

## OPTION TO JOINT VENTURE AGREEMENT

(Star – Orion South Diamond Project)

This Option to Joint Venture Agreement (this “**Agreement**”) is dated as of June 22, 2017 (the “**Execution Date**”) and is between Rio Tinto Exploration Canada Inc., a Canadian corporation with an address at 354 – 200 Granville St., Vancouver, British Columbia, V6C 1S4 (“**RTEC**”), Shore Gold Inc., a Canadian corporation with an address at 300, 224 – 4th Avenue South, Saskatoon, SK S7K 5M5 (“**SGF**”) and Kensington Resources Ltd. (“**Kensington**”). RTEC, SGF and Kensington may be referred to individually as a “**Party**” or collectively as the “**Parties**”.

### RECITALS

A. SGF is the 100% legal and beneficial owner of the Properties described in Part 1A of Schedule A to this Agreement.

B. Concurrently with the execution of this Agreement: (1) SGF has acquired from Newmont Canada FN Holdings ULC (“**Newmont**”) and its affiliates, 100% of Newmont’s and its affiliates’ rights and interests in the Properties described in Part 1B to Schedule A to this Agreement which had been subject to the joint venture created by the FalC JV Agreement (the “**FalC JV**”) and in the other assets of the FalC JV, free and clear of all Encumbrances other than Permitted Encumbrances pursuant to an agreement dated June 22, 2017 between SGF, Kensington and Newmont (the “**Newmont Agreement**”); (2) Kensington has transferred to SGF 100% of Kensington’s rights and interests in the Properties described in Part 1B to Schedule A to this Agreement and the other assets of the FalC JV, free and clear of all Encumbrances other than Permitted Encumbrances; and (3) SGF and Kensington have terminated the FalC JV (collectively, the “**FalC Transaction**”).

D. RTEC desires to explore for minerals on the Properties and SGF and Kensington desire to grant RTEC rights of access on, over and to and the right to explore and develop the minerals on the Properties.

E. In addition to exploration and access rights, RTEC desires to acquire from SGF and SGF desires to grant to RTEC an option to acquire up to a 60% undivided interest in the Properties and to enter into a joint venture with SGF for the development of the Properties, on the terms of this Agreement.

**NOW THEREFORE**, in consideration of the premises, the sum of \$10 now paid by RTEC to SGF (the receipt and sufficiency of which is hereby acknowledged) and the covenants and agreements hereinafter set forth, the Parties hereto agree as follows:

## AGREEMENT

### 1. DEFINITIONS

- 1.1 **"Acquired Rights"** is defined in Section 14.2.
- 1.2 **"Acquiring Party"** is defined in Section 14.2.
- 1.3 **"Affiliate"** means any person, partnership, limited liability company, joint venture, corporation, or other form of enterprise that directly or indirectly controls, or is controlled by or is under common control with, a Party. The term "control" as used in this definition means the rights to the exercise of, directly or indirectly, more than 50% of the voting rights attributable to the shares or ownership interests of the controlled entity. In the case of RTEC, an Affiliate mean any corporation wherever situated in which Rio Tinto plc or Rio Tinto Limited owns or controls directly or indirectly more than 50% of such voting rights.
- 1.4 **"Agreement"** means this Agreement and the attached Schedules.
- 1.5 **"Area of Interest"** is defined in Section 14.1.
- 1.6 **"Bauer Rig"** means a Bauer MC 128 duty cycle crane with a Bauer BC 40 cutter, and/or other substantially equivalent bulk sampling components as determined by RTEC, acting reasonably.
- 1.7 **"Bulk Sampling Program"** means a 10 hole bulk sampling program on the Properties conducted using a Bauer Rig including, without limitation, the processing and recovery of diamonds of 1.00mm or greater in size.
- 1.8 **"Business Day"** means a day that is not a Saturday or Sunday or a statutory holiday in the Province of British Columbia or Saskatchewan, Canada or in the State of Utah, United States of America.
- 1.9 **"Cure Period"** is defined in Section 4.9(c)(ii).
- 1.10 **"Data"** means all factual, non-interpretive data directly derived from the Properties, including, but not limited to, technical, economic, geological, and any studies, reports, mining models, assays, drill core, drill-hole data, geochemical reports, recovery reports and any other information directly derived from the Properties, but excluding Proprietary Data.
- 1.11 **"Effective Date"** means the date first written above.
- 1.12 **"Encumbrances"** means any mortgage, charge, pledge, lien, licence, privilege, security interest, royalty, encumbrance, claim or right or interest attaching to or affecting property or assets, in each case whether registered or unregistered, and whether arising by agreement, statute or otherwise under applicable Laws.

- 1.13 **“Environmental Compliance”** means actions performed during or after Operations to comply with the requirements of all Environmental Laws or contractual commitments related to reclamation of the Properties or other compliance with Environmental Laws.
- 1.14 **“Environmental Laws”** means all Laws relating to the protection of health or the environment resulting from the exploration, mining, operation, reclamation or restoration of the Properties, including but not limited to the following: abatement of pollution; protection of the environment; protection of wildlife, including endangered species; ensuring public safety from environmental hazards; protection of cultural or historic resources; management, storage or control of hazardous materials and substances; releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances as wastes into the environment, including ambient air, surface water and groundwater; reclamation and rehabilitation of mining lands; and all other Laws relating to the manufacturing, processing, distribution, use, treatment, storage, disposal, handling or transport of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances, radioactive materials or hazardous wastes.
- 1.15 **“Expenditures”** means all direct and indirect expenses incurred in connection with Operations together with any and all costs, fees and expenses which may be paid to obtain feasibility, engineering or other studies or reports on or with respect to the Properties or any part of it, provided that the costs associated with the mobilization and demobilization of the Bauer Rig, if used, shall not be included in Expenditures, but all other mobilization and demobilization costs shall be included in Expenditures. For greater certainty, the costs, fees and expenses of maintaining the Properties in good standing including costs of recording work for assessment credit under applicable legislation and other permit fees, filing fees and review fees related to the Properties, costs of Environmental Compliance and costs of renovating the plant and other facilities located on the Properties are included in Expenditures. Expenditures also includes: (i) reasonable charges for services provided in connection with Operations by employees (including senior management) of RTEC and its Affiliates while working on or for the benefit of the exploration and development of the Properties; reasonable travel, transportation and vehicle costs incurred in the course of working on or for the benefit of the Properties; reasonable charges for machinery, tools, equipment and camp facilities owned by RTEC and its Affiliates and used or employed in Operations; and (ii) a fee equal to 10% of all Expenditures.
- 1.16 **“Expert”** is defined in Section 13.2.
- 1.17 **“FalC JV Agreement”** means the joint venture agreement originally made effective January 1, 1995 among Cameco Corporation, Uranerz Exploration and Mining Limited, Monopros Limited and Kensington, as amended from time to time, to which Kensington and Newmont were the only parties immediately prior to the FalC Transaction.
- 1.18 **“Feasibility Study”** means a feasibility study prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (as may be amended from time to time) upon the instructions of RTEC or a

contractor or contractors employed or retained by RTEC, based upon Operations performed prior to the date of such study.

- 1.19 “**First Option**” is defined in Section 4.3(a).
- 1.20 “**First Option Notice**” is defined in Section 4.3(c).
- 1.21 “**First Option Period**” means the period beginning on the Effective Date and ending on the third anniversary of the Effective Date.
- 1.22 “**First Option Program Requirements**” is defined in Section 4.3(a).
- 1.23 “**Force Majeure**” means any cause beyond RTEC’s reasonable control, including but not limited to, any Law or changes in Law, action or inaction of civil or military authority, interference by First Nations or First Nations rights groups, NGO’s environmentalists or other activists, terrorism, inability to obtain any licence, permit or other authorization that may be required, unusually severe weather, storms, fire, explosion, flood, insurrection, civil unrest, riot, labour dispute, inability after commercially reasonable effort to obtain workmen, equipment or material, delay in transportation and acts of God, but not including, without limitation, lack of funds.
- 1.24 “**Fourth Option**” is defined in Section 4.6(a).
- 1.25 “**Fourth Option Election Notice**” is defined in Section 4.6(b)(iii).
- 1.26 “**Fourth Option Period**” means the 18 month period commencing on the date on which RTEC has delivered the Third Option Election Notice, provided that if RTEC has delivered a Parallel Option Notice to SGF pursuant to Section 4.7(c) in respect of the commencement of the Fourth Option, the Fourth Option Period shall commence on the date of the Parallel Option Notice and end on the later of: (a) 18 months after the date of the Parallel Option Notice; (b) the end of the First Option Period; (c) the end of the Second Option Period; and (d) the end of the Third Option Period. For greater certainty, the Fourth Option Period shall not end prior to the end of the First Option Period, the Second Option Period or the Third Option Period.
- 1.27 “**Governmental Authority**” means any governmental entity or authority of any nature, including any governmental ministry, agency, branch, department or official, and any court, regulatory board or other tribunal.
- 1.28 “**Joint Venture**” means the joint venture which may be formed by the Parties pursuant to Article 5.
- 1.29 “**Joint Venture Agreement**” means the agreement between the Parties attached as *Schedule B* to this Agreement.
- 1.30 “**Law**” or “**Laws**” means all applicable federal, provincial and local laws (statutory and common), rules, ordinances, treaties, regulations, judgments, decrees, and other valid

governmental restrictions, including permits and other similar requirements, whether legislative, municipal, administrative or judicial in nature.

- 1.31 **“Mineral Inventory”** means all “mineral resources” and “mineral reserves”, as those terms are defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects (as may be amended from time to time), on the Properties, or “mineral resources” and “ore reserves”, as those terms are defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (as may be amended from time to time), on the Properties, or all mineral resources, mineral reserves, ore reserves and/or other similar mineral inventory categories as defined under other similar mineral inventory reporting standards, on the Properties, determined pursuant to any of the foregoing reporting standards selected by the disclosing Party.
- 1.32 **“Newmont”** means Newmont Canada FN Holdings ULC.
- 1.33 **“Notices”** is defined in Section 11.1.
- 1.34 **“Objection Notice”** is defined in Section 4.9(c).
- 1.35 **“Operations”** includes any and every kind of mineral prospecting, exploration, development and mining work performed on or in respect of the Properties or the products derived therefrom.
- 1.36 **“Option Periods”** means the First Option Period, the Second Option Period, the Third Option Period and the Fourth Option Period.
- 1.37 **“Options”** means the First Option, the Second Option, the Third Option and the Fourth Option.
- 1.38 **“Other Party”** is defined in Section 14.2.
- 1.39 **“Parallel Option”** is defined in Section 4.7.
- 1.40 **“Parallel Option Notice”** is defined in Section 4.7.
- 1.41 **“Permitted Encumbrances”** means:
- (i) inchoate or statutory liens for taxes not at the time overdue and inchoate or statutory liens for overdue taxes the validity of which SGF, Kensington or RTEC, as applicable, is contesting in good faith but only for so long as such contestation effectively postpones enforcement of any such liens or taxes;
  - (ii) all liens incurred or created by, through or under RTEC or as a result of RTEC’s activities;
  - (iii) easements, rights of way, servitudes and other similar rights in land existing as at the Execution Date, including rights of way and servitudes for highways and other

roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph and cable television conduits, poles, wires and cables;

- (iv) statutory liens incurred or deposits made in the ordinary course of the business of SGF, Kensington or RTEC in connection with worker's compensation, unemployment insurance and similar legislation, but only to the extent that each such statutory lien or deposit relates to amounts not yet due;
- (v) the right reserved to or vested in any Governmental Authority by the terms of any lease, licence, franchise, grant or permit or by any provision of Law, to terminate any such lease, licence, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof;
- (vi) royalties payable under applicable Law to the Government of Saskatchewan;
- (vii) rights of general application reserved to or vested in any Governmental Authority to levy taxes;
- (viii) statutory exceptions to title and the reservations, limitations, provisos and conditions in any original grants from the Crown of any mines and minerals, or as provided by Law;
- (ix) security given by SGF, Kensington or RTEC to a public utility or any Governmental Authority when required in the ordinary course of the business;
- (x) zoning by-laws, ordinances or other restrictions as to the use of real property imposed by Governmental Authorities registered against title to the Properties; and
- (xi) aboriginal or First Nations claims to title or other rights or interests in and to any part of the Properties.

1.42 **"Properties"** means the mineral dispositions described in Parts 1A and 1B of *Schedule A* to this Agreement, all of which were issued under the *The Crown Minerals Act* (Saskatchewan), and any claims, leases or other form of mineral tenure which may replace the same, and any and all surface, water, access and other non-mineral rights of and to any lands wholly or partially within the Area of Interest held by or for SGF including surface rights held in fee or under lease, licence, easement, right of way or other rights of any kind and without limiting the foregoing, those surface rights and surface leases described in Parts 1A and 1B of *Schedule A*, and all renewals, extensions and amendments thereof or substitutions therefor, subject to such reductions in accordance with Section 7.7 and additions by operation of Article 14.

1.43 **"Proprietary Data"** means data or information that is confidential to the holder of such data or information, or is obtained by the holder of such data or information by the use of any proprietary or confidential methodologies or techniques, including those under

license or agreement with any third person for ascertaining the existence, location, quantity, quality or value of any minerals, but for certainty, excluding raw technical data and information derived from the Properties.

- 1.44 “**Second Option**” is defined in Section 4.4(a).
- 1.45 “**Second Option Election Notice**” is defined in Section 4.4(b)(iii).
- 1.46 “**Second Option Period**” means the 18 month period commencing on the date on which RTEC has delivered the First Option Notice, provided that if RTEC has delivered a Parallel Option Notice to SGF pursuant to Section 4.7(a) in respect of the commencement of the Second Option, the Second Option Period shall commence on the date of the Parallel Option Notice and end on the later of: (a) 18 months after the date of the Parallel Option Notice; and (b) the end of the First Option Period. For greater certainty, the Second Option Period shall not end prior to the First Option Period.
- 1.47 “**Selling Party**” is defined in Section 10.2.
- 1.48 “**Third Option**” is defined in Section 4.5(a).
- 1.49 “**Third Option Election Notice**” is defined in Section 4.5(b)(iii).
- 1.50 “**Third Option Period**” means the 18 month period commencing on the date on which RTEC has delivered the Second Option Election Notice, provided that if RTEC has delivered a Parallel Option Notice to SGF pursuant to Section 4.7(b) in respect of the commencement of the Third Option, the Third Option Period shall commence on the date of the Parallel Option Notice and end on the later of: (a) 18 months after the date of the Parallel Option Notice; (b) the end of the First Option Period; and (c) the end of the Second Option Period. For greater certainty, the Third Option Period shall not end prior to the First Option Period or the Second Option Period.
- 1.51 “**Subscription Agreement**” is defined in Section 3.1.
- 1.52 “**Transfer**” means, with respect to the Properties or any interest in and to the Properties or the Agreement, a sale, assignment, transfer, conveyance, gift, exchange or other disposition, whether the disposition is voluntary, involuntary or by merger, exchange, consolidation, bankruptcy or other operation of Law.
- 1.53 “**\$**” means Canadian dollars.
- 1.54 **Gender, Number and Other Terms**. Unless the context otherwise requires, words importing the singular include the plural and vice versa, words importing gender include all genders, “or” is not exclusive and “including” is not limiting, whether or not non-limiting language (such as “without limitation”) is used.
- 1.55 **Headings**. The inclusion of headings in this Agreement is for convenience only and does not affect the construction or interpretation of this Agreement.

- 1.56 **Statutes.** Unless otherwise stated, any reference to a statute includes and is a reference to such statute and to the regulations made pursuant to it, with all amendments thereto, and to any statute or regulations that may be passed that supplement or supersede such statute or such regulations.
- 1.57 **No Contra Preferentum.** The Parties intend that the language in this Agreement be construed as a whole and neither strictly for nor strictly against any of the Parties.
- 1.58 **Governing Law and Attornment.** This Agreement is governed by and construed in accordance with the law of Saskatchewan and the law of Canada, without regard to principles of conflicts of law that would impose a law of another jurisdiction. The Parties shall refer all disputes and claims, whether for damages, specific performance, injunction, declaration or otherwise, both at law and equity, arising out of, or in any way connected with, this Agreement to the courts of Saskatchewan and each of the Parties hereby attorns to the jurisdiction of the courts of Saskatchewan.
- 1.59 **Schedules.** Attached to and forming part of this Agreement are the following Schedules:
- Schedule A - Properties and Area of Interest
  - Schedule B - Joint Venture Agreement
  - Schedule C - "The Way We Work"
  - Schedule D - "Business Integrity Guidance"
- 1.60 **Knowledge.** Any representation or warranty that is made on the basis of the knowledge or awareness of SGF, shall be deemed to refer to the best of the knowledge or awareness of the current officers and senior employees of SGF and SGF's Affiliates whose employment responsibilities relate to the matter in question after reviewing all relevant records and making due inquiries regarding the relevant matter in question.

## 2. REPRESENTATIONS AND WARRANTIES

- 2.1 **SGF's Representations and Warranties.** SGF and Kensington represent and warrant, jointly and severally, to RTEC that:
- (a) each of SGF and Kensington is a corporation duly organized and validly existing in the jurisdiction of its incorporation and is qualified to do business and in good standing under the laws of Saskatchewan;
  - (b) SGF is the legal and beneficial owner of, and possesses and has good and marketable title to, the Properties described in Part 1A of Schedule A to this Agreement free and clear of all Encumbrances (except for the Permitted Encumbrances); no Person (other than SGF and RTEC pursuant to this Agreement) has any interest in or to the Properties described in Part 1A of Schedule A to this Agreement or any right to acquire any interest in or to the Properties described in Part 1A of Schedule A to this Agreement; and, neither SGF nor any of its Affiliates has entered into and there are not any agreements or options to grant or convey any interest or any right capable of becoming an

interest in the Properties described in Part 1A of Schedule A to this Agreement or to pay any royalties with respect to the Properties;

- (c) the transactions contemplated by the FalC Transaction have been completed; subject to Section 2.1(d), SGF is the legal and beneficial owner of the Properties described in Part 1B of Schedule A to this Agreement and all of the other assets which were subject to the FalC JV at the time the FalC JV was terminated. SGF possesses and has good and marketable title to all of the assets forming part of the FalC JV including without limitation, the Properties described in Part 1B of Schedule A to this Agreement, free and clear of all Encumbrances (except for the Permitted Encumbrances); no Person (other than RTEC pursuant to this Agreement) has any interest in or to such interest in in the Properties described in Part 1B of Schedule A to this Agreement or any right to acquire any interest in or to the Properties described in Part 1B of Schedule A to this Agreement; and, neither SGF nor any of its Affiliates has entered into and there are not any agreements or options to grant or convey any interest or any right capable of becoming an interest in such assets or in the Properties described in Part 1B of Schedule A to this Agreement or to pay any royalties with respect to the Properties;
- (d) as at the date hereof, Newmont and/or an affiliate, is the registered holder of a 31% interest in the mineral dispositions described in Part 1B of Schedule A to this Agreement; concurrently with the execution of this Agreement, Newmont and its affiliates have conveyed all of their right and interest in and to the mineral dispositions described in Part 1B of Schedule A to this Agreement to SGF, Newmont has covenanted to submit, or cause its affiliates to submit, electronic transfer documents to effect the transfer of the registration of such 31% interest in the mineral dispositions described in Part 1B of Schedule A to SGF in the Mineral Administration Registry Saskatchewan (MARS) whereupon SGF shall electronically file for the acceptance of such transfers; Kensington is the registered holder of a 69% interest in the mineral dispositions described in Part 1B of Schedule A to this Agreement; concurrently with the execution of this Agreement, Kensington has conveyed all of its right and interest in and to the mineral dispositions described in Part 1B of Schedule A to this Agreement to SGF, and Kensington and SGF shall submit electronic transfer and acceptance of transfer documents to effect the transfer of the registration of such 69% interest in the mineral dispositions described in Part 1B of Schedule A to SGF in MARS;
- (e) Newmont, on behalf of itself and any applicable affiliates, has irrevocably agreed that the provisions of Article XIV of the FalC JV Agreement do not apply in respect of this Agreement and the transactions contemplated hereby, whether arising under the Newmont Agreement, the FalC Transaction or otherwise; neither Newmont nor any of its affiliates has any claim to, or interest in, any of the Properties or any right to acquire any interest in or to any of the Properties, nor any Encumbrance over or in respect of any of the Properties; RTEC, in its own capacity or in its capacity as a Participant or Manager (as those terms are defined

in the Joint Venture Agreement) under the Joint Venture Agreement, shall have no obligation, liability or responsibility whatsoever to Newmont or any of its affiliates for any obligations or liabilities of Kensington or SGF to Newmont or any of its affiliates whether arising under the FalC JV Agreement, the Newmont Agreement, the FalC Transaction or otherwise; no obligation or liability to Newmont or any of its affiliates arising under the Newmont Agreement or the FalC Transaction shall under any circumstances constitute a Cost (as that term is defined in the Joint Venture Agreement) of the Joint Venture and SGF shall be solely responsible for such obligations and liabilities.

