

Appendix B

Mineral Claims and Leases



MINERAL LEASE NO. ML-335

**GOVERNMENT OF MANITOBA
DEPARTMENT OF INNOVATION, ENERGY AND MINES
MINERAL LEASE**

THIS LEASE made in duplicate this 11th day of April, 2012.

BETWEEN:

**HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF MANITOBA,
represented by the Minister of Innovation, Energy and Mines**

(“Manitoba”)
of the First Part

- and -

Hudson Bay Mining and Smelting Co., Limited

(“the Lessee”)
of the Second Part

The parties agree as follows:

1. In this Lease:

- (a) the “Act” means *The Mines and Minerals Act*, of Manitoba (C.C.S.M. c. M162), and any regulations made under that Act, as amended, revised or substituted from time to time; and
- (b) any word or phrase in this Lease which is a defined word or phrase in the Act (such as “director”, “exploration”, “mine”, “mineral”, and “mineral access rights”) has the meaning given to it in the Act.

In the event of any conflict between the provisions of this Lease and the provisions of the Act, the provisions of the Act govern.

2. The Lessee:

- (a) acknowledges that this Lease is subject to *The Mines and Minerals Act*, of Manitoba (C.C.S.M. c. M162), and its regulations as amended, revised or substituted from time to time and agrees it is not entitled to compensation for any damages resulting from such amendments, revisions or substitutions;
- (b) acknowledges that the object and purpose of the Act is to provide for, encourage, promote and facilitate exploration, development and production of minerals and mineral product in Manitoba, consistent with the principles of sustainable development;
- (c) acknowledges that the principles of sustainable development include a shared responsibility to sustain a sound and healthy environment alongside the development of a sound and healthy mining industry, while working with local communities;
- (d) acknowledges and agrees that it is beneficial for the Lessee to keep the local community informed of its activities under this Lease and more specifically to communicate with affected First Nations throughout the term of the Lease.



3. Manitoba hereby conveys to the Lessee:
- (a) the exclusive right to the minerals, other than quarry minerals, that are the property of the Crown and are found in place, on, in or under the land described in Schedule "A" (the "Lands") being approximately **573 hectares** (see Schedule "A" –Legal Description of Lands attached); and
 - (b) the mineral access rights required for the purpose of working the Lands and mining and producing minerals, other than quarry minerals, from it. These rights include the right to open and work a shaft or mine within the limits of the Lands and to erect buildings or structures on the Lands for that purpose;
- on the terms and conditions set out in this Lease.
4. The term of this Lease is 21 years, starting **April 11, 2012**, and expiring **April 11, 2033** unless it is cancelled, surrendered or abandoned prior to the expiry date. Subject to compliance with the Act and the terms of this Lease, this Lease is renewable in accordance with the requirements of the Act for a second term of 21 years. The terms of the second term Lease will include the right to renew for a third term of 21 years, subject to compliance with the Act and the terms of the second term Lease.
5. The Lessee agrees to pay an annual rent to Manitoba, in an amount calculated in accordance with the Act, no later than 30 days after each anniversary of the start date of this Lease.
6. The Lessee forfeits his or her rights under this Lease if the Lessee fails to pay annual rent but in that event, may apply for relief from forfeiture in accordance with the Act.
7. This Lease is subject to a reserve of royalties in respect of Crown minerals that are produced under it. In accordance with the Act, payment of a royalty is not required where a tax is payable under *The Mining Tax Act* of Manitoba (C.C.S.M. c. M195).
8. In exercising its rights under this Lease, the Lessee agrees to comply with all laws and orders in force in Manitoba applicable to the Lessee's operations, including the Act and those laws relating to:
- (a) occupational health and safety;
 - (b) environmental protection, public protection and safety; and
 - (c) resource conservation, management and development;
- and including any directions given, orders issued or requirements stipulated by any regulatory authority.
9. The Lessee must not commence mining the Lands, or where the Lessee has stopped mining, must not recommence mining the Lands, until the following documents have been filed with the director and approval to commence or recommence has been given by the director:
- (a) written notice of the intention to commence or recommence mining;
 - (b) plans and schedules for the implementation of mining operations, including details of proposed processing in Manitoba of minerals mined under the Lease; and
 - (c) a closure plan.

These documents must be filed not less than 60 days before the date scheduled for the commencement or recommencement of mining under this Lease.



10. The Lessee must submit to the director reports of exploration work carried out under the Lease at the intervals set out in the Act and containing the information required by the Act.
11. The Lessee must, for the purpose of preventing inconvenience, damage, nuisance, obstruction or injury to:
 - (a) an owner or lawful occupant of the Lands; or
 - (b) an owner or lawful occupant of neighbouring lands; or
 - (c) a railway, right of way or road;

make arrangements for the safe and secure disposal of earth, rock, waste or refuse resulting from work done under the Lease and for the safe and secure disposal of water that is removed from the workings under the Lease.

12. Before:
 - (a) abandoning a mine; or
 - (b) closing a mine or otherwise rendering a mine inaccessible for a period of 90 days or longer;

the Lessee must give the director no less than 90 days written notice and submit to the director the reports, plans and statistical data required under the Act.

13. The Lessee must not transfer or otherwise dispose of the rights, in whole or in part, that are granted under this Lease or under the Act in respect of this Lease without the prior written consent of the minister.

Cancellation

14. If Manitoba has reasonable grounds to believe the Lessee has misused this Lease, or failed to comply with any term or condition of this Lease, or the Act, Manitoba will serve written notice on the Lessee setting out the grounds and the date and time for holding an inquiry into the matter. If, after holding an inquiry into the matter, Manitoba finds that the Lessee has misused this Lease, or failed to comply with any term or condition of this Lease, or the Act, Manitoba may:
 - (a) cancel this Lease in whole or part;
 - (b) fix a date by which the Lessee must remedy the breach;
 - (c) make any other order that Manitoba considers just and reasonable;

and must serve the order on the Lessee before the date on which the order takes effect.

