OPTION AGREEMENT

made between

CONFEDERATION MINERALS LTD.

and

REDSTAR GOLD CORPORATION

November 19, 2010

OPTION AGREEMENT

THIS AGREEMENT made as of the 19th day of November, 2010.

BETWEEN:

CONFEDERATION MINERALS LTD., a corporation organized under the laws of British Columbia having an office at Unit C, 12343 – 104th Avenue, Surrey, British Columbia V3V 3H2

("**CFM**")

OF THE FIRST PART

AND:

REDSTAR GOLD CORPORTION., a corporation organized under the laws of British Columbia having an office at Suite 615, 800 West Pender Street, Vancouver, British Columbia V6C 2V6

("**Redstar**")

OF THE SECOND PART

WHEREAS:

A. Redstar is the sole recorded owner of a 100% interest in and to mineral claims located in the Province of Ontario and more particularly described in Schedule "A" attached hereto (the "**Property**"), subject to the NSR and the NCI (as hereinafter defined); and

B. CFM wishes to earn an interest in the Property.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the promises, and the covenants, agreements, representations and warranties herein, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1.1 Definitions

For the purposes of this Agreement the following words and phrases shall have the following meanings:

Affiliate means, in respect of a party hereto, a corporation with which that party is affiliated within the meaning of Section 1 of the *Business Corporations Act* (British Columbia) and includes a partnership over whom a party exercises control;

Area of Interest means that area that lies within 2 kilometres of the external borders of the Property;

Applicable Laws means the legislation and regulations thereunder of Canada and the Province of Ontario governing the acquisition, disposition and development of Mineral Rights;

Business Day means a day, other than a Saturday or a Sunday, on which trading banks are generally open for business in Vancouver, British Columbia;

Commercial Production means the operation of the Property or any part thereof as a Mine but does not include milling for the purpose of testing or milling by a pilot plant. Commercial Production shall be deemed to have commenced on the first day of the month following the first

15 consecutive days during which Minerals have been produced from the Property at an average rate of not less than 90% of the initial rated capacity of the Mine as specified in the Feasibility Study;

Development Expenditures means all cash costs and expenses of whatever kind or nature funded by CFM and Redstar, from the date the Management Committee decides to put the Property into Commercial Production until the date of commencement of Commercial Production, in connection with the development of a Mine on the Property including, without limiting the generality of the foregoing:

(a) monies expended to develop, construct or acquire all Mines, plans, buildings and other facilities and assets as contemplated in the Feasibility Study;

(b) working capital required for the initial four months of operation of a Mine on the Property, or such other period as may be specified in the Feasibility Study;

(c) monies set aside or lodged as security for environmental remediation or reclamation of the Property;

(d) a contingency amount of not less than 10% and no more than 20% of all Development Expenditures, other than the charges referred to in paragraphs (b) and (c); and

(e) a charge equal to 3% of all Development Expenditures, other than the charge referred to in this paragraph (e), for unallocable overhead and head office expenses and all other expenses relating to supervision and management of all development work done with respect to and for the benefit of the Property, provided that such fee shall not exceed 1.5% in respect of each single contract having an aggregate value of greater than $1,000,000 under which Development Expenditures shall be incurred;

Earned Interest means the Interest in the Property acquired by CFM upon exercise of the Options pursuant to the terms hereof;

Exploration Expenditures means all cash costs and expenses of whatever kind or nature funded from the date hereof in connection with exploration of the Property including, without limiting the generality of the foregoing:

(a) monies expended in maintaining the Property in good standing, including any monies expended as required by Applicable Laws, and in improving the title to the Property from time to time, and in acquiring additional property and surface rights;

(b) monies expended in doing geological, geochemical and geophysical surveys, drilling, assaying and metallurgical testing;

(c) monies expended in conducting studies and investigations including the Feasibility Study;

(d) monies expended in acquiring or constructing facilities;

(e) monies expended 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;

(f) monies expended in paying for the food, lodging and other reasonable needs of persons referred to in paragraph (e) hereof;

(g) monies expended or deposited in respect of environmental bonding and reclamation; and

(h) a charge equal to 10% of all Exploration Expenditures, other than the charge referred to in this paragraph (h), for unallocable overhead and head office expenses and all other expenses relating to supervision and management of all exploration work done with respect to and for the benefit of the Property;

Expenditures means any of Exploration Expenditures and Development Expenditures;

Feasibility Study means a detailed report prepared by an independent firm of qualified mining engineers, showing the feasibility of placing the Property or any portion thereof 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 full and reasonable assessment of the mineable ore reserves and their amenability to metallurgical treatment, a complete description of the operations, equipment and supplies required to bring all or a portion of the Property into Commercial Production, including the requirements for permitting, environmental protection and reclamation, 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 engineering and the following information:

(a) a description of the portions 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;

(d) the proposed procedure for development, mining and production;

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

(f) the nature and extent of the facilities proposed to be acquired for the purpose of producing and marketing Minerals, which may include mill or beneficiation facilities for processing ore if the size, extent and location of the mineral body makes such mill or beneficiation facilities feasible, in which event the report shall also include a preliminary design for such mill or beneficiation facilities;

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

(h) all environmental impact studies and costs and all costs of reclamation;

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

(j) 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 considerations; and

(k) working capital requirements for the initial four months' operation of the Property as a mine or such longer period as may be reasonably justified in the circumstances;

First Option means the option granted to CFM pursuant to section 3.1 to acquire directly or indirectly an undivided 50% Interest in the Property;

Interest means the undivided beneficial interest of a party in the Property and in any Mine established thereon, expressed as a percentage thereof;

Joint Venture means a joint venture formed between the parties pursuant to section 5.1;

Management Committee means the Management Committee to be established upon the formation of the Joint Venture pursuant to section 6.1 of this Agreement;

Mine means the workings established and assets acquired, obtained or constructed, the cost of which was included as Development Expenditures under this Agreement, in order to bring the Property or any part thereof into, and maintain, Commercial Production including, without limiting generality, mine development openings, plant and service facilities, concentrator and other metallurgical installations, tailings impoundments, infrastructure, housing and other related facilities;

Minerals means any and all ores (and concentrates or metals derived therefrom) of precious, base and industrial minerals, in, on or under the Property which may lawfully be explored for, mined and sold by the parties pursuant to the Mineral Rights;

Mineral Rights means mining claims, mineral concessions, leases, surface rights, water rights and other rights relating to minerals or to access minerals and other forms of mineral title under the laws of Ontario, whether contractual, statutory or otherwise, and includes the NSR Buyback;

NCI means the 15% net carried interest in favour of The Estate of Harry Newman, the terms of which are described in Schedule "B" hereto;

Net Proceeds means the amount determined by subtracting Costs from Revenues where:

(a) **Costs** means all costs and expenses actually incurred, directly or indirectly, for the exploration, development and operation of the Property as a mine and the production of minerals including, without limitation: (A) all costs of mining, beneficiation and production of minerals, including demonstrable and reasonable on-site general and administrative expenses; (B) all costs of refining, smelting, transportation and the direct costs related to marketing and sales of minerals; (C) all excise, property, payroll and other government taxes and royalties levied in relation to operations, excluding only income and corporate taxes and net of all governmental incentives, offsets, grants, credits and allowances; (D) all rents and royalties relating to the Property or the production of minerals; (E) 5% of all costs in the categories described in subclauses (A) to (D), inclusive, to account for all other indirect, auditing, consulting and all other costs associated with exploration, development production, operations, beneficiation and sales; and (F) for all years after the calendar year in respect of which the first payment of Net Proceeds is made in accordance with Section 5.8, 100% of Negative Net Proceeds of the prior calendar year, if any;

(b) **Revenues** means the gross sale proceeds actually received by the Payor for mineral products and all other amounts received by the Payor (excluding interest on working capital) as a result of the expenditure of the Costs;

(c) **Negative Net Proceeds** means the amount by which Costs exceed Revenues; and

(d) **Payor** means the remaining party obliged to pay the NPI Payments.

Net Proceeds Interest means an entitlement to receive a percentage of Net Proceeds;

NPI Holder means the party entitled to the Net Proceeds Interest;

NPI Payments means the amounts to which the NPI Holder is entitled to receive on account of its Net Proceeds Interest; and

NSR means a 2% net smelter return in favour of Newmont Canada Limited, the terms of which are described in Schedule "B" hereto;

Operator means the operator appointed under section 7.2;

Option Period means the period commencing on the date hereof and ending on the earlier of the fifth anniversary of the date hereof and the date CFM notifies Redstar of its abandonment of its rights under any of the First Option or Second Option;

Preliminary Assessment means a preliminary assessment as that term is defined in National Instrument 43-101;

Program means a plan and budget for proposed Joint Venture operations which has been approved by the Management Committee pursuant to section 7.2 of this Agreement or which has been deemed to have been approved by the Management Committee pursuant to section 11.4 of this Agreement.

Property means the Mineral Rights described in Schedule "A" hereto together with any renewal thereof, any other form of successor or substitute title therefor and the NSR Buyback but excludes any Mineral Rights transferred or abandoned in accordance with section 4.6.

Second Option means the option granted to CFM pursuant to section 3.3 to acquire directly or indirectly an additional undivided 20% Interest in the Property in order to hold an undivided 70% Interest in the Property.

ARTICLE 1
INTERPRETATION

1.2 Included Words

This Agreement shall be read with such changes in gender or number as the context shall require.

1.3 Headings

The headings to the articles, sections, parts, paragraphs or clauses of this Agreement are inserted for convenience only and shall not affect the construction hereof.

1.4 References

Unless otherwise stated, a reference herein to a numbered or lettered article, section, subsection, clause, paragraph or schedule refers to the article, section, subsection, clause, paragraph or schedule bearing that number or letter in this Agreement. A reference to "this Agreement", "hereof", "hereunder", "herein" or words of similar meaning, means this Agreement including the schedules hereto, together with any amendments thereof.

1.5 Currency

All dollar amounts expressed herein, unless otherwise specified, refer to lawful currency of the Canada.

1.6 Schedules

The following schedules are incorporated into this Agreement by reference:

Schedules	Description
"A"	Description of the Property
"B"	Terms of NSR
"C"	Terms of NCI

1.7 Governing Law

This Agreement shall be construed and governed by the laws in force in the Province of Ontario and, except where matters are expressed herein to be subject to arbitration, the courts of such Province shall have exclusive jurisdiction to hear and determine all disputes arising hereunder. This section shall not be construed to affect the rights of a party to enforce a judgment or award outside the said Province, including the right to record or enforce a judgment or award in the jurisdiction in which the Property is situated.

1.8 Severability

If any provision of this Agreement is or becomes illegal, invalid or unenforceable, in whole or in part, the remaining provisions shall nevertheless be and remain valid and subsisting and the said remaining provisions shall be construed as if this Agreement had been executed without the illegal, invalid or unenforceable portion.

1.9 Knowledge

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of Redstar, Redstar confirms that it has made due and diligent inquiry of such persons (including appropriate officers of Redstar) as it considers necessary as to the matters that are the subject of the representations and warranties.

ARTICLE 2
REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS

2.1 Mutual Representations and Warranties

Each party represents and warrants to the other party hereto that:

(a) it is a body corporate duly incorporated or continued, organized and validly subsisting under the laws of its incorporating or continued jurisdiction;

(b) it has full power and authority to carry on its business and to enter into this Agreement;

(c) neither the execution and delivery of this Agreement 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;

(d) the execution and delivery of this Agreement do not violate or result in the breach of the laws of any jurisdiction applicable to the Property or to a party or of its constating documents;

(e) all corporate authorizations have been obtained for the execution of this Agreement and for the performance of its obligations hereunder; and

(f) this Agreement constitutes a legal, valid and binding obligation of the party enforceable against it in accordance with its terms.

2.2 Redstar's Representations and Warranties

Redstar represents and warrants to CFM that:

(a)

(i) the Property is accurately described in Schedule "A";

(ii) the Mineral Rights comprising the Property are presently in good standing under Applicable Laws;

(iii) the Mineral Rights comprising the Property are free and clear of all liens, charges and encumbrances other than pursuant to Applicable Laws and other than the NSR and the NCI; and

(iv) the Mineral Rights comprising the Property have been properly and legally acquired;

(b) Redstar has legally and beneficially acquired the Mineral Rights comprising the Property;

(c) Redstar is the recorded and beneficial holder of the Mineral Rights comprising the Property;

(d) there is no adverse claim or challenge against or to ownership of or title to any of the Mineral Rights comprising the Property, nor is there any basis therefor or interest therein, and there are no outstanding agreements or options to acquire or purchase the Property or any portion thereof, and no person has any royalty or other interest whatsoever in production from any of the Mineral Rights comprising the Property, other than pursuant to Applicable Laws or the NSR or the NCI;

(e) no proceedings are pending for and it is not aware of any basis for the institution of any proceedings leading to the dissolution or winding-up of Redstar or the placing of Redstar in bankruptcy or subject to any other laws governing the affairs of insolvent persons; and

(f) there are no 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 business related thereto, nor has it received any notice thereof.