- (f) a true, correct and complete copy of the FalC JV Agreement has been provided to RTEC by SGF and there are no other agreements between SGF, Kensington or any of their Affiliates pertaining to the Properties listed in Part 1B of Schedule A; the FalC JV Agreement has been terminated concurrently with the execution of this Agreement pursuant to the completion of the FalC Transaction;
- (g) a true, correct and complete copy of the Newmont Agreement has been provided to RTEC by SGF and there are no other agreements between SGF, Kensington or any of their Affiliates and Newmont or any of its affiliates pertaining to the subject matter of the Newmont Agreement (other than the Confidentiality Agreement dated May 15, 2017 between Newmont and SGF);
- (h) a true, correct and complete copy of each of the surface leases described in Parts 1A and 1B of Schedule A have been provided by SGF to RTEC; each of the surface leases described in Parts 1A and 1B of Schedule A are in good standing and in full force and effect and SGF or Kensington, as applicable, has duly performed and complied with the terms of the foregoing;
- (i) the mineral dispositions comprised in the Properties have been duly and validly staked, recorded and issued pursuant to all applicable Laws in the Province of Saskatchewan and are in good standing and the information in Parts 1A and 1B of Schedule A is accurate; all activities on or in relation to the Properties have been in compliance with all applicable Laws including all Environmental Laws in all material respects and no conditions exist which could give rise to the making of a remediation order or similar order in respect of the Properties or that could subject RTEC to liability;
- (j) neither SGF nor any of its Affiliates has received from any Governmental Authority any notice of, or communication relating to, any actual or alleged breach of any Environmental Laws, regulations, policies or requirements, and there are no outstanding work orders or actions required to be taken relating to environmental matters respecting the Properties or any operations carried out thereon;
- (k) there have been no material spills, discharges, leaks, emissions, ejections, escapes, dumpings or other releases of any kind of any toxic or hazardous substances in, on

or under the Properties or the environment surrounding it and there is no presence of polychlorinated biphenyl in, on or under the Properties;

- (l) the Properties are free and clear of all unprotected open mine shafts, mine openings or workings, open pits, rock stockpiles, mine tailings or waste materials, other than a sand pit, test pit, FMA fines piles, processed kimberlite piles and sand pile, the liability, including the liability to reclaim and rehabilitate, for which in aggregate is not in excess of [REDACTED: CONFIDENTIAL COMMERCIAL TERMS];
- (m) the liabilities (whether accrued, contingent, absolute or otherwise and whether or not determined or determinable) associated with, arising out of, or in connection with, the environmental condition or other condition of, in, on, or under, the Properties prior to the Effective Date or any acts or omissions by or on behalf of any Person prior to the Effective Date, do not exceed [REDACTED: CONFIDENTIAL COMMERCIAL TERMS] in aggregate;
- (n) SGF and Kensington each have full power and absolute authority to grant to RTEC the rights provided in this Agreement and this Agreement has been duly authorized, executed and delivered by each of SGF and Kensington; without limiting the generality of the foregoing, the execution and delivery by each of SGF and Kensington of this Agreement and the performance of its obligations under this Agreement have been duly authorized by all necessary corporate actions on the part of SGF and Kensington, including, without limitation, any necessary board and shareholder approvals;
- (o) the execution and delivery of this Agreement and the exercise by RTEC of the rights granted to it under this Agreement will not conflict with or be in contravention of any Law or conflict with rights of third parties or result in a breach of or default under any agreement or other instrument of obligation to which SGF or Kensington is a party or by which SGF and Kensington or the Properties may be bound or subject;
- (p) the execution and delivery of this Agreement and the performance by each of SGF and Kensington of their respective obligations under this Agreement does not and will not require the consent, approval, authorization, registration or qualification of or with any Governmental Authority or any other Person;
- (q) this Agreement constitutes a legal, valid and binding obligation of each of SGF and Kensington;
- (r) except for QB No. 791 of 2016, Court of Queens Bench Saskatchewan - Saskatoon (formerly QB Yorkton NO. 28/16), there are not any suits, actions, prosecutions, investigations or proceedings, actual, pending or threatened, against or affecting SGF or Kensington or that relate to or have an adverse effect on the Properties and to SGF's knowledge, there are no grounds on which any such suit, action, prosecution, investigation or proceeding might be commenced with any reasonable likelihood of success;

- (s) First Nations and Metis communities have asserted that the area of the Properties lies within their traditional territory; however, SGF has not received any written claim from any First Nation or Metis community asserting aboriginal title or treaty land entitlement in respect of the area of the Properties;
- (t) the Properties are in good standing, and no proceedings have been instituted to invalidate or assert an adverse claim or challenge against or to the ownership of the Properties, nor to SGF's knowledge, is there any basis therefor; no other Person is entitled to an agreement or option to acquire or purchase the whole or any part of the Properties or any interest therein; and no Person has any royalty or other interest whatsoever in production from all or any part of the Properties (other than royalties payable under applicable Law to the Government of Saskatchewan);
- (u) SGF and Kensington have disclosed to RTEC the nature and substance of any negotiations or consultation with any First Nations that have taken place with respect to the Properties;
- (v) all rentals, taxes, duties, royalties, rates, charges, fees or other levies of every nature and kind heretofore levied against the Properties have been fully paid and satisfied, except for those that are not yet due;
- (w) all requisite minimum assessment work has been performed and reported on the Properties pursuant to the provisions of the *Crown Minerals Act* (Saskatchewan) and its Regulations, as applicable;
- (x) neither SGF nor Kensington is a non-resident for the purposes of Section 116 of the *Income Tax Act* (Canada);
- (y) the current state of development of the Properties is set out in the Technical Report of SGF dated November 8, 2015 as supplemented by the disclosure under the heading "12.0 Information Since Completion of the Revised Resources Estimates" in the Annual Information form of SGF dated March 23, 2017;
- (z) neither the granting of the First Option, the Second Option, the Third Option or the Fourth Option nor RTEC's exercise of the First Option, the Second Option, the Third Option or the Fourth Option, nor the completion of the transactions contemplated by this Agreement, constitutes a disposition by SGF of all or substantially all of its property or undertaking;
- (aa) SGF and Kensington have disclosed to RTEC and provided copies of all exploration plans, licenses or permits issued or approved by applicable Governmental Authorities in respect of the Properties; neither SGF, Kensington nor any of their Affiliates has received any notice of proceedings relating to the revocation or adverse modification of any such exploration permit, plan or licence, nor have any of them received notice of the revocation or cancellation of,

or any intention to revoke or cancel, any mining claims, groups of claims, or exploration rights forming all or part of the Properties; and

- (bb) no action has been taken by any owner, tenant, licensor or occupier of any of the surface rights relating to the Properties which would in any way encumber, limit, restrict or cause interference with any Operations that RTEC may carry out under this Agreement.

2.2 **RTEC's Representations and Warranties.** RTEC represents and warrants to SGF that:

- (a) it is a corporation duly organized and validly existing in the jurisdiction of its incorporation and is qualified to do business and is in good standing under the laws of the Province in which the Properties are located;
- (b) this Agreement has been duly authorized, executed and delivered by RTEC; without limiting the generality of the foregoing, the execution and delivery by RTEC of this Agreement and the performance of its obligations under this Agreement have been duly authorized by all necessary corporate actions on the part of RTEC;
- (c) the execution and delivery of this Agreement and the performance of its obligations under this Agreement will not conflict with or result in a breach of or default under any agreement or other instrument of obligation to which RTEC is a party or by which it may be bound;
- (d) this Agreement constitutes a legal, valid and binding obligation of RTEC; and
- (e) RTEC is not a non-resident for the purposes the *Income Tax Act* (Canada).

2.3 **Exclusive Benefit of Representations and Warranties.**

- (a) The representations and warranties contained in Section 2.1:
  - (i) are provided for the exclusive benefit of RTEC and a breach of any one or more of them may be waived by RTEC in writing in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty; and
  - (ii) will survive the execution and delivery of this Agreement, the exercise of the First Option, the Second Option, the Third Option and the Fourth Option by RTEC, the formation of the Joint Venture and the termination of this Agreement.
- (b) The representations and warranties contained in Section 2.2:
  - (i) are provided for the exclusive benefit of SGF and a breach of any one or more of them may be waived by SGF in whole or in part at any time

without prejudice to its rights in respect of any other breach of the same or any other representation or warranty; and

- (ii) will survive the execution and delivery of this Agreement, the exercise of the First Option, the Second Option, the Third Option and the Fourth Option by RTEC, the formation of the Joint Venture and the termination of this Agreement.

- 2.4 **Indemnity by SGF and Kensington.** SGF and Kensington will indemnify and save harmless RTEC and its Affiliates and their personnel from and against any and all claims, debts, demands, suits, actions and causes of action whatsoever that may be brought or made against one or more of them by any person, firm or corporation and all loss, cost, damages, expenses and liabilities that may be suffered or incurred by them arising out of or in connection with or in any way referable to, whether directly or indirectly, any breach of SGF's and Kensington's representations and warranties under this Agreement.
- 2.5 **Indemnity by RTEC.** RTEC will indemnify and save harmless SGF and its Affiliates and their personnel from and against any and all claims, debts, demands, suits, actions and causes of action whatsoever that may be brought or made against one or more of them by any person, firm or corporation and all loss, cost, damages, expenses and liabilities that may be suffered or incurred by them arising out of or in connection with or in any way referable to, whether directly or indirectly, any breach of RTEC's representations and warranties under this Agreement.
- 2.6 **Reliance.** SGF and Kensington acknowledge and agree that RTEC is relying on the representations and warranties of SGF and Kensington and other terms and conditions of this Agreement notwithstanding the delivery to RTEC of any of the documents referred to in Sections 2.1(f), 2.1(g) and 2.1(h) or any independent searches or investigations that may have been, or may be, undertaken by or on behalf of RTEC and that no information which is now known or should be known or which may hereafter become known to RTEC, its employees, representatives or agents, will limit or extinguish the rights of RTEC with respect to any misrepresentation or breach of any warranty, covenant or obligation by SGF or Kensington.
- 2.7 **Limitation of Warranties.** The Parties acknowledge that any Data or other information concerning the Properties and the existence, location, quantity, quality or value of any minerals thereon or therein, provided to, or made available by one Party to the other under this Agreement, including Data that RTEC may provide to SGF pursuant to Section 9.1(b), or prior to the Effective Date, is provided without representation or warranty and is at the sole risk of the Party receiving such Data and information. Such Data and information is provided "AS IS, WHERE IS" and EACH PARTY EXPRESSLY DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES CONCERNING THE SAME, AND EXPRESSLY EXCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. It is further agreed that no Party is obligated to provide to any other Party any Data or

information that is subject to a separate confidentiality arrangement with a third person, or is otherwise Proprietary Data.

### 3. **SUBSCRIPTION FOR UNITS**

3.1 The Parties acknowledge and agree that concurrent with the execution of this Agreement, RTEC and SGF have executed and delivered a subscription agreement dated the date hereof (the "**Subscription Agreement**") wherein RTEC has subscribed for Units (as that term is defined in the Subscription Agreement) of SGF for an aggregate subscription price of \$1,000,000 on the Effective Date at a price equal to the lower of \$0.18 per Unit and the 20 day volume weighted average price of the common shares of SGF immediately preceding the Effective Date.

### 4. **GRANT OF EXPLORATION RIGHTS AND OPTIONS TO RTEC**

4.1 **Grant of Exploration Rights.** SGF hereby grants to RTEC, its servants, agents and independent contractors, the sole, exclusive and irrevocable right and option, during the Option Periods, to take the following actions on behalf of RTEC:

- (a) enter upon and have immediate possession of the Properties;
- (b) carry out Operations on the Properties as RTEC may in its sole discretion determine;
- (c) bring and install on the Properties and remove such buildings, plant, machinery, equipment, tools, appliances and supplies as RTEC may deem necessary and refurbish, recommission and use the existing batch sampling processing plant on the Properties; and
- (d) remove from the Properties reasonable quantities of rocks, ores, minerals and metals (including such quantities as are needed to exercise the Options) and to transport the same for the purpose of sampling, testing and assaying.

4.2 **Standard of Conduct.** In exercising its rights under Section 4.1, RTEC shall comply with all applicable Laws, including without limitation, Environmental Laws, and carry out Operations in a good and workmanlike manner in accordance with generally accepted mining industry practices and standards, and shall keep the Properties free and clear of Encumbrances (except for the Permitted Encumbrances) resulting from its activities.

#### 4.3 **Grant of First Option.**

- (a) Without limiting its rights under Section 4.1, SGF hereby grants to RTEC the irrevocable, sole, exclusive and irrevocable right (coupled with an interest) and option (the "**First Option**"), to:
  - (i) conduct a Bulk Sampling Program on the Properties; or

- (ii) incur \$18,500,000 of Expenditures in the aggregate, provided that if RTEC conducts an Alternative Drill Program pursuant to Section 4.3(b) below, the amount of Expenditures required to be incurred under this Section 4.3(a)(ii) shall be \$20,000,000 in the aggregate (in each case, with such Expenditure amounts including any Expenditures incurred by RTEC under Section 4.3(a)(i))

during the First Option Period (the “**First Option Program Requirements**”).

- (b) The Parties acknowledge that if RTEC proceeds with the Bulk Sampling Program referred in Section 4.3(a)(i) and the Bauer Rig does not perform to RTEC’s expectations, acting reasonably, then after making reasonable efforts to correct any performance or operational issues, RTEC may, but shall not be required to, conduct an alternative drill program (the “**Alternative Drill Program**”).
- (c) No later than 30 days after the end of the First Option Period, RTEC may give SGF Notice that RTEC has completed the requirements in Section 4.3(a) and has the intention to proceed with the Second Option (“**First Option Notice**”).
- (d) If RTEC fails to give a First Option Notice to SGF under Section 4.3(c) before, or within 30 days after, the end of the First Option Period, SGF may give RTEC Notice of such failure. RTEC’s right to provide the First Option Notice will continue and the deadline by which RTEC may give such Notice to SGF under Section 4.3(c) will be 30 days after the receipt of the Notice of failure from SGF.
- (e) RTEC may at any time: (i) let the First Option lapse by not delivering the First Option Notice within the time prescribed; or (ii) terminate the First Option by providing Notice of termination to SGF, whereupon this Agreement, except Sections 2.4, 6.1, 6.2, 9.1, 12.5 and 14.4, will terminate.

4.4 **Grant of Second Option (Option to Acquire 51% Interest).**

- (a) SGF hereby grants RTEC the irrevocable, sole and exclusive right and option to acquire a 51% undivided interest in the Properties free and clear of all Encumbrances (except for the Permitted Encumbrances) (the “**Second Option**”). Upon exercise of the Second Option, RTEC’s interest in the Properties will be a 51% undivided interest and SGF’s interest in the Properties will be a 49% undivided interest.
- (b) To exercise the Second Option, RTEC:
  - (i) must have completed the First Option Program Requirements and provided the First Option Notice;
  - (ii) must on or before the end of the Second Option Period:

- (A) conduct an additional Bulk Sampling Program on the Properties, in addition to any program contemplated by Section 4.3; or
  - (B) incur an additional \$18,500,000 of Expenditures in the aggregate (which Expenditure amounts will include any Expenditures incurred by RTEC under Section 4.4(b)(ii)(A)), in addition to any Expenditures incurred pursuant to Section 4.3; and
- (iii) no later than 30 days after the end of the Second Option Period, must give SGF Notice that RTEC has completed the requirements in Section 4.4(b)(ii) and has elected to exercise the Second Option ("**Second Option Election Notice**").
- (c) If RTEC fails to give Notice to SGF under Section 4.4(b)(iii) before, or within 30 days after, the end of the Second Option Period, SGF may give RTEC Notice of such failure. RTEC's right to exercise the Second Option by giving Notice of exercise to SGF under Section 4.4(b)(iii) will continue and the deadline by which RTEC must give Notice to SGF under Section 4.4(b)(iii) to exercise the Second Option will be 30 days after the receipt of the Notice of failure from SGF.
- (d) Upon RTEC satisfying the requirements of Section 4.4(b), RTEC will without any further payment or action be deemed to have exercised the Second Option and it will thereupon acquire and be deemed to have acquired and be vested with a 51% undivided right, title and interest in the Properties, free and clear of all Encumbrances (except for the Permitted Encumbrances).
- (e) RTEC may at any time: (i) let the Second Option lapse by not exercising the Second Option in accordance with Section 4.4(b); or (ii) terminate the Second Option by providing Notice of termination to SGF, whereupon this Agreement, except Sections 2.4, 6.1, 6.2, 9.1, 12.5 and 14.4, will terminate.

4.5 **Grant of Third Option (Option to Acquire Additional 4% Interest).**

- (a) SGF hereby grants to RTEC the irrevocable, sole and exclusive right and option to acquire an additional 4% undivided interest in the Properties (in addition to the 51% undivided interest acquired on exercise of the Second Option), free and clear of all Encumbrances (except for the Permitted Encumbrances) (the "**Third Option**"). Upon exercise of the Third Option, RTEC's interest in the Properties will be a 55% undivided interest and SGF's interest in the Properties will be a 45% undivided interest.
- (b) To exercise the Third Option, RTEC:
- (i) must have exercised the Second Option;
  - (ii) must on or before the end of the Third Option Period:

- (A) conduct an additional Bulk Sampling Program on the Properties, in addition to any program contemplated by Sections 4.3 and 4.4; or
  - (B) incur an additional \$18,500,000 of Expenditures in the aggregate (which Expenditure amounts will include any Expenditures incurred by RTEC under Section 4.5(b)(ii)(A)), in addition to any Expenditures incurred pursuant to Sections 4.3 and 4.4; and
- (iii) no later than 30 days after the end of the Third Option Period, must give SGF Notice that RTEC has completed the requirements in Section 4.5(b)(ii) and has elected to exercise the Third Option ("**Third Option Election Notice**").
- (c) If RTEC fails to give Notice to SGF under Section 4.5(b)(iii) before or within 30 days after the end of the Third Option Period, SGF may give RTEC Notice of such failure. RTEC's right to exercise the Third Option by giving Notice of exercise to SGF under Section 4.5(b)(iii) will continue and the deadline by which RTEC must give Notice of exercise to SGF under Section 4.5(b)(iii) to exercise the Third Option will be 30 days from receipt of the Notice of failure from SGF.
- (d) Upon RTEC satisfying the requirements of Section 4.5(b), RTEC will without any further payment or action be deemed to have exercised the Third Option and it will thereupon acquire and be deemed to have acquired and be vested with an additional 4% undivided right, title and interest in the Properties. Upon vesting of this additional 4% interest, RTEC will acquire and be deemed to have acquired and be vested with an 55% undivided right, title and interest in the Properties, free and clear of all Encumbrances (except for the Permitted Encumbrances).
- (e) RTEC may at any time: (i) let the Third Option lapse by not exercising the Third Option in accordance with Section 4.5(b); or (ii) terminate the Third Option by providing Notice of termination to SGF, whereupon RTEC's rights to pursue the Third Option will terminate and RTEC will hold a 51% undivided interest in the Properties and SGF will hold a 49% undivided interest in the Properties.