15. Notwithstanding the expiry, surrender or cancellation of this Lease, the Lessee remains liable for:
 - (a) money owed for rent, royalties or other debt under this Lease;
 - (b) rehabilitation of the Lands or the cost of rehabilitating the Lands; and
 - (c) for any other obligation imposed on the Lessee under the Act.

Indemnification

16. The Lessee shall and does hereby indemnify and save harmless Manitoba, its Ministers, officers, employees and agents from any and all actions, suits, claims, demands or damages that may arise out of any act or thing done or omitted to be done by the Lessee, its officers, employees or agents with respect to the Lands or its activities under this Lease.

Notice

17. Except for notice to be served under section 14 of this Lease, which must be served either personally, or, subject to Canada Post confirmation of delivery, by mail to the last known address of the Lessee, any notice given or required under this Lease must be in writing and be



delivered personally, sent by facsimile or other means of electronic communication, or by prepaid registered mail and addressed as follows:

To Manitoba:

Mines Branch - Manitoba, Innovation, Energy and Mines
Unit 360 - 1395 Ellice Avenue
Winnipeg, Manitoba R3G 3P2

Facsimile:

To the Lessee:

Hudson Bay Mining and Smelting Co., Limited
P.O. Box 1500
Flin Flon MB R8A 1N9

A notice that is served by mail is presumed to be in effect on the day that Canada Post confirms is the day on which the notice is delivered to the above address.

General

- 18. To be effective and binding, any waiver by Manitoba of a breach by the Lessee of any term or condition of this Lease must be in writing. Any such waiver extends only to the events of breach set out in the waiver and does not limit or affect the Manitoba's rights with respect to any other breach.
- 19. This Lease shall enure to the benefit of and be binding upon the heirs, executors, administrators, successors and permitted assigns of the parties.
- 20. Any amendments to this Lease must be in writing and signed by both parties.
- 21. This Lease shall be interpreted in accordance with the laws of Manitoba.

In witness whereof the duly authorized representatives of Manitoba and the Lessee have executed this Lease on the dates shown below their respective signatures.

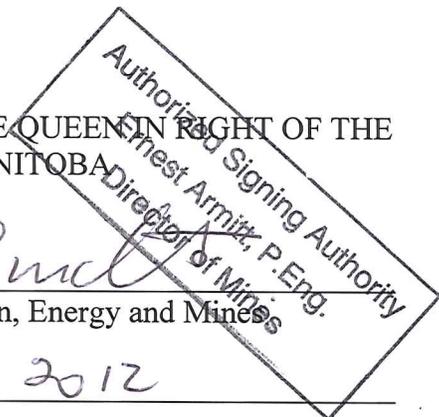
SIGNED IN THE PRESENCE OF:

Witness *[Signature]*

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF MANITOBA

Minister of Innovation, Energy and Mines

Date *may 3 2012*



Witness

Lessee *[Signature]*

Date *2012/05/01* *May 11/2012*

I certify that this mineral lease has been filed and recorded in the office of the recorder pursuant to subsection 107(2) of *The Mines and Minerals Act*.

[Signature]
Mining Recorder



SCHEDULE "A" to MINERAL LEASE NO. ML-335

LEGAL DESCRIPTION OF LANDS

Legal Description of the Lands:

Mineral Lease ML-335: All that portion of Unsurveyed Townships 64 and 65, Ranges 21 and 22W contained within the limits of Unsurveyed Mining Claims CB5503 and P5030E.



MINERAL LEASE NO. ML-336

**GOVERNMENT OF MANITOBA
DEPARTMENT OF INNOVATION, ENERGY AND MINES
MINERAL LEASE**

THIS LEASE made in duplicate this 11th day of April, 2012.

BETWEEN:

**HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF MANITOBA,
represented by the Minister of Innovation, Energy and Mines**

(“Manitoba”)
of the First Part

- and -

Hudson Bay Mining and Smelting Co., Limited

(“the Lessee”)
of the Second Part

The parties agree as follows:

1. In this Lease:

- (a) the “Act” means *The Mines and Minerals Act*, of Manitoba (C.C.S.M. c. M162), and any regulations made under that Act, as amended, revised or substituted from time to time; and
- (b) any word or phrase in this Lease which is a defined word or phrase in the Act (such as “director”, “exploration”, “mine”, “mineral”, and “mineral access rights”) has the meaning given to it in the Act.

In the event of any conflict between the provisions of this Lease and the provisions of the Act, the provisions of the Act govern.

2. The Lessee:

- (a) acknowledges that this Lease is subject to *The Mines and Minerals Act*, of Manitoba (C.C.S.M. c. M162), and its regulations as amended, revised or substituted from time to time and agrees it is not entitled to compensation for any damages resulting from such amendments, revisions or substitutions;
- (b) acknowledges that the object and purpose of the Act is to provide for, encourage, promote and facilitate exploration, development and production of minerals and mineral product in Manitoba, consistent with the principles of sustainable development;
- (c) acknowledges that the principles of sustainable development include a shared responsibility to sustain a sound and healthy environment alongside the development of a sound and healthy mining industry, while working with local communities;
- (d) acknowledges and agrees that it is beneficial for the Lessee to keep the local community informed of its activities under this Lease and more specifically to communicate with affected First Nations throughout the term of the Lease.