ARTICLE 3
OPTION

3.1 First Option

Redstar hereby grants to CFM the sole exclusive and irrevocable right and option to acquire a 50% undivided legal and beneficial interest in the Property, free and clear of all liens, charges, encumbrances and claims by or through Redstar (other than the NSR and the NCI) in accordance with the terms of this Agreement, exercisable by incurring a cumulative of Five Million Dollars ($5,000,000) of Expenditures on the Property, issuing to Redstar a total of Five Hundred Thousand (500,000) shares of CFM and making payments to Redstar totalling Two Hundred and Fifty Thousand Dollars ($250,000) in the following manner:

(a) the issuance of One Hundred Thousand Shares (100,000) of CFM and a payment of Fifty Thousand Dollars ($50,000) within 10 business days of approval of this Agreement by the TSX Venture Exchange;

(b) Expenditures of Two Million Dollars ($2,000,000), the further issuance of One Hundred Thousand (100,000) shares of CFM and a payment of Fifty Thousand Dollars ($50,000) on or before the first anniversary of this Agreement;

(c) further Expenditures of One Million Five Hundred Thousand Dollars ($1,500,000) the further issuance of One and Fifty Hundred Thousand (150,000) shares of CFM and a further payment of Seventy Five Thousand Dollars ($75,000) on or before the second anniversary of this Agreement; and

(d) further Expenditures of One Million Five Hundred Thousand Dollars ($1,500,000), the further issuance of One and Fifty Hundred Thousand (150,000) shares of CFM and a further payment of Seventy Five Thousand Dollars ($75,000) on or before the third anniversary of this Agreement.

3.2 Exercise of First Option

If CFM incurs Expenditures and makes the share issuances and payments in the manner and in the period of time specified in section 3.1 (or such longer period as permitted by Article 9) and notifies Redstar thereof, then CFM shall have exercised the First Option and shall have thereby acquired a 50% undivided legal and beneficial interest in and to the Property free and clear of all liens, charges and encumbrances, except the NSR and the NCI.

3.3 Second Option

Redstar hereby grants to CFM the sole exclusive and irrevocable right and option (the Second Option"), exercisable only after the exercise of the First Option and on or before the sixth anniversary of this Agreement, to acquire an additional 20% undivided legal and beneficial interest in and to the Property (thereby increasing its Earned Interest from 50% to 70%) by producing, at CFM's cost, a Preliminary Assessment of the Property and issuing Five Hundred Thousand (500,000) shares of CFM to Redstar; provided that, to maintain the Second Option in good standing, CFM shall, in each year commencing on the third anniversary hereof until the earlier of (a) the full exercise of the Second Option, and (b) the expiry of the Second Option, make minimum annual Expenditures of $250,000.

3.4 Exercise of Second Option

If CFM prepares the Preliminary Assessment of the Property and issues the shares in the manner and the period of time described in subparagraph 3.3 (or such longer period permitted by Article 10), CFM shall have exercised the Second Option and shall have thereby acquired a 70% undivided legal and beneficial interest in the Property, free and clear of all liens, charges and encumbrances, except the NSR and the NCI.

3.5 Excess Expenditures

Any Expenditures incurred by CFM in excess of the Expenditures required in each year during the Option Period to exercise one of the options referred to herein shall be credited to the following year or years Expenditures, including Expenditures made after the Joint Venture is formed hereunder. For the purpose of this clause, any expenses, obligations and liabilities of whatever kind or nature spent or incurred directly or indirectly by CFM from the date of this Agreement in connection with the maintenance, exploration and development of the Property, shall be deemed to be Expenditures made pursuant to this Agreement for the purpose of exercising the options referred to herein; provided that any such Expenditures in excess of the amounts required to exercise the First Option but not sufficient to exercise the Second Option shall, upon the expiry of the period for exercising the Second Option, be deemed to be cash contributions to the Joint Venture by CFM .

ARTICLE 4
RIGHTS AND OBLIGATIONS

4.1 CFM's Right of Entry

Throughout the Option Period, CFM and its employees, agents and independent contractors shall have the exclusive right in respect of the Property to:

(a) enter thereon;

(b) have exclusive and quiet possession thereof;

(c) carry out exploration, development and evaluation activities including, without limitation, the removal of Minerals from the Property, but only for the purpose of testing; and

(d) bring upon and erect upon the Property such structures and other facilities as may be necessary or advisable to carry out exploration and development and evaluation activities.

4.2 CFM's Obligations

CFM is obligated during the Option Period:

(a) to assist Redstar in fulfilling its obligations under section 4.3 to keep the Property in good standing and comply with Applicable Laws, and to refrain from any conduct or activity that might jeopardize title to or the status of the Property;

(b) to conduct all work on or with respect to the Property in a manner consistent with good exploration, engineering and mining practices and in compliance with Applicable Laws and all other applicable laws, rules, orders and regulations including, without limitation, laws, rules, orders and regulations relating to environmental matters;

(c) to keep the Property free and clear of all liens, charges and encumbrances arising from its operations hereunder (except liens for taxes not yet due, other inchoate liens and liens contested in good faith by CFM) and shall proceed with all diligence to contest and discharge any such lien, charge or encumbrance that is filed or created;

(d) to permit the directors, officers, employees and designated consultants and agents of Redstar, at their own risk, access to the Property at all reasonable times, provided that Redstar shall indemnify CFM against and save it harmless from all costs, claims, liabilities and expenses that CFM may incur or suffer as a result of any injury (including injury causing death) to any director, officer, employee, designated consultant or agent of Redstar while on the Property except to the extent that any such costs, claims, liabilities or expenses result from CFM's gross negligence or wilful misconduct;

(e) to deliver to Redstar copies of all reports prepared by or for CFM and all information on exploration activity and results from active field operations; and

(f) to maintain true and correct books, accounts and records of Expenditures;

And CFM shall indemnify and save harmless Redstar from and against any and all liabilities, losses, claims, damages (including, without limitation, penalties, fines and monetary sanctions but excluding lost profits and any other consequential damages), costs, lawyer's fees and disbursements on a solicitor and his own client basis, court costs, accountant's fees and expenses and all other out-of-pocket expenses in connection with or arising in any way whatsoever out of any breach by CFM of its covenants contained in this section 4.2.

4.3 Redstar's Obligations

Redstar shall, until the formation of the Joint Venture:

(a) refrain from agreeing to any amendment to or waiver in respect of the terms of the Mineral Rights comprised in the Property, or the abandonment of all or any portion of the Property, without the prior written consent of CFM; and

(b) promptly deliver to CFM any notices, demands, or other communications relating to the Property that Redstar receives from any government or regulatory authority or any third party.

And Redstar shall indemnify and save harmless CFM from and against any and all liabilities, losses, claims, damages (including, without limitation, penalties, fines and monetary sanctions excluding lost profits and any other consequential damages), costs, lawyer's fees and disbursements on a solicitor and his own client basis, court costs, accountant's fees and expenses and all other out-of pocket expenses in connection with or arising in any way whatsoever out of any breach by Redstar of its covenants contained in this section 4.3.

4.4 Emergency Expenditures

Notwithstanding any other provision of this Agreement, CFM shall be entitled, but not obligated, to incur as Exploration Expenditures all costs and expenses necessary to preserve or protect life, limb, property or the environment, or the title to the Property or otherwise in the course of exploration, development or evaluation activities.

4.5 Registered Title

During the Option Period, legal title to the Property shall be in the name of CFM and beneficial title shall be in the name of Redstar and Redstar shall do all things necessary to effect the transfer of legal title to the Claims immediately after the execution of this Agreement.

4.6 Abandonment of Property

During the Option Period, CFM may:

(a) where required under Applicable Laws and with the consent of Redstar, release, surrender, abandon or otherwise relinquish any Mineral Rights comprised in the Property; or

(b) by written notice to Redstar, elect to abandon any part of the Mineral Rights comprised in the Property.

ARTICLE 5
FORMATION OF JOINT VENTURE

5.1 Joint Venture Formation

Upon the expiry of the Option Period, but subject to the exercise of the First Option by CFM, CFM and Redstar shall be deemed to have formed a joint venture, on the terms contained herein, for the purpose of carrying out all such acts as are necessary or appropriate, directly or indirectly to:

(a) explore and, if deemed warranted, develop the Property or any part thereof and equip it for Commercial Production;

(b) so long as it is economically feasible, operate the Property as one or more Mines; and

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

5.2 Initial Interests and Expenditures after First Option

If the Joint Venture is formed after the exercise of the First Option but without the exercise of the Second Option:

(a) CFM shall have an initial Interest in the Joint Venture of 50% and Redstar shall have an initial interest in the Joint Venture of 50%;

(b) initial deemed Exploration Expenditures shall be $5,000,000 for CFM and $5,000,000 for Redstar; and

(c) CFM shall be deemed to have made a cash contribution to the Joint Venture, for the purpose contemplated by section 5.4 hereof, of an amount equal to the amount by which the Expenditures incurred by CFM pursuant hereto exceeds $5,000,000.

5.3 Initial Interests and Expenditures after Second Option

If the Joint Venture is formed after the exercise of the Second Option:

(a) CFM shall have an initial Interest in the Joint Venture of 70% and Redstar shall have an initial interest in the Joint Venture of 30%; and

(b) initial deemed Exploration Expenditures shall be $7,000,000 for CFM and $3,000,000 for Redstar; and

(c) CFM shall be deemed to have made a cash contribution to the Joint Venture, for the purpose contemplated by section 5.4 hereof, of an amount equal to the amount by which the Expenditures incurred by CFM pursuant hereto exceeds $7,000,000.

5.4 Interest Adjustment When Party Elects Not To Contribute

Subject to section 5.5 and 5.6 hereof, all costs of exploration, development and production of the Property shall be paid by the parties in the same proportions as their respective Interests in the Property and the Joint Venture; provided that, in the event a party gives notice to the other party that it has elected not to contribute its pro-rata share of such costs, the other party may pay all or part of such share and the non-contributing party shall thereafter be deemed to have transferred, assigned and conveyed to the other party one half of one percent (0.5%) of all right, title and interest in and to the Property and the Joint Venture for each $50,000 so paid by the other.

5.5 Interest Adjustment When Party Defaults In Making Contribution

Subject to section 3.5, in the event that a party elects to contribute its pro-rata share of the costs of exploration, development and production of the Property but thereafter defaults in making such contribution, the other party may pay all or part of such share and the non-contributing party shall thereafter be deemed to have transferred, assigned and conveyed to the other party one half of one percent (0.5%) of all right, title and interest in and to the Property and the Joint Venture for each $25,000 so paid by the other party.

5.6 Limitation of Dilution

No party shall be deemed or required to transfer, pursuant to section 5.4 or 5.5, any interest in the Property to the other party where to do so would reduce that party's interest in the Property to less than 5% of all right, title and interest in the Property.

5.7 Conversion of Interest to Net Proceeds Interest

Upon a party's interest being reduced to 5% or less of all right, title and interest in the Property, the Joint Venture shall cease and such party shall be deemed to have assigned and conveyed all of its Interest in and to the Property and the Joint Venture to the other party in consideration of a 5% Net Proceeds Interest, which shall be the right to receive 5% of Net Proceeds, as and when available, and that party shall not thereafter be entitled to participate in the management of the Property and the work carried out thereon and shall not be liable for any costs incurred in respect thereof.

5.8 Calculation and Payment of Net Proceeds Interest

The Net Proceeds shall be calculated on the basis of a calendar year (or any other period of 12 consecutive months adopted by the Payor for tax purposes) and payments shall be estimated and paid in four quarterly installments, which may be adjusted by the Payor as may be required to account for any overpayment or underpayment in the previous quarter.

5.9 Annual Statements

The Payor shall provide to the NPI Holder, annually, a statement detailing the Revenues and Costs and the calculation of the Net Proceeds and the NPI Payment and the NPI Holder shall have 60 days to object to the accuracy of any statement or the amount of the NPI Payment with any dispute being referred to the Payor's independent auditors for resolution.

5.10 Limit of Net Proceeds Interest

The NPI Holder shall not have any right to or interest in the Property, other than the right to receive the NPI Payment as and when due, and the Net Proceeds Interest shall not impose on the Payor any obligations with respect to the conduct of operations on the Property or the retention or abandonment of the mineral concessions comprising the Property, provided that the Payor shall not sell any interest in the Property unless the buyer agrees to honour and be bound by the terms of the Net Proceeds Interest but further provided that this section shall not apply to any conveyance or mortgaging of the Property by the Payor for the purpose of securing financing to fund the exploration or development of or production on the Property.

5.11 Withdrawal and Winding-Up

No withdrawal by a party or winding up of the Joint Venture may be done without adequate payment of or security for reclamation and closure costs.

ARTICLE 6
JOINT VENTURE MANAGEMENT

6.1 Establishment of Management Committee

Upon the formation of the Joint Venture, a Management Committee shall be established and it shall have the exclusive right and authority to:

(a) consider and approve all Programs, Feasibility Studies, Production Notices and any amendments thereto;

(b) review and approve all exploration, operating and financial reports on the operations;

(c) consider and approve abandonment or surrender of any Mineral Rights; and

(d) establish and modify its own rules of procedure in a manner not inconsistent with this Agreement.