#### 4.6 Grant of Fourth Option (Option to Acquire Additional 5% Interest).

- (a) SGF hereby grants to RTEC the irrevocable, sole and exclusive right and option to acquire an additional 5% undivided interest in the Properties (in addition to the 55% undivided interest acquired on exercise of the Third Option), free and clear of all Encumbrances (except for the Permitted Encumbrances) (the "**Fourth Option**"). Upon exercise of the Fourth Option, RTEC's interest in the Properties will be a 60% undivided interest and SGF's interest in the Properties will be a 40% undivided interest.
- (b) To exercise the Fourth Option, RTEC:
- (i) must have exercised the Third Option;

- (ii) must on or before the end of the Fourth Option Period:
  - (A) complete a Feasibility Study on or in respect of all or any part of the Properties; or
  - (B) incur an additional \$15,000,000 of Expenditures in the aggregate (which Expenditure amounts will include any Expenditures incurred by RTEC under Section 4.6(b)(ii)(A)), in addition to any Expenditures incurred pursuant to Sections 4.3, 4.4 and 4.5; and
- (iii) no later than 30 days after the end of the Fourth Option Period, must give SGF Notice that RTEC has completed the requirements in Section 4.6(b)(ii) and has elected to exercise the Fourth Option ("**Fourth Option Election Notice**").
- (c) If RTEC fails to give Notice to SGF under Section 4.6(b)(iii) before or within 30 days after the end of the Fourth Option Period, SGF may give RTEC Notice of such failure. RTEC's right to exercise the Fourth Option by giving Notice of exercise to SGF under Section 4.6(b)(iii) will continue and the deadline by which RTEC must give Notice of exercise to SGF under Section 4.6(b)(iii) to exercise the Fourth Option will be 30 days from receipt of the Notice of failure from SGF.
- (d) Upon RTEC satisfying the requirements of Section 4.6(b), RTEC will without any further payment or action be deemed to have exercised the Fourth Option and it will thereupon acquire and be deemed to have acquired and be vested with an additional 5% undivided right, title and interest in the Properties. Upon vesting of this additional 5% interest, RTEC will acquire and be deemed to have acquired and be vested with a 60% undivided right, title and interest in the Properties, free and clear of all Encumbrances (except for the Permitted Encumbrances).
- (e) RTEC may at any time: (i) let the Fourth Option lapse by not exercising the Fourth Option in accordance with Section 4.6(b); or (ii) terminate the Fourth Option by providing Notice of termination to SGF, whereupon RTEC's rights to pursue the Fourth Option will terminate and RTEC will hold a 55% undivided interest in the Properties and SGF will hold a 45% undivided interest in the Properties.
- (f) Any determination by the Management Committee or the Manager (as those terms are defined in the Joint Venture Agreement) under the Joint Venture Agreement as to the completeness and sufficiency of the Feasibility Study that may be delivered by RTEC pursuant to Section 4.6(b)(ii)(A) (or the need for any further work, studies, investigations or analysis to be conducted, or other considerations to be taken into account, or additional information to be obtained to supplement the Feasibility Study) pursuant to Section 8.3 of the Joint Venture Agreement, shall not in any manner affect, impair or impact the exercise of the Fourth Option by RTEC pursuant to Section 4.6(b)(ii)(A), if applicable.

4.7 **Concurrent Option Programs.** RTEC may in its sole discretion, elect from time to time, to conduct Operations in respect of:

- (a) the Second Option prior to the delivery by RTEC of the First Option Notice;
- (b) the Third Option prior to the delivery by RTEC of the First Option Notice and/or the exercise of the Second Option; and/or
- (c) the Fourth Option prior to the delivery by RTEC of the First Option Notice or the exercise of the Second Option and/or the Third Option,

(a "Parallel Option") in which case, RTEC will provide Notice to SGF of the commencement of the Parallel Option ("Parallel Option Notice") and the Option Period for such Parallel Option will commence on the date of such Parallel Option Notice.

4.8 **Excess Expenditures, Force Majeure and Non-Obligation In-Lieu Payments.**

- (a) RTEC may at any time pay SGF money in lieu of incurring Expenditures under Sections 4.3(a)(ii), 4.4(b)(ii)(B), 4.5(b)(ii)(B) and 4.6(b)(ii)(B) in which event RTEC will be deemed to have incurred additional Expenditures in the same amount as the amount of any such payment and in satisfaction of the provisions of Sections 4.3(a)(ii), 4.4(b)(ii)(B), 4.5(b)(ii)(B) and 4.6(b)(ii)(B) as indicated by RTEC at the time of the making of such payment.
- (b) Any excess Expenditures made or incurred in any Option Period will be carried forward and applied as a credit against Expenditures to be made in the next succeeding Option Period or Option Periods, including any Option Period(s) of any Parallel Option(s) (except that if RTEC conducts an Alternative Drill Program pursuant to Section 4.3(b), any additional costs incurred by RTEC in respect of the Alternative Drill Program over and above \$20,000,000, will be to RTEC's account and will not count as Expenditures.
- (c) If RTEC is prevented by Force Majeure from completing the requirements provided in Sections 4.3, 4.4, 4.5 or 4.6 or performing any of its obligations under this Agreement, then RTEC will have such additional time as is reasonable in the circumstances to complete such requirements and/or perform its obligations in such amounts and times, the amount of such additional time not to exceed the duration of the Force Majeure. RTEC shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner but shall not be obligated to settle any labor dispute except on terms acceptable to it, and all such disputes shall be handled within the sole discretion of RTEC.
- (d) The Parties acknowledge and agree that RTEC has the right and option, but not the obligation, to conduct any Operations, incur any Expenditures or deliver a Feasibility Study, as contemplated by Sections 4.3, 4.4, 4.5 and 4.6, and neither anything that RTEC might do nor any payment that it makes, Expenditure that it

incurs or document that it delivers will obligate it to do anything more or to make any further payment, incur any further Expenditures or deliver any further documents.

- (e) Subject to Force Majeure, the period from the Effective Date to the end of the Fourth Option Period shall not exceed 7.5 years.

#### 4.9 Audit.

- (a) In the event that RTEC has completed any of the Expenditure requirements set forth in Sections 4.3, 4.4, 4.5 or 4.6 and delivers a First Option Notice, a Second Option Election Notice, a Third Option Election Notice or a Fourth Option Election Notice, RTEC shall deliver on or before such Notice a report setting forth in reasonable detail the amount of Expenditures incurred by RTEC in the applicable Option Period.
- (b) Within 30 days after SGF receives such a report, SGF may deliver Notice to RTEC that it desires to audit the Expenditures included in the report by an independent firm of certified public accountants reasonably acceptable to RTEC. If SGF delivers such Notice, RTEC shall cooperate with the audit and SGF shall ensure that it is concluded within 20 days following the date of receipt by RTEC of SGF's Notice. The cost of such audit shall be borne by SGF unless the audit reveals that the Expenditures incurred during the Option Period are less than 90% of the amount of the Expenditures set forth in the report. If SGF does not deliver such Notice, SGF will be deemed to have waived its right to audit the report, including the Expenditures and will be deemed to have accepted the report (and the Expenditures set forth therein) for all purposes of this Agreement.
- (c) Within 15 days following the conclusion of an audit, SGF may give Notice to RTEC (an "**Objection Notice**") if SGF believes that there have been any costs or expenses of RTEC that have been included as Expenditures that are not Expenditures. SGF shall set out in detail in the Objection Notice the basis for SGF's objection. The Parties shall attempt to resolve the dispute informally and, if the Parties have not resolved the dispute within a period of 10 Business Days of receipt of the Objection Notice, the dispute shall be referred for settlement by final and binding arbitration pursuant to the *Arbitration Act, 1992* (Saskatchewan). The place of arbitration will be Vancouver. The language of arbitration will be English. There will be one arbitrator who shall be appointed by the Court pursuant to the *Arbitration Act, 1992* (Saskatchewan) and who shall have no less than 5 years of expertise in the metals and mining industry as a senior executive, accountant or lawyer and who shall not have been a director, officer or employee of, or contractor or service provider to, any Party for a period of 5 years preceding his or her appointment as an arbitrator. If it is determined in the informal meeting or the arbitration proceeding that expenditures set forth in the report should not have been included as Expenditures and as a result there is a shortfall in respect of the amount of Expenditures incurred by RTEC:

- (i) the exercise of the applicable Option by RTEC and the vesting of an undivided interest in the Properties pursuant thereto, shall notwithstanding such shortfall in Expenditures nevertheless be valid and shall not in any way be affected by the foregoing; and
- (ii) RTEC shall
  - (A) within 90 days of such determination (the "Cure Period") make additional Expenditures; and/or
  - (B) advance sufficient funds to SGF to make up any such shortfall.

The failure by SGF to object to the exclusion of any reported Expenditure in the manner and within the time period set out above will be deemed to be an acceptance of the Expenditure.

- (d) If SGF audits RTEC's Expenditures incurred to exercise an Option, pursuant to this Section 4.9, RTEC may elect to exercise the applicable Option, and if applicable form a Joint Venture, without delay for the audit process. Upon such election, the Parties will continue to discharge their obligations under this Agreement or the Joint Venture Agreement, as applicable, at the same time as they coordinate on the audit process. If the audit determines that there is a shortfall in respect of the amount of Expenditures incurred by RTEC, RTEC shall cure such shortfall in accordance with Section 4.9(c)(ii).
- (e) For greater certainty, this Section 4.9 shall not be applicable in respect of any First Option Notice, Second Option Election Notice, Third Option Election Notice or Fourth Option Election Notice provided by RTEC wherein RTEC states that the requirements set forth in Sections 4.3(a)(i), 4.4(b)(ii)(A), 4.5(b)(ii)(A) or 4.6(b)(ii)(A) have been satisfied.

4.10 **Control of Operations During Option Periods.** Subject to Section 4.12 and 4.15, RTEC shall be solely responsible for conducting all Operations on or with respect to the Properties and shall have full control, authority, and responsibility for all Operations to be conducted on the Properties, including to the extent permitted by applicable Law, acquiring all permits, consents, approvals, and other rights that may be required for or in connection with the conduct of Operations by RTEC, and full decisions on any work plan, including the location, type and depth of any drilling. All Expenditures incurred relating to the Operations or the Properties shall also be at the sole discretion of RTEC.

4.11 **Technical Committee.** The Parties will form a technical committee comprising two representatives of each Party to provide a forum for the Parties to, and at which the Parties shall, discuss with, and provide their respective views to, each other in reasonable detail concerning the Operations that RTEC intends to carry out, the Operations which SGF intends to carry out pursuant to Section 4.16, the results obtained and any staking of new claims in the Area of Interest. The technical committee will meet in Saskatoon or on

the Properties unless otherwise agreed by RTEC and SGF and at such times and with such frequency as the Parties reasonably agree, but not less than every calendar quarter. To facilitate the meetings of the Technical Committee, RTEC will upload all non-Proprietary Data on an extranet site for access by SGF's representatives on the technical committee, at no cost to SGF; such Data to be uploaded reasonably promptly upon receipt thereof by RTEC.

- 4.12 **SGF to Provide Services.** At any time during the First Option Period, RTEC may, on at least 30 days' Notice to SGF, appoint SGF to temporarily supervise, manage and/or conduct Operations on the Properties, on and subject to the terms set out in Section 4.13 (the "Services"). The Parties agree that any appointment by RTEC of SGF hereunder shall be on a non-exclusive basis and shall not limit or impair RTEC's ability to conduct Operations on or in respect of the Properties.
- 4.13 **Services by SGF.** In the event that RTEC appoints SGF pursuant to Section 4.12:
- (a) RTEC shall from time to time notify SGF, through the meetings of the technical committee or otherwise, of the nature, extent and scope of the Services that RTEC will require from SGF in connection with the proposed programs that RTEC may carry out on the Properties from time to time, and if considered applicable by RTEC or SGF, a proposed budget for the Services. Upon receiving any such notice, SGF shall use commercially reasonable efforts to promptly carry out the Services. RTEC shall be permitted to modify the nature, extent and scope of any such Services and any such budget, on reasonable Notice to SGF.
  - (b) To the extent that SGF is required to expend third-party costs in performing the Services, RTEC shall on written request from SGF advance to SGF the funds necessary to pay such costs, which funds will be deposited into a special purpose bank account with a Canadian chartered bank. Any interest accruing is for the account of RTEC. SGF shall not commingle the funds so advanced with other moneys or use such funds for any other purpose.
  - (c) SGF shall conduct such Services in accordance with RTEC's instructions and direction and in a timely fashion so as to enable RTEC to exercise the applicable Option(s). Any delay or failure by SGF will constitute Force Majeure, unless RTEC's negligence, default or delay (including without limitation in the advancing of funds to SGF by RTEC) contributes to such delay or failure on the part of SGF.
  - (d) SGF will obtain RTEC's prior written approval before entering any contract or commitment with a third party for the provision of the Services. SGF has no authority to exceed any proposed budget from RTEC.
  - (e) all Expenditures incurred by RTEC pursuant to this Section 4.13 together with the administration fee referred to in Section 4.13(h) and applicable taxes will be credited to the Expenditures to be incurred by RTEC under Section 4.3.

- (f) SGF shall provide RTEC full and unrestricted access to all Data derived from the provision of the Services on the Properties and with copies of such Data as requested by RTEC. SGF shall provide RTEC monthly reports showing in such detail as RTEC requests the Services performed in connection with the Properties, the results obtained, SGF's interpretation of the results and the Expenditures incurred. SGF shall provide a summary report of all such activities within 60 days of the conclusion of each program of work.
- (g) RTEC may at any time, on reasonable notice to SGF, and at RTEC's cost, audit during business hours the books, records and accounts of SGF pertinent to the provision of the Services. SGF shall retain copies of all invoices for Expenditures incurred and paid by SGF in accordance with this Section 4.13.
- (h) SGF will forward to RTEC with the monthly reports under Section 4.13(f) copies of all invoices for Expenditures incurred and paid in that month by SGF in accordance with this Section 4.13, together with evidence of payment and such other information as RTEC may reasonably request. Within 30 days after receipt of each monthly report, RTEC will pay SGF an administrative fee of: (i) 10% of the amount of such invoices; and (ii) to the extent that SGF is directly responsible for supervision or management of RTEC's Operations on the Properties, 10% of the Expenditures incurred by RTEC in respect of such Operations on the Properties so supervised or managed by SGF, all without duplication. SGF will not be entitled to any further payment for carrying out the Services.
- (i) SGF, in carrying out the Services shall comply with all applicable Laws, including without limitation, Environmental Laws, and shall carry out the Services in a good and workmanlike manner, in substantial accordance with sound mining and other applicable industry standards and practices, and in substantial accordance with the terms and provisions of leases, licenses, permits, contracts and other agreements pertaining to the Properties, and shall keep the Properties free and clear of Encumbrances (except for the Permitted Encumbrances) resulting from its activities.
- (j) In carrying out the Services under this Section 4.13, SGF is independent from and not an agent or representative of RTEC.
- (k) If requested by RTEC, SGF will enter into a services agreement providing more comprehensively for the terms and conditions on which SGF will carry out the Services pursuant to Section 4.13, which will be based on RTEC's standard form agreement for such purpose, subject to such modifications as the Parties may agree acting reasonably.

4.14 **Termination of SGF's Services.** If SGF is conducting Services pursuant to Section 4.13, RTEC may terminate SGF's authority to conduct the Services on not less than three months' Notice. Upon receipt of such Notice, SGF shall cease conducting such Services

and effect an orderly transition to RTEC on the effective date of termination specified in such Notice.

- 4.15 **SGF's Operations on its Own Behalf.** Prior to December 31, 2017, SGF may carry out exploration Operations (for certainty, excluding development and mining work) on the Properties, incurring no more than \$1,100,000 of expenditures in conducting such Operations. SGF shall also carry on Operations relating to water monitoring and reclamation as contemplated by the submissions relating reclamation and decommissioning filed with, and accepted by, the Government of Saskatchewan and provided by SGF to RTEC on June 20, 2017, except that SGF shall not decommission the existing batch sampling processing plant on the Properties if requested by RTEC. Any such Operations are separate and apart from any Services that SGF carries out pursuant to Section 4.12 or 4.13 and are at SGF's sole cost and expense. SGF shall carry out such Operations on and subject to the terms in Section 4.16.
- 4.16 **Conduct of Operations by SGF.** In respect of Operations carried out by SGF pursuant to Section 4.15:
- (a) SGF will notify RTEC the program that it wishes to incur and carry out and the timing of the proposed program activities. SGF and RTEC shall consult with each other on a regular basis in respect of the Operations that each other are conducting or proposing to conduct on the Properties and SGF shall not to interfere with the Operations of RTEC.
  - (b) If RTEC determines that the Operations of SGF conducted under this Section 4.16 are likely to or actually interfere with, impair or conflict with the Operations conducted or proposed by or on behalf of RTEC, SGF shall modify its proposed Operations to eliminate such interference, impairment or conflict.
  - (c) The conduct by SGF of its Operations shall not in any manner whatsoever impair, hinder or delay the provision by SGF of any Services pursuant to Section 4.13 or to impair, hinder or delay RTEC in exercising the applicable Option(s). Any delay or failure caused by SGF's Operations will constitute Force Majeure.
  - (d) SGF will provide all Data derived from the SGF's Operations on the Properties to RTEC reasonably promptly upon receipt thereof by SGF and will provide a summary report of all such exploration Operations within 30 days after having spent \$1,100,000 of expenditures and on a monthly basis in respect of such monitoring and reclamation Operations, together with copies of all of its Data from such Operations;
  - (e) SGF, in carrying out its Operations shall comply with all applicable Laws, including without limitation, Environmental Laws, and shall carry out the Operations in a good and workmanlike manner, in substantial accordance with sound mining and other applicable industry standards and practices, and in substantial accordance with the terms and provisions of leases, licenses, permits,

contracts and other agreements pertaining to the Properties, and shall keep the Properties free and clear of Encumbrances (except for the Permitted Encumbrances) resulting from its activities;

- (f) in carrying out the Operations under this Section 4.16, SGF is independent from and not an agent or representative of RTEC; and
- (g) in respect of the expenditures incurred by SGF pursuant to this Section 4.16, SGF shall apply the assessment work arising out of its Operations to the Properties; when consulting with each other pursuant to Section 4.16(a), RTEC and SGF will consider what Operations, if any, SGF should conduct on mineral disposition no. [REDACTED: CONFIDENTIAL COMMERCIAL INFORMATION] and SGF shall with respect to such Operations conducted advance the "good to" date of such mineral disposition and shall timely record and file with the appropriate governmental office any required filings to effect the foregoing.

## 5. **FORMATION OF JOINT VENTURE**

- 5.1 **Election to Form Joint Venture on 51%/49% Basis.** RTEC may elect to form a Joint Venture with SGF on a 51%/49% basis, on the terms and conditions in the Joint Venture Agreement, by giving Notice of such election to SGF at any time after RTEC has exercised the Second Option but before having exercised the Third Option. If at any time after RTEC has exercised the Second Option, the Third Option lapses or is terminated in accordance with Section 4.5(e), RTEC will thereupon be deemed to have elected to form a Joint Venture with SGF on a 51%/49% basis, on the terms and conditions in the Joint Venture Agreement.
- 5.2 **Election to Form Joint Venture on 55%/45% Basis.** RTEC may elect to form a Joint Venture with SGF on a 55%/45% basis, on the terms and conditions in the Joint Venture Agreement, by giving Notice of such election to SGF at any time after RTEC has exercised the Third Option but before having exercised the Fourth Option. If at any time after RTEC has exercised the Third Option, the Fourth Option lapses or is terminated in accordance with Section 4.6(e), RTEC will thereupon be deemed to have elected to form a Joint Venture with SGF on a 55%/45% basis, on the terms and conditions in the Joint Venture Agreement.
- 5.3 **Election to Form Joint Venture on 60%/40% Basis.** Upon exercise of the Fourth Option in accordance with Section 4.6(b), RTEC will thereupon be deemed to have elected to form a Joint Venture with SGF on a 60%/40% basis, on the terms and conditions in the Joint Venture Agreement.
- 5.4 **Parties' Obligations after RTEC's Election to form Joint Venture.**
  - (a) From the date of RTEC's election to enter into a Joint Venture with SGF, the Parties shall be deemed to have associated themselves into a joint venture on the terms and conditions of the Joint Venture Agreement. RTEC shall complete the date on page 1 of the Joint Venture Agreement, which will be the date of RTEC's

election to form a Joint Venture, complete the "Value of Initial Contributions Section" (Section 5.2), the "Initial Participating Interest Section" (Section 5.3) and complete Schedule A thereto with a description of the Properties. The Parties shall then execute and deliver to the other a copy of the Joint Venture Agreement.