3. Manitoba hereby conveys to the Lessee:

- (a) the exclusive right to the minerals, other than quarry minerals, that are the property of the Crown and are found in place, on, in or under the land described in Schedule "A" (the "Lands") being approximately **268 hectares** (see Schedule "A" –Legal Description of Lands attached); and
- (b) the mineral access rights required for the purpose of working the Lands and mining and producing minerals, other than quarry minerals, from it. These rights include the right to open and work a shaft or mine within the limits of the Lands and to erect buildings or structures on the Lands for that purpose;

on the terms and conditions set out in this Lease.

4. The term of this Lease is 21 years, starting **April 11, 2012**, and expiring **April 11, 2033** unless it is cancelled, surrendered or abandoned prior to the expiry date. Subject to compliance with the Act and the terms of this Lease, this Lease is renewable in accordance with the requirements of the Act for a second term of 21 years. The terms of the second term Lease will include the right to renew for a third term of 21 years, subject to compliance with the Act and the terms of the second term Lease.
5. The Lessee agrees to pay an annual rent to Manitoba, in an amount calculated in accordance with the Act, no later than 30 days after each anniversary of the start date of this Lease.
6. The Lessee forfeits his or her rights under this Lease if the Lessee fails to pay annual rent but in that event, may apply for relief from forfeiture in accordance with the Act.
7. This Lease is subject to a reserve of royalties in respect of Crown minerals that are produced under it. In accordance with the Act, payment of a royalty is not required where a tax is payable under *The Mining Tax Act* of Manitoba (C.C.S.M. c. M195).
8. In exercising its rights under this Lease, the Lessee agrees to comply with all laws and orders in force in Manitoba applicable to the Lessee's operations, including the Act and those laws relating to:
 - (a) occupational health and safety;
 - (b) environmental protection, public protection and safety; and
 - (c) resource conservation, management and development;and including any directions given, orders issued or requirements stipulated by any regulatory authority.
9. The Lessee must not commence mining the Lands, or where the Lessee has stopped mining, must not recommence mining the Lands, until the following documents have been filed with the director and approval to commence or recommence has been given by the director:
 - (a) written notice of the intention to commence or recommence mining;
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These documents must be filed not less than 60 days before the date scheduled for the commencement or recommencement of mining under this Lease.



10. The Lessee must submit to the director reports of exploration work carried out under the Lease at the intervals set out in the Act and containing the information required by the Act.
11. The Lessee must, for the purpose of preventing inconvenience, damage, nuisance, obstruction or injury to:
 - (a) an owner or lawful occupant of the Lands; or
 - (b) an owner or lawful occupant of neighbouring lands; or
 - (c) a railway, right of way or road;

make arrangements for the safe and secure disposal of earth, rock, waste or refuse resulting from work done under the Lease and for the safe and secure disposal of water that is removed from the workings under the Lease.

12. Before:
 - (a) abandoning a mine; or
 - (b) closing a mine or otherwise rendering a mine inaccessible for a period of 90 days or longer;

the Lessee must give the director no less than 90 days written notice and submit to the director the reports, plans and statistical data required under the Act.

13. The Lessee must not transfer or otherwise dispose of the rights, in whole or in part, that are granted under this Lease or under the Act in respect of this Lease without the prior written consent of the minister.

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14. If Manitoba has reasonable grounds to believe the Lessee has misused this Lease, or failed to comply with any term or condition of this Lease, or the Act, Manitoba will serve written notice on the Lessee setting out the grounds and the date and time for holding an inquiry into the matter. If, after holding an inquiry into the matter, Manitoba finds that the Lessee has misused this Lease, or failed to comply with any term or condition of this Lease, or the Act, Manitoba may:
 - (a) cancel this Lease in whole or part;
 - (b) fix a date by which the Lessee must remedy the breach;
 - (c) make any other order that Manitoba considers just and reasonable;

and must serve the order on the Lessee before the date on which the order takes effect.

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 - (a) money owed for rent, royalties or other debt under this Lease;
 - (b) rehabilitation of the Lands or the cost of rehabilitating the Lands; and
 - (c) for any other obligation imposed on the Lessee under the Act.

Indemnification

16. The Lessee shall and does hereby indemnify and save harmless Manitoba, its Ministers, officers, employees and agents from any and all actions, suits, claims, demands or damages that may arise out of any act or thing done or omitted to be done by the Lessee, its officers, employees or agents with respect to the Lands or its activities under this Lease.

Notice

17. Except for notice to be served under section 14 of this Lease, which must be served either personally, or, subject to Canada Post confirmation of delivery, by mail to the last known address of the Lessee, any notice given or required under this Lease must be in writing and be



delivered personally, sent by facsimile or other means of electronic communication, or by prepaid registered mail and addressed as follows:

To Manitoba:

Mines Branch - Manitoba, Innovation, Energy and Mines
Unit 360 - 1395 Ellice Avenue
Winnipeg, Manitoba R3G 3P2

Facsimile:

To the Lessee:

Hudson Bay Mining and Smelting Co., Limited
P.O. Box 1500
Flin Flon MB R8A 1N9

A notice that is served by mail is presumed to be in effect on the day that Canada Post confirms is the day on which the notice is delivered to the above address.

General

- 18. To be effective and binding, any waiver by Manitoba of a breach by the Lessee of any term or condition of this Lease must be in writing. Any such waiver extends only to the events of breach set out in the waiver and does not limit or affect the Manitoba's rights with respect to any other breach.
- 19. This Lease shall enure to the benefit of and be binding upon the heirs, executors, administrators, successors and permitted assigns of the parties.
- 20. Any amendments to this Lease must be in writing and signed by both parties.
- 21. This Lease shall be interpreted in accordance with the laws of Manitoba.