6.2 Representation on Management Committee

Each party shall appoint two representatives to the Management Committee. Each party may appoint one or more alternate representatives to act in the absence of its representatives and any alternate representative so acting shall be deemed to be that party's representative in respect of the matter upon which he acts. Each party may change its representatives and any alternate representatives at any time. Notice of any appointment or change shall be given to the other parties.

6.3 Meetings of Management Committee

Management Committee meetings shall be held at least once every 6 months and, in any event, within 21 days of a meeting being requested by a representative of any party. Unless otherwise agreed, all meetings of the Management Committee shall be held in Vancouver, British Columbia.

6.4 Chairman and secretary

Meetings of the Management Committee shall be chaired by a representative of the Operator and a representative of the Operator shall be the secretary of Management Committee meetings. The secretary for the meeting shall take minutes of that meeting and shall circulate draft copies of the minutes to each representative within 14 days after the meeting. Representatives shall have 10 days to provide comments on the draft minutes to the secretary after which the secretary shall circulate final minutes, signed by the chairman and secretary, within a further 5 days.

6.5 Notice of meetings

The secretary shall give notice, specifying the time and place of, and the agenda for, each Management Committee meeting to all representatives at least 14 days before the time appointed for the meeting. Notice of a meeting may be waived if each party is represented at the meeting by at least one of its representatives and all the representatives present at the meeting agree upon the waiver and upon the proposed agenda.

6.6 Conduct of Management Committee Meetings

A quorum for any Management Committee meeting shall be present if one representative of each party is present or participating by telephone. If a quorum is present at the meeting, then the Management Committee shall be competent to exercise all of the authorities, powers and discretions bestowed upon it under this Agreement. No business other than the election of a chairman, if any, and the adjournment or termination of the meeting shall be transacted at any meeting unless a quorum is present. If within half an hour from the time appointed for a meeting, a quorum is not present, then the meeting shall, at the election of those representatives who are present:

(a) be dissolved; or

(b) be adjourned to the same place but on a date and at a time, to be fixed by the chairman of the meeting before the adjournment, which shall be not less than 7 days following the date for which the meeting was called.

Notice of the adjourned meeting shall be given to the representatives of all parties forthwith after the adjournment of the meeting. If at the adjourned meeting, a quorum is not present within half an hour from the time appointed, then the representative or representatives present and entitled to attend and vote at the meeting, shall constitute a quorum. No material item of business shall be transacted at a Management Committee meeting unless the item appears on the agenda or at least one representative of each party is present and those representatives unanimously agree to the item being added to the agenda.

6.7 Decisions of the Management Committee

The Management Committee shall decide every question submitted to it by a simple majority vote with the representative or representatives of each party being entitled to cast collectively one vote for each one percent Interest owned by that party in the Property. The chairman shall not have a second or casting vote. In the event of a deadlock, the provisions of Article 12 shall apply.

6.8 Consent resolutions

Any decision made by obtaining the consent in writing of at least one representative of each party shall be as valid as a decision made at a duly called and held meeting of the Management Committee.

6.9 Expenses and other rules

Each party shall bear the expenses incurred by its representatives in attending meetings of the Management Committee. The Management Committee may establish such other rules of procedure, not inconsistent with this Agreement, as the Management Committee deems fit.

ARTICLE 7
JOINT VENTURE OPERATIONS

7.1 Operator

Subject to the decisions of the Management Committee, the day to day operations of the Joint Venture shall be supervised and directed by the Operator; provided that

(a) the Operator shall conduct activities according to approved programs and budgets, with sole responsibility for overruns exceeding 20% on exploration programs and 15% on development and other programs, and otherwise in accordance with good mining practices; and

(b) at any time there is no approved program, the Operator shall be entitled to incur costs in order to maintain tenure to the Property, to satisfy contractual or other obligations imposed under Applicable Laws, to prevent waste or to protect life and property and each party shall be obliged to pay its pro-rata share of such costs.

7.2 Appointment of Operator

CFM shall be the first Operator and shall remain so unless:

(a) its Interest is reduced below 50%;

(b) it resigns; or

(c) it is removed for default; and

thereafter, the Operator shall be that party appointed by the Management Committee to hold such position.

7.3 Removal of Operator

If the Operator is in default of its obligations hereunder it may be removed by a unanimous decision of the Management Committee; provided that a non-operator party may refer questions of the Operator's default to arbitration if it is out-voted on a Management Committee motion to remove the Operator for default and the arbitrator may remove the Operator if he finds that the Operator has committed a fundamental breach of its obligations as Operator hereunder and has not commenced to remedy such breach in a reasonable time.

7.4 Contributions

Except as otherwise provided, CFM and Redstar shall bear all costs and liabilities of and own the Property, the assets of the Joint Venture and any Mine in proportion to their respective Interests.

7.5 Preparation and approval of Programs

Within 90 days of the formation of the Joint Venture the Operator shall prepare and submit a draft Program for consideration by the Management Committee. Thereafter, the Operator shall submit the draft Program at least 2 months prior to the expiry of the previous adopted Program. Each draft Program shall contain a statement in reasonable detail of the proposed operations and shall include a budget with estimates of all Exploration Expenditures or Development Expenditures, as the case may be, to be incurred. The Management Committee shall review the submitted Program and, if it deems fit, approve the Program with such modifications, if any, as it considers desirable. The Program shall be deemed to have been adopted once approved by the Management Committee. Except as otherwise provided, operations shall be conducted, expenditures shall be incurred and assets shall be acquired only pursuant to an adopted Program.

7.6 Election to contribute to Programs

Each party shall, within 15 days after the date on which the Management Committee approves a Program, give notice to the Operator whether it elects:

(a) to contribute its proportionate share of the expenditures of that Program;

(d) to contribute a specified amount which is less than its proportionate share of the expenditures of that Program; or

(e) not to contribute.

If a party does not give timely notice, then that party shall be deemed to have elected not to contribute. If any party elects or is deemed to have elected not to contribute to a Program or elects to contribute a specified amount less than its proportionate share, then the Operator shall forthwith give notice thereof to the other party who shall be entitled to elect, within 10 days of the Operator's notice, to increase its contribution by the amount of the shortfall. If, after the operation of this section 7.3, the Program costs are not fully committed, then the Program shall be deemed to be withdrawn. If a Program is deemed to have been withdrawn:

(i) the Operator may prepare and submit a revised Program;

(ii) the Operator shall implement a mandatory program as required to maintain title to the Property, to satisfy contractual or other obligations imposed by law, to prevent waste or to protect life and property and each of the parties shall be obliged to contribute their proportionate share of such costs; and

(iii) either party may invoke the deadlock resolution procedures under Article 11.

7.7 Contributions to Programs

The Operator shall be entitled to request cash advances from the parties (“**Cash Calls**”) at the beginning of each quarter in respect of expenditures expected to be incurred by or on behalf of the Operator during such quarter, and each party shall comply with such request within 5 Business Days of receipt thereof. Each such request shall include a statement of account reconciling amounts previously advanced by the parties against actual expenditures incurred and paid by the Operator, and appropriate adjustments shall be made as required to the amount of cash requested by the Operator in respect of the then current quarter. To the extent that the parties have advanced funds to the Operator, the Operator shall fund the expenditures incurred. If the Operator suspends or prematurely terminates a Program, then any funds advanced by a party in excess of that party’s proportionate share of expenditures actually incurred in connection with that Program shall be refunded forthwith.

7.8 Consideration of Feasibility Study or Pre-Feasibility Study

The Operator shall call a Management Committee meeting to consider any completed Feasibility Study (or pre-Feasibility study) for a date no sooner than 60 days and no later than 120 days after a Feasibility Study was provided to each of the parties or such other date as the representatives of all the parties agree.

7.9 Production Decision

The Management Committee shall consider each Feasibility Study prepared and may approve the Feasibility Study, with such modifications or subject to such conditions, if any, as it considers necessary or desirable. After approval of the Feasibility Study, the Management Committee shall cause the Operator to give notice (in this Agreement called the "**Production Notice**") to each of the parties stating that the Management Committee has decided that a Mine be established and brought into Commercial Production in conformity with the Feasibility Study as so approved.

7.10 Operating Programs

Following commencement of Commercial Production, all activities are to be conducted pursuant to annual approved operating programs and the Operator shall prepare and submit operating programs annually, with significant capital expansions and exploration outside the mine to be the subject of separate programs.

7.11 Disposition of Production

Each participant shall have the right and the obligation to take its share of production in kind, but is free to make separate arrangements with the Operator to market its share and the Operator may sell the share of production of any participant who fails to take its share in kind or make arrangements for sale, deducting its costs and expenses from the proceeds.

ARTICLE 8
RIGHTS AND OBLIGATIONS

8.1 Operator's Right of Entry

The Operator and its employees, agents and independent contractors shall have the exclusive right in respect of the Property to:

(a) enter thereon;

(b) have exclusive and quiet possession thereof;

(c) carry out exploration, development and evaluation activities including, without limitation, the removal of Minerals from the Property, but only for the purpose of testing; and

(d) bring upon and erect upon the Property such structures and other facilities as may be necessary or advisable to carry out exploration and development and evaluation activities.

8.2 Operator's Obligations

The Operator shall:

(a) keep the Property in good standing and comply with Applicable Laws, and refrain from any conduct or activity that might jeopardize title to or the status of the Property;

(b) conduct all work on or with respect to the Property in a manner consistent with good exploration, engineering and mining practices and in compliance with Applicable Laws and all other applicable laws, rules, orders and regulations including, without limitation, laws, rules, orders and regulations relating to environmental matters;

(c) to the extent that the Property is registered in its name, keep the Property free and clear of all liens, charges and encumbrances arising from its operations hereunder (except liens for taxes not yet due, other inchoate liens and liens contested in good faith by the Operator) and shall proceed with all diligence to contest and discharge any such lien, charge or encumbrance that is filed or created;

(d) permit the directors, officers, employees and designated consultants and agents of any party, at their own risk, access to the Property at all reasonable times, provided that such party shall indemnify the Operator against and save it harmless from all costs, claims, liabilities and expenses that the Operator may incur or suffer as a result of any injury (including injury causing death) to any director, officer, employee, designated consultant or agent of such party while on the Property except to the extent that any such costs, claims, liabilities or expenses result from the Operator's gross negligence or wilful misconduct;

(e) deliver to the parties copies of all reports prepared by or for the Operator containing information on exploration activity and results from active field operations;

(f) maintain true and correct books, accounts and records of Exploration Expenditures and Development Expenditures; and

(g) indemnify and save harmless the other party from and against any and all liabilities, losses, claims, damages (including, without limitation, penalties, fines and monetary sanctions but excluding lost profits and any other consequential damages), costs, lawyer's fees and disbursements on a solicitor and his own client basis, court costs, accountant's fees and expenses and all other out-of-pocket expenses in connection with or arising in any way whatsoever out of any breach by the Operator of its covenants contained in this section 6.2.

8.3 Title Obligations

For so long as a party is the registered holder of all or any portion of the Property, such party shall:

(a) refrain from agreeing to any amendment to or waiver in respect of the terms of the Mineral Rights comprised in the Property, or the abandonment of all or any portion of the Property, without the prior written consent of the Operator;

(b) promptly deliver to the Operator any notices, demands, or other communications relating to the Property that such party receives from any government or regulatory authority or any third party; and

(c) indemnify and save harmless the Operator from and against any and all liabilities, losses, claims, damages (including, without limitation, penalties, fines and monetary sanctions excluding lost profits and any other consequential damages), costs, lawyer's fees and disbursements on a solicitor and his own client basis, court costs, accountant's fees and expenses and all other out-of pocket expenses in connection with or arising in any way whatsoever out of any breach by such of its covenants contained in this section 4.3;

provided that, for greater certainty, nothing in this section 8.3 relieves the Operator from its obligations under section 8.2;

8.4 Emergency Expenditures

Notwithstanding any other provision of this Agreement, the Operator shall be entitled, but not obligated, to incur as Exploration Expenditures all costs and expenses necessary to preserve or protect life, limb, property or the environment, or the title to the Property or otherwise in the course of exploration, development or evaluation activities.

8.5 Registered Title

Legal title to the Property shall be in the name of the Operator and beneficial title shall be in the name of the parties in accordance with their respective Interests and they shall do all things necessary to effect the transfer of legal title to the Property to the Operator immediately after the execution of this Agreement.

8.6 Abandonment of Property

The Operator may, where required under Applicable Laws and with the consent of the Management Committee, release, surrender, abandon or otherwise relinquish all or any portion of the Mineral Rights comprised in the Property.

ARTICLE 9
TRANSFERS

9.1 Limitation on Transfers

Except as expressly permitted under and in accordance with this Agreement, no party shall transfer, convey, assign, mortgage, grant an option in respect of, grant a right to purchase or in any other manner dispose of or alienate any or all of its interest in the Property or transfer or assign any of its rights under this Agreement.