- (b) If the Joint Venture is formed under Section 5.1, the initial Participating Interests of each of RTEC and SGF will be 51% and 49% respectively. If the Joint Venture is formed under Section 5.2, the initial Participating Interests of RTEC and SGF will be 55% and 45% respectively. If the Joint Venture is formed under Section 5.3, the initial Participating Interests of RTEC and SGF will be 60% and 40% respectively. The agreed value of RTEC's Initial Contribution will be expressed in Canadian dollars and be equal to the aggregate Expenditures incurred by it from the Effective Date to the date on which the Joint Venture is formed and the agreed value of SGF's Initial Contribution will be in the same proportion to the value of RTEC's Initial Contribution as the initial Participating Interest of SGF is to the Initial Participating Interest of RTEC.
- (c) RTEC may, subsequent to the formation of the Joint Venture continue the then current work program to completion or may terminate such program in as orderly a fashion as it considers advisable. RTEC may include as part of the first Program and Budget delivered under the Joint Venture Program, any Expenditures incurred by RTEC under this Section 5.4(c).
- (d) The Joint Venture Agreement will supersede this Agreement, except that all rights and liabilities of each Party in existence on the effective date of the Joint Venture Agreement including, without limitation, all rights of indemnification hereunder, will continue and survive the termination of this Agreement and the Parties signing the Joint Venture Agreement.

## 6. ACCESS TO PROPERTIES AND INDEMNIFICATION

6.1 **RTEC's Indemnification of SGF**. Subject to Section 6.2, RTEC shall indemnify and save harmless SGF from and against any and all claims, debts, demands, suits, actions and causes of action whatsoever that may be brought or made against SGF by any Person and all loss, cost, damages, expenses and liabilities that may be suffered or incurred by SGF arising out of or in connection with or in any way referable to, whether directly or indirectly:

- (a) the entry on, presence on, or activities on the Properties or the approaches thereto by RTEC or its servants or agents, including, without limitation, any violation by RTEC of applicable Laws and Environmental Laws:
  - (i) after the Effective Date but prior to RTEC exercising the Second Option;  
and

- (ii) after RTEC having exercised the Second Option, but only to the extent due to the gross negligence or wilful misconduct of RTEC.

For the remainder of the Option Periods after the date on which the transfers contemplated by Section 7.1 have been completed, RTEC shall, subject to Sections 4.16(g) and 7.7, perform or cause to be performed all assessment work arising out of its own Operations and paying all required government rentals to maintain the Properties that have been transferred into RTEC's name. Except as provided in Section 4.2, RTEC shall not be liable on account of any determination by any court or governmental agency that the assessment work performed by RTEC does not constitute the required assessment work or occupancy for the purposes of preserving or maintaining such Properties. RTEC shall timely record and file with the appropriate governmental office any required affidavits, notices of intent to hold and other documents in proper form attesting to the performance of assessment work, in each case in sufficient detail to reflect compliance with the applicable requirements. RTEC shall not be liable on account of any determination by any court or governmental agency that any such document submitted by RTEC does not comply with applicable requirements, provided that such document is prepared and recorded or filed in accordance with RTEC's standard of care under Section 4.2.

RTEC shall indemnify and save harmless SGF from and against any and all losses, costs, and expenses that maybe suffered or incurred by SGF arising out of or in connection with the failure of RTEC to so file such required assessment work or pay such required governmental rentals:

- (b) after the Effective Date but prior to RTEC exercising the Second Option; and
- (a) after RTEC having exercised the Second Option, but only to the extent caused by the gross negligence or wilful misconduct of RTEC.

6.2 **SGF's Indemnification of RTEC.** SGF shall indemnify and save harmless RTEC and its Affiliates and their personnel from and against any and all claims, debts, demands, suits, actions and causes of action whatsoever that may be brought or made against one or more of them by any person, firm or corporation and all loss, cost, damages, expenses and liabilities that may be suffered or incurred by them arising out of or in connection with or in any way referable to, whether directly or indirectly:

- (a) the failure by SGF to have become the 100% registered holder of the Properties described in Part 1B of Schedule A to this Agreement and to complete the transfers contemplated by Section 7.1 within 10 days after the Effective Date;
- (b) the FalC Transaction, the Newmont Agreement or any other obligations or liabilities to Newmont or any of its affiliates arising therefrom;
- (c) the environmental condition or other condition of, in, on, or under, the Properties prior to the Effective Date or any acts or omissions by or on behalf of any Person

prior to the Effective Date, to the extent that the liabilities (whether accrued, contingent, absolute or otherwise and whether or not determined or determinable) associated with, arising out of, or in connection with, the environmental condition or other condition of, in, on or under, the Properties prior to the Effective Date or acts or omissions by or on behalf of any Person prior to the Effective Date, exceed [REDACTED: CONFIDENTIAL COMMERCIAL TERMS]; and

- (d) the entry on, presence on, or activities on the Properties or the approaches thereto by SGF or its servants or agents including, without limitation, any violation by SGF of applicable Laws and Environmental Laws:
  - (i) but prior to RTEC exercising the Second Option; and
  - (ii) after RTEC having exercised the Second Option, but only to the extent due to the gross negligence or wilful misconduct of RTEC.

6.3 **Proportionate Responsibility.** Subject to the representations and warranties set forth in Sections 2.1 and 2.2 and the indemnities set forth in Sections 2.4, 2.5, 6.1 and 6.2, from and after the date on which RTEC exercises the Second Option pursuant to Section 4.4(d), RTEC and SGF shall be liable and responsible for environmental liabilities incurred on or in respect of the Properties in relative proportion to their respective undivided interests in the Properties.

## 7. TITLE

7.1 **Title Transfer.** Within 10 days of the Effective Date, SGF shall obtain a 100% registered interest in the mineral dispositions comprising the Properties and SGF shall transfer a 100% registered interest in those mineral dispositions from SGF to RTEC on MARS, free and clear of all Encumbrances (except for the Permitted Encumbrances) and in form and substance to the satisfaction of RTEC.

7.2 **Title Transfer for Administrative Convenience.** RTEC will as soon as possible accept the completion of all transfers contemplated by Section 7.1 on MARS at its own cost with to effect the registered transfer of those mineral dispositions comprising the Properties into the name of RTEC. RTEC acknowledges that it will hold those mineral dispositions comprising the Properties subject to the terms of this Agreement for administrative convenience only and prior to the exercise of the Second Option, SGF shall hold a 100% beneficial interest in the Properties subject to the Options.

7.3 **Failure to Register Transfers.** If SGF fails to obtain a 100% registered interest in the mineral dispositions comprising the Properties and transfer a 100% registered interest in those mineral dispositions from SGF to RTEC on MARS, free and clear of all Encumbrances, on or before September 30, 2017, such failure shall constitute a Force Majeure event, which Force Majeure event shall continue until such time as RTEC is registered as the 100% registered holder of those mineral dispositions.

7.4 **Assignment of Surface Rights.** SGF shall on written request transfer and assign to RTEC any of the surface rights described in Part 1 of Schedule A, as may be specified in RTEC's request. The parties acknowledge and agree that the consent or authorization of the applicable Governmental Authority may be required in order for SGF to transfer and assign such surface rights, in which case, SGF will use all reasonable efforts to obtain all necessary consents or authorizations, in such form, and upon such terms, as are to the satisfaction of the RTEC acting reasonably.

7.5 **Title Curative.** If SGF's title to all or any part of the Properties is now or at any time hereafter:

- (a) defective, encumbered (other than the Permitted Encumbrances), or less than as represented in this Agreement; or
- (b) contested or challenged by any person, and SGF is unable or unwilling to promptly correct the alleged defect, Encumbrance (unless such Encumbrance is a Permitted Encumbrance), or impairment,

and Section 7.5(a) or Section 7.5(b) materially adversely affects the ownership of, or the ability to conduct Operations on, the Properties, then, RTEC may terminate this Agreement without further obligation (including being excused from any condition to make any payment or incur any Expenditures) and/or may, but is not obligated to, attempt to remedy, perfect or defend SGF's title. If RTEC elects to remedy, perfect or defend SGF's title, RTEC will not be liable to SGF if RTEC is unsuccessful in, withdraws from, or discontinues litigation or other curative work. Time being of the essence, if RTEC attempts to perfect or defend SGF's title, SGF shall execute all documents and shall take such other actions that are reasonably necessary to assist RTEC in its efforts. Any improvement or perfection of title to the Properties enures to the benefit of SGF, RTEC and the Joint Venture (if and when formed) in the same manner and to the same extent as if such improvement or perfection has been made prior to the execution of this Agreement.

7.6 **Costs of Title Curative.** If SGF's title to all or any part of the Properties is now or at any time defective, encumbered (other than Permitted Encumbrances), or less than as represented in this Agreement then, without limiting or waiving RTEC's rights and remedies provided by this Agreement or at Law, the reasonable costs and expenses of remedying, perfecting or defending title may at RTEC's option be deducted from any amounts or payments which may be or become due or payable to SGF under this Agreement or the Joint Venture Agreement or may be credited against the Expenditures contemplated by Sections 4.3, 4.4, 4.5 or 4.6. If RTEC releases the portion of the Properties so affected from this Agreement pursuant to Section 7.7, RTEC's obligations under the Options will be reduced in proportion to the number of hectares of the Properties for which title is defective, encumbered, or less than as represented in this Agreement, bears to the entire area (in hectares) of the Properties.

7.7 **Abandonment of Properties.** RTEC may at any time release, abandon, surrender, allow to lapse or reduce the area of any part or parts of the Properties as it may determine, provided that RTEC shall give SGF not less than 15 days' Notice of its intention to do so. RTEC shall, if requested by SGF by Notice to RTEC within that period of time, deliver to SGF duly executed transfers of the part or parts of the Properties so intended by SGF to be transferred to it, with each mining claim so transferred to be in good standing. Any part or parts of the Properties so dealt with pursuant to this Section 7.7 will cease to be included in the Properties and cease to be subject to this Agreement for all purposes including, without limitation, Section 9.1.

7.8 **No Encumbrances.** The Parties shall not lease, pledge as collateral or security, mortgage or encumber or cause or allow any Encumbrance (except for the Permitted Encumbrances) created by or against such Party to be placed against this Agreement or the Properties, nor grant any other right in or to the Properties, except as expressly provided in this Agreement.

## 8. DATA

8.1 **Delivery of Data to RTEC.** Concurrently with the execution of this Agreement, SGF shall deliver to RTEC all of the Data and other information concerning the Properties.

## 9. TERMINATION

9.1 **Actions Following Termination of the Agreement.** If this Agreement is terminated pursuant to Section 4.3(e) or 4.4(e), RTEC shall:

- (a) deliver at no cost to SGF, duly executed transfers of those of the Properties that were transferred to RTEC in favour of SGF, free and clear of all Encumbrances (except for the Permitted Encumbrances) arising from the activities of RTEC on the Properties, each mineral disposition then comprised in the Properties to be in good standing, provided that any such transfers of surface rights may be subject to obtaining the consent or authorization of the applicable Governmental Authority;
- (b) deliver the diamonds recovered by RTEC from the Properties that are greater than 0.85 mm, as measured by sieving through square mesh screens, provided that RTEC is not required to deliver to SGF any diamonds that are recovered by RTEC through any micro-diamond sampling exercise or program (regardless of the size of such diamonds);
- (c) within the said 180 days, remove from the Properties any machinery, buildings, structures, facilities, equipment and all other property of every nature and description erected, placed or situated thereon by RTEC; any property not so removed at the end of the 180 day period will at the option of SGF become the property of SGF; and
- (d) within the said 180 days, leave the working and camp site in a clean and environmentally acceptable condition except for environmental conditions that

existed prior to the Effective Date and for environmental conditions caused by SGF in providing the Services pursuant to Section 4.13 or in performing its own Operations pursuant to Section 4.16.

9.2 **Extension by Period of Force Majeure.** If RTEC is prevented from or delayed in performing its obligations in Sections 9.1(c) or 9.1(d) by Force Majeure, the relevant period of 180 days will be extended by the period of Force Majeure.

## 10. RESTRICTION ON ASSIGNMENT

### 10.1 **Restrictions Transfer.**

- (a) RTEC may Transfer all or any part of its interest in the Properties and this Agreement provided that it complies with the provisions of Section 10.2.
- (b) SGF may Transfer all of its interest in the Properties and this Agreement provided that it complies with the provisions of Section 10.2. SGF may not Transfer, or agree to Transfer, less than all of its rights and interests in or with respect to the Properties and under or by virtue of this Agreement, without the prior written consent of RTEC, which consent RTEC may withhold in its sole discretion, and provided that SGF complies with the provisions of Section 10.2.
- (c) Kensington shall not Transfer any of its interest in the Properties and this Agreement except as contemplated by Section 2.1(d).

10.2 **Right of First Refusal.** Prior to the formation of the Joint Venture neither RTEC nor SGF (a "Selling Party") shall Transfer the whole or any part of its rights and interests in or with respect to the Properties and under or by virtue of this Agreement unless the Selling Party first gives to the other Party (the "Other Party") 30 days' Notice of the price and terms on which the Selling Party would be willing to sell such rights and interests. The Other Party may, by Notice to the Selling Party within the said 30 day period, elect to acquire such rights and interests at the price and on the terms stated in the Notice. If the Other Party does not elect in writing within the said 30 day period to acquire such rights and interests, the Selling Party may Transfer the offered interests to any Person within the following 120 days at a price at or above the price stated in the Notice and upon terms and conditions not less favourable to the Selling Party than those contained in the Notice. For purposes of this Section, the consideration for the rights and interests to be sold must be an amount payable in Canadian or United States dollars, unless the Parties otherwise agree. If the Selling Party fails to consummate the Transfer within the said 120 days, the pre-emptive right of the Other Party will revive and any subsequent proposal by the Selling Party to Transfer its rights and interests in or with respect to the Properties and under or by virtue of this Agreement will again be subject to the provisions of this Section 10.2.

- 10.3 **Transfer by RTEC to an Affiliate.** RTEC shall have the right without restriction under Section 10.2 to Transfer all of its rights and interests to an Affiliate provided that such Affiliate first complies with the provisions of Section 10.4.
- 10.4 **Transferee to Execute Counterpart.** A Party transferring its rights and interests as permitted or required by this Agreement shall require any transferee to execute a counterpart of this Agreement and thereby to agree to be bound by the contractual terms hereof in the same manner and to the same extent as though a Party in the first instance.

## 11. NOTICES

- 11.1 **Notices.** RTEC and SGF shall give all notices, payments and other required communications (“Notices”) to the other in writing and addressed respectively as follows:

If to RTEC:

Rio Tinto Exploration Canada Inc.  
354 - 200 Granville Street  
Vancouver, British Columbia V6C 1S4  
E-Mail: [REDACTED: CONFIDENTIAL PERSONAL INFORMATION]  
Subject line must start with “RIO TINTO, RT Exploration Canada”  
Attention: Vice President, Commercial

with a copy to:

Kennecott Exploration Company  
E-Mail: [REDACTED: CONFIDENTIAL PERSONAL INFORMATION]  
Subject line must start with “RIO TINTO, RT Exploration Canada”  
Attention: Vice President, Commercial

If to SGF or Kensington:

Shore Gold Inc.  
300, 224 – 4<sup>th</sup> Avenue South  
Saskatoon, SK S7K 5M5  
Attention: Kenneth MacNeill, Chief Executive Officer  
E-mail: [REDACTED: CONFIDENTIAL PERSONAL INFORMATION]

With a copy to:

Bennett Jones LLP  
4500 Bankers Hall East  
855 – 2 Street SW  
Calgary, AB T2P 4K7  
Attention: Brad D. Markel  
E-Mail: [REDACTED: CONFIDENTIAL PERSONAL INFORMATION]

The Parties shall give all Notices: (1) by personal delivery to the addressee; (2) by electronic communication with receipt confirmation; or (3) by registered or certified mail return receipt requested or by commercial courier. All Notices are effective and will be deemed delivered: (1) if by personal delivery on the date of delivery if delivered during normal business hours and, if not delivered during normal business hours, on the next Business Day following delivery; (2) if by electronic communication on the next Business Day following receipt confirmation; and (3) if solely by mail or commercial courier on the next Business Day after actual receipt. A Party may change its address by Notice to the other Party.

## 12. CONFIDENTIALITY

- 12.1 **Obligation of Confidentiality**. Subject to Section 12.2 and Section 13, RTEC and SGF shall keep confidential all information received or obtained by the other Party pursuant to this Agreement (“**Confidential Information**”). The Parties may not disclose or publish any part of the Confidential Information without the prior written consent of the discloser except such information as may be required to be disclosed or published by Law or stock exchange rules and only if any such required disclosure is strictly limited in scope and content to the extent reasonably possible. Notwithstanding the prior sentence, either Party may disclose information to any person or persons with whom it proposes to contract pursuant to Section 10.1 and have agreed in writing to hold the same in confidence to the same extent as the Parties are obligated under this Article 12.
- 12.2 **Exclusions from Confidential Information**. Confidential Information does not include the following:
- (a) information that, at the time of disclosure, is in the public domain;
  - (b) information that, after disclosure, is published or otherwise becomes part of the public domain through no fault of the recipient;
  - (c) information that the recipient can show already was in the possession of the recipient at the time of disclosure through no fault of the recipient;
  - (d) information that the recipient can show was received by it after the time of disclosure, from a third party who was under no obligation of confidence to the disclosing Party at the time of disclosure.
- 12.3 **No Disclosure of Agreement**. Except as required by Law or securities regulatory authority, neither RTEC nor SGF may make any public announcements or statements concerning this Agreement or the Properties without the prior approval of the other, not to be unreasonably withheld. RTEC acknowledges that SGF may be required under Laws to file this Agreement on SEDAR. If such filing is required, SGF agrees to file the Agreement only with such redactions of competitively sensitive information or other permitted redactions under applicable security Laws as are agreed upon with RTEC.

12.4 **Public Announcements**. A Party intending to make a public announcement or statement, including a news release, pursuant to the exception in Section 12.1, shall make the text of such announcement available to the other Party not less than five Business Days prior to publication and the other Party may make suggestions for changes. If RTEC is identified in any such public announcement or statement, SGF shall not release the public announcement or statement without RTEC's consent in writing, which consent RTEC may withhold in its sole discretion.

12.5 **Liability for Announcement**. In providing its approval of a public announcement or statement, the non-disclosing Party does not assume any liability or responsibility for the contents of the disclosure, which will be the sole responsibility of the disclosing Party. The disclosing Party shall indemnify, defend and save the other Party harmless from any costs and liabilities it may incur as a result of the public announcement or statement. This provision survives expiration or earlier termination of this Agreement.

### 13. **DISCLOSURE OF MINERAL INVENTORY**

13.1 **Limitation on the Parties' Right to Make Declaration**. Notwithstanding any provision to the contrary, during the Option Periods, the Parties may not make a public declaration of Mineral Inventory except as provided in this Section 13.1. If a Party proposes to make any public declaration that contains a determination of Mineral Inventory, the disclosing Party shall:

- (a) provide written notice to the non-disclosing Party of its intention to commence evaluation and determination of any Mineral Inventory as soon as reasonably practicable after making a decision to do so;
- (b) promptly meet with the non-disclosing Party and provide all information reasonably required by the non-disclosing Party to enable it to independently determine the Mineral Inventory and to test and review the disclosing Party's information and assumptions;
- (c) provide ongoing resource reports and drafts of the evaluation of those Mineral Inventory to the non-disclosing Party; and
- (d) provide all other information reasonably required by the non-disclosing Party to enable it to accurately and effectively review and approve the disclosing Party's Mineral Inventory determination.

13.2 **Appointment of Expert**. If the non-disclosing Party, acting reasonably, does not agree with the disclosing Party's Mineral Inventory determination, then either of them may refer the matter to a mutually agreed independent third party who is appropriately qualified to review and complete its own determination in respect of the Mineral Inventory ("**Expert**"). If the Parties are unable to agree on an Expert, then each of them shall submit to each other the names of three proposed Experts. Each Party may select one of the other's proposed Experts. The Party requesting referral to an Expert shall then

enter the two names into a lottery and select one of the two names so entered by coin flip. If either Party fails to provide a list of proposed Experts, the Party who has provided its list may select a person from its own list to act as the Expert.