In witness whereof the duly authorized representatives of Manitoba and the Lessee have executed this Lease on the dates shown below their respective signatures.

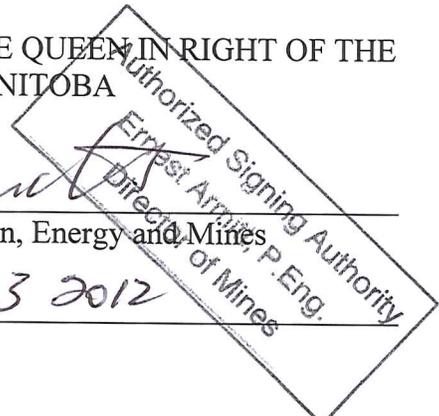
SIGNED IN THE PRESENCE OF:

HER MAJESTY THE QUEEN IN RIGHT OF THE
PROVINCE OF MANITOBA

[Signature]
Witness

[Signature]
Minister of Innovation, Energy and Mines

May 3 2012
Date



Witness

[Signature] [Signature]
Lessee

2012/05/01 May 6 2012
Date

I certify that this mineral lease has been filed and recorded in the office of the recorder pursuant to subsection 107(2) of *The Mines and Minerals Act*.

[Signature]
Mining Recorder



SCHEDULE "A" to MINERAL LEASE NO. ML-336

LEGAL DESCRIPTION OF LANDS

Legal Description of the Lands:

Mineral Lease ML-336: All that portion of Unsurveyed Townships 64 and 65, Ranges 21 and 22W contained within the limits of Unsurveyed Mining Claims MB8412 and MB5188.



Conservation

Parks & Natural Areas
Box 51, 200 Saulteaux Crescent, Manitoba R3J 3W3
T 204 945-6796 F 204 945-0012
Sandy.Thomson@gov.mb.ca

January 9, 2012

Mr. Stephen West
Hudson Bay Mining and Smelting Co. Limited
P.O. Box 1500
Flin Flon, Manitoba
R8A 1N9

U600-7

Dear Mr. West:

Please find attached your copy of a new fully executed Lease Agreement for Hudson Bay Mining and Smelting Co. Limited in Grass River Provincial Park.

If you require additional information concerning this matter please contact me.

Yours truly,

Sandy Thomson
Head, Park Districts Programs

cc: Rod MacCharles

**PROVINCE OF MANITOBA
MANITOBA CONSERVATION**

Lease No. 66082

**LEASE OF PARK LAND PROPERTY FOR THE OPERATION OF
ADVANCED EXPLORATION MINING PROJECT IN GRASS RIVER PROVINCIAL PARK,
MADE IN DUPLICATE, DATED DECEMBER 31, 2011.**

BETWEEN:

**HER MAJESTY THE QUEEN IN RIGHT OF THE
PROVINCE OF MANITOBA, REPRESENTED BY THE
HONOURABLE MINISTER OF CONSERVATION,**

("the Crown"),

- and -

**HUDSON BAY MINING AND SMELTING CO., LIMITED
P.O. BOX 1500
FLIN FLON, MANITOBA
R8A 1N9**

("the Lessee"),

made pursuant to The Provincial Parks Act and The Short Forms Act.

The Crown and the Lessee agree as follows:

PART 1 - TERM OF AGREEMENT AND DESCRIPTION OF PROPERTY AND PREMISES

- 1(1) Subject to the terms of this Agreement, the Crown hereby leases to the Lessee the property described in the attached Schedule "A" ("the property") for the term of five (5) years, commencing on May 1, 2011, and ending on April 30, 2016.
- 1(2) Unless otherwise provided herein, the property described in paragraph 1(1) is limited to the real property which is owned by the Crown, and the Lessee acknowledges that all other buildings, improvements and the assets and undertakings of any business operated by the Lessee (all of which are collectively described as the "Assets"), are governed by the terms and conditions of this Lease.

PART 2 - QUIET ENJOYMENT

- 2(1) Subject to the terms of this Agreement, the Crown covenants with the Lessee for the quiet enjoyment of the premises.

PART 3 - RENT AND SERVICE FEES

- 3(1) The Lessee shall pay once annually to the Crown:
- (a) a land rental fee determined in accordance with this Part and the Regulations under the Provincial Parks Act; and
 - (b) service fees prescribed from time to time by Regulation under the Provincial Parks Act,

within 30 days of receipt of an invoice therefor from the Crown. The Lessee acknowledges that the land rental fee as of the date of this Agreement is

\$1000.00 and the service fee as of the date of this Agreement is \$25.00.

- 3(2) Payments of the land rental fee and the service fees shall be made in accordance with the directions contained in the invoice from the Crown.
- 3(3) The Lessee acknowledges that:
- (a) the Minister may grant to an applicant a lease of a commercial lot in a provincial park for a term not exceeding 21 years, renewable for such additional term not exceeding 21 years as may be specified in the lease; and
 - (b) the fees payable in respect of permits and leases are those set out in a regulation under The Provincial Parks Act.
- 3(4) The Crown may at its option in any year establish a new annual rent to take effect May 1st by providing notice of the change of the annual rent in writing to the Lessee on or before January 15th of that year.
- 3(5) The Crown may establish a new rental rate where there is a change in one or more of the following factors to reflect those changes:
- (a) the appraised value of the raw land as determined by the Crown; and
 - (b) the policy of the Crown as set out in an Act of the Legislature or a Regulation relating to the determination of annual rent as a percentage of the appraised value of the raw land.
- 3(6) Where the Crown establishes a new rental rate under subsection 3(5)(a) to reflect a change in the appraised value of the raw land as determined by the Crown, and the Lessee disputes the reasonableness of the determination of the appraised value, the Lessee may, by providing notice in writing to the Crown, submit the matter in dispute to arbitration under The Arbitration Act (Manitoba).
- 3(8) The Lessee shall pay to the Crown interest on any arrears of annual rent and service fees at a rate fixed from time to time by a regulation under The Provincial Parks Act.