9.2 Requirements of sale or transfer

A party permitted pursuant to this Agreement to sell any of its interest in the Property or to transfer or assign any of its rights under this Agreement may in any event only do so:

(a) 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

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

9.3 Permitted Sales or Transfers

Subject to section 9.4, nothing in this Article 9 shall prevent:

(a) a sale by a party of all, but not less than all, of its interest in the Property and a transfer or assignment of all , but not less than all, its rights under this Agreement to an Affiliate provided that such Affiliate first assumes and agrees to be bound by the terms of this Agreement and agrees with each other party to this

Agreement in writing to transfer such interest back to the original party before ceasing to be an Affiliate of such original party;

(b) an amalgamation or corporate reorganization involving a party hereto which has the effect in law of the amalgamated or surviving corporation possessing all the property, rights and interests and being subject to all the debts, liabilities and obligations of each amalgamating or predecessor corporation;

(c) any transaction with another party hereto; or

(f) a sale, forfeiture, charge, withdrawal, transfer or other disposition or encumbrance which is otherwise specifically required or permitted under this Agreement.

9.4 Conditions of Any Purchase

As a condition of any disposition pursuant to this Article 9, the purchaser must covenant and agree to be bound by this Agreement, including this Article 9, and prior to the completion of any such disposition, the purchaser shall deliver to the other party to this Agreement notice to that effect in a form satisfactory to such party. Notwithstanding any such disposition, the disposing party shall remain liable for all of its obligations hereunder.

9.5 Pre-emptive Right

Except as otherwise provided in section 9.3, if a party desires to transfer all or any part of its interest in this Agreement or the Property, the other party shall have a pre-emptive right to acquire such interests as provided in this section 9.5.

(a) A party intending to transfer all or any part of its interest in this Agreement or the Property shall promptly notify the other party of its intentions. The notice shall state the price and all other pertinent terms and conditions of the intended transfer and, if such intended transfer is the result of an offer from a third party, shall be accompanied by a copy of the offer or contract for sale. If the intended transfer is based upon a third party offer and if the consideration for the transfer is, in whole or in part, other than monetary, the notice shall describe such consideration and its monetary equivalent (based upon the fair market value of the non-monetary consideration and stated in terms of cash or currency). The other party shall have 60 days from the date such notice is delivered to notify the transferring party whether it elects to acquire the offered interest at the same price and on the same terms and conditions as set forth in the notice. If it does so elect, the transfer shall be consummated promptly after notice of such election is delivered to the transferring party.

(b) If the other party fails to so elect within the period provided for in subsection 9.5(a), the transferring party shall have 60 days following the expiration of such period to consummate the transfer to a third party at a price and on terms no less favourable than those offered by the transferring party to the other party in the notice required in subsection 9.5(a).

(c) If the transferring party fails to consummate the transfer to a third party within the period set forth in subsection 9.5(b), the pre-emptive right of the other party in such offered interest shall be deemed to be revived. Any subsequent proposal to transfer such interest shall be conducted in accordance with all of the procedures set forth in this section 9.5.

ARTICLE 10
FORCE MAJEURE

10.1 Suspension of timing of obligation

Notwithstanding anything herein contained to the contrary, if any party is prevented from or delayed in performing any obligation or exercising any option under this Agreement by any cause beyond its reasonable control, excluding only lack of finances, then, subject to section 10.2 the time for the observance of the condition or performance of the obligation in question, including the time for exercising any option referred to herein, shall be extended for the period of the prevention or delay.

10.2 Notification and obligation to remove cause

Any party claiming suspension of its obligations or extension of the time for exercising any option referred to herein pursuant to section 10.1 shall promptly notify the other party to that effect and shall take and continue to take all reasonable steps to remove or remedy the cause of the prevention or delay insofar as it is reasonably able so to do and as soon as possible.

10.3 Labour disturbance or dispute

Notwithstanding sections 10.1 and 10.2, the terms of settlement of any labour disturbance or dispute, strike or lock-out shall be wholly in the discretion of the party claiming suspension of its obligations or the extension of the time for exercising any option referred to herein by reason thereof and that party shall not be required to accede to the demands of its opponents in any such labour disturbance or dispute, strike or lock-out solely to remedy or remove the cause of the prevention or delay.

10.4 Exemption

The extension of time for the observance of conditions or performance of obligations as a result of force majeure shall not relieve CFM from its obligations under subsection 4.2(a) or Redstar of its obligations under subsection 4.3(a).

ARTICLE 11
CONFIDENTIAL INFORMATION

11.1 Confidential Information

All information, data, reports, records, studies and test results relating to the Property and the activities of the parties thereon pursuant to this Agreement and the terms and conditions of this Agreement, all of which is referred to in this Article 10 as "**confidential**

information", shall be treated by the parties as confidential and must not be disclosed to any person not a party to this Agreement, except in the following circumstances:

(a) a party may disclose confidential information to its auditors, legal counsel, consultants, institutional lenders, brokers, underwriters and investment bankers, provided that such non-party users are advised of the confidential nature of the confidential information, are required to maintain the confidentiality thereof and are strictly limited in their use of the confidential information to those purposes necessary for such non-party users to perform the services for which they were retained by the disclosing party;

(b) a party may disclose confidential information where that disclosure is necessary to comply with the disclosing party's disclosure obligations and requirements under any securities law, rules or regulations or stock exchange listing agreements, policies or requirements or in relation to proposed credit arrangements, provided that the proposed disclosure is limited to factual matters and that the disclosing party shall have availed itself of the full benefits of any laws, rules, regulations or contractual rights as to disclosure on a confidential basis to which it may be entitled; or

(c) upon mutual agreement of the parties.

11.2 Fraudulent or Negligent Disclosure

Redstar shall not be liable to CFM nor shall CFM be liable to Redstar for the fraudulent or negligent disclosure of information by any of its employees, servants or agents, provided that Redstar or CFM, as the case may be, has taken reasonable steps to ensure the preservation of the confidential nature of such information.

11.3 Information in Public Domain

Any confidential information that becomes part of the public domain by no act or omission in breach of section 11.1 shall cease to be confidential information for the purposes of section 11.1.

11.4 News Releases

Other than as permitted under subsection 10.1(b), each party shall obtain prior approval (which approval shall not be unreasonably withheld) from the other party before issuing any press release or public statement:

(a) using the other party's name or the names of any of the other party's assignees or of any of its officers, directors or employees or of its assignees; or

(b) which contains confidential information.

Where a request is made for such approval, a reply thereto shall be made within 24 hours after receipt of such request, failing which the party requesting shall be entitled to issue its press release or public statement in the limited circumstances specified in such request as if such consent had been given.

ARTICLE 12
DISPUTE RESOLUTION

12.1 Resolution Process

Any party may refer a matter in dispute hereunder for resolution pursuant to this Article 12. For a period of 60 days after such referral, the chief executive officers of Redstar and CFM shall attempt to resolve the matter, failing which either party may refer any such matter to arbitration by written notice to the other party. Within 10 days after receipt of such notice, the parties shall use their best efforts to agree on the appointment of a single arbitrator. No person shall be appointed as an arbitrator hereunder unless such person has at least 10 years experience in the matter that is the subject of the dispute and agrees in writing to act.

12.2 No Agreement on the Arbitration

If the parties cannot agree on a single arbitrator as provided in section 12.1, or if the person appointed is unwilling or unable to act, either party may submit the matter to arbitration before a single arbitrator in accordance with the rules of the British Columbia International Commercial Arbitration Centre ("**BCICAC**").

12.3 Conduct of Arbitration

Except as specifically provided in this Article 12, arbitration hereunder shall be conducted in accordance with the rules of the BCICAC (the "**Rules**"). The arbitrator shall fix a time and place in Vancouver, British Columbia for the purpose of hearing the evidence and representations of the parties and he shall preside over the arbitration and determine all questions of procedure not provided for under such Rules or this Article 12. After hearing any evidence and representations that the parties may submit, the arbitrator shall make an award and reduce the award to writing and deliver one copy thereof to each of the parties. The decision of the arbitrator shall be made within 45 days after his appointment, subject to any reasonable delay due to unforeseen circumstances. The decision of the arbitrator may be entered into any court. The expense of the arbitration, including travel costs and attorney's fees and costs of the prevailing party, shall be paid as specified in the award. The award of the single arbitrator shall be final and binding upon each of the parties.

12.4 Deadlock resolution on approval of Programs

If the Management Committee is deadlocked when considering whether to approve a Program (including any Feasibility Study Program as provided for in section 7.5), the Program shall be determined by special arbitration according to the procedures established under this section 12.4. In such arbitration, each party shall be entitled to submit to the arbitrator its proposal for the Program and the arbitrator shall be entitled to choose from among the submissions received but shall not be entitled to make any other award. The Program chosen by the arbitrator shall be deemed to be a Program approved by the Management Committee.

ARTICLE 13
AREA OF INTEREST

13.1 Acquisitions by Redstar

If, during the Option Period, Redstar, or any of its directors or senior officers acquires, directly or indirectly or pursuant to any third party agreement, any form of interest (including an option to acquire an interest) in minerals located wholly or in part within the Area of Interest, Redstar, or such director, senior officer or shareholder, shall offer all of such interest to CFM immediately upon the acquisition thereof by the Redstar or such director, senior officer or shareholder, by notice in writing to CFM setting out the nature of such interest, and including all information known by Redstar or such director, senior officer or shareholder about such interest, together with copies of all relevant documentation, a reasonably detailed statement setting forth such party's reasonable arm's length acquisition costs, and all other details relating thereto and if, within sixty (60) days from the date of the receipt of such notice, CFM accepts such mineral interest and pays to Redstar or such director, senior officer or shareholder the reasonable arm's length acquisition costs relating thereto actually incurred to the date of such notice as set out in such notice, such mineral interest shall thereafter be included within and form part of the Property.

13.2 Further Assurances

Each of Redstar, and its directors, senior officers and shareholders, and CFM shall execute and deliver or cause to be executed and delivered such further documents and instruments and give such further assurances as the other may reasonably require to evidence and give effect to the establishment of the Area of Interest and the incorporation or transfer of mineral interests acquired therein pursuant to this Agreement.

13.3 Election not to Acquire

If, upon receipt of a notice under subsection 13.1, CFM elects not to acquire the mineral interest offered to it, or fails to make any election within the sixty (60) day period therein set out, such mineral interest shall thereupon be released from the provisions of this Agreement and Redstar or such director, senior officer or shareholder, as applicable, shall be relieved of any further obligations to CFM hereunder with respect to such mineral interest.

13.4 Bona Fide Costs

Any acquisition costs referred to in this Section 12 shall be bona fide costs actually incurred and shall not be artificially inflated by any non-arm's length dealings or otherwise. Such costs shall also be considered to be Exploration Expenditures for the purpose of this Agreement.

13.5 Acquisitions by CFM

If, during the Option Period, CFM, or any of its directors or senior officers acquires, directly or indirectly or pursuant to any third party agreement, any form of interest (including an option to acquire an interest) in minerals located wholly or in part within the Area of Interest, such mineral interest shall thereafter be included within and form part of the Property.

ARTICLE 14
TERMINATION

14.1 Termination by Notice

CFM may terminate this Agreement at any time prior to exercising the First Option, by giving 30 days' advance written notice to that effect to Redstar and, on receipt of such notice by Redstar and expiry of such notice period, this Agreement shall be terminated.

14.2 Deliveries on Termination

Promptly after termination or expiry of this Agreement, CFM shall deliver to Redstar (or Redstar to CFM, as the case may be):

(a) if the Property is registered in the name of CFM, a duly executed transfer and assignment, sufficient to transfer Redstar good and marketable title to the Property;

(b) if the Property is registered in the name of Redstar, a release of any caveat, charge or other notation against title to the Property, sufficient to discharge or otherwise remove such caveat, charge or notation from the public record; and

(b) a copy of all data and other information with respect to the Property in its possession not already delivered to Redstar.

ARTICLE 15
NOTICE

15.1 Method

Each notice, demand or other communication (the "**notice**") required or permitted to be given under this Agreement shall be in writing and shall be personally delivered or sent by facsimile transfer or some other similar form of telecommunication addressed as follows:

If to CFM, at:

Confederation Minerals Ltd.
Unit C, 12343-104th Avenue,
Surrey, BC., V3V 3H2
Attention: President
Fax: (604) 588-2211

If to Redstar, at:

Redstar Gold Corp.
Suite 615, 800 West Pender St.
Vancouver, BC., V6C 2V6
Attention: President
Fax: (604) 488-0051

The date of receipt of such notice shall be the date of delivery thereof if delivered and, if given by facsimile transfer or some other similar form of telecommunication, shall be deemed to have been given and received on the next Business Day following the day on which it was sent.

15.2 Amending Addresses

Either party may at any time, and from time to time, notify the other party in accordance with this Article 15 of a change of address, to which all notices shall hereafter be given to it until further changed.

ARTICLE 16
GENERAL

16.1 Entire Agreement

This Agreement and the exhibits hereto constitute the entire agreement between the parties hereto and supersede and replace any other agreement or arrangement, whether oral or written, express or implied, statutory or otherwise heretofore existing between the parties in respect of the subject matter of this Agreement. This Agreement may not be amended or modified except by an instrument in writing signed by each of the parties hereto.

16.2 No Waiver of Breaches

No consent or waiver expressed or implied by either party in respect of any breach or default by the other in the performance by such other of its obligations hereunder shall be deemed or construed to be consent to or a waiver of any other breach or default.

16.3 Further Assurances

The parties shall promptly execute or cause to be executed all documents, deeds, conveyances and other instruments of further assurance which may be reasonably necessary or advisable to carry out fully the intent of this Agreement or to record wherever appropriate the respective interests from time to time of the parties in the Property.