- 13.3 **Expert Determination Final.** The determination of the Expert is final and binding on both Parties. The disclosing Party may not disclose any information in relation to the Mineral Inventory that is contrary to the Expert's determination, unless directed to do so by its board of directors acting in good faith and on the basis of external legal advice.
- 13.4 **Costs of Expert.** Unless otherwise agreed, the Parties shall pay the costs of the Expert equally.
- 13.5 **Declaration Attributed to the Disclosing Party.** The disclosing Party shall attribute any public declaration made only to itself or its Affiliates.
- 13.6 **Applicability.** The provisions of this Section 13 apply to all Mineral Inventory disclosures, including subsequent inventory estimates.

#### 14. AREA OF INTEREST

- 14.1 **Area of Interest.** The Area of Interest is that area [REDACTED: CONFIDENTIAL COMMERCIAL INFORMATION].
- 14.2 **Acquisition Within the Area of Interest.** If at any time during the Option Period either RTEC or SGF (in this Section only called the "Acquiring Party") stakes or otherwise acquires, directly or indirectly, any right to or interest in any mining claim, licence, lease, grant, concession, permit, patent, or other mineral property or surface rights or water rights located wholly within the Area of Interest (collectively, "Acquired Rights"), the Acquiring Party shall forthwith give Notice to the other (the "Other Party") of that staking or acquisition, the cost thereof and all details in possession of that Party with respect to the nature of the Acquired Rights and the known mineralization.
- 14.3 **Election by Other Party.** The Other Party may, within 30 days of receipt of the Acquiring Party's Notice, elect, by Notice to the Acquiring Party, to require that the Acquired Rights and the right or interest acquired be included in and thereafter form part of the Properties for all purposes of this Agreement. If the Other Party does not make the election aforesaid within that period of 30 days, the Acquired Rights will not form part of the Properties and the Acquiring Party will be solely entitled thereto. If the Acquiring Party is RTEC, its costs of or incidental costs to the staking or acquiring of the Acquired Rights will be deemed to be Expenditures.
- 14.4 **Business Opportunities.** SGF acknowledges that RTEC is actively exploring and acquiring mineral properties in the vicinity of the Properties and elsewhere and, subject only to the provisions in Sections 14.1 to 14.3, notwithstanding anything else to the contrary in this Agreement or in law or equity, neither this Agreement nor the delivery of any Data to RTEC will in any way restrict or limit or result in a restriction or limitation

on RTEC's freedom to use the Data and any and all information derived from Operations hereunder to explore for and acquire mineral properties through option, joint venture, staking or otherwise now or in the future, within or outside the Properties, and RTEC shall be free to use any and all Data and all information derived from Operations hereunder for such purposes or any purpose without restriction or obligation to SGF.

## 15. MISCELLANEOUS

- 15.1 **Rio Tinto Policies.** SGF acknowledges and agrees that it subscribes to and governs itself in accordance with business principles, policies and practices, including policies on business integrity and political involvement, which are or are the same as described in RTEC's parent company policies entitled "*The Way We Work*" and "*Business Integrity Guidance*", copies of which are attached as *Schedules C* and *D* respectively.
- 15.2 **Entire Agreement.** This Agreement terminates and replaces all prior agreements, either written, oral or implied, between RTEC, SGF and Kensington with respect to the Properties apart from a letter agreement dated the date hereof between RTEC, SGF and Kensington, and this Agreement together with such letter agreement, constitute the entire agreement between the Parties with respect to the Properties.
- 15.3 **Exclusivity Agreement.** The Parties hereby terminate the Exclusivity Agreement dated May 15, 2017 between RTEC, SGF and Kensington and such agreement is no longer of any force or effect.
- 15.4 **Costs, Fees and Expenses.** Each Party shall bear their own costs, fees and expenses, including legal or consultant's fees, related to the negotiation (including the conduct of due diligence), execution and delivery of this Agreement. None of such costs, fees and expenses incurred by RTEC shall count toward Expenditures.
- 15.5 **Waivers.** The Parties agree that: (a) the *Land Contracts (Actions) Act* (Saskatchewan) shall have no application to any action (as defined in *The Land Contracts (Actions) Act*) as between the Parties, with respect to this Agreement; and (b) the *Limitation of Civil Rights Act* (Saskatchewan) shall have no application to this Agreement as between the parties, or any mortgage, charge or other security for the payment of money made, given or created by one Party to the other under this Agreement, or any agreement or instrument renewing or extending or collateral to this Agreement, or the rights, powers or remedies under this Agreement.
- 15.6 **Agreement Renegotiation Costs.** If SGF requests at any time that RTEC renegotiate or amend this Agreement or waive or vary any of its rights and if RTEC undertakes to consider and deal with the request (which it is not under any obligation to do), SGF will pay on receipt of invoice from RTEC all reasonable costs and expenses of such amendment or renegotiation, including legal fees, that RTEC may incur.
- 15.7 **Void or Invalid Provision.** If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or

unenforceable, all provisions, covenants and conditions of this Agreement, and all applications of it that are not held invalid, void or unenforceable will continue in full force and effect.

- 15.8 **Recording**. This Agreement shall not be recorded. However, if requested by either Party the other will cooperate to execute and record where appropriate in the Saskatchewan Mineral Titles Registry, a notice of this Agreement to provide notice to third parties of the Options and of the respective rights and interests of the Parties in and to the Properties.
- 15.9 **Additional Documents**. Each Party shall do and perform all such acts and things, and execute all such deeds, documents and writings, and give all such assurances, as may be necessary to give effect to this Agreement.
- 15.10 **Binding Effect**. This Agreement enures to the benefit of and is binding upon the Parties and their respective successors and permitted assigns.
- 15.11 **Counterparts**. This Agreement may be executed in counterparts and by electronic transmission, each of which will be deemed to be an original and all of which constitute one and the same document.

*[Remainder of page intentionally left blank.]*

The Parties have executed this Agreement as of the Effective Date.

**RIO TINTO EXPLORATION CANADA INC.**

By: (signed) "Justin Quigley"  
Title: Vice President - Commercial

**SHORE GOLD INC.**

By: (signed) "Kenneth E. MacNeill"  
Its: President

**KENSINGTON RESOURCES LTD.**

By: (signed) "Kenneth E. MacNeill"  
Its: President

## SCHEDULE A

Attached to and forming part of an Option Agreement between  
Shore Gold Inc., Kensington Resources Ltd. and Rio Tinto Exploration Canada Inc.

### Part 1A: Properties (SGF)

#### Mineral Dispositions

Disposition #	Type	Status	Holder(s)	Total Area (Ha)	Issuance Date	Review Date	Good Standing To:
S-132025	Mineral Disposition	Active	SHORE GOLD INC.	256	12/1/1995	11/30/2017	2/28/2032
S-132026	Mineral Disposition	Active	SHORE GOLD INC.	128	12/1/1995	11/30/2017	2/28/2032
S-132027	Mineral Disposition	Active	SHORE GOLD INC.	128	12/1/1995	11/30/2017	2/28/2033
S-132028	Mineral Disposition	Active	SHORE GOLD INC.	128	12/1/1995	11/30/2017	2/28/2030
S-132029	Mineral Disposition	Active	SHORE GOLD INC.	128	12/1/1995	11/30/2017	2/28/2028
S-132030	Mineral Disposition	Active	SHORE GOLD INC.	256	12/1/1995	11/30/2017	2/28/2033
S-132031	Mineral Disposition	Active	SHORE GOLD INC.	128	12/1/1995	11/30/2017	2/28/2028
S-132032	Mineral Disposition	Active	SHORE GOLD INC.	128	12/1/1995	11/30/2017	2/28/2033
S-132033	Mineral Disposition	Active	SHORE GOLD INC.	512	12/1/1995	11/30/2017	2/28/2033
S-132034	Mineral Disposition	Active	SHORE GOLD INC.	512	12/1/1995	11/30/2017	2/28/2028
S-132035	Mineral Disposition	Active	SHORE GOLD INC.	512	12/1/1995	11/30/2017	2/28/2028
S-132036	Mineral Disposition	Active	SHORE GOLD INC.	512	12/1/1995	11/30/2017	2/28/2028
S-132037	Mineral Disposition	Active	SHORE GOLD INC.	512	12/1/1995	11/30/2017	2/28/2028
S-132038	Mineral Disposition	Active	SHORE GOLD INC.	512	12/1/1995	11/30/2017	2/28/2032
S-132039	Mineral Disposition	Active	SHORE GOLD INC.	256	12/1/1995	11/30/2017	2/28/2026
S-132079	Mineral Disposition	Active	SHORE GOLD INC.	512	1/19/1996	1/18/2018	4/18/2027
S-132080	Mineral Disposition	Active	SHORE GOLD INC.	256	1/19/1996	1/18/2018	4/18/2027
S-132081	Mineral Disposition	Active	SHORE GOLD INC.	512	1/19/1996	1/18/2018	4/18/2027
S-132082	Mineral Disposition	Active	SHORE GOLD INC.	256	1/19/1996	1/18/2018	4/18/2027
S-133444	Mineral Disposition	Active	SHORE GOLD INC.	64	2/2/1998	2/1/2018	5/2/2027
S-133445	Mineral Disposition	Active	SHORE GOLD INC.	128	2/2/1998	2/1/2018	5/2/2027
S-133446	Mineral Disposition	Active	SHORE GOLD INC.	128	2/2/1998	2/1/2018	5/2/2033
S-133447	Mineral Disposition	Active	SHORE GOLD INC.	128	2/2/1998	2/1/2018	5/2/2027
S-133452	Mineral Disposition	Active	SHORE GOLD INC.	128	2/2/1998	2/1/2018	5/1/2032
S-133453	Mineral Disposition	Active	SHORE GOLD INC.	128	2/2/1998	2/1/2018	5/1/2032
S-133454	Mineral Disposition	Active	SHORE GOLD INC.	192	2/2/1998	2/1/2018	5/2/2034
S-133455	Mineral Disposition	Active	SHORE GOLD INC.	256	2/2/1998	2/1/2018	5/1/2032
S-133456	Mineral Disposition	Active	SHORE GOLD INC.	96	2/2/1998	2/1/2018	5/2/2027
S-133457	Mineral Disposition	Active	SHORE GOLD INC.	128	2/2/1998	2/1/2018	5/2/2027
S-133458	Mineral Disposition	Active	SHORE GOLD INC.	128	2/2/1998	2/1/2018	5/2/2027
S-133459	Mineral Disposition	Active	SHORE GOLD INC.	32	2/2/1998	2/1/2018	5/2/2027
S-133460	Mineral Disposition	Active	SHORE GOLD INC.	256	2/2/1998	2/1/2018	5/2/2027
S-133461	Mineral Disposition	Active	SHORE GOLD INC.	192	2/2/1998	2/1/2018	5/2/2027
S-133714	Mineral Disposition	Active	SHORE GOLD INC.	128	6/1/1998	5/31/2017	8/29/2027
S-133715	Mineral Disposition	Active	SHORE GOLD INC.	128	6/1/1998	5/31/2017	8/29/2031
S-133716	Mineral Disposition	Active	SHORE GOLD INC.	128	6/1/1998	5/31/2017	8/29/2031
S-133717	Mineral Disposition	Active	SHORE GOLD INC.	256	6/1/1998	5/31/2017	8/29/2027
S-133722	Mineral Disposition	Active	SHORE GOLD INC.	256	6/1/1998	5/31/2017	8/29/2031
S-133723	Mineral Disposition	Active	SHORE GOLD INC.	256	6/1/1998	5/31/2017	8/29/2031
S-133726	Mineral Disposition	Active	SHORE GOLD INC.	256	6/1/1998	5/31/2017	8/29/2027
S-133733	Mineral Disposition	Active	SHORE GOLD INC.	128	8/5/1998	8/4/2017	11/2/2033
S-134407	Mineral Disposition	Active	SHORE GOLD INC.	64	9/20/2000	9/19/2017	12/18/2031
S-135759	Mineral Disposition	Active	SHORE GOLD INC.	384	7/2/2002	7/1/2017	9/29/2024
S-135760	Mineral Disposition	Active	SHORE GOLD INC.	256	7/2/2002	7/1/2017	9/29/2024
S-135761	Mineral Disposition	Active	SHORE GOLD INC.	256	7/2/2002	7/1/2017	9/29/2024
S-135762	Mineral Disposition	Active	SHORE GOLD INC.	256	7/2/2002	7/1/2017	9/29/2024
S-135763	Mineral Disposition	Active	SHORE GOLD INC.	256	7/2/2002	7/1/2017	9/29/2024
S-135764	Mineral Disposition	Active	SHORE GOLD INC.	256	7/2/2002	7/1/2017	9/29/2024
S-135818	Mineral Disposition	Active	SHORE GOLD INC.	32	9/3/2002	9/2/2017	12/1/2027

Option to Joint Venture  
Star – Orion South

Disposition #	Type	Status	Holder(s)	Total Area (Ha)	Issuance Date	Review Date	Good Standing To:
S-135819	Mineral Disposition	Active	SHORE GOLD INC.	32	9/3/2002	9/2/2017	12/1/2027
S-135820	Mineral Disposition	Active	SHORE GOLD INC.	16	9/3/2002	9/2/2017	12/1/2027
S-136686	Mineral Disposition	Active	SHORE GOLD INC.	128	11/3/2003	11/2/2017	1/31/2029
S-137921	Mineral Disposition	Active	SHORE GOLD INC.	256	1/3/2005	1/2/2018	4/2/2021
S-138346	Mineral Disposition	Active	SHORE GOLD INC.	128	5/1/2005	4/30/2018	7/29/2021
S-138873	Mineral Disposition	Active	SHORE GOLD INC.	64	12/1/2005	11/30/2017	2/28/2031
S-139000	Mineral Disposition	Active	SHORE GOLD INC.	512	1/3/2006	1/2/2018	4/2/2030
S-140248	Mineral Disposition	Active	SHORE GOLD INC.	1024	6/19/2006	6/18/2017	9/16/2029
S-140253	Mineral Disposition	Active	SHORE GOLD INC.	1024	6/19/2006	6/18/2017	9/16/2029
S-140256	Mineral Disposition	Active	SHORE GOLD INC.	512	6/19/2006	6/18/2017	9/16/2029
S-140257	Mineral Disposition	Active	SHORE GOLD INC.	1024	6/19/2006	6/18/2017	9/16/2029
S-140259	Mineral Disposition	Active	SHORE GOLD INC.	768	6/19/2006	6/18/2017	9/16/2029
S-140263	Mineral Disposition	Active	SHORE GOLD INC.	1024	6/19/2006	6/18/2017	9/16/2026
S-140264	Mineral Disposition	Active	SHORE GOLD INC.	256	6/19/2006	6/18/2017	9/16/2031
S-140265	Mineral Disposition	Active	SHORE GOLD INC.	512	6/19/2006	6/18/2017	9/16/2017
S-141420	Mineral Disposition	Active	SHORE GOLD INC.	512	12/20/2006	12/19/2017	3/19/2031
S-143355	Mineral Disposition	Active	SHORE GOLD INC.	185	1/28/2010	1/27/2018	4/27/2025
S-143356	Mineral Disposition	Active	SHORE GOLD INC.	256	1/28/2010	1/27/2018	4/27/2025
S-143846	Mineral Disposition	Active	SHORE GOLD INC.	128	7/19/2012	7/18/2017	10/16/2023
S-143847	Mineral Disposition	Active	SHORE GOLD INC.	512	7/19/2012	7/18/2017	10/16/2024
MC0005966	Mineral Disposition	Active	SHORE GOLD INC.	458	6/20/2017	6/20/2018	9/18/2019

### Surface Rights

1. Lease dated April 1, 2009 between Her Majesty the Queen in the right of the Province of Saskatchewan and SGF for the lease of 4.06 ha (lease no 355000).
2. Lease dated April 1, 2008 between Her Majesty the Queen in the right of the Province of Saskatchewan and SGF for the lease of 57.79 ha (lease no 355001).



Disposition #	Type	Status	Holder(s)	Total Area (Ha)	Issuance Date	Review Date	Good Standing To
S-127091	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127092	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127093	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127094	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127095	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127096	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127097	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	32	1/2/1991	1/1/2018	4/1/2038
S-127098	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127099	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127100	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127101	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127102	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127103	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127104	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127105	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127106	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127107	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127108	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127109	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127110	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127111	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127112	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	32	1/2/1991	1/1/2018	4/1/2038
S-127113	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127114	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127115	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127116	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127117	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127118	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	1/2/1991	1/1/2018	4/1/2038
S-127145	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	2/20/1991	2/19/2018	5/20/2038
S-127146	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	2/20/1991	2/19/2018	5/20/2038
S-127147	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	2/20/1991	2/19/2018	5/20/2038
S-127148	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	64	2/20/1991	2/19/2018	5/20/2038
S-127163	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	352	8/12/1988	8/11/2017	11/9/2038
S-127184	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	496	8/12/1988	8/11/2017	11/9/2038
S-127185	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	256	8/12/1988	8/11/2017	11/9/2038
S-127186	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	448	8/12/1988	8/11/2017	11/9/2038
S-127187	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	192	8/16/1988	8/15/2017	11/13/2038
S-127188	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	256	8/16/1988	8/15/2017	11/13/2038
S-127189	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	256	8/16/1988	8/15/2017	11/13/2038
S-127190	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	192	8/16/1988	8/15/2017	11/13/2038
S-127191	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	480	8/16/1988	8/15/2017	11/13/2038
S-127192	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	768	9/13/1988	9/12/2017	12/11/2022
S-127193	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	128	7/20/1989	7/19/2017	10/17/2021
S-127194	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	192	7/20/1989	7/19/2017	10/17/2022
S-127195	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	32	9/6/1989	9/5/2017	12/4/2038
S-127275	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	192	5/5/1992	5/4/2018	8/2/2038
S-127341	Mineral Disposition	Active	Newmont Holdings ULC: KENSINGTON RESOURCES LTD.	192	6/12/1992	6/11/2017	9/9/2038

## Surface Rights

1. Lease dated April 1, 2008 between Her Majesty the Queen in the right of the Province of Saskatchewan, SGF and Newmont Mining Corporation of Canada Ltd. for the lease of 3.50 ha (lease no 355002).
2. Lease dated April 1, 2008 between Her Majesty the Queen in the right of the Province of Saskatchewan, SGF and Newmont Mining Corporation of Canada Ltd. for the lease of 7.10 ha (lease no 355003).
3. Lease dated April 1, 2008 between Her Majesty the Queen in the right of the Province of Saskatchewan, SGF and Newmont Mining Corporation of Canada Ltd. for the lease of 3.34 ha (lease no 355004).

4. Lease dated April 1, 2008 between Her Majesty the Queen in the right of the Province of Saskatchewan, SGF and Newmont Mining Corporation of Canada Ltd. for the lease of 1.05 ha (lease no 355005).
5. Lease dated April 1, 2008 between Her Majesty the Queen in the right of the Province of Saskatchewan, SGF and Newmont Mining Corporation of Canada Ltd. for the lease of 1.40 ha (lease no 355006).
6. Lease dated April 1, 2008 between Her Majesty the Queen in the right of the Province of Saskatchewan, SGF and Newmont Mining Corporation of Canada Ltd. for the lease of 5.55 ha (lease no 355007).
7. Lease dated April 1, 2008 between Her Majesty the Queen in the right of the Province of Saskatchewan, SGF and Newmont Mining Corporation of Canada Ltd. for the lease of 8.45 ha (lease no 355008).

**Part 2: Area of Interest**

**[REDACTED: CONFIDENTIAL COMMERCIAL INFORMATION]**

**SCHEDULE B**

Attached to and forming part of an Option Agreement between  
Shore Gold Inc., Kensington Resources Ltd. and Rio Tinto Exploration Canada Inc.

**Joint Venture Agreement**

(See attached)

## **SCHEDULE B**

Attached to and forming part of an Option Agreement between  
Shore Gold Inc. and Rio Tinto Exploration Canada Inc.