PART 4 - OPERATION OF PREMISES

- 4(1) The Lessee shall use the premises solely for the operation of a facility consisting of an advanced exploration or mining project. At such time as an Environment Act License is obtained by the Lessee for development and operation of a mine, and the Crown is notified in writing of same, a new twenty-one (21) year Lease Agreement may be entered into for the operation of such a facility.
- 4(2) The Lessee may, with the approval of the Crown, construct and operate additional facilities on the premises in accordance with plans approved by the Crown and on terms and conditions set by the Crown. The Crown will not unreasonably withhold approval provided that the construction and operation of the additional facilities are consistent with the use clause being paragraph 4(1) hereof. In the event that the Crown withholds approval, the Crown will forthwith, by notice in writing, inform the Lessee of the reason(s) for withholding approval for the construction and operation of additional facilities.
- 4(3) The Lessee shall provide experienced, capable and courteous staff as necessary to ensure proper on-site operation of the premises in accordance with paragraph 4(1).
- 4(4) The Lessee agrees to furnish the premises in a manner suitable to enable the operation of the premises for the purposes set out in paragraph 4(1).

- 4(5) The Lessee shall not use or allow the use of the premises as a chief place of residence for the Lessee or any other person without permission in writing from the Crown. The Crown will not unreasonably withhold permission for the Lessee to use or allow the use of the premises as a chief place of residence for the Lessee and any other person, in order to provide for the operation of the facility in accordance with paragraph 4(1) including but not limited to security personnel in temporary trailer accommodations.
- 4(6) The Lessee agrees to obey and comply with The Provincial Parks Act and all regulations thereunder.
- 4(7) The Lessee shall comply with all federal, provincial and municipal laws and regulations.
- 4(8) The Lessee shall obtain all licenses or permits necessary for the lawful operation of the premises.
- 4(9) The Lessee shall not allow any advertising, signing or promotional materials to be placed on the premises, except reasonable on-site and directional advertising and/or signs.

PART 5 - MAINTENANCE OF PREMISES

- 5(1) Subject to paragraphs 5(2) and 5(3), the Lessee agrees:
- (a) to keep the premises in a clean and sanitary condition free from inflammable materials;
 - (b) to comply with The Environment Act and all regulations thereunder;
 - (c) not to commit waste or damage the premises;
 - (d) to keep the premises in good repair; and
 - (e) to allow a person or persons on behalf of the Crown to enter the premises at all reasonable times to examine the state of repair.
- 5(2) If during the term of this Agreement the premises are damaged by fire, flood or act of God, so that they cannot be repaired with reasonable diligence within one hundred and eighty (180) days of the damage or such other reasonable period from the date of the damage as may be stated in a Certificate of an Architect provided by the Lessee to the Crown within thirty (30) days of the date of the damage, this Agreement shall terminate from the date of the damage and the Lessee shall immediately surrender the premises and all interest therein to the Crown and the Lessee shall pay rent until the time of the damage.
- 5(3) Subject to paragraph 5(4), if the premises are damaged by fire, flood or act of God, and can be repaired with reasonable diligence within one hundred and eighty (180) days from the date the damage occurred or such other reasonable period from the date of the damage as may be stated in a Certificate of an Architect provided by the Lessee to the Crown within thirty (30) days of the date of the damage, and if the damage is such as to render the premises unfit for operation for the purposes of this Agreement, the Lessee shall repair the premises with all reasonable speed and rent shall not accrue for sixty (60) days, but shall accrue in respect of the rent component for the land and for those service levies, as in the opinion of the Crown, relate to services used by the Lessee for the period beyond sixty (60) days and, if the Lessee does not complete the repairs to the extent that the premises are operational within one hundred and eighty (180) days from the date of the damage or the reasonable period from the date of the damage specified in the Architect's Certificate, the Crown may, at its option, terminate the lease and re-enter the premises.
- 5(4) All rent shall accrue in respect of the premises once the premises are repaired such that they are suitable for operation for the purposes of this Agreement.

- 5(5) **The Short Forms Act** does not apply to paragraphs 5(1)(d) and 5(1)(e).

PART 6 - PAYMENT OF TAXES AND UTILITIES

- 6(1) The Lessee agrees to pay taxes.
- 6(2) The Lessee agrees to pay all electric power charges and assessments in respect of the premises.
- 6(3) If the Lessee fails to pay any or all taxes or electric power charges and assessments as required by paragraphs 6(1) and 6(2), the Crown may pay them or any of them and charge those payments to the Lessee who shall reimburse the Crown forthwith and the Crown may take the same steps for the recovery of those payments as it would for the recovery of rent and arrears.
- 6(4) This Agreement creates no obligation for the Crown to survey or resurvey the premises.

PART 7 - NO ASSIGNMENT OR SUBLEASE WITHOUT CONSENT

- 7(1) The Lessee shall not assign or sublet the premises without the consent of the Crown, that consent not to be unreasonably withheld.
- 7(2) Subject to paragraph 7(3), the Crown shall not unreasonably withhold consent to the assignment of a Lease for collateral (financing and security) purposes.
- 7(3) In instances where an assignment for collateral purposes is consented to by the Crown, the Crown will maintain a record thereof, and not consent to a further assignment of the Lease by the Lessee itself (except for secondary or additional assignments for collateral purposes) to third parties without the consent of prior holders of assignments for collateral purposes.