16.4 Manner of Payment

All payments to be made to any party hereunder may be made by cheque or draft mailed or delivered to such party at its address for notice purposes as provided herein, or wire transferred for the account of such party to such bank or banks in Canada as such party may designate from time to time by written notice. Such bank or banks shall be deemed the agent of the designating party for the purposes of receiving, collecting and receipting such payment.

16.5 Enurement

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

16.6 Special Remedies

Each of the parties agrees that its failure to comply with the covenants and restrictions set out in section 4.3 and Articles 9 and 11 would constitute an injury and damage to the other party impossible to measure monetarily and, in the event of any such failure, the other party shall, in addition and without prejudice to any other rights and remedies at law or in equity, be entitled to injunctive relief restraining, enjoining or specifically enforcing the provisions of section 4.3 and Articles 9 and 11, as the case may be, and any party intending to breach the provisions of section 4.3 and Articles 9 and 11 hereby waives any defence it may have in law to such injunctive or equitable relief.

16.7 Time of the Essence

Time is of the essence in the performance of each obligation under this Agreement.

16.8 Counterparts

This Agreement may be executed in any number of counterparts and all such counterparts, taken together, shall be deemed to constitute one and same instrument. This Agreement may be signed and accepted by facsimile.

IN WITNESS WHEREOF this Agreement has been executed as of the date first above given.

Signed for and on behalf of
CONFEDERATION MINERALS LTD. by:

JDTS
____
Name:
Title: PRESIDENT.

Signed for and on behalf of **REDSTAR GOLD CORPORATION** by:

____
Name:
Title: President, CEO

SCHEDULE "A"

to the Agreement dated November 19, 2010 between Confederation Minerals Ltd. and Redstar Gold Corporation.

Description of Property

Parcel 542 Freehold Patricia	Mining Claim KRL 1607 Township of Todd, District of Kenora (Patricia portion)
Parcel 543 Freehold Patricia	Mining Claim KRL 1610 Township of Todd, District of Kenora (Patricia portion)
Parcel 544 Freehold Patricia	Mining Claim KRL 1611 Township of Todd, District of Kenora (Patricia portion)
Parcel 545 Freehold Patricia	Mining Claim KRL 1612 Township of Todd, District of Kenora (Patricia portion)
Parcel 1745 Freehold Patricia	Mining Claim KRL 1449 (KRL 18227 and Part of KRL 18313) KRL 1451 (KRL 18228 and Part of KRL 18313) Township of Todd, District of Kenora (Patricia portion)
Parcel 2452 Freehold Patricia	Mining Claim KRL 8525 (KRL 19854) Township of Todd, District of Kenora (Patricia portion)
Parcel 2453 Freehold Patricia	Mining Claim KRL 8526 (KRL 19855) Township of Todd, District of Kenora (Patricia portion)
Parcel 2454 Freehold Patricia	Mining Claim KRL 10410 (KRL 19858) Township of Todd, District of Kenora (Patricia portion)
Parcel 2455 Freehold Patricia	Mining Claim KRL 10411 (KRL 19859) Township of Todd, District of Kenora (Patricia portion)
Parcel 2488 Freehold Patricia	Mining Claim KRL 19853 Township of Todd, District of Kenora (Patricia portion)
Parcel 2489 Freehold Patricia	Mining Claim KRL 19856 Township of Todd, District of Kenora (Patricia portion)
Parcel 2490 Freehold Patricia	Mining Claim KRL 19857 Township of Todd, District of Kenora (Patricia portion)

SCHEDULE "B"

to the Agreement dated November 19, 2010 between Confederation Minerals Ltd. and Redstar Gold Corporation.

TERMS OF NET SMELTER RETURN

By that certain Royalty Agreement effective September 27, 2002 between Newmont Canada Limited and Redstar Gold Corp., an underlying royalty reservation was reserved by Newmont Canada Limited for all Minerals and shall be based in accordance with the following schedule:

Net Smelter Returns Percentage	The Average of the London Bullion Market, Afternoon Fix, Spot Prices for Gold (U.S. $ per Ounce) reported for the Calendar Month of Production
One and One-Half Percent (1.5%)	If less than or equal to US$400 per ounce
Two Percent (2.0%)	If greater than US$400 per ounce

A copy of such agreement is herewith attached to and immediately follows this Schedule B

ROYALTY AGREEMENT

THIS ROYALTY AGREEMENT ("Agreement") is effective September 27, **2002** (the "Effective Date")

BETWEEN:

REDSTAR GOLD CORP.
a corporation incorporated under the laws of the Province of British Columbia
611-675 West Hastings Street
Vancouver, British Columbia V6B 1N2 CANADA
Facsimile: 604.488.0053

(hereinafter "**GRANTOR**")

and

NEWMONT CANADA LIMITED
a corporation incorporated under the laws of the Province of Ontario
20 Eglinton Avenue West, Suite 1900
Toronto, Ontario M4R 1K8 CANADA
Facsimile: 416.488.6598

(hereinafter "**NEWMONT**")

RECITALS

A. Pursuant to the terms and conditions of that certain Purchase and Sale Agreement dated effective **September 16, 2002** (the "Purchase and Sale Agreement") between the Parties hereto with respect to those certain properties more particularly described in attached Schedule "A" (the "Property") **(i)** NEWMONT has sold, transferred and assigned to GRANTOR all of its right, title, interest and obligations in and to the Property; **(ii)** GRANTOR has purchased all of NEWMONT's right, title, interest and obligations in and to the Property; and **(iii)** as part of the Purchase Price for the purchase and sale of the Property, GRANTOR has agreed to grant to NEWMONT a Royalty (as hereinafter defined) with respect to the Property.

NOW, THEREFORE, in consideration of the premises and the covenants and conditions set forth in the Purchase and Sale Agreement and this Agreement, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

AGREEMENT

1. Royalty

1.1 GRANTOR shall pay to NEWMONT a perpetual production royalty in the amount of the applicable percentage Net Smelter Returns (as hereinafter described) as determined in accordance with the following schedule from the sale or other disposition of all Minerals produced from the Property, determined in accordance with the provisions of this Agreement (the "Royalty"). For purposes of this Agreement, the term "Minerals" shall mean any and all metals, minerals and mineral rights of whatever kind and nature in, under or upon the surface or subsurface of the Property (including, without limitation metals, precious metals, base metals, industrial minerals, gems, diamonds, commercially valuable rock, aggregate, clays and diatomaceous earth, hydrocarbons, and oil and gas, and other minerals which are mined, excavated, extracted or otherwise recovered).

The Royalty percentage for all Minerals shall be based in accordance with the following schedule.

Net Smelter Returns Percentage	The Average of the London Bullion Market, Afternoon Fix, Spot Prices for Gold (U.S. $ per Ounce) Reported for the Calendar Month of Production
One and One-Half Percent (1.5%)	If less than or equal to US$400 per ounce
Two Percent (2.0%)	If greater than US$400 per ounce

1.2 For Precious Metals. "Net Smelter Returns", in the case of gold, silver, and platinum group metals ("Precious Metals"), shall be determined by multiplying **(a)** the gross number of troy ounces of Precious Metals recovered from production from the Property during the preceding calendar month ("Monthly Production") delivered to the smelter, refiner, processor, purchaser or other recipient of such production, or an insurer as a result of casualty to such production (collectively, "Payor"), by **(b)** for gold, the average of the London Bullion Market, Afternoon Fix, spot prices reported for the preceding calendar month (the "Applicable Spot Price"), and for all other Precious Metals, the average of the New York Commodities Exchange final spot prices reported for the preceding calendar month for the particular Mineral for which the price is being determined, and subtracting from the product of 1.2(a) and 1.2(b) only the following if actually incurred: (i) charges imposed by the Payor for refining bullion from doré or concentrates of Precious Metals ("Beneficiated Precious Metals") produced by GRANTOR's final mill or other final processing plant; however, charges imposed by the Payor for smelting or refining of raw or crushed ore containing Precious Metals or other preliminarily processed Precious Metals shall not be subtracted in determining Net Smelter Returns; (ii) penalty substance, assaying, and sampling charges imposed by the Payor for refining Beneficiated Precious Metals contained in such production; and (iii) charges and costs, if any, for transportation and insurance of Beneficiated Precious Metals from GRANTOR's final mill or other final processing plant to places where such Beneficiated Precious Metals are smelted, refined and/or sold or otherwise disposed of.

1.3 In the event the refining of bullion from the Beneficiated Precious Metals contained in such production is carried out in custom toll facilities owned or controlled, in whole or in part, by GRANTOR, which facilities were not constructed solely for the purpose of refining Beneficiated Precious Metals or Other Minerals from the Property, then charges, costs and penalties for such refining shall mean the amount GRANTOR would have incurred if such refining were carried out at facilities not owned or controlled by GRANTOR then offering comparable services for comparable products on prevailing terms, but in no event greater than actual costs incurred by GRANTOR with respect to such refining. In the event GRANTOR receives insurance proceeds for loss of production of Precious Metals, GRANTOR shall pay to NEWMONT the Royalty percentage of any such insurance proceeds which are received by GRANTOR for such loss of production.

1.4 For Other Minerals. "Net Smelter Returns", in the case of all Minerals other than Precious Metals and the beneficiated products thereof ("Other Minerals"), shall be determined by multiplying (a) the gross amount of the particular Other Mineral contained in the Monthly Production delivered to the Payor during the preceding calendar month by (b) the average of the New York Commodities Exchange final daily spot prices reported for the preceding calendar month of the appropriate Other Mineral, and subtracting from the product of **sections 1.4(a) and 1.4(b)** only the following if actually incurred: (i) charges imposed by the Payor for smelting, refining or processing Other Minerals contained in such production, but excluding any and all charges and costs related to GRANTOR's mills or other processing plants constructed for the purpose of milling or processing Other Minerals, in whole or in part; (ii) penalty substance, assaying, and sampling charges imposed by the Payor for smelting, refining, or processing Other Minerals contained in such production, but excluding any and all charges and costs of or related to GRANTOR's mills or other processing plants constructed for the purpose of milling or processing Other Minerals, in whole or in part; and (iii) charges and costs, if any, for transportation and insurance of Other Minerals and the beneficiated products thereof from GRANTOR's final mill or other final processing plant to places where such Beneficiated Precious Metals are smelted, refined and/or sold or otherwise disposed of. If for any reason the New York Commodities Exchange does not report spot pricing for a particular Other Mineral, then the Parties shall mutually agree upon an appropriate pricing entity or mechanism that accurately reflects the market value of any such Other Mineral.

1.5 In the event smelting, refining, or processing of Other Minerals are carried out in custom toll facilities owned or controlled, in whole or in part, by GRANTOR, which facilities were not constructed solely for the purpose of milling or processing Other Minerals from the Property, then charges, costs and penalties for such smelting, refining or processing shall mean the amount GRANTOR would have incurred if such smelting, refining or processing were carried out at facilities not owned or controlled by GRANTOR then offering comparable services for comparable products on prevailing terms, but in no event greater than actual costs incurred by GRANTOR with respect to such smelting and refining. In the event GRANTOR receives insurance proceeds for loss of production of Other Minerals, GRANTOR shall pay to NEWMONT the Royalty percentage of any such insurance proceeds which are received by GRANTOR for such loss of production.

1.6 Payments of Royalty In Cash or In Kind. Royalty payments shall be made to NEWMONT as follows:

(a) Royalty In Kind. NEWMONT may elect to receive its Royalty on Precious Metals from the Property "in cash" or "in kind" as refined bullion. The elections may be exercised once per year on a calendar year basis during the life of production from the Property. Notice of election to receive the following year's Royalty for Precious Metals "in cash" or "in kind" shall be made in writing by NEWMONT and delivered to GRANTOR on or before November 1 of each year. In the event no written election is made, the Royalty for Precious Metals will continue to be paid to NEWMONT as it is then being paid. As of the Effective Date of this Agreement, NEWMONT elects to receive its Royalty on Precious Metals "in kind". Royalties on Other Minerals shall not be payable "in kind". (i) If NEWMONT elects to receive its Royalty for Precious Metals in "in kind", NEWMONT shall open a bullion storage account at each refinery or mint designated by GRANTOR as a possible recipient of refined bullion in which NEWMONT owns an interest. NEWMONT shall be solely responsible for all costs and liabilities associated with maintenance of such account or accounts, and GRANTOR shall not be required to bear any additional expense with respect to such "in-kind" payments. (ii) Royalty will be paid by the deposit of refined bullion into NEWMONT's account. On or before the 25th day of each calendar month following a calendar month during which production and sale or other disposition occurred, GRANTOR shall deliver written instructions to the mint or refinery, with a copy to NEWMONT directing the mint or refinery to deliver refined bullion due to NEWMONT in respect of the Royalty, by crediting to NEWMONT's account the number of ounces of refined bullion for which Royalty is due; provided, however, that the words "other disposition" as used in this Agreement shall not include processing, milling, beneficiation or refining losses of Precious Metals. The number of ounces of refined bullion to be credited will be based upon NEWMONT's share of the previous month's production and sale or other disposition as calculated pursuant to the commingling provisions of section 1.9. (iii) Royalty payable "in kind" on silver or platinum group metals shall be converted to the gold equivalent of such silver or platinum group metals by using the average monthly spot prices for Precious Metals described in section 1.2. (iv) Title to refined bullion delivered to NEWMONT under this Agreement shall pass to NEWMONT at the time such bullion is credited to NEWMONT at the mint or refinery. (v) NEWMONT agrees to hold harmless GRANTOR from any liability imposed as a result of the election of NEWMONT to receive Royalty "in kind" and from any losses incurred as a result of NEWMONT's trading and hedging activities. NEWMONT assumes all responsibility for any shortages which occur as a result of NEWMONT's anticipation of credits to its account in advance of an actual deposit or credit to its account by a refiner or mint. (vi) When royalties are paid in "in kind", they will not reflect the costs deductible in calculating Net Smelter Returns under this Agreement. Within thirty (30) days of the receipt of a statement showing charges incurred by GRANTOR for transportation, smelting or other deductible costs, NEWMONT shall remit to GRANTOR full payment for such charges. If NEWMONT does not pay such charges when due, GRANTOR shall have the right, at its election, with NEWMONT's consent, such consent not to be unreasonably withheld, to deduct the gold equivalent of such charges from the ounces of gold bullion to be credited to NEWMONT in the following month.