### **JOINT VENTURE AGREEMENT**

THIS AGREEMENT is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 2017

BETWEEN:

**RIO TINTO EXPLORATION CANADA INC.**, a Canadian corporation  
(hereinafter called "RTEC")

AND:

**SHORE GOLD INC.**, a company incorporated under the laws of Canada  
("SGF")

#### **RECITALS**

- A. RTEC and SGF own certain mineral properties in the Province of Saskatchewan, which mineral properties are described in Schedule A and are defined in Section 1.53; and
- B. RTEC and SGF wish to participate in the exploration and evaluation, and if feasible, the development and mining of mineral resources within the Properties or any other properties acquired pursuant to the terms of this Agreement;

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which each of the Parties acknowledges, the Parties hereto agree as follows:

#### **AGREEMENT**

##### **1. DEFINITIONS AND INTERPRETATIONS**

- 1.1 "Accounting Procedure" means the procedure set forth in Schedule B.
- 1.2 "Acquired Rights" is defined in Section 13.1.
- 1.3 "Affiliate" means, with respect to any person, any other person which directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such person. For the purposes of this Agreement, a person shall be deemed to "control" another person if such person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other person, whether through the ownership of voting securities, by contract or otherwise; and the term "controlled" shall have a similar meaning. In the case of RTEC, an Affiliate means any corporation

wherever situated in which Rio Tinto PLC or Rio Tinto Limited owns or controls directly or indirectly more than 50% of such voting rights.

- 1.4 “**Agreement**” means this Agreement, including all written amendments and modifications thereof, and all schedules and exhibits, which are incorporated herein by this reference.
- 1.5 “**Area of Interest**” means the area described in Part 2 of Schedule A.
- 1.6 “**Assets**” means the Properties, Products and all other real and personal property now or hereafter held by the Manager for the benefit of the Participants hereunder.
- 1.7 “**Budget**” means a detailed estimate of all Costs to be incurred by the Participants with respect to a Program and “**Budgetary Period**” means the Budgetary Period established in a Program and Budget.
- 1.8 “**Business Day**” means a day which is not a Saturday or Sunday or a statutory holiday in the Province of British Columbia or Saskatchewan, Canada or in the state of Utah, United States of America.
- 1.9 “**Contingency Fund**” is defined in Section 8.7.
- 1.10 “**Continuing Obligations**” means obligations or responsibilities that are reasonably expected to continue or arise after Operations on a particular area of the Properties have ceased or are suspended, including, but not limited to, Environmental Compliance.
- 1.11 “**Costs**” means all items of outlay and expense whatsoever, direct or indirect, with respect to Operations including without limitation those detailed in Sections 2.1 to 2.15 inclusive of the Accounting Procedures.
- 1.12 “**Cover Payment**” is defined in Section 9.5.
- 1.13 “**Development**” means all preparation for the removal and recovery of Products, including the construction or installation of a mill or any other improvements to be used for the mining, handling, milling, processing or other beneficiation of Products.
- 1.14 “**Development Program and Budget**” is defined in Section 8.3(b).
- 1.15 “**Diluting Date**” is defined in Section 5.5(a).
- 1.16 “**Diluting Participant**” means a Participant who elects not to participate in an adopted Program and Budget to the full extent of its Participating Interest as described in Section 5.5.
- 1.17 “**Effective Date**” means the date first written above.
- 1.18 “**Election Notice**” is defined in Section 11.1.

- 1.19 **“Environmental Compliance”** means actions performed during or after Operations to comply with the requirements of all Environmental Laws or contractual commitments related to reclamation of the Properties or other compliance with Environmental Laws.
- 1.20 **“Environmental Laws”** means Laws aimed at reclamation or restoration of the Properties; abatement of pollution; protection of the environment; monitoring environmental conditions; protection of wildlife, including endangered species; ensuring public safety from environmental hazards; protection of cultural or historic resources; management, storage or control of hazardous materials and substances; releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances into the environment, and all other Laws relating to the manufacturing, processing, distribution, use, treatment, storage, disposal, handling or transport of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes.
- 1.21 **“Equity Account”** means the account established for each Participant as reflected on the books and records of the Manager.
- 1.22 **“Expansion Program”** means a Program and Budget for an Expansion Project, as proposed by the Manager.
- 1.23 **“Expansion Project”** means a Program for an increase of at least 50% in the productive capacity of a Mine in addition to that which has been or is expected to be constructed in accordance with a Feasibility Study.
- 1.24 **“Exploration”** means all activities directed toward ascertaining the existence, location, quantity, quality or commercial value of deposits or Products. Exploration includes all activities undertaken through to the completion of a Feasibility Study, if any, but does not include construction of milling or processing facilities or commencement of commercial mining operations on the Properties.
- 1.25 **“Feasibility Study”** means a feasibility study prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (as may be amended from time to time) upon the instructions of the Management Committee by the Manager or a contractor or contractors employed or retained by the Manager, based upon the Exploration and any Development work performed prior to the date of such study or by RTEC pursuant to Section 4.6(b)(ii)(A) of the Option Agreement.
- 1.26 **“Fully Participating Participant”** is defined in Section 8.5.
- 1.27 **“Governmental Authority”** means any domestic or foreign government, whether federal, provincial, state or municipal, and any branch, department or ministry thereof, or any governmental agency, governmental authority, governmental tribunal, board or commission of any kind whatever.

- 1.28 “**Government Fees**” means all rentals, holding fees, location fees, maintenance payments or other payments required by any law, rule or regulation to be paid to a federal, or provincial government, in order to locate or maintain any mining leases or surface leases, claims or other tenures included in the Properties, but excluding any governmental royalties or production taxes;
- 1.29 “**Gross Overriding Royalty**” has the meaning assigned to it in Section 10.1.
- 1.30 “**Independent Valuator**” means an independent appraiser who shall be an engineer, valuator, banker, accountant or other person familiar with valuing mining enterprises and who is not related to any of the Participants.
- 1.31 “**Initial Contribution**” means the initial contribution each Participant has made or agrees to make pursuant to Section 5.1.
- 1.32 “**Joint Account**” means the account maintained in accordance with the Accounting Procedure showing the charges and credits accruing to the Participants.
- 1.33 “**Law**” or “**Laws**” means all applicable federal, provincial and local laws (statutory or common), rules, ordinances, treaties, regulations, judgments, decrees, and other valid governmental restrictions, including permits and other similar requirements, whether legislative, municipal, administrative or judicial in nature.
- 1.34 “**Management Committee**” means the committee established under Article 6.
- 1.35 “**Manager**” means the person appointed under Article 7 to manage Operations, or any successor Manager.
- 1.36 “**Mineral Inventory**” means all “mineral resources” and “mineral reserves”, as those terms are defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects (as may be amended from time to time), on the Properties, or “mineral resources” and “ore reserves”, as those terms are defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (as may be amended from time to time), on the Properties, or all mineral resources, mineral reserves, ore reserves and/or other similar mineral inventory categories as defined under other similar mineral inventory reporting standards, on the Properties, determined pursuant to any of the foregoing reporting standards selected by the disclosing Party.
- 1.37 “**Mining**” means the mining, extracting, producing, handling, milling, beneficiation or other processing of Products.
- 1.38 “**Mining Entity**” means any corporation, company, limited liability company, partnership, limited partnership or other entity or organization whose primary business is exploration, development, mining or operation of mining properties or the trading of metals or minerals but for greater clarity, Mining Entity shall not include any entity whose primary business is providing financing by way of streaming or royalty arrangements so long as such entity does not carry on the business of exploration,

development, mining or operation of mining properties or the trading of metals or minerals.

- 1.39 “**Net Worth**” means the remainder after total liabilities are deducted from total assets, determined in accordance with generally accepted accounting principles.
- 1.40 “**Non-Diluting Participant**” means the Participant other than the Diluting Participant as described in Section 5.5.
- 1.41 “**Notices**” has the meaning assigned to it in Section 18.1.
- 1.42 “**Operations**” means all activities carried out after the date of this Agreement on or in respect of the Properties including without limitation Exploration, Development and Mining.
- 1.43 “**Option Agreement**” means the agreement between RTEC, SGF and Kensington Resources Ltd. dated as of June 22, 2017 to which the form of this Agreement was attached as Schedule B.
- 1.44 “**Other Party**” is defined in Section 15.3(a).
- 1.45 “**Other Tenements**” means all surface water, access and other non-mineral rights of and to any lands within the Properties including surface rights held in fee or under lease, licence, easement, right of way or other rights of any kind (and all renewals, extensions and amendments thereof or substitutions therefor) acquired by or on behalf of the Participants.
- 1.46 “**Participant**” and “**Participants**” means the persons or entities that from time to time have Participating Interests.
- 1.47 “**Participating Interest**” means an undivided beneficial interest in the Assets, and all rights and obligations arising under this Agreement, as such interest may from time to time be adjusted hereunder, expressed as a percentage. Participating Interests are calculated to three decimal places and rounded to two (e.g., 1.519% rounded to 1.52%). Decimals of 0.005 or more are rounded up to 0.01, decimals of less than 0.005 are rounded down. The initial Participating Interests of the Participants are set forth in Section 5.3.
- 1.48 “**Party**” means a party to this Agreement, its successors and assigns.
- 1.49 “**Prime Rate**” means at any particular time the annual rate of interest announced from time to time by Royal Bank of Canada, main branch, Vancouver, British Columbia as a reference rate then in effect for determining floating rates of interest on Canadian dollar loans made in Canada and as to which, from time to time, a certificate of an officer of Royal Bank of Canada is conclusive evidence.
- 1.50 “**Production Decision**” is defined in Section 8.3(b).

- 1.51 **“Products”** means all metals, ores, minerals, concentrates and mineral resources including materials derived from the foregoing produced from the Properties under this Agreement.
- 1.52 **“Program”** means a description in reasonable detail of the scope, direction and nature of the Operations to be conducted and objectives to be accomplished by the Manager for a year or any other reasonable period.
- 1.53 **“Properties”** means the mining claims and leases described in Schedule A, together with the Other Tenements, and any Acquired Rights that become part of the Properties pursuant to Article 13, and includes any renewal thereof and any other form of successor or substitute title thereto or tenure derived therefrom.
- 1.54 **“Reclamation and Remediation Costs”** is defined in Section 8.7.
- 1.55 **“Royalty Agreement”** means the royalty agreement in the form attached as Schedule C.
- 1.56 **“Selling Party”** is defined in Section 15.3.
- 1.57 **“Transfer”** means sell, grant, assign, encumber, pledge or otherwise commit or dispose of.
- 1.58 **“Venture”** means the business arrangement of the Participants under this Agreement.
- 1.59 **“\$”** means Canadian dollars.
- 1.60 Words importing the singular number include the plural and vice versa, words importing the neuter gender includes the feminine and masculine genders and vice versa and words importing persons includes individuals, partnerships, associations, trusts, unincorporated organizations and corporations and vice versa.
- 1.61 Attached hereto and forming part of this Agreement are the following Schedules:
- |                   |   |                               |
|-------------------|---|-------------------------------|
| Schedule A Part 1 | - | Properties                    |
| Schedule A Part 2 | - | Area of Interest              |
| Schedule B        | - | Accounting Procedure          |
| Schedule C        | - | Royalty Agreement             |
| Schedule D        | - | “The Way We Work”             |
| Schedule E        | - | “Business Integrity Guidance” |

## 2. REPRESENTATIONS AND WARRANTIES; TITLE TO ASSETS

- 2.1 Representations and Warranties. Each of the Participants represents and warrants to the other:
- (a) that it is a corporation duly organized and validly existing in the jurisdiction of its incorporation and is qualified to do business and is in good standing under the laws of the Province in which the Properties are located;

- (b) that it has the legal capacity to enter into and perform this Agreement and all transactions contemplated herein and that all other actions required to authorize it to enter into and perform this Agreement have been properly taken, including without limitation all necessary corporate actions;
- (c) that it will not breach any other agreement or arrangement by entering into or performing this Agreement;
- (d) that this Agreement has been duly executed and delivered by it and is valid and binding upon it in accordance with its terms;
- (e) that no consent or approval of any third party or Governmental Authority is required for the execution, delivery or performance of this Agreement or the transfer or acquisition of any interest in the Assets or, if such consent or approval is required, such consent or approval has been obtained and evidence thereof delivered to the other Participants;
- (f) that it owns its Initial Contribution free and clear of all liens, charges, encumbrances, security interests and adverse claims; and
- (g) that it is solvent, able to pay its indebtedness as it matures, and has capital sufficient to carry on its business, and does not contemplate filing a proceeding in any jurisdiction for bankruptcy or insolvency.

The representations and warranties set forth above survive the execution and delivery of any documents of Transfer provided under this Agreement.

2.2 Disclosures. Each of the Participants represents and warrants to the other that it is unaware of any material facts or circumstances which have not been disclosed in this Agreement, which should be disclosed to the other Participant in order to prevent the representations in this Article 2 from being materially misleading.

2.3 Covenants. Each of the Participants shall:

- (a) from time to time, give prompt Notice to the other of any Notice of default, lawsuit, proceeding, action or damages of which it becomes aware and which might affect it, the Assets or the title of any Participant to the Properties; and
- (b) not, without the other's prior written consent, conduct any property acquisition, exploration, claim staking or mining operations within the Area of Interest except in accordance with Article 13.

2.4 Title. The Manager shall hold title to the Assets in trust for the Participants in proportion to their Participating Interests, as adjusted from time to time. The Manager shall provide, upon demand from a Participant, such documents as are reasonably required to confirm the Participating Interests of the Participants.

### 3. PURPOSES AND TERM

- 3.1 General. The Participants hereby agree to associate and participate in a joint venture for the purposes hereinafter stated and agree that all of their rights and obligations and all of the Operations on or in connection with the Properties or the Area of Interest are subject to and governed by this Agreement.
- 3.2 Purposes. This Agreement is entered into for the following purposes and for no others, and serves as the exclusive means by which the Participants or either of them accomplishes such purposes:
- (a) to conduct Exploration of the Properties and within the Area of Interest;
  - (b) to evaluate the possible Development and Mining Operations on the Properties;
  - (c) to engage in the possible Development and Mining Operations on the Properties;
  - (d) to acquire additional properties within the Area of Interest; and
  - (e) to perform any other activity necessary, appropriate, or incidental to any of the foregoing.
- 3.3 Limitation. Unless the Participants otherwise agree in writing, the Operations are limited to the purposes described in Section 3.2 and the Participants do not intend that this Agreement enlarge such purposes.
- 3.4 Effective Date and Term. The term of this Agreement is for 20 years from the Effective Date and for so long thereafter as Products are produced from the Properties or the Participants are actively engaged in Exploration or Development of the Properties or continue to jointly own or operate any of the Assets or post-Mining reclamation Operations are being conducted, unless the Agreement is earlier terminated as herein provided.

### 4. RELATIONSHIP OF THE PARTICIPANTS

- 4.1 No Partnership. This Agreement does not make any Participant the partner of the other, and, except as otherwise herein expressly provided, does not make any Participant the agent or legal representative of the other, and does not create any fiduciary relationship between them. The Participants do not intend to create and this Agreement will not be deemed to create, any mining, commercial or other partnership. Neither Participant has authority to act for or to assume any obligation or responsibility on behalf of the other, except as otherwise expressly provided herein and the rights, duties, obligations and liabilities of the Participants are several and not joint or collective, except as provided in Section 15.2(d). Each Participant is responsible only for its obligations as herein set out and liable only for its share of the costs and expenses as provided herein, and the Participants intend that their ownership of the Assets and the rights acquired hereunder are as tenants-in-common.

4.2 Other Business Opportunities. Except as expressly provided in this Agreement, each Party may independently engage in and receive full benefits from business activities, whether or not competitive with the Operations, without consulting the other. The doctrines of "corporate opportunity" or "business opportunity" do not apply to any other activity, venture, or operation of either Party and no Participant has any obligation to the other with respect to any opportunity to acquire any property outside the Area of Interest at any time, or within the Area of Interest after the termination of this Agreement. Unless otherwise agreed in writing, no Participant shall have any obligation to mill, beneficiate or otherwise treat any Products or any other Participant's share of Products in any facility owned or controlled by such Participant.

4.3 Taxation. All costs of Operations incurred hereunder are for the account of the Participant or Participants making or incurring the same, if more than one then in proportion to their respective Participating Interests, and each Participant on whose behalf any costs have been so incurred is entitled to claim all tax benefits, write-offs and deductions with respect thereto.

4.4 Information. Any technical, economic or geological information of any nature, including without limitation any studies, reports, mining models, assays, drill hole data, geochemical reports, recovery reports and other information concerning the Properties and the existence, location, quantity, quality or value of any minerals thereon or therein, provided to, or made available by one Party to the other under this Agreement (including information provided by the Manager to the other Participant or Participants) or prior to the Effective Date, is provided without representation or warranty and is at the sole risk of the Party receiving the same. Such information is provided "AS IS, WHERE IS" and EACH PARTY EXPRESSLY DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES CONCERNING THE SAME, AND EXPRESSLY EXCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. RTEC (as Manager or otherwise) is not obligated to provide to any Party any information that is subject to a separate confidentiality arrangement with a third person, or is otherwise confidential or is obtained by the use of any proprietary or confidential methodologies or techniques, including those under license or agreement with any third person for ascertaining the existence, location, quantity, quality or value of any minerals.

5. **INTERESTS OF PARTICIPANTS**

5.1 Initial Contributions. Each Participant, as its Initial Contribution, hereby contributes all its undivided right, title and interest in and to the Properties to the Venture and for purposes of this Agreement.

5.2 Value of Initial Contributions. The agreed value of the Participants' respective Initial Contributions is as follows:

RTEC	\$ _____
SGF	\$ _____

5.3 Initial Participating Interests. The initial Participating Interests of the Participants is as follows:

RTEC	___%
SGF	___%

5.4 Changes in Participating Interests. The Participating Interests will change as follows:

- (a) as provided in Section 5.5, upon an election by a Participant pursuant to Section 8.5 to contribute less to an adopted Program and Budget than the percentage reflected by its Participating Interest;
- (b) as provided in Section 9.5, in the event of default by a Participant in making its agreed upon contribution to an adopted Program and Budget;
- (c) upon the transfer by a Participant of less than all of its Participating Interest in accordance with Article 15;
- (d) upon the acquisition of less than all or part of the Participating Interest of another Participant, however arising; or
- (e) as provided in Section 5.6.

5.5 Voluntary Reduction in Participation.

- (a) A Participant may elect, as provided in Section 8.5, to contribute to an adopted Program and Budget in some lesser amount than the percentage reflected by its Participating Interest, or not to contribute at all. Each Participant may elect to participate or not to participate without regard to its vote on adoption of the Program and Budget. The Participating Interest of such Diluting Participant is reduced effective as of the date the adopted Program and Budget is commenced (“Diluting Date”).
- (b) A Diluting Participant's Participating Interest is provisionally recalculated effective as of the Diluting Date according to the following formula:

$$R = \frac{REA (P)}{REA (AP)} \times 100\%$$

Where:

R = The recalculated Participating Interest of the Diluting Participant, expressed as a percentage.

REA (P) = The Diluting Participant's Equity Account balance immediately prior to the Diluting Date, as adjusted for anticipated debits and credits based on the

adopted Program and Budget and the Diluting Participant's election as to contributions.

REA (AP) = The Equity Account balance for all Participants immediately prior to the Diluting Date, as adjusted for anticipated debits and credits based on the adopted Program and Budget and all Participants' elections as to contributions.

The Participating Interest of the Non-Diluting Participant shall be increased by any amount of the reduction in the Participating Interest of the Diluting Participant. The recalculations made under this Section 5.5(b) are provisional and subject to the final adjustments provided for under Section 5.5(c).

- (c) At the end of each Budgetary Period, the provisionally recalculated Participating Interests are adjusted to reflect actual debits, credits and contributions made during that period. A Diluting Participant retains all of its rights and all of its obligations (except as provided in Section 5.5(b) above and subject to the provisions of Section 5.6) including the right to participate in future Programs and Budgets at its recalculated Participating Interest.
- (d) A Participant that reduces its Participating Interest pursuant to this Section 5.5 may redeem its position if the actual Costs are less by at least 20% than the budget as set out in the Program and Budget to which the Participant had limited its contributions; otherwise the reduction is final. The Manager shall, at least 20 days prior to the Management Committee meeting at which the next subsequent Program and Budget is to be adopted, provide to all Participants including the Diluting Participant a complete statement of Costs incurred to date and an estimate of Costs to be incurred to complete the Program and Budget to which the Diluting Participant did not contribute. If the Diluting Participant has the right to redeem its position as aforesaid, the Diluting Participant shall inform the Management Committee prior to the said meeting of its wish to do so. A Participant redeeming its Participating Interest shall pay the Costs it would have paid had it participated to the fullest extent possible in the Program and Budget, plus interest thereon from the date of any expenditure to the date of payment at an annual rate equal to the Prime Rate plus 5%. The redeeming Participant shall make such payment to the other Participant, within 30 days of receipt from the other Participant of an invoice for its share.