PART 8 - INSURANCE AND INDEMNITIES

- 8(1) The Lessee shall use due care in the operation of the premises to ensure that no person is injured, no property is damaged or lost and no rights are infringed.
- 8(2) The Lessee shall be solely responsible for:
- (a) any injury to persons (including death), damage or loss to property or infringement of rights caused by, or related to the operation of the premises or the performance of this Agreement or the breach of any term or condition of this Agreement by the Lessee or any agent or employee of the Lessee, and
 - (b) any omission or wrongful or negligent act of the Lessee, or of any agent or employee of the Lessee;

and shall save harmless and indemnify the Crown, its officers, employees and agents from and against all claims, liabilities and demands with respect to clauses (a) and (b). This paragraph shall survive the termination or expiration of this Agreement.

- 8(3) The Lessee shall provide, maintain and pay for comprehensive general liability insurance protecting the Lessee and its employees against claims by third parties for any injury to persons (including death), damage or loss to property which may arise directly or indirectly out of the occupation of the premises or the performance of this Agreement by the Lessee. That insurance shall be placed with an insurance company or companies and be in such form as may be acceptable to the Crown and shall be for an amount of not less than TWO MILLION DOLLARS (\$2,000,000.00), inclusive of any one occurrence and shall name the Crown as an additional named insured with respect to the operations of the Lessee under this Agreement. The policy of insurance shall include a standard form of Cross Liability Clause and extend to cover the Lessee's public liability and property interest. Evidence of insurance in the form of a Certificate of Insurance shall be provided to the Crown by the Lessee within thirty (30) days of the execution of this Agreement. Evidence of renewal of insurance in the form of a Certificate of Renewal of Insurance shall be provided to the Crown by the Lessee at least thirty (30) days prior to the expiry of an insurance policy. The Lessee agrees not to vary the insurance policy in any manner which may adversely affect the Crown's interest therein.
- 8(4) In the event that the Lessee fails to maintain the insurance policy referred to in paragraph 8(3), the Crown may require the Lessee to remedy that default forthwith and if the Lessee fails to do so within thirty (30) days of receipt of that notice, the Crown may forthwith by notice in writing terminate this Agreement and re-enter the premises.
- 8(5) In addition to the rights of the Crown under paragraph 8(4), in the event that the Lessee fails to maintain the insurance policy referred to in paragraph 8(3), the Crown may, at its option, obtain the required insurance policy and may add the cost of the insurance policy plus an administration cost equal to twenty (20) percent of the cost of the insurance policy as additional rent. If the Lessee fails to pay that additional rent within thirty (30) days of receipt of a notice in writing from the Crown that the additional rent is due and payable, the Crown may forthwith, by notice in writing, terminate this Agreement and re-enter the premises. The Crown may maintain that insurance policy until such time as the Lessee provides evidence in the form of a Certificate of Insurance that it has obtained the insurance policy required by paragraph 8(3).

PART 9 - TERMINATION AND EXTENSION

- 9(1) At the end of the lease period this Agreement will expire.
- 9(2) The Crown or the Lessee may terminate this Agreement on April 30th of any year of this Agreement by giving notice in writing to the other party at least one (1) year prior to the date of termination.
- 9(3) In the event that the Crown terminates this Agreement in accordance with paragraph 9(3), the Crown agrees to pay to the Lessee due compensation for the Lessee's estate or interest, including the property referred to in clause 1(1) of the Lease and the assets referred to in clause 1(2) of the Lease, taking into account the unexpended portion of the Lease including the Lease renewal period, and the provisions of The Expropriation Act of Manitoba relating to the determination of due compensation and costs shall apply. Due compensation shall be determined based on the date of notice of termination and will be reduced by any amounts owing to the Crown from the Lessee arising pursuant to this Agreement.
- 9(4) In addition to its rights under paragraph 9(3), and without restricting any other remedies available, and subject to the provisions of paragraph 9(6) hereof, the Crown may, at its sole option, immediately terminate this Agreement in writing if the Lessee has failed to comply with any term or condition of this Agreement including the payment of rent and has not remedied that failure to comply within ninety (90) days of receipt of notice in writing from the Crown.

- 9(5) The Crown agrees not to terminate this agreement in accordance with paragraph 9(5) in instances where collateral assignments are recorded, without providing notice in writing to the holder of such collateral assignments (the "Security Holder"). The Crown acknowledges that the Security Holder:
- (a) has the authority to cure defaults of the Lessee, within a reasonable time frame of not less than 90 days as stipulated in the notice, so as to avoid termination of the Lease;
 - (b) shall not be obligated to go into possession, nor to operate the Lessee's business, but the Crown may at its option and its own expense unless otherwise agreed, in cooperation with the Security Holder, manage or operate the Lessee's business on terms to be agreed between the Crown and the Security Holder; and
 - (c) has the authority to assign the Lessee's interest in the Lease to a third party purchaser, subject to the consent of the Crown being required, but which shall not be unreasonably withheld; provided that as a condition of any such assignment, such subsequent assignee shall be obligated to execute such documentation as the Crown considers reasonable to bind the assignee directly to the Crown on the terms and conditions as contained in the original Lease, and all defaults of the Lease shall be cured and brought to good standing.
- 9(6) In the event that the Crown terminates this Agreement in accordance with paragraphs 5(2), 5(3), 8(4), 8(5) or 9(5), or the Lessee terminates this Agreement, or the lease expires either at the end of the lease term or at the end of the lease renewal period, the Lessee shall within six (6) months of the termination date either:
- (a) remove all or any part of the structures, improvements and appurtenances (the Assets) added to the property by or on behalf of the Lessee; or
 - (b) dispose of the Assets added to the property by or on behalf of the Lessee in a manner satisfactory to the Crown;
- and at the end of six (6) months, the Lessee shall be deemed to have fully completed such removal, and any Assets left on the property as at such date shall vest in the Crown, and the Lessee shall be deemed to have released and quit-claimed any interest therein to and in favour of the Crown.
- 9(7) Other than in accordance with this Agreement or with conditions in writing provided by the Crown, the Lessee shall not remain in possession of the property following the expiration or termination of this Agreement.