(b) In Cash. If NEWMONT elects to receive its Royalty for Precious Metals in cash, and as to Royalty payable on Other Minerals, payments shall be payable on or before the twenty-fifth (25th) day of the month following the calendar month in which the minerals subject to the Royalty were shipped to the Payor by GRANTOR. For purposes of calculating the cash amount due to NEWMONT, Precious Metals and Other Minerals will be deemed to have been sold or otherwise disposed of at the time refined production from the Property is delivered, made available, or credited to GRANTOR by a mint or refiner. The price used for calculating the cash amount due for Royalty on Precious Metals or Other Minerals shall be determined in accordance with section 1.2 and section 1.4 as applicable. GRANTOR shall make each Royalty payment to be paid in cash by delivery of a check payable to NEWMONT and delivering such check to NEWMONT at the address listed in this Agreement, or to such other address as NEWMONT may direct or by direct bank deposit to NEWMONT's account as NEWMONT shall designate. Should default be made in any cash payment when due for Royalty and such default still exists ten (10) days following notice of non-payment, then all unpaid amounts shall bear interest at the rate of fifteen percent (15%) per annum commencing from and after such payment due date until paid.

(c) Detailed Statement. All Royalty payments or credits shall be accompanied by a detailed statement explaining the calculation thereof together with any available settlement sheets from the Payor.

1.7 Monthly Reconciliation. (a) On or before the twenty-fifth (25th) day of the month, GRANTOR shall make an interim settlement based on the information then available of such Royalty for the prior calendar month, either "in cash" or "in kind", whichever is applicable, by paying (i) not less than one hundred percent (100%) of the anticipated final settlement of Precious Metals "in kind" Royalty payments and (ii) not less than ninety-five percent (95%) of the anticipated final settlement of cash Royalty payments. (b) The Parties recognize that a period of time exists between the production of ore, the production of doré or concentrates from ore, the production of refined or finished product from doré or concentrates, and the receipt of Payor's statements for refined or finished product. As a result, the payment of Royalty will not coincide exactly with the actual amount of refined or finished product produced from the Property for the previous month. GRANTOR will provide final reconciliation promptly after settlement is reached with the Payor for all lots sold or subject to other disposition in any particular month. (c) In the event that NEWMONT has been underpaid for any provisional payment (whether "in cash" or "in kind"), GRANTOR shall pay the difference "in cash" by check and not "in kind" with such payment being made at the time of the final reconciliation. If NEWMONT has been overpaid in the previous calendar month, NEWMONT shall make a payment to GRANTOR of the difference by check. Reconciliation payments shall be made on the same basis as used for the payment in cash pursuant to section 1.6(b) hereof.

1.8 Hedging Transactions. All profits and losses resulting from GRANTOR's sales of Precious Metals or Other Minerals, or GRANTOR's engaging in any commodity futures trading, option trading, or metals trading, or any combination thereof, and any other hedging transactions including trading transactions designed to avoid losses and obtain possible gains due to metal price fluctuations (collectively, "Hedging Transactions") are specifically excluded from Royalty calculations pursuant to this Agreement. All Hedging Transactions by GRANTOR and all profits or losses associated therewith, if any, shall be solely for GRANTOR's account. The Royalty payable on Precious Metals or Other Minerals subject to Hedging Transactions shall be determined as follows: (a) Affecting Precious Metals. The amount of Royalty to be paid on all Precious Metals subject to Hedging Transactions by GRANTOR shall be determined in the same manner as provided in **section 1.2**, with the understanding and agreement that the average monthly spot price shall be for the calendar month preceding the calendar month during which Precious Metals subject to Hedging Transactions are shipped by GRANTOR to the Payor. (b) Affecting Other Minerals. The amount of Royalty to be paid on all Other Minerals subject to Hedging Transactions by GRANTOR shall be determined in the same manner as provided in **section 1.4**, with the understanding and agreement that the average monthly spot price shall be for the calendar month preceding the calendar month during which Other Minerals subject to Hedging Transactions are shipped by GRANTOR to the Payor.

1.9 Commingling. GRANTOR shall have the right to commingle Precious Metals and Other Minerals from the Property with minerals from other properties. Before any Precious Metals or Other Minerals produced from the Property are commingled with minerals from other properties, the Precious Metals or Other Minerals produced from the Property shall be measured and sampled in accordance with sound mining and metallurgical practices for moisture, metal, commercial minerals and other appropriate content, applied on a consistent basis. Representative samples of the Precious Metals or Other Minerals shall be retained by GRANTOR and assays (including moisture and penalty substances) and other appropriate analyses of these samples shall be made before commingling to determine gross metal content of Precious Metals or gross metal or mineral content of Other Minerals. GRANTOR shall retain such analyses for a reasonable amount of time, but not less than twenty four (24) months, after receipt by NEWMONT of the Royalty paid with respect to such commingled Minerals from the Property, and shall retain such samples taken from the Property for not less than thirty (30) days after collection.

2. Stockpilings and Tailings. All tailings, residues, waste rock, spoiled leach materials, and other materials (collectively "Materials") resulting from GRANTOR's operations and activities on the Property shall be the sole property of GRANTOR, but shall remain subject to the Royalty should the Materials be processed or reprocessed, as the case may be, in the future and result in the production and sale or other disposition of Precious Metals or Other Minerals. Notwithstanding the foregoing, GRANTOR shall have the right to dispose of Materials from the Property on or off of the Property and to commingle the same (as provided herein) with materials from other properties. In the event Materials from the Property are processed or reprocessed, as the case may be, and regardless of where such processing or reprocessing occurs, the Royalty payable thereon shall be determined on a pro rata basis as determined by using the best engineering and technical practices then available.

3. Term. The Royalty created hereby shall be perpetual, it being the intent of the Parties hereto that, to the extent allowed by law, the Royalty shall constitute a vested interest in and a covenant running with the land affecting the Property and all successions thereof whether created privately or through governmental action and, subject to the provisions of **section 8.12**, shall inure to the benefit of and be binding upon the Parties and their respective legal representatives, successors and assigns so long as GRANTOR or any successor or assign of GRANTOR holds any rights or interests in the Property. In the event a court of competent jurisdiction determines that any right, power or interest of any Party under this Agreement would violate the rule against perpetuities, then such right, power or interest shall terminate at the expiration of twenty (20) years after the death of the last survivor of all the lineal descendants of Her Majesty, Queen Elizabeth II of England, living on the Effective Date of this Agreement. This Agreement shall not be terminated solely as a result of a violation of the rule against perpetuities.

4. After-Acquired Interest. If at any time after the Effective Date GRANTOR or any Affiliate or successor or assignee of it stakes, applies for, and obtains or otherwise acquires, directly or indirectly, any right to or interest in any mining claim, license, lease, grant, concession, permit, patent, or other mineral property or other rights or interests located wholly or partly within the boundaries of the Property, such rights or interests shall thereafter become part of the Property. In the event GRANTOR or any Affiliate or any successor or assign of it surrenders, allows to lapse or otherwise terminates its interest in any portion or all the Property and within a period of five (5) years from the date of such surrender, lapse or other termination, reacquires a direct or indirect interest in respect of the land covered by the former Property, then the Royalty shall apply to such interest so acquired. GRANTOR shall give written notice to NEWMONT within ten (10) days of any acquisition or reacquisition of the Property.

5. Assumption of Liabilities; Indemnifications by GRANTOR. GRANTOR hereby assumes all right, title, interest and liabilities of NEWMONT in, to and under the Property, including but not limited to any and all environmental liabilities. Accordingly, GRANTOR shall be responsible for all costs, fines, damages, judgments, penalties or responsibilities (environmental and otherwise) in connection with the Property, its ownership and use of the Property and for any and all work performed in and on the Property, whether arising prior to or subsequent to the Effective Date. GRANTOR hereby indemnifies and saves harmless NEWMONT from any loss, cost or liability (including reasonable legal fees) arising from a claim against NEWMONT in respect of: (a) any failure by GRANTOR to timely and fully perform all reclamation, restoration, waste disposal or other closure obligations required by law or regulation, the terms and conditions of applicable licenses or by governmental authorities or otherwise to prevent liability in respect of all activities on the Property, whether arising prior to or subsequent to the Effective Date; (b) any failure or omission by GRANTOR which results in a violation of or liability under any present or future applicable federal, provincial, territorial or local environmental laws,

statutes, rules, regulations, permits, ordinances, certificates, licenses and other regulatory requirements, policies or guidelines in respect of all activities on the Property, whether arising prior to or subsequent to the Effective Date; and (c) any claims by third parties against NEWMONT in respect of property damage or injury or death to persons arising out of the activities on or with respect to the Property whether arising prior to or subsequent to the Effective Date. The foregoing expressly includes all right, title, interest and liabilities in any way related to that certain agreement dated January 1, 1980 by and between The Estate of Harry A. Newman and Noranda Exploration Company Limited (No Personal Liability) with respect to the Property.

6. Registration on Title. The Parties agree that following the Effective Date (a) GRANTOR shall immediately undertake all acts required to register title to the Property in GRANTOR's name by filing an appropriate statutory form of transfer document(s) executed by NEWMONT; and (b) NEWMONT may register or record against title to the Property this Agreement and such form of notice, caution or other document(s) including, without limitation, the Purchase and Sale Agreement, conditional payment note and collateral charge/mortgage or other security instruments as it considers appropriate to secure payment from time to time and protect NEWMONT's right to receive the Royalty or other sums due under the Purchase and Sale Agreement and this Agreement. The Parties hereby consent to such registering or recording and agree to co-operate with such Party to accomplish the same.

7. Reporting, Records and Audits, Inspections, New Resources or Reserves, Confidentiality and Press Releases.

7.1 Reporting. No later than March 1 of each year, GRANTOR shall provide to NEWMONT with an annual report of activities and operations conducted with respect to the Property during the preceding calendar year, and from time to time shall provide such additional information as NEWMONT may reasonably request. Such annual report shall include details of: (a) the preceding year's activities with respect to the Property; (b) ore reserve data for the calendar year just ended; and (c) estimates of anticipated production and estimated remaining ore reserves with respect to proposed activities for the Property for the current calendar year.

7.2 Records and Audits. NEWMONT shall have the right, upon reasonable notice to GRANTOR, to inspect and copy all books, records, technical data, information and materials (the "Data") pertaining to GRANTOR's activities with respect to the Property; provided that such inspections shall not unreasonably interfere with GRANTOR's activities with respect to the Property. GRANTOR makes no representations or warranties to NEWMONT concerning any of the Data or any information contained in the annual reports, and NEWMONT agrees that if it elects to rely on any such Data or information, it does so at its sole risk. If any such audit or inspection reveals that Royalty payments for any calendar year are underpaid by more than three percent (3%), GRANTOR shall reimburse NEWMONT for its reasonable costs incurred in such audit or inspection. NEWMONT shall be entitled to enter the mine workings and structures on the Property at reasonable times upon reasonable advance notice for inspection thereof, but NEWMONT shall so enter at its own risk and shall indemnify and hold GRANTOR and its Affiliates harmless against and from any and all loss, costs, damage, liability and expense (including but not limited to reasonable attorneys' fees and costs) by reason of injury to NEWMONT or its agents or representatives or damage to or destruction of any property of NEWMONT or its agents or representatives while on the Property on or in such mine workings and structures, unless such injury, damage, or destruction is a result, in whole or in part, of the negligence of GRANTOR.

7.3 New Resources or Reserves. If GRANTOR establishes a mineral resource or mineral reserve on any of the Property, GRANTOR shall provide to NEWMONT the amount of such resource or reserve as soon as practicable after GRANTOR makes a public declaration with respect to the establishment thereof.