#### 5.6 Conversion of Minority Interest to Royalty.

- (a) If a Participant's Participating Interest is reduced to less than 10% under the provisions of Section 5.5 or Section 9.5(d), the Participant will be deemed to have withdrawn from this Agreement and relinquished its entire Participating Interest. Such relinquished Participating Interest transfers automatically to the other Participant and the provisions of Article 10 shall apply.

- (b) For purposes of this Section 5.6, the determination of whether a Participant's Participating Interest has been reduced to less than 10% under the provisions of Section 5.5 are made on the basis of the provisionally recalculated Participating Interest provided for under Section 5.5(b), and the relinquishment, withdrawal and entitlements provided for in this Section 5.6 are effective as of the Diluting Date. However, if the final adjustment, provided for under Section 5.5(c) or Section 5.5(d), results in a recalculated Participating Interest of 10% or more: (i) the Diluting Participant's recalculated Participating Interest is, effective as of the last day of the Budgetary Period, automatically revested; (ii) such Participant is reinstated as a Participant, with all of the rights and obligations pertaining thereto; (iii) the royalty interest (if any) vested under the terms of Article 10 and the Royalty Agreement terminates; and (iv) the Participants shall make such reimbursements, reallocations of production, contributions and other adjustments as are necessary so that, to the extent possible, each Participant is in a position it would have been in had the adjusted recalculated Participating Interests been in effect throughout the Budgetary Period.

5.7 Continuing Liabilities upon Adjustments of Participating Interests. Any reduction or forfeiture of a Participant's Participating Interest does not relieve such Participant of its share of any liability, whether it accrues before or after such reduction or forfeiture, arising out of Operations conducted prior thereto; provided, that notwithstanding the foregoing, upon the conversion of a Participating Interest to a Gross Overriding Royalty pursuant to Section 5.6 and Article 10 the holder of such Gross Overriding Royalty shall not be obligated to pay or incur any expenses or liability related to the costs of the closure of any mine or processing facility forming part of the Assets or related to Environmental Compliance upon the closure of such mine or processing facility forming part of the Assets if the Participating Interest converted to a Gross Overriding Royalty prior to any Products produced from such mine or processed through such processing facility being sold. For purposes of the foregoing, such Participant's share of such liability shall be equal to its Participating Interest at the time such liability was incurred. The increased Participating Interest accruing to a Participant as a result of the reduction of any other Participant's Participating Interest shall be free of royalties, liens or other encumbrances arising by, through or under such other Participant, other than those existing at the time the Properties were acquired, those which are permitted pursuant to Section 7.2 or 9.5(c) or those to which all Participants have given their written consent. An adjustment to a Participating Interest need not be evidenced during the term of this Agreement by the execution and recording of appropriate instruments, but the Manager shall show each Participant's Participating Interest in the books of the Manager. However, any Participant, at any time upon the request of another Participant, shall execute and acknowledge instruments necessary to evidence such adjustment in form sufficient for recording in the jurisdiction where the Properties are located.

## 6. MANAGEMENT COMMITTEE

- 6.1 Organization and Composition. Within 30 days after the execution of this Agreement, the Participants by Notice to each other of their respective appointed members shall establish a Management Committee to determine overall policies, objectives, procedures,

methods and actions under this Agreement. The Management Committee shall consist of four members (two members appointed by each Participant). Each Participant may appoint one or more alternates to act in the absence of a regular member. Any alternate so acting will be deemed a member. Appointments are made or changed by Notice to the other Participants.

- 6.2 Decisions. Each Participant, acting through its appointed members, has a vote on the Management Committee equal to its Participating Interest. All decisions of the Management Committee are decided by a simple majority vote of the Participating Interests such that, by way of example and for greater clarity, the vote of a Participant holding a Participating Interest greater than 50% is a simple majority vote which would be effective to make the decision of the Management Committee. The Manager shall be entitled to break all tie votes with a second or casting vote.
- 6.3 Meetings. The Management Committee shall hold regular meetings at least quarterly in Saskatoon, Saskatchewan, or at other mutually agreed places. The Manager shall give 30 days' Notice to the Participants of such regular meetings. Additionally, any Participant may call a special meeting upon five Business Days' Notice to the Manager and the Management Committee members. In case of emergency, reasonable notice of a special meeting shall suffice. With respect to a regular or special meeting of the Management Committee, there shall be a quorum if at least one member representing each Participant is present; provided, however, that in the event that a quorum does not exist at any such meeting, the Management Committee may reschedule the meeting, at a time at least two (2) days following the originally scheduled meeting but no later than seven (7) days following the originally scheduled meeting, and, at such rescheduled meeting, there shall be a quorum if at least one member representing any Participant is present. Each notice of a meeting must include an itemized agenda prepared by the Manager in the case of a regular meeting, or by the Participant calling the meeting in the case of a special meeting, but the Participants may consider any matter raised by the Participants at the meeting. The Manager shall prepare minutes of all meetings and shall distribute copies of such minutes to the Participants within 30 Business Days after the meeting. The Participants have 15 days from receipt of the draft minutes to approve or comment upon the draft minutes. If a Participant does not object to or comment upon the draft minutes within such period, the Participant will be deemed to have approved the minutes. The Manager shall then revise the draft minutes within 30 days, taking into account any comments received. The minutes are the official record of the decisions made by the Management Committee and are binding on the Manager and the Participants. If personnel employed in Operations are required to attend a Management Committee meeting, reasonable costs incurred in connection with such attendance are a Venture cost. The Participants shall pay for all other costs individually.
- 6.4 Action Without Meeting. In lieu of meetings, the Management Committee may hold telephone conferences, so long as all decisions are recorded in minutes prepared by the Manager pursuant to Section 6.3.

6.5 Matters Requiring Approval. The Management Committee has ultimate authority to determine all management matters related to this Agreement. This authority is hereby delegated to the Manager and the Management Committee shall provide overall direction and guidance to the Manager, who is responsible for implementing adopted Programs and Budgets and carrying out the overall objectives of this Agreement, including but not limited to, the specific duties set forth in Section 7.2.

## 7. **MANAGER**

7.1 Appointment of RTEC. RTEC is hereby appointed as the Manager with overall responsibility to manage and carry out Operations. RTEC hereby agrees to serve as Manager until it resigns as provided in Section 7.4 or the Management Committee appoints a new Manager.

7.2 Powers and Duties of Manager. Subject to the terms and provisions of this Agreement, the Manager shall have the following powers and duties which shall be discharged in accordance with adopted Programs and Budgets and under the general guidance of the Management Committee:

- (a) The Manager shall manage, direct and control Operations.
- (b) The Manager shall implement the decisions of the Management Committee and shall make all expenditures necessary to carry out adopted Programs, and shall promptly advise the Management Committee if it lacks sufficient funds to carry out its responsibilities under this Agreement.
- (c) The Manager shall:
  - (i) purchase or otherwise acquire for the Venture all material, supplies, equipment, water, utility and transportation services required for Operations, such purchases and acquisitions to be made on the best terms available, taking into account all of the circumstances,
  - (ii) obtain such customary warranties and guarantees as are available in connection with such purchases and acquisitions, and
  - (iii) keep the Assets free and clear of all liens and encumbrances, except for those existing at the time of, or created concurrently with, the acquisition of such Assets, those liens and encumbrances contemplated by this Agreement, builder's, construction, mechanic's, carriers', warehousemen's, material-men's, repairmen's or other similar liens which are for amounts which are neither due nor delinquent, are being contested at the time by the Manager in good faith and by proper legal proceedings, or which shall be released or discharged in a diligent manner, or liens and encumbrances specifically approved by the Management Committee.
- (d) The Manager shall conduct such title examinations and cure such title defects as may be advisable in the reasonable judgment of the Manager.

- (e) With respect to the Goods and Services Tax (the "GST") and the Harmonized Sales Tax (the "HST") under Part IX of the *Excise Tax Act* S.C. 1990, c.45 (the "Act"), the Manager shall account for all GST and HST in respect of any supplies made to or by the Venture. The Participants shall be registrants and will each execute and provide to the Manager a joint venture election pursuant to section 273 of the Act, confirming that the Manager shall account for all GST and HST in respect of any supplies made to or by the Venture. Accounting for GST and HST includes paying GST or HST, as applicable, on all taxable purchases and claiming the corresponding input tax credits on behalf of the Venture.
- (f) The Manager shall:
- (i) make or arrange for all payments required by leases, licenses, permits, contracts and other agreements related to the Assets;
  - (ii) perform or cause to be performed all assessment work required by Law in order to maintain the Properties. Except as provided in Section 7.3, the Manager shall not be liable on account of any determination by any court or governmental agency that the work performed by the Manager does not constitute the required work or occupancy for the purposes of preserving or maintaining the Properties. The Manager shall timely record and file with the appropriate governmental office any required affidavits, notices of intent to hold and other documents in proper form attesting to the performance of assessment work, in each case in sufficient detail to reflect compliance with the applicable requirements. The Manager shall not be liable on account of any determination by any court or governmental agency that any such document submitted by the Manager does not comply with applicable requirements, provided that such document is prepared and recorded or filed in accordance with the Manager's standard of care under Section 7.3; and
  - (iii) pay all taxes, assessments and like charges on Operations and Assets except taxes determined or measured by the Participants' sales revenue or income.

If authorized by the Management Committee, the Manager may contest in the courts or otherwise, the validity or amount of any taxes, assessments or charges if the Manager deems them to be unlawful, unjust, unequal or excessive, or to undertake such other steps or proceedings as the Manager deems reasonably necessary to secure a cancellation, reduction, readjustment or equalization thereof before the Manager is required to pay them, but in no event shall the Manager permit or allow title to the Assets to be lost as the result of the non-payment of any taxes, assessments or like charges.

- (g) The Manager shall:
- (i) apply for all necessary permits, licenses and approvals,

- (ii) comply with applicable Law in all material respects,
- (iii) notify promptly the Management Committee of any allegations of substantial violation thereof, and
- (iv) prepare and file all reports or notices required for Operations.

In the event of any violation of permits, licenses or approvals, the Manager shall use its commercially reasonable efforts to timely cure or dispose of such violation through performance, payment of fines and penalties, on both, and the cost thereof shall be charged to the Joint Account.

The Manager shall not be in breach of this Section 7.2(g) if a violation has occurred and the Manager in a timely fashion takes such steps as might be available to remedy the violation or to prevent its recurrence or disposes of the same through payment of fines or penalties imposed in accordance with Law.

- (h) The Manager shall notify the Management Committee promptly of any litigation, arbitration, or administrative proceeding commenced against the Venture. The Manager shall prosecute and defend as it considers appropriate, but shall not initiate without consent of the Management Committee, all litigation or administrative proceedings arising out of Operations. The Management Committee shall approve in advance any settlement involving payments (except for fines or penalties), commitments or obligations in excess of \$100,000 in cash or value.
- (i) The Manager shall obtain and maintain for itself and the other Participants such insurance, with such limits and deductibles, as would normally be maintained by a reasonably prudent operator in the circumstances, either by way of a separate policy or the extension of coverage under a "blanket" policy maintained by the Manager or an Affiliate of the Manager, and the Manager shall include the cost thereof in each Budget; alternatively the Manager may provide protection for the Participants comparable to such insurance coverage and if it elects to self-insure, it shall charge to the Joint Account an amount equal to the premium it would have paid had it secured and maintained a policy or policies of insurance in a competitive bid basis in the amount of such coverage and the Manager shall include the cost thereof in each Budget.
- (j) The Manager may dispose of Assets, whether by abandonment, surrender or sale in the ordinary course of business, except that the Properties may be abandoned or surrendered only as provided in Article 14. However, without prior authorization from the Management Committee (which authorization shall include Programs and Budgets approved by the Management Committee), the Manager shall not: (i) dispose of Assets in any one transaction having a value in excess of \$5,000,000 (unless such disposition is contemplated by an adopted Program and Budget); or (ii) dispose of all or a substantial part of the Assets necessary to achieve the purposes of the Venture.

- (k) The Manager may, subject to Section 7.6 below, carry out its responsibilities hereunder through agents, Affiliates or independent contractors.
- (l) The Manager shall keep and maintain all required accounting and financial records pursuant to the Accounting Procedure and in accordance with generally accepted accounting principles consistently applied.
- (m) The Manager shall keep the Management Committee advised of all Operations by submitting in writing to the Management Committee: (i) within 20 days after the end of each calendar month, a summary monthly report; and (ii) a detailed report within 90 days after completion of each Program and Budget, which must include comparisons between actual and budgeted expenditures and comparisons between the objectives and results of the Programs, provided that if Program and Budget extends beyond a period of 12 months, the Manager shall also provide the Management Committee with a detailed report within 90 days after the end of each such 12 month period. The Manager shall also provide to the Management Committee such other reports as the Management Committee may reasonably request. At all reasonable times, the Manager shall also provide the Management Committee or the representatives of each Participant access to, and the right to inspect and copies of all maps, drill logs, core tests, reports, surveys, assays, analyses, production reports, operations, technical, accounting and financial records, and other information acquired in Operations that a Participant may reasonably request. Such material and information is solely for the benefit of the Participants to whom such material and information are made available and the Participants shall not discuss or disclose the same to any third parties except as provided in this Agreement. Each Participant further agrees that its use of or reliance on such material and information is at its sole risk and it shall indemnify, defend and hold harmless the Manager and its Affiliates (including without limitation direct and indirect parent companies), and its or their respective directors, officers, shareholders, employees, agents and attorneys, from and against any and all claims, demands, investigations, judgments, losses, liabilities, costs and expenses, including reasonable legal fees, which may be imposed upon, asserted against or incurred by any of them and which arise out of or result from use of or reliance on such material and information by the receiving Participant, or any third party to whom the receiving Participant discloses such material and information. The Manager makes no representation or warranty as to the completeness or accuracy of any material or information disclosed hereunder.
- (n) The Manager shall allow each Participant and/or its agents and representatives, at such Participant's sole risk and expense, and subject to the Manager's safety regulations, to inspect the Assets and Operations at all reasonable times, so long as such Participant does not unreasonably interfere with Operations. Such Participant shall indemnify, defend and hold harmless the Manager and its Affiliates (including without limitation direct and indirect parent companies), and its or their respective directors, officers, shareholders, employees, agents and attorneys, from and against any and all claims, demands, investigations, judgments, losses, liabilities, costs and expenses, including reasonable legal fees,

which may be imposed upon, asserted against or incurred by any of them and which arise out of or result from the entry, presence or activities of such Participant and/or its agents and representatives on the Properties, including without limitation bodily injury or death at any time resulting therefrom and damage to property sustained by any person or persons, unless such loss or damage is caused by the gross negligence or wilful misconduct of the Manager.

- (o) The Manager shall prepare an Environmental Compliance plan for all Operations consistent with the requirements of any applicable Laws or contractual obligations and shall include in each Program and Budget sufficient funding to implement the Environmental Compliance plan and to satisfy the financial assurance requirements of any applicable Law or contractual obligation pertaining to Environmental Compliance which shall be the responsibility of the Participants in accordance with their Participating Interests from time to time. To the extent practical and advisable (as determined by the Manager), the Environmental Compliance plan shall incorporate concurrent reclamation of Properties disturbed by Operations.
- (p) The Manager shall undertake to perform Continuing Obligations when and as economic and appropriate. The Manager shall have the right to delegate performance of Continuing Obligations to persons having demonstrated skill and experience in relevant disciplines. As part of each Program and Budget submittal, the Manager shall specify in such Program and Budget the measures to be taken for performance of Continuing Obligations and the cost of such measures. The Manager shall keep the Management Committee reasonably informed about the Manager's efforts to discharge Continuing Obligations.
- (q) The Manager shall undertake all other activities reasonably necessary to fulfil the foregoing.

The Manager is not in default of any duty under this Section 7.2 if its failure to perform results from the failure of the other Participant to perform acts or to contribute or pay amounts required of it by this Agreement.

- 7.3 Standard of Care. The Manager shall conduct all Operations in a good, workmanlike and efficient manner, in substantial accordance with sound mining and other applicable industry standards and practices, and in substantial accordance with the terms and provisions of leases, licenses, permits, contracts and other agreements pertaining to Assets. The Manager shall not be liable to the other Participant for breach of this Agreement or any other act or omission resulting in damage or loss unless the same constitutes the Manager's wilful misconduct or gross negligence.

- 7.4 Resignation: Deemed Offer to Resign. The Manager may resign upon 30 days' prior Notice to the Management Committee, in which case the other Participant may elect to become the new Manager by notice to the Management Committee within thirty (30) days after the notice of resignation. If any of the following shall occur, the Manager will be deemed to have offered to resign, which offer the other Participant shall accept, if at all, within 30 days following such deemed offer:
- (a) the Manager fails to perform a material obligation imposed upon it under this Agreement and does not within 60 days after Notice from the Management Committee demanding performance commence in good faith to remedy the failure or to take steps to prevent its recurrence; or
  - (b) a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for a substantial part of its assets is appointed and such appointment is neither made ineffective nor discharged within 60 days after the making thereof, or such appointment is consented to, requested by, or acquiesced in by the Manager; or
  - (c) the Manager commences a voluntary case under any applicable bankruptcy, insolvency or similar law now or hereafter in effect; or consents to the entry of an order for relief in an involuntary case under any such law or to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other such similar official of any substantial part of its assets; or makes a general assignment for the benefit of creditors; or fails generally to pay its debts as such debts become due; or takes corporate or other action in furtherance of any of the foregoing.

If the Manager resigns or if its offer to resign is accepted by the other Participant, the other Participant may elect to become the new Manager by Notice to the resigning Participant within 30 days after the Notice of resignation.

- 7.5 Payments to Manager. The Participants shall compensate the Manager for its services and reimburse the Manager for its costs hereunder in accordance with the Accounting Procedure.
- 7.6 Transaction with Affiliates. The Manager may engage Affiliates to provide services, supplies, equipment or machinery hereunder, provided that it do so on terms no less favourable than would be the case with unrelated persons in arm's length transactions.
- 7.7 Activities Absent Adopted Program and Budget. If the Management Committee for any reason fails to adopt a Program and Budget, then subject to the contrary direction of the Management Committee and to the receipt of necessary funds, the Manager shall continue Operations at levels necessary to maintain and protect the Assets and to comply with all contractual and regulatory obligations related thereto. The Participants shall fund such Operations until a new Program and Budget has been adopted. For purposes of determining the required contributions of the Participants and their respective Participating Interests, the last adopted Program and Budget will be deemed to have been extended.

- 7.8 Independent Contractor. The Manager is and shall act as an independent contractor and not as the agent of the other Participant. The Manager shall maintain complete control over its employees and all of its subcontractors with respect to performance of the Operations. Nothing contained in this Agreement or any subcontract awarded by the Manager creates any contractual relationship between any subcontractor and the other Participant. The Manager has complete control over and supervision of Mining Operations and shall direct and supervise the same so as to ensure their conformity with this Agreement.
- 7.9 Rio Tinto Policies. The Participants acknowledge and agree that RTEC as the Manager subscribes to and governs itself in accordance with business principles, policies and practices, including policies on business integrity and political involvement, which are or are the same as those described in RTEC's parent company policies entitled "*The Way We Work*" and "*Business Integrity Guidance*", copies of which are attached as Schedules E and F respectively. Each of the other Parties confirms that it subscribes to business principles which are aligned with those followed by RTEC and follows policies and implements practices developed by it designed to cause its actions to reflect those principles and covenants with RTEC that it will continue to do so.