PART 10 - ENTIRE AGREEMENT

- 10(1) This document and the attached Schedules contain the entire agreement between the parties. There are no undertakings, representations or promises, express or implied, other than those contained in this Agreement.
- 10(2) No amendment or change to, or modification of, this Agreement shall be valid unless it is in writing and signed by both parties.

PART 11 - APPLICABLE LAW

- 11(1) This Agreement shall be interpreted, performed and enforced in accordance with the laws of Manitoba.
- 11(2) In the event of any dispute, the parties shall resolve same by reference to The Arbitration Act, and each party hereto shall appoint its own representative.

PART 12 - NOTICES

- 12(1) Any notice or other communication to the Crown under this Agreement shall be in writing and shall be delivered or sent by registered mail, postage prepaid to: Parks and Natural Areas Branch, Manitoba Conservation, Box 51, 200 Saulteaux Crescent, Winnipeg, Manitoba R3J 3W3.
- 12(2) Any notice or other communication to the Lessee under this Agreement shall be in writing and shall be delivered personally to the Lessee or an officer or employee of the Lessee or sent by registered mail, postage prepaid, to: Hudson Bay Mining and Smelting Co. Limited; P.O. Box 1500; Flin Flon, Manitoba; R8A 1N9
- 12(3) Any notice or communication sent by registered mail shall be deemed to have been received on the third (3rd) business day following the date of mailing. If mail service is disrupted by labour controversy, notice shall be delivered personally.
- 12(4) Either party may provide notice of change of address to the other in writing and thereafter all notice shall be provided to the new address.

This Agreement has been executed by the Minister of Conservation on behalf of the Province of Manitoba and by the Lessee by its duly authorized representative on the dates noted below.

SIGNED IN THE PRESENCE OF:

FOR THE GOVERNMENT OF MANITOBA

Sandy Thurn
Witness

[Signature]
Minister of Conservation
December 21, 2011.
DATE

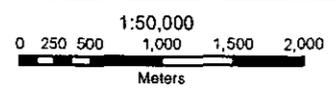
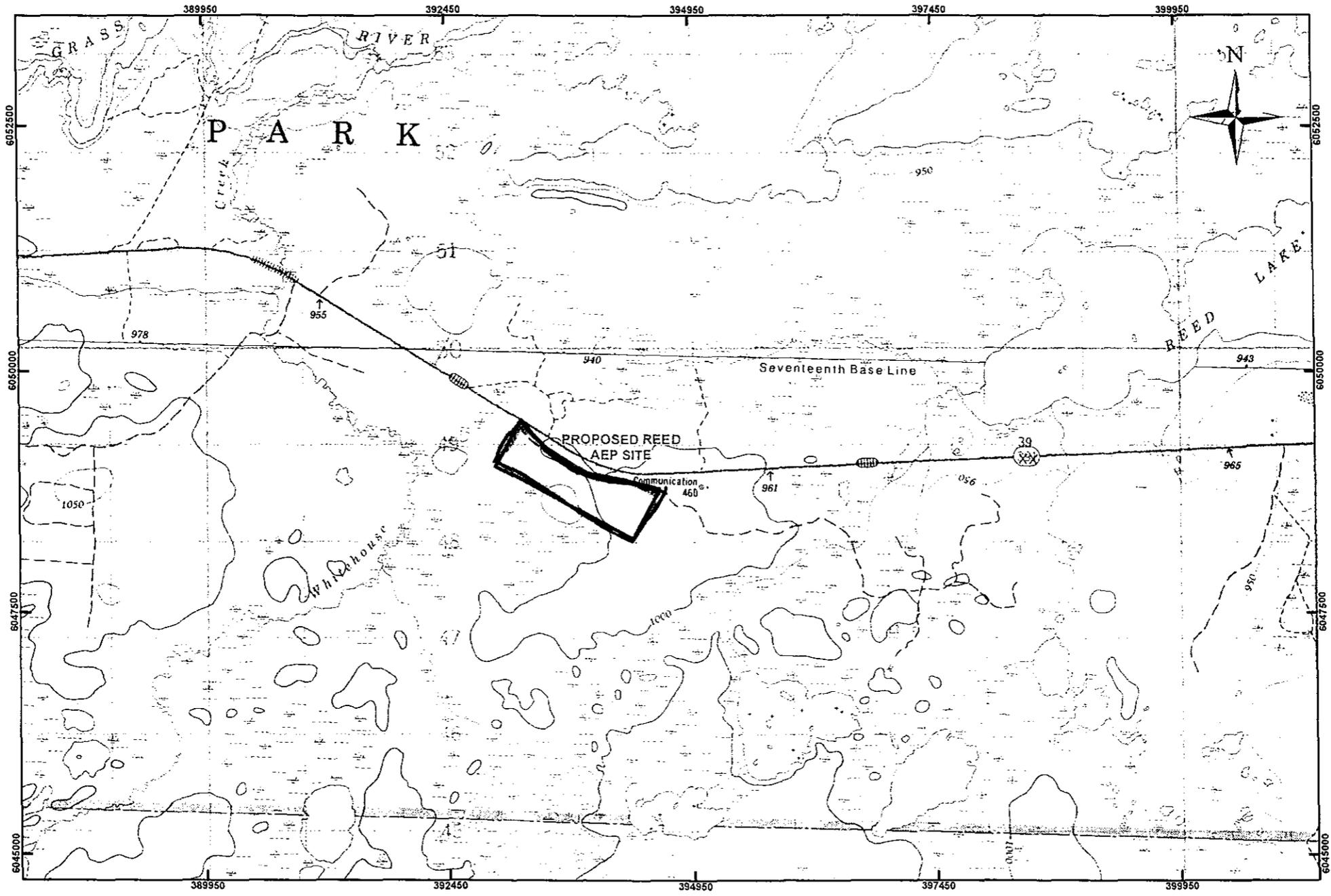
FOR THE LESSEE