7.4 Confidentiality. NEWMONT shall not, without the prior written consent of GRANTOR, which shall not be unreasonably delayed or withheld, knowingly disclose to any third party data or information obtained pursuant to this Agreement which is not generally available to the public; provided, however, NEWMONT may disclose data or information so obtained without the consent of GRANTOR: (a) if required for compliance with laws, rules, regulations or orders of a governmental agency or stock exchange; (b) to any of NEWMONT's consultants or advisors; (c) to any third party to whom NEWMONT, in good faith, anticipates selling or assigning NEWMONT's interest in the Property; and (d) to a prospective lender, provided that such consultants, third parties or lenders first sign a confidentiality agreement with NEWMONT; or (e) to a third party to which a Party or its parent company contemplates a transfer to, or a merger, amalgamation or other corporate reorganization with, provided however, that any such third party to whom disclosure is made has a legitimate business need to know the disclosed information, and shall first agree in writing to protect the confidential nature of such information to the same extent NEWMONT is obligated under this section.

7.5 Press Releases. A Party desiring to make a disclosure, statement or press release concerning this Agreement or the Purchase and Sale Agreement shall first consult with the other Party prior to making such disclosure, statement or press release, and the Parties shall use all reasonable efforts, acting expediently and in good faith, to agree upon a text for such statement or press release which is satisfactory to all Parties. Subject to its rights and obligations regarding confidentiality under section 7.4, NEWMONT shall not issue any press release containing technical information relating to the Property except upon giving GRANTOR two (2) days advance written notice of the contents thereof, and NEWMONT shall make any reasonable changes to such proposed press release as such changes may be timely requested by GRANTOR, provided, however, NEWMONT may include in any press release without notice any information previously reported by GRANTOR or NEWMONT. A Party shall not, without the consent of the other Party, issue any press release that implies or infers that the non-issuing Party endorses or joins the issuing Party in statements or representations contained in any press release.

8. General Provisions.

8.1 Amendment. This Agreement may be amended, modified or supplemented only by a written agreement signed by each Party.

8.2 Waiver of Rights. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.

8.3 Applicable Law. This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario, Canada and the federal laws of Canada applicable therein.

8.4 Dispute Resolution. **(a)** Any dispute, controversy or claim arising out of, in relation to or in connection with this Agreement, including any dispute as to the validity, interpretation, enforceability or breach of this Agreement, shall be exclusively and finally settled by binding arbitration before a single qualified arbitrator appointed upon the unanimous agreement of the Parties and conducted in accordance with the Arbitration Act, 1991 (Ontario). The arbitrator shall be knowledgeable about the matter being arbitrated. The decision rendered by the arbitrator may be entered into any court. Each Party shall pay their own fees and expenses (and shall pay their own attorneys' fees and expenses) related to the arbitration, regardless of how the arbitrated issue is decided. The Parties covenant that they shall conduct all aspects of such arbitration having regard at all times to minimizing the cost and expediting the final resolution of such arbitration. Arbitration shall be conducted in English, in Toronto, Canada. **(b)** If, for the purposes of obtaining judgment in any court in Canada, it becomes necessary to convert into Canadian dollars ("Judgment Currency") an amount due in United States dollars hereunder ("Original Currency") then the conversion shall be made at the Rate of Exchange prevailing on the business day before the day on which the judgment is given. If there is a change in the Rate of Exchange prevailing between the business day before the day on which the judgment is due, the paying Party will pay such additional amounts (if any, but in any event not a lesser amount) as may be necessary to ensure that the amount paid in the Judgment Currency when converted at the Rate of Exchange prevailing on the date of payment will produce the amount then due under this Agreement in the Original Currency and such additional amount shall bear interest, from the date same become due, at the rate of fifteen percent (15%) per annum. "Rate of Exchange" means the spot rate at which the Party who is the payee is able on the relevant date to purchase Original Currency with Judgment Currency and includes any premium and costs of exchange.

8.5 Compliance with Laws. GRANTOR shall at all times comply with all applicable federal, provincial, and local laws, statutes, rules, regulations, permits, ordinances, certificates, licenses and other regulatory requirements, policies and guidelines relating to operations and activities on or with respect to the Property; provided, however, GRANTOR shall have the right to contest any of the same if such contest does not jeopardize the Property or NEWMONT's rights thereto or under this Agreement.

8.6 GRANTOR to Bear Solely All Costs and Obligations. Commencing from and after the Effective Date GRANTOR has agreed to be solely responsible for its own account all costs and obligations pertaining to or associated with the Property.

8.7 Currency. Unless specified otherwise, all statements of or references to dollar amounts in this Agreement are to lawful money of Canada.

8.8 No Joint Venture, Mining Partnership, Commercial Partnership. This Agreement shall not be construed to create, expressly or by implication, a joint venture, mining partnership, commercial partnership, or other partnership relationship between or among GRANTOR and NEWMONT.

8.9 Time. Time is of the essence of each provision of this Agreement.

8.10 Definitions. In this Agreement and the Schedule(s) attached to this Agreement the following terms shall have the following meanings:

"Affiliate" shall have the meaning ascribed to that term by the Canada Business Corporations Act on the date hereof.

"Agreement" means this Royalty Agreement.

"Applicable Spot Price" means as described in **section 1.2**.

"Beneficiated Precious Metals" means as described in **section 1.2**.

"Business Day" means any calendar day other than a Saturday or Sunday or any statutory holiday or civic holiday in the Province of Ontario.

"Data" means as described in **section 7.2.**

"Effective Date" means the date specified on the top of page one of this Agreement.

"GRANTOR" shall include, to the extent applicable in the circumstances, all of GRANTOR's successors-in-interest, including without limitation assignees, partners, joint venture partners, lessees, and when applicable mortgagees and Affiliates having or claiming an interest in the Property.

"Hedging Transactions" means as described in **section 1.8**.

"Judgement Currency" means Canadian currency.

"Materials" means as described in **section 2**.

"Minerals" means as described in **section 1.1**.

"Monthly Production" means as described in **section 1.2**.

"NEWMONT" shall include, to the extent applicable in the circumstances, all of NEWMONT's successors-in-interest, including without limitation assignees, partners, joint venture partners, lessees, and when applicable mortgagees and Affiliates having or claiming an interest in the Property.

"Net Smelter Returns" means as described in **section 1.2** and **section 1.4**, as applicable.

"notice" means as described in **section 8.11.**

"Original Currency" means United States currency.

"Other Mineral(s)" means as described in **section 1.4.**

"Parties" means NEWMONT and GRANTOR collectively.

"Party" means either of the Parties individually.

"Payor" means as described in **section 1.2.**

"Precious Metals" means as described in **section 1.2.**

"Property" means all right, title and interest of NEWMONT now held or hereinafter acquired by GRANTOR in and to the property described in attached Schedule "A" including without limitation any amendments, supplements, renewals and replacements thereof.

"Purchase and Sale Agreement" means that certain agreement dated effective **September 16, 2002** pursuant to which the Parties agreed to the purchase and sale of the Property.

"Purchase Price" means the consideration referenced in the Recital(s) and stipulated in the Purchase and Sale Agreement.

"Rate of Exchange" means the spot rate at which a Party is able on the relevant date to purchase Original Currency with Judgment Currency and includes any premium and costs of exchange as described in **section 8.4.**

"Royalty" means the Net Smelter Returns royalty stipulated in **section 1.1**.

"Royalty Agreement" means this Agreement and all amendments, modifications and supplements thereto.

"Transmission" means as described in **section 8.11.**

8.11 Notices. **(a)** Any notice, demand or other communication (in this section, a "notice") required or permitted to be given or made hereunder shall be in writing and shall be sufficiently given or made if: **(i)** delivered in person during normal business hours of the recipient on a Business Day and left with a receptionist or other responsible employee of the recipient at the applicable address first set forth in this Agreement; or **(ii)** sent by facsimile transmission (a "Transmission") during normal business hours on a Business Day charges prepaid and confirmed by regular mail at the address first set forth in this Agreement; and **(b)** each notice sent in accordance with this section shall be deemed to have been received: (i) on the day it was delivered; or on the same day that it was sent by fax transmission, or (ii) on the first Business Day thereafter if the day on which it was sent by fax transmission was not a Business Day. The notice addresses for the Parties are set out on page one of this Agreement. A Party may change its address for notice by giving notice to the other Party in accordance with this section. Notice to NEWMONT shall additionally be sent to Newmont Mining Corporation, 1700 Lincoln Street, Denver, Colorado 80203 U.S.A., Attention: Land Dept., Facsimile: 303.837.5851.

8.12 Assignment. Except as otherwise provided in this Agreement, GRANTOR may assign, transfer, convey or otherwise dispose of its rights, interests and obligations under this Agreement; provided, however, any option, joint-venture, assignment, transfer, conveyance or other disposition by GRANTOR of its rights and interests in or with respect to the Property or this Agreement shall be void unless the proposed assignee has first agreed in writing with NEWMONT to observe and be bound by all of the provisions of this Agreement with respect to the rights, interests and obligations being assigned to or assumed by the assignee in the place and stead of GRANTOR and only subsequent to the signing of a definitive agreement as between such assignee and NEWMONT shall GRANTOR be relieved or discharged from the Purchase and Sale Agreement and this Agreement in respect thereof. GRANTOR shall not be relieved or discharged from this Agreement and the Purchase and Sale Agreement in respect of any rights, interests or obligations of GRANTOR in or with respect to this Agreement or the Purchase and Sale Agreement which are not assigned or assumed in accordance with the foregoing and NEWMONT may continue to look to GRANTOR for performance with respect thereto. NEWMONT shall have the unrestricted right, in its sole and absolute discretion, to assign, transfer, convey, or relinquish any of its rights or interests with respect to the Property, including the Royalty at any time.

8.13 Maintenance of the Property. GRANTOR shall pay all governmental taxes, duties or other payments, make any minimum investments required by law, perform all acts and comply with all obligations under applicable law required to maintain the Property (excluding those portions of the Property previously abandoned by it as provided in this section) in good standing. At any time and from time to time, GRANTOR may elect to abandon any part or parts of the Property by giving notice to NEWMONT of such election not less than thirty (30) days prior to the proposed date of abandonment. The notice shall identify the portion of the Property which is proposed to be abandoned. Upon expiry of such thirty (30) day period, GRANTOR's obligations hereunder in respect of such abandoned interests shall terminate and thereafter the term "Property" as used in this Agreement will apply to those interests comprising the Property which have not been abandoned by GRANTOR. If requested by NEWMONT GRANTOR shall execute documents transferring to NEWMONT title to any part or parts of the Property which GRANTOR is abandoning.

8.14 Further Assurances. The Parties promptly shall execute all such further instruments and documents and do all such further actions as may be necessary to effectuate the purposes of this Agreement.

8.15 Entire Agreement. This Agreement together with the corresponding Purchase and Sale Agreement and the Closing Documents (as described in the Purchase and Sale Agreement) constitute the entire agreement between the Parties with respect to the subject matter hereof.

8.16 English Language. The Parties hereto expressly declare that they require this Agreement, and all documents and notices relating thereto, to be drafted and written solely in the English language. Les Parties déclarent expressément qu'elles exigent que ce contrat, ainsi que tous les documents et avis s'y rapportant, soient rédigés et écrits exclusivement en anglais.

8.17 Counterparts. This Agreement may be executed in any number of counterparts, and it shall not be necessary that the signatures of the Parties be contained on any counterpart. Each counterpart shall be deemed an original, but all counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF the Parties hereto have duly executed this Agreement effective as of the date first written above.

REDSTAR GOLD CORP.	**NEWMONT CANADA LIMITED**
By:	By:
Title: President	Title: Vice President
Date: Sept. 17, 2002	Date: Sept 16, 2002
Its Authorized Representative	*Its Authorized Representative*
[SEAL]	**[SEAL]** Newmont Canada Limited CORPORATE SEAL 1986 Ontario, Canada

SCHEDULE "A" TO "ROYALTY AGREEMENT"

(Description of the "Property")

Todd Township, Red Lake Mining Division, Ontario, Canada

Parcel 542 Freehold Patricia	Mining Claim KRL 1607 Township of Todd, District of Kenora (Patricia portion)
Parcel 543 Freehold Patricia	Mining Claim KRL 1610 Township of Todd, District of Kenora (Patricia portion)
Parcel 544 Freehold Patricia	Mining Claim KRL 1611 Township of Todd, District of Kenora (Patricia portion)
Parcel 545 Freehold Patricia	Mining Claim KRL 1612 Township of Todd, District of Kenora (Patricia portion)
Parcel 1745 Freehold Patricia	Mining Claim KRL 1449 (KRL 18227 and part of KRL 18313) KRL 1451 (KRL 18228 and part of KRL 18313) Township of Todd, District of Kenora (Patricia portion)
Parcel 2452 Freehold Patricia	Mining Claim KRL 8525 (KRL 19854) Township of Todd, District of Kenora (Patricia portion)
Parcel 2453 Freehold Patricia	Mining Claim KRL 8526 (KRL 19855) Township of Todd, District of Kenora (Patricia portion)
Parcel 2454 Freehold Patricia	Mining Claim KRL 10410 (KRL 19858) Township of Todd, District of Kenora (Patricia portion)
Parcel 2455 Freehold Patricia	Mining Claim KRL 10411 (KRL 19859) Township of Todd, District of Kenora (Patricia portion)
Parcel 2488 Freehold Patricia	Mining Claim KRL 19853 Township of Todd, District of Kenora (Patricia portion)
Parcel 2489 Freehold Patricia	Mining Claim KRL 19856 Township of Todd, District of Kenora (Patricia portion)
Parcel 2490 Freehold Patricia	Mining Claim KRL 19857 Township of Todd, District of Kenora (Patricia portion)

SCHEDULE "C"

to the Agreement dated November 19, 2010 between Confederation Minerals Ltd. and Redstar Gold Corporation.

By that certain Option Agreement effective January 1, 1980 between The Estate of Harry A. Newman and Newmont Canada Limited, successor in interest to Noranda Exploration Company, a Net Carried Interest of 15%, as defined within the agreement, was retained by The Estate of Harry A. Newman.

A copy of such agreement is herewith attached to and immediately follows this Schedule C

THIS AGREEMENT made as of the 1st day of January, 1980

B E T W E E N:

NORANDA EXPLORATION COMPANY, LIMITED (No Personal Liability), a company duly incorporated under the laws of the Province of Quebec (hereinafter called the "Optionee")

OF THE FIRST PART;

and

THE ESTATE OF HARRY A. NEWMAN acting through its executors Thomas Allen Newman, of Toronto, Ontario, and William Goold Newman, of Whitby, Ontario (hereinafter called the "Optionor"

OF THE SECOND PART.

WHEREAS the Optionor owns the mining claims listed in Schedule "A" attached to this agreement which are hereinafter called the "Property";

AND WHEREAS the parties have agreed that the Optionee may acquire the Property pursuant to the terms of this agreement;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT, in consideration of the premises and the mutual convenants hereinafter contained, the parties hereto agree as follows:

1. The Optionor warrants and represents that to the best of its knowledge and belief it owns the Property and that the Property is in good standing free and clear of all liens and encumbrances. The Optionor further represents and warrants that there are no claims or encumbrances against the Property by persons claiming by or under the Optionor.

2. The Optionor hereby gives and grants to the Optionee the exclusive right and option to acquire the Property subject to a fifteen per cent (15%) net carried interest reserved to the Optionor.

3. In order to maintain this agreement in good standing, the Optionee must make the following payments to the Optionor on or before the dates indicated:

(a) $4,000.00 on the date this agreement is executed;

(b) $6,000.00 on or before December 31, 1980;

(c) $10,000.00 on or before December 31, 1981.

4. As a further requirement to maintain this agreement in good standing the Optionee hereby commits to spend $20,000.00 on exploration work on the Property prior to December 31, 1980. In order to continue to maintain the agreement in good standing the Optionee must commit, on or before January 1, 1981 to spend a further $50,000.00 on exploration and/or development work on the Property prior to December 31, 1981. In order to continue to maintain the agreement in good standing the Optionee must commit, on or before January 1, 1982, to spend a further $100,000.00 on exploration and/or development work on the Property prior to December 31, 1982.

Any amounts spent by the Optionee during the above specified time periods in excess of the amounts committed shall be credited towards subsequent expenditure commitments.

5. The option hereby granted shall be for a term of three (3) years commencing January 1, 1980 and ending on December 31, 1982.

6. Provided the Optionee has maintained this agreement in good standing, has paid the Optionor the sum of $20,000,00 pursuant to paragraph 3 above and spent a minimum of $170,000.00 on the Property pursuant to paragraph 4 above it may prior to the expiration of the option hereby granted, notify the Optionor that it has earned its interest hereunder. When the Optionee gives such notice, beneficial ownership of the Property shall immediately vest in the Optionee subject to a fifteen per cent (15%) net carried interest reserved to the Optionor. The 15% net carried interest shall be

calculated in accordance with the provisions of Schedule "B" attached hereto.

7. The parties hereto agree that title to the Property shall be transferred forthwith to the Optionee to be held in trust during the currency of this agreement. Should the Optionee acquire beneficial ownership of the Property hereunder, title shall remain in the name of the Optionee, and the Optionor may record evidence of his net carried interest. Should this agreement be terminated, the Optionee shall transfer title to the Property to the Optionor or his nominee.

8. The Optionor does hereby give and grant to the Optionee the right to have quiet and exclusive possession of the Property during the currency of this agreement with a full right to sample, examine, diamond drill, develop or mine the Property in such a manner as the Optionee in its sole discretion may deem proper and to erect, bring and install thereon all such buildings, machinery, equipment and supplies as the Optionee shall deem necessary and proper. In the event of termination of the option herein granted by lapse or otherwise, all building, plant, equipment, machinery, tools, appliances and supplies which have been brought upon the Property either before or during the currency of this agreement may be removed by the Optionee at any time not later than eighteen (18) months after the termination of this agreement, and, if not so removed, shall become the property of the Optionor. Upon termination, the Optionee shall, on demand and at its expense, deliver to the Optionor one set of copies of assay plans and diamond drill records and other pertinent detail, if any, prepared by or for the Optionee relative to any work done on the Property. Diamond drill cores, except for those portions taken for assay and testing purposes, shall be left on the Property.

9. All work done by the Optionee on the Property shall be done in accordance with good mining practice and in compliance with the laws of the Province of Ontario. The Optionee shall keep the Property in good standing during the currency of this agreement and shall apply all assessment work on the Property at its cost.

10. During the currency of this agreement, the Optionor shall have access to the Property at his sole risk and expense to review development work being carried out thereon and also shall have access at all times to the records of the Optionee respecting exploration and development work carried out and the results obtained therefrom, provided, however, that this shall not unduly interfere with or disrupt the activities of the Optionee. The Optionee shall provide the Optionor with annual reports indicating the status of the exploration work being conducted on the Property.

11. The Optionee shall indemnify and save harmless the Optionor from any and all claims arising out of the operations which may be conducted upon the Property by the Optionee during the currency of this agreement.

12. This is an option agreement only and the Optionee shall not be obligated to perform any work on the Property other than the initial $20,000.00 work commitment given in paragraph 4 above or to make any payments other than the $4,000.00 due on execution of this agreement. The Optionee may terminate this agreement at any time by sending notice of termination to the Optionor and, in such case, this agreement shall terminate on the date specified in the notice provided that the Optionee must fulfil any commitment given prior to the date of termination. The Optionee shall be entitled to drop any of the claims comprising the Property during the currency of this agreement. If it desires to drop a claim the

Optionee shall give the Optionor 30 days notice of its intention to do so and the Optionor may, within such 30 day period, elect to have the claim transferred to it. If the Optionor notifies the Optionee that it does not want the claim transferred to it or fails to respond to the Optionee's notice within the 30 day period then the Optionee shall be entitled to drop the claim and thereafter the definition of "Property" shall exclude any such claim.

13. Time shall be of the essence hereof, provided that if the Optionee should be delayed or prevented from examining, exploring or developing the Property by strikes, governmental regulations or any other causes beyond the control of the Optionee, the time within which the option may be exercised and the time when payments must be made and work performed shall be extended by the period of all such delays.

14. All notices required to be served hereunder shall be deemed to have been properly served or delivered if delivered by hand or sent by ordinary mail, postage prepaid, to the parties at the following addresses:

OPTIONEE: Noranda Exploration Company, Limited
P.O. Box 45, Commerce Court West
Toronto, Ontario, M5L 1B6

OPTIONOR: c/o O'Donohue, White and Christo
Box 145, Suite 2010,
401 Bay Street
Toronto, Ontario M5H 2Y4
Attention: Mr. Michael W. Price

or such other address as a party may in writing designate.

15. This agreement shall be governed and interpreted in accordance with the laws of the Province of Ontario.

16. This agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first above written.

NORANDA EXPLORATION COMPANY, LIMITED
(No Personal Liability)

Vice-President

Secretary

WITNESS:

ESTATE OF HARRY A. NEWMAN

per: Executor

per: Executor

This is SCHEDULE "A" to an agreement dated as of the 1st day of January, 1980, between NORANDA EXPLORATION COMPANY, LIMITED (No Personal Liability), as Optionee and the ESTATE OF HARRY A. NEWMAN, as Optionor

The following mining claims are located in Todd Township, Province of Ontario:

KRL 1449
KRL 1451
KRL 1607
KRL 1610
KRL 1611
KRL 1612
KRL 8526
KRL 10410
KRL 10411
KRL 19853
KRL 19856
KRL 19857
KRL 8525

The following mining claims are located in the Townships of Heyson and Baird, Province of Ontario:

KRL 13069 Heyson
KRL 13082 Baird & Heyson
KRL 13083 Baird & Heyson
KRL 13084 Baird & Heyson
KRL 13241 Heyson
KRL 13242 Heyson
KRL 13243 Heyson
KRL 13244 Heyson
KRL 13254 Heyson
KRL 13255 Heyson
KRL 13475 Heyson
KRL 13476 Baird & Heyson
KRL 13477 Baird & Heyson
KRL 13554 Heyson
KRL 13659 Heyson
KRL 13660 Heyson

KRL 13060	pt. mg. rts. Heyson
KRL 13068	PAT Heyson
KRL 13062	PT Heyson
KRL 13061	PAT Heyson

This is SCHEDULE "B" to an agreement dated as of the 1st day of January, 1980, between NORANDA EXPLORATION COMPANY, LIMITED (No Personal Liability), as Optionee, and the ESTATE OF HARRY A. NEWMAN, as Optionor

I. The net carried interest to which the Optionor may become entitled under the attached agreement shall be fifteen per cent (15%) in the aggregate of the running credit balance in the Carried Interest Account on December 31 in each year during which the Optionor is entitled to a carried interest less any prior carried interest payments paid by the Optionee to the Optionor.

For the purposes of this Schedule,

(1) "Carried Interest Account" means a special account to be credited with Net Proceeds and debited with:

(i) Capital Expenditures;

(ii) Working Capital; and

(iii) a carrying charge on the quarter end debit balance in the Carried Interest Account at a rate equal to the then current Canadian Imperial Bank of Commerce prime lending rate plus one per cent (1%) charged at the end of each quarter.

(2) "Net Proceeds" means the gross revenue generated from any and all activities of the Optionee on the Property less all Operating Expenses incurred in connection with operations on the Property. Without limiting the generality of the foregoing definition of gross revenue, that term shall include revenue from sales or use of all metallic and non-metallic substances taken from the Property.

(3) "Operating Expenses" means all costs, obligations, liabilities and expenses of whatsoever nature related to operations conducted on the Property but excluding charges for depletion or depreciation. Operating Expenses shall include all expenses usually allocated to a mining operation and shall include a reasonable charge for management by the Optionee which shall be agreed upon by the parties annually after the Date of Commencement of Production. During the exploration stage, the Optionee

shall charge twelve and one-half per cent (12 1/2%) of direct expenses as an overhead charge and the parties shall agree on an overhead charge for the feasibility and preproduction stages.

If ore from the Property is treated at the Optionee's or its affiliate's existing mill, costs at such mill shall be allocated in accordance with good mining practice, having regard to the ratio of tons of ore treated from the Property to total tons treated at the mill. The parties shall agree on a mill toll to be charged by the Optionee or its affiliate in addition to other costs, which toll is in the nature of a capital rent. Such toll shall be the same as the Optionee or its affiliate is prepared to charge third parties who might wish to treat ore at such mill. Likewise, smelting and refining charges applied herein shall be the same as the Optionee or its affiliate charges third parties to custom treat concentrates at its smelter and refinery.

(4) "Capital Expenditures" means all money paid or expended by the Optionee on or in connection with the Property in order to bring the Property into production or expended for capital purposes on a milling facility for ore from the Property prior to the Date of Commencement of Production or any money expended by the Optionee after the Date of Commencement of Production for capital purposes on the mining or milling plant. Capital Expenditures shall also include all money expended by the Optionee in prospecting, exploring and developing the Property prior to the Date of Commencement of Production.

(5) "Working Capital" means the amounts advanced for working capital purposes by the Optionee which are required to carry on the operations on the Property.

(6) "Date of Commencement of Production" means the thirtieth day of the first 30-day period during which ore from the Property is mined on the average at seventy-five per cent (75%) of the rated capacity of the mining plant according to the mining plan developed by the Optionee.

II. The Optionee shall pay the carried interest amounts payable to the Optionor in quarterly instalments each year based on an estimate of ninety per cent (90%) of the credit balance in the Carried Interest Account for each quarter and the balance thereof shall be payable not later than the 31st day of March in the following year.

III. Once the Property is placed into production, the Optionee shall give to the Optionor a statement quarterly setting forth details of the Carried Interest Account. This statement shall include detail of gross revenues and Operating Expenses.

IV. Weighing and sampling of ore shall be done in such manner as may reasonably be determined by the Optionee. The Optionor shall be entitled at all reasonable times to test the scales being used and verify the method of sampling.

V. The Optionee may remove reasonable quantities of ore from the Property for the purpose of bulk sampling and other testing, and there shall be no credit to Net Proceeds with respect to such ore unless revenues are derived therefrom.

VI. The Optionee agrees to maintain up-to-date and complete records of all operations conducted by it on the Property and to provide the Optionor any and all information which it requires to satisfy itself as to the operations being carried out and the correctness of the Carried Interest Account. If requested, the Optionee shall supply the Optionor with certificates of the Optionee's auditors verifying the correctness of any amount included in the Carried Interest Account.