## 8. PROGRAMS AND BUDGETS

- 8.1 Operations Pursuant to Programs. Except as otherwise provided in this Article 8, all Operations shall be conducted, expenses shall be incurred and all Assets shall be acquired only pursuant to adopted Programs and Budgets. The Manager shall design the Programs and Budgets to set forth in reasonable detail the scope, direction and nature of Operations and establish a fiscal basis for Operations, but need not include an enumerated list of each activity and expenditure to be undertaken by the Manager or of the Costs to be incurred. The Manager may make all expenditures required to perform its duties hereunder.
- 8.2 Presentation of Programs and Budgets. Subject to Section 8.5, the Manager shall prepare a proposed Program and Budget for a period of 12 months or any other reasonable period determined by the Manager and shall prepare the first Program and Budget at such time as it considers appropriate. During the Budgetary Period encompassed by any Program and Budget and at least two months prior to its expiration, the Manager shall prepare a proposed Program and Budget for the succeeding Budgetary Period and submit such Program and Budget to each of the Participants.
- 8.3 Production Decision.
- (a) After the Manager prepares a Feasibility Study, the Manager shall submit the Feasibility Study to the Management Committee. The Management Committee shall meet and decide whether further work is required to complete the Feasibility Study or the Feasibility Study is complete.
  - (b) If the Management Committee determines that the Feasibility Study is complete, it shall then decide whether development of a mine is warranted. If the Management Committee makes a positive decision to develop a mine on the

Properties (“**Production Decision**”), it may then instruct the Manager to prepare an overall Program and Budget consistent with the Feasibility Study for all Operations through to the end of Development (“**Development Program and Budget**”).

- (c) The Manager does not warrant the sufficiency of the Feasibility Study for any purpose.
- (d) Any determination by the Management Committee or the Manager as to the completeness and sufficiency of the Feasibility Study (or the need for any further work, studies, investigations or analysis to be conducted, or other considerations to be taken into account, or additional information to be obtained to supplement the Feasibility Study), shall not in any manner affect, impair or impact the exercise of the Fourth Option (as that term is defined in the Option Agreement) by RTEC pursuant to Section 4.6(b)(ii)(A) of the Option Agreement, if applicable.

- 8.4 Review and Approval of Proposed Programs and Budgets. Within 30 days of the submission of a proposed Program and Budget by the Manager to the Participants, including a Development Program and Budget or an Expansion Program and Budget, the Manager shall call a meeting of the Management Committee to consider the same. The Management Committee shall adopt the Program and Budget, with such modifications, if any, as it deems necessary, or reject the same and require a new submission from the Manager.
- 8.5 Election to Participate. By Notice to the Manager within 20 days after the vote by the Management Committee adopting a Program and Budget, each Participant including the Participant which is the Manager, may elect to contribute to the Costs of such Program and Budget in proportion to its Participating Interest, in some lesser proportion or not at all. If a Participant elects not to contribute in proportion to its Participating Interest, the Participating Interest of the Participants will be recalculated as provided in Article 5. If a Participant fails to make an election within such 20 days, it will be deemed to have elected to contribute to such Program and Budget in proportion to its Participating Interest as of the beginning of the period covered by the Program and Budget. If any Participant elects not to contribute to a Program and Budget to the fullest extent possible, the proportion to be contributed by the Participant that elected to contribute in proportion to its Participating Interest (a “**Fully Participating Participant**”) increases pro rata to satisfy the shortfall, subject to the right of the Fully Participating Participant to elect not to contribute more than its proportionate share at that time. If after the operation of this Section 8.5 the Costs for a Program and Budget are not fully committed, the Program and Budget will be deemed withdrawn, subject to the right of the Manager to propose a new draft Program and Budget.
- 8.6 Budget Overruns; Program Changes. The Manager shall immediately notify the Management Committee of any material departure from an adopted Program and Budget. If the Manager exceeds Budget, then the excess is for the account of the Participants in proportion to their respective Participating Interests unless the overrun is due to the gross negligence or wilful misconduct of the Manager.

- 8.7 Contingency Fund. Once a mine or the Properties is in production, the Manager shall establish and administer a contingency fund (the "**Contingency Fund**"), in addition to all required statutory funds, to be maintained as a separate account for the purpose of paying all costs, outlays, expenses, obligations, liabilities and charges of whatever kind or nature incurred or chargeable, directly or indirectly, by the Participants for environmental protection, reclamation, pollution control, testing, monitoring, clean-up, containment and removal of hazardous substances from the Properties, remediation, decommissioning, shutdown and other similar matters ("**Reclamation and Remediation Costs**"), severance pay and pensions for employees arising as a result of operations and in connection with the permanent or temporary shutdown in whole or in part of any mine on the Properties. At the time such Contingency Fund is established the Manager will estimate the amount required throughout the life of the mine and, based upon the estimated mine life, the amount required to be contributed by each Participant in accordance with its Participating Interest on an annual basis or from time to time in the case of special or unexpected Reclamation and Remediation Costs and such amount shall be included in the applicable Budget and shall be considered Costs for all purposes of this Agreement. Such Contingency Fund shall be held in trust on behalf of the Participants and invested and reinvested by the Manager in Government of Canada treasury bills or similar liquid investments issued by the federal or provincial governments of Canada (or their agencies or legal entities) as the Management Committee may from time to time authorize acting prudently on behalf of the Participants. To the extent that additional funds are required to fund Costs once the Contingency Fund is in place and the Management Committee is of the view that there will be sufficient future Products produced from the Properties to replenish any moneys distributed from the Contingency Fund the Manager will distribute such funds to the Participants in accordance with their respective Participating Interests. In the event of any subsequent shortfall in the Contingency Fund, each Participant will within 30 days after being requested to do so in writing by the Manager, repay its share of such funds in proportion to its Participating Interest.
- 8.8 Emergency or Unexpected Expenditures. In case of emergency, the Manager may take any reasonable action it deems necessary to protect life, limb or property, to protect the Assets or to comply with Law or contractual obligations. The Manager may also make reasonable expenditures for unexpected events which are beyond its reasonable control and which do not result from a breach by it of its standard of care. The Manager shall promptly notify the Management Committee of the emergency or unexpected expenditure, and the Manager shall be reimbursed for all resulting costs by the Participants in proportion to their respective Participating Interests at the time the emergency occurred or the unexpected expenditures were incurred.
9. **ACCOUNTS AND SETTLEMENTS**
- 9.1 Monthly Statements. The Manager shall promptly submit to the Management Committee monthly statements of account reflecting in reasonable detail the charges and credits to the Joint Account during the preceding month under this Agreement.
- 9.2 Equity Account. The Manager shall credit the Equity Account for each Participant with the agreed value of each Participant's Initial Contribution and subsequent contributions

(net of liabilities assumed by the Participants and liabilities to which such contributed property is subject) and each Participant's distributive share of income and gain (or item thereof). Likewise, the Manager shall charge each Participant's Equity Account with the cash and the fair market value of property distributed to such Participant (net of liabilities assumed by such Participant and liabilities to which such distributed property is subject), and such Participant's distributive share of loss and deduction (or item thereof). Prior to any distribution of Assets (in-kind or otherwise), the Manager shall adjust the Equity Accounts for the gain or loss which would be allocable to each Participant upon a disposition of such Assets for fair market value. Contributions and distributions include all cash contributions or distributions plus the deemed value (expressed in dollars) of all in-kind contributions or distributions. All calculations of income, expense, gain, loss, depletion, depreciation and amortization are based on generally accepted accounting principles in Canada, consistently applied by the Manager. The Equity Account for each Participant will not be reduced to any amount less than \$1.00.

- 9.3 Cash Calls. Prior to the last day of each month, the Manager shall submit to each Participant which has elected to contribute to the Program and Budget then in effect a billing for such Participant's share of estimated Costs for the next month on the basis of the adopted Program and Budget or as otherwise provided in this Agreement. Within ten days after receipt of each billing, each Participant shall advance to the Manager such estimated amount. Time is of the essence of payment of such billings. If the amount billed for the estimated Costs was less than the actual Costs incurred or charged during that month, the Manager may bill the Participants for the difference at any time, which the Participants shall pay within ten days following receipt of billing. With the concurrence of the Management Committee, the Manager may establish more frequent billing cycles to minimize account balances.
- 9.4 Failure to Pay Billings. Any payments not made when due under Section 9.3 shall bear interest from the date due at an annual rate equal to the Prime Rate plus five percent. The non-defaulting Participants shall have the rights, remedies and elections specified in Section 9.5.
- 9.5 Default in Making Contributions.
- (a) If a Participant elects to contribute to an adopted Program and Budget and then defaults in its obligation to pay a contribution or cash call hereunder, the Manager may at any time, by Notice to the defaulting Participant, elect to make such contribution or meet such cash call on behalf of the defaulting Participant ("Cover Payment"). If more than one Cover Payment is made, the Manager shall aggregate the Cover Payments and the rights and remedies described herein pertaining to an individual Cover Payment apply to the aggregated Cover Payments.
  - (b) Each Cover Payment constitutes indebtedness due from the defaulting Participant to the Manager, which indebtedness is payable upon demand and bears interest from the date incurred to the date of payment at the rate specified in Section 9.4.

- (c) Each Participant other than the Manager hereby grants to the Manager, as security for repayment of the indebtedness referred to in Section 9.5(b) together with interest thereon, legal fees and all other costs and expenses incurred in collecting payment of such indebtedness and enforcing such security interest, a mortgage of and security interest in such Participant's right, title and interest in, whenever acquired or arising, the Assets and this Agreement together with all proceeds of and accessions to the foregoing. Each Participant hereby represents and warrants to the Manager that such mortgage and security interest ranks and will rank at all times prior to any and all other mortgages and security interests. Each Participant shall take all action necessary to perfect such mortgage and security interest and irrevocably appoints the Manager as its attorney-in-fact to execute, file and record all financing statements and any other documents necessary to perfect or maintain such mortgage and security interest or otherwise give effect to the provisions hereof. Upon default being made in the payment of the indebtedness referred to in Section 9.5(b) when due, the Manager may exercise any or all of the rights and remedies available to it at Law or hereunder. Without limiting the generality of the foregoing, to the extent permitted by applicable Law, each Participant grants to the Manager a power of sale as to any property that is subject to the mortgage and security interest granted hereunder, such power to be exercised in the manner provided by applicable Law or otherwise in a commercially reasonable manner and upon reasonable notice. In the event the Manager enforces the mortgage or security interest pursuant to the terms of this Section 9.5(c), the defaulting Participant waives any available right of redemption from and after the date of judgment, any required valuation or appraisal of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshalling of assets and any required bond in the event a receiver is appointed and the defaulting Participant agrees that it will be liable for any continuing deficiency.
- (d) If a Cover Payment is made, upon the giving of not less than 30 days' prior Notice to the defaulting Participant, the Manager may elect to adjust its Participating Interest pursuant to this Section 9.5. Upon such election, the Manager shall deduct an amount equal to 125% times the Cover Payment from the defaulting Participant's Equity Account and add such amount to the Equity Account of the Manager and recalculate the Participating Interests of the defaulting Participant and the Manager based on the adjusted Equity Accounts.
- (e) A defaulting Participant, by paying all indebtedness and interest thereon then owing to the Manager, if it elected to make the Cover Payment, may cure such default at any time prior to (i) consummation of an action to execute or foreclose on a security interest granted pursuant to Section 9.5(c); or (ii) an adjustment of Participating Interests being effected pursuant to Section 9.5(d).
- (f) Upon a default of the type referred to in Section 9.5(a), any right of the defaulting Participant to take delivery in kind under Article 11 ceases. The Manager, if it elected to make the Cover Payment, may sell the defaulting Participant's share of Products in any commercially reasonable manner. If the Manager elects to sell the

defaulting Participant's share of Products, it shall apply the proceeds thereof first, to make any contribution or meet any cash call not made or met by the defaulting Participant or made or met, on its behalf, and second, to pay the indebtedness and unpaid and accrued interest thereon then owing by the defaulting Participant to the Manager. The right of a defaulting Participant to take in kind its share of Products, if any, is reinstated at the first time when such Participant is not in default of its obligation to make a contribution or meet a cash call and all indebtedness and interest thereon arising out of the making by the Manager of Cover Payments has been paid in full.

- 9.6 Audits. Upon request made by any Participant within 12 months following the end of any calendar year (or, if the Management Committee has adopted an accounting period other than the calendar year, within 12 months after the end of such period), the Manager shall order an audit of the accounting and financial records for such calendar year (or other accounting period). All written exceptions to and claims upon the Manager for discrepancies disclosed by such audit must be made not more than three months after receipt of the audit report. Failure to make any such exception or claim within the three month period constitutes waiver of any such exception or claim by a Participant and the audit will be deemed correct and binding upon the Participants. The Manager shall select a national firm of chartered accountants that is independent of the Participants, to conduct the audits.

## 10. GROSS OVERRIDING ROYALTY

- 10.1 Conversion to Gross Overriding Royalty. If a Participant relinquishes its Participating Interest pursuant to Section 5.6, the remaining Participant shall pay to the relinquishing Participant a 1% gross overriding royalty on diamonds, calculated and paid in accordance with the Royalty Agreement in the form attached as Schedule C (the "**Gross Overriding Royalty**"), the relinquishing Participant and the other Participant will thereupon be bound by the terms and conditions of the Royalty Agreement, and the relinquishing Participant will cease to have any rights or entitlement in and to, or under, this Agreement. The Manager shall complete the Royalty Agreement by filling in the names, date and description of the Properties, all as of the date of the deemed withdrawal, and the relinquishing Participant and the other Participant shall each sign and deliver to each other the Royalty Agreement. The Royalty Agreement shall provide for, amongst other things, that the maximum amount of Gross Overriding Royalty payments shall be \$40,000,000, in the aggregate, and upon the payment of \$40,000,000 of Gross Overriding Royalty payments, in the aggregate, the Gross Overriding Royalty shall thereupon terminate without the requirement for any further act or formality.

Except for or as provided in Sections 5.7, 10.2, this Section 10.1 and Articles 16 and 17, this Agreement shall thereupon terminate.

- 10.2 No Obligation to Produce. If a Participant forfeits its Participating Interest, any decision to place the Properties into production is at the sole discretion of the remaining Participant (as determined through the Management Committee) and if the Properties are

in or are placed into production, such other Participant may curtail or terminate any such operation as it determines.

## 11. DISPOSITION OF PRODUCTION

- 11.1 Taking in Kind. The Participant who is not the Manager shall have a one-time right to elect to take in kind or separately dispose of its share of Products by providing Notice to the Manager within 30 days after the completion of the first Feasibility Study prepared in respect of the Properties (the "Election Notice"). If such Participant has provided an Election Notice and the Products consist of diamonds, the respective share of each Participant shall be determined with reference to the value of the diamonds after grading as determined by an independent evaluator, if the Participants are able to agree on one evaluator or, in the absence of such agreement, three evaluators one of whom shall be selected by each Participant and the third of whom shall be appointed by the first two so appointed by the Participants, with the value to be taken as the average of the values determined by each evaluator. The Participants agree to work together in good faith to develop a detailed procedure for the equitable allocation of each diamond parcel. Each of the Parties shall respectively bear any expenditure incurred by it in the taking in kind of Products by each Party including payment of the evaluator appointed by it. If a single evaluator is appointed or a third evaluator is appointed, the Participants shall share his fees and expenses equally and the costs of separating and sorting the Products shall be borne equally. Nothing in this Agreement shall be construed as providing, directly or indirectly, for any joint or cooperative marketing or selling of Products. The Manager shall give the Participants notice at least 10 days in advance of the delivery date upon which Products will be available. For certainty, the right to provide an Election Notice is a one-time right only and may only be provided within the time and under the circumstance prescribed above. If the Participant who is not the Manager does not provide an Election Notice within the time and under the circumstances prescribed, such Participant's share of Products shall be marketed and sold pursuant to Section 11.3.
- 11.2 Failure of Participant to Take in Kind. If a Participant having provided an Election Notice pursuant to Section 11.1, fails to take its share of Product in kind, the Manager may, for a period of time consistent with the minimum needs of the industry, but not to exceed one year, purchase the Products for its own account or sell such share as agent for the Participant at not less than the prevailing market price in the area. The Manager may deduct from proceeds of any sale by it for the account of the Participant reasonable expenses and commissions incurred in such a sale.
- 11.3 Marketing. The Manager or an Affiliate that it may designate will have the right to market and sell the Products as agent for the Participants (except for the Participant who has provided an Election Notice pursuant to Section 11.1) and may charge the Participant its marketing and sales costs and a sales commission at a rate that is comparable to commissions commonly charged in the industry by organizations with sales and marketing expertise and capacity similar to that of the Manager or its designated Affiliate, provided that such commission shall be no less than 3% of the sales proceeds of the Products. The Participant and Manager (or Affiliate) shall enter into a form of marketing

agreement based on the Manager's standard form of agreement, with such revisions as are acceptable to each of the Participant and the Manager (or Affiliate), acting reasonably.

## 12. TERMINATION

- 12.1 Termination by Management Committee. This Agreement shall terminate as expressly provided in this Agreement, unless earlier terminated by written agreement.
- 12.2 Continuing Obligation. On termination of this Agreement, the Participants remain liable for Continuing Obligations hereunder until final settlement of all accounts and for any liability, whether it accrues before or after termination, if it arises out of Operations during the term of this Agreement, subject to Section 5.7.
- 12.3 Disposition of Assets on Termination. Promptly after termination of this Agreement, the Manager shall take all action necessary to wind up the activities of the Venture, and charge all costs and expenses incurred in connection with the termination to the Venture. The Manager shall first pay, apply or distribute the Assets in satisfaction of all liabilities of the Venture to third parties and then to satisfy any debts, obligations, or liabilities owed to the Participants. Before distributing any funds or Assets to Participants, the Manager may segregate amounts that, in the Manager's reasonable judgment, are necessary to discharge Continuing Obligations or to purchase for the account of Participants, bonds or other securities for the performance of such obligations. Thereafter, the Manager shall distribute any remaining cash and all other Assets in undivided interests to the Participants in accordance with their respective Participating Interests unless otherwise provided herein or otherwise agreed. A Participant whose Participating Interest has been terminated pursuant to this Agreement is not entitled to a distribution of any interest in Products or proceeds from the sale thereof.
- 12.4 Right to Data after Termination. After termination of this Agreement, each Participant may obtain copies of all information acquired hereunder before the effective date of termination if not previously furnished to it. This Section 12.4 is not applicable if the Agreement is terminated pursuant to Section 10.1.
- 12.5 Continuing Authority. On termination of this Agreement, the Manager has the power and authority, subject to control of the Management Committee, if any, to do all things on behalf of the Participants that are reasonably necessary or convenient to:
- (a) wind-up Operations; and
  - (b) complete any transaction and satisfy any obligation (including without limitation obligations related to environmental reclamation and remediation), unfinished or unsatisfied, at the time of such termination, if the transaction or obligation arises out of Operations prior to such termination.

The Manager has the power and authority to grant or receive extensions of time or change the method of payment of an already existing liability or obligation, prosecute and defend actions on behalf of the Participants and the Venture, mortgage Assets, and take any other

reasonable action in any matter with respect to which the former Participants continue to have, or appear or are alleged to have, a common interest or a common liability.

### 13. ACQUISITIONS WITHIN AREA OF INTEREST

- 13.1 General. The Manager shall make all acquisitions within the Area of Interest pursuant to an adopted Program and Budget for the benefit of the Venture. If the Manager acquires or has the right to acquire any interest in any mining claim, licence, lease, grant, concession, permit, patent or other mineral property or surface rights or water rights (“**Acquired Rights**”) within the Area of Interest during the term of this Agreement, such Acquired Rights become part of the Properties for purposes of this Agreement. If the acquisition is other than pursuant to an adopted Program and Budget, the provisions of Sections 13.2 to 13.5 shall apply.
- 13.2 Notice to Non-acquiring Participant. Within ten days after the staking or acquisition of any Acquired Rights by the Manager (or the other Participant on the written direction of the Manager) otherwise than pursuant to an approved Program, the Manager (or, if applicable, the other Participant) shall notify the Management Committee of such staking or acquisition. Such Notice shall describe in detail the staking or acquisition, the Acquired Rights, and the cost thereof. In addition to such Notice, the Manager (or, if applicable, the other Participant) shall make any and all information concerning the Acquired Rights available for inspection by the Management Committee.
- 13.3 Option Exercised. If, within 30 days after receiving such Notice, the Management Committee notifies the Manager of its election to accept a proportionate interest for all Participants in the Acquired Rights equal to their respective Participating Interests, the Manager (or, if applicable, the other Participant) shall convey to the Participants such a proportionate undivided interest therein. The Acquired Rights shall become a part of the Properties for all purposes of this Agreement. The non-acquiring