B. Nuttman
Witness

[Signature]
Per **TOM A. GOODMAN**
SENIOR VICE PRESIDENT & COO
HUBBAY MINERALS INC
2011/12/20
DATE

SCHEDULE "A"**LEGAL DESCRIPTION OF PROPERTY**

All that certain parcel or tract of land lying, situate and being in the Province of Manitoba and more particularly described as being 72 hectares near Reed Lake in Grass River Provincial Park and shown outlined in red on the attached maps marked as Schedule "A-1" and "A-2".



UTM: NAD83 ZONE14

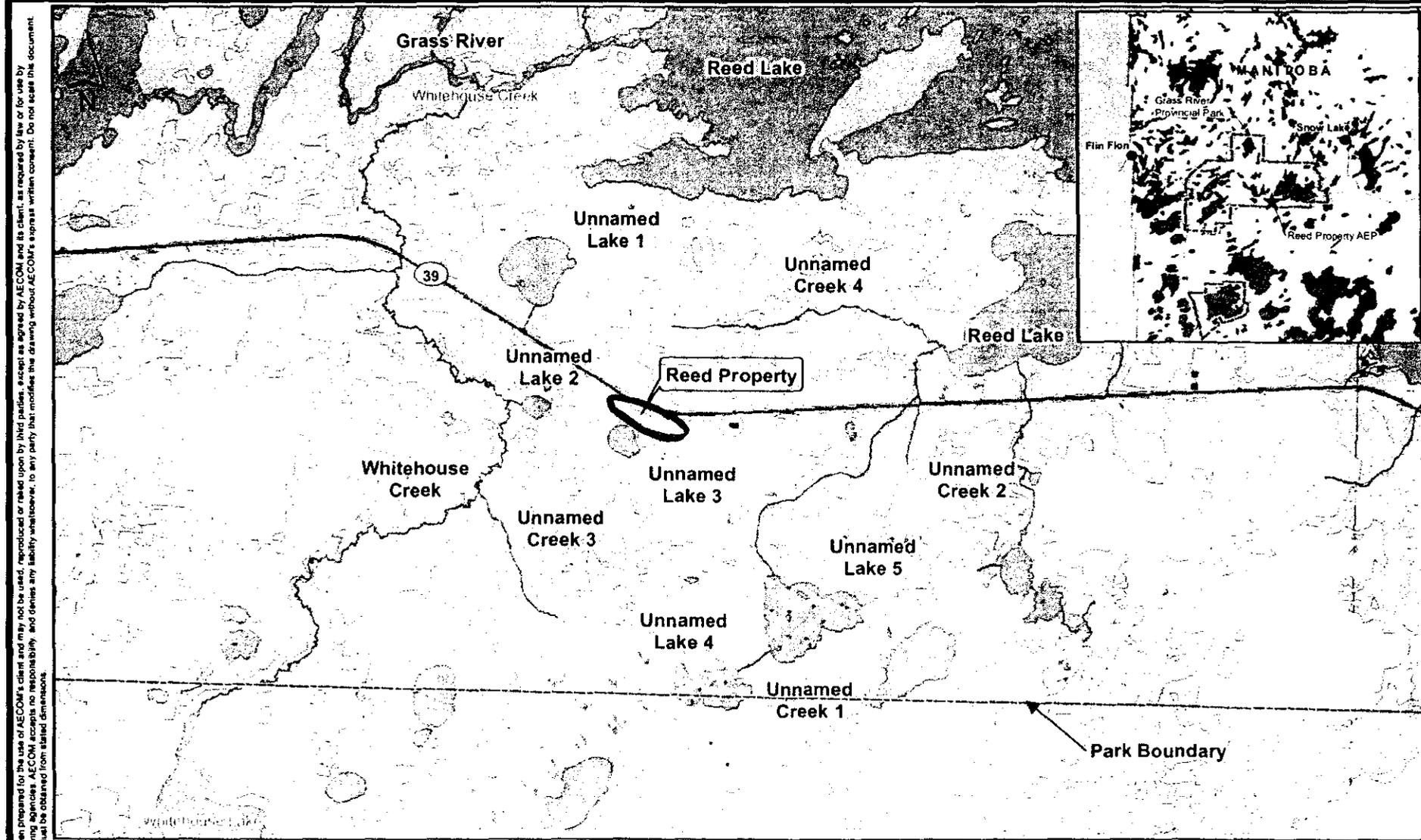
REED ADVANCED EXPLORATION PROJECT
Proposed Surface Lease

NTS: 63K10



Produced at HBED, Flin Flon on 2011/09/16

SCHEDULE "A - 1"



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- Legend**
- Grass River Provincial Park Boundary
 - Existing MTS Communication Tower
 - Densely Wooded Area

Hudson Bay Mining and Smelting Co. Limited
 Reed Property
 Advanced Exploration Project Plan
 Location Plan & Project Area

SCHEDULE "A-2"