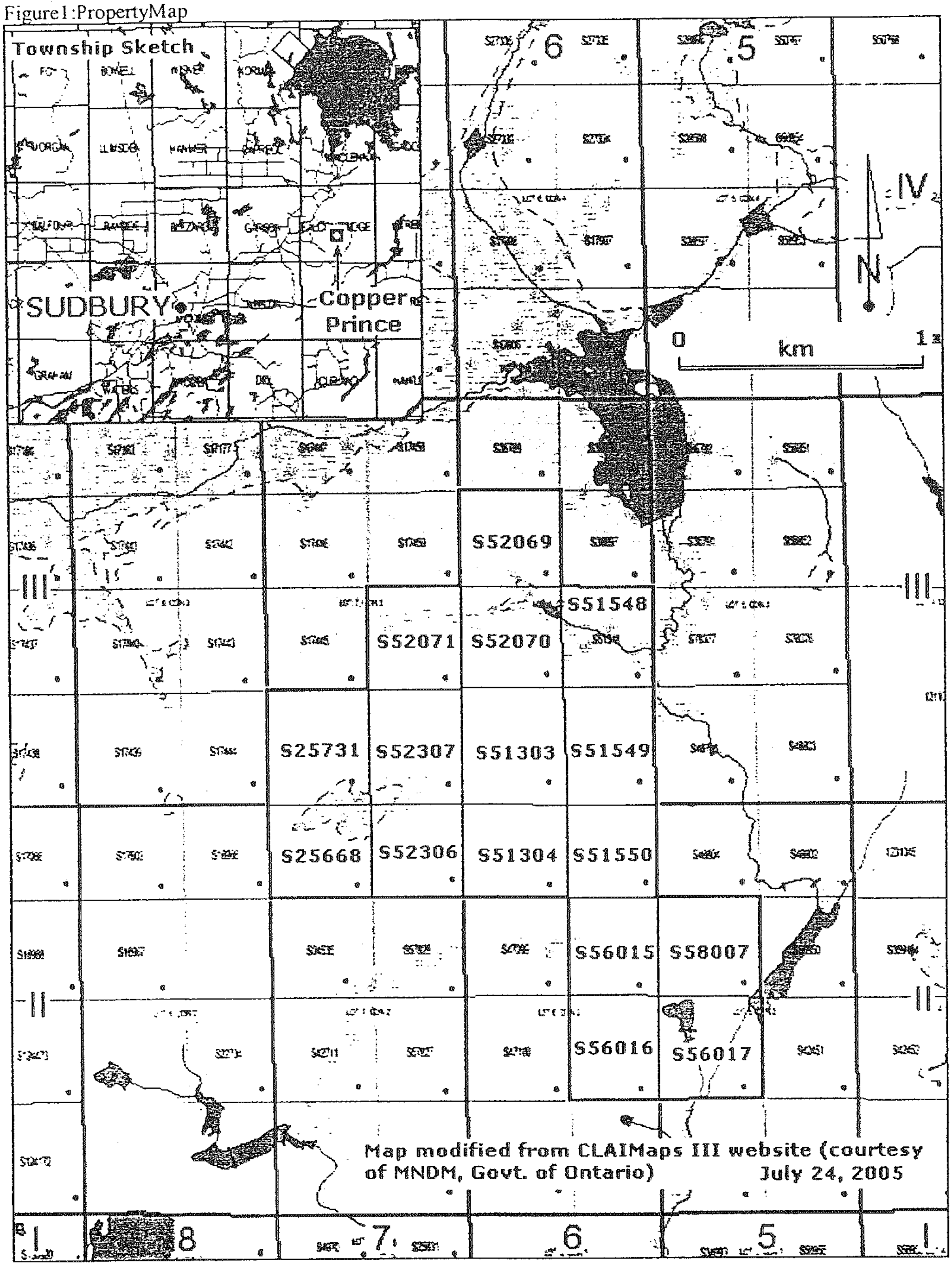
Patent numbers are as follows:

S25668, S25731, S51303, S51304, S51548, S51549, S51550, S52069, S52070, S52071, S52306, S52307, S56015, S56016, S56017, S58007.

Since this is a surveyed township, the area covered by the patents is very nearly a square mile (640 acres, or 259 hectares).

* These claims are subject to a 2% NSR royalty payable to Qwip Systems Inc. (Formerly Rainbow Group of Companies), which royalty can be purchased at the rate of CDN $1 million for each 1% of the royalty.

Figure1:PropertyMap



SCHEDULE "B" – ROYALTY PAYMENTS

THIS IS SCHEDULE "B" TO THE JOINT VENTURE AGREEMENT MADE BETWEEN GARSON RESOURCES LTD. AND PIPER CAPITAL INC.

Royalty Payments

In addition to the patented Mining Claims (the "Claims") registered with the Mining Recording Office, there are unregistered encumbrances against the Claims identified as follows:

Certain of the Claims set out in Schedule A are subject to a 2% NSR royalty payable to Qwip Systems Inc. (formerly the Rainbow Group of Companies), which royalty can be purchased at the rate of CDN $1 million for each 1% of the royalty.

SCHEDULE "C" – NET PROFITS ROYALTY

THIS IS SCHEDULE "C" TO THE JOINT VENTURE AGREEMENT MADE BETWEEN GARSON RESOURCES LTD. AND PIPER CAPITAL INC.

CALCULATION OF NET PROFITS

1. Net Profits shall be the amount by which revenues attributable to the sale of ores, minerals and other products produced from the Property during any fiscal period exceed the costs associated with exploration, development, mining, milling, smelting, refining or marketing operations during such fiscal period. Such revenues and costs shall be calculated on a cumulative basis and if, for any given fiscal period, accumulated costs exceed accumulated revenues, the excess costs shall be carried forward to the next succeeding period until accumulated revenues exceed accumulated costs.

2. For the purposes of computing the Net Profits hereunder:

(a) "revenues" shall mean the gross revenue received from the sale of ore, minerals and other products produced from the Property plus any miscellaneous revenue including all net amounts received from the sale of plant, machinery, equipment or other assets and working capital previously debited as costs from the Property; and

(b) "costs" shall mean all direct costs incurred on or in connection with the Property and directly related to exploring, developing and placing of the Property into operation and operating costs, including but not limited to the costs of mining, milling, smelting, refining and marketing, including payments of taxes and any other charges necessary to keep the Property in good standing, the capital required for the purchase, installation or construction of buildings, machinery and equipment of developing and equipping any part of the Property for commercial production, adequate working capital for carrying on production operations, interest on money borrowed, remuneration and fringe benefits, shipping expenses, legal expenses, incorporation expenses, costs associated with shut-down once production ceases, and all other charges and expenses, whether current or capital, usually made or incurred for a like operation and accounted for in accordance with generally accepted accounting principles.

For greater certainty, payment of income taxes and any payment to a party hereto in the nature of a carried or net proceeds interest shall not be included in the costs as set out above.

3. The determination and payment of Net Profits as contemplated by this Schedule is based on the premise that production will be solely developed in the claims which are the subject of the annexed agreement. In the event other properties are incorporated in a single mining project and costs are not readily segregated on a practical or equitable basis, the parties agree that the allocation of costs in order to determine Net Profits shall be re-negotiated between them and, if they fail to agree on such allocation, shall be determined by a chartered accountant to be appointed by them. The determination of such chartered accountant will be governed by the Commercial Arbitration Act (B.C.) and the arbitrator shall be directed to take into account any precedents of reasonably general application in the mining industry in Canada in making his determination as well as any previous arrangements as between the parties hereto.

4. Net Profits shall be calculated by the Operator at the end of the calendar quarter in which ores or concentrates from the mine are sold or otherwise deemed to be sold and there after at the end of each subsequent calendar quarter during which ores or concentrates are produced from the Property. Quarterly calculations of Net Profits shall be submitted to each party entitled to an interest in Net Profits ("Royalty Holder") within 60 days after the end of the quarter involved and such calculations shall be accompanied by payment of the Royalty Holder's estimated share of the Net Profits. The year end calculation of Net Profits shall be submitted to the Royalty Holder within 90 days after the end of the fiscal year of the Optionee together with the balance (if any) of the Royalty Holder's share of the Net Profits for the year, and the Royalty Holder shall have thirty (30) days after receipt of any such report to object thereto in writing and failing such objection, such report shall be deemed correct.

5. It is understood that the Royalty Holder's rights to a share of the Net Profits from any production which might take place as provided for herein is a contractual right only and the Royalty Holder shall not have any right, title or interest in the Property subject to such royalty interest.

Nothing herein shall in any way limit the rights of the owner of the Property including, without limiting the generality of the foregoing, its right to encumber such property, to set up such mining organization as it sees fit to bring such Property into production (in partnership with others or otherwise), to manage and operate the mining organization and the sale of the production therefrom, to terminate, commence, curtail or expand production from time to time and to change the mining organization or otherwise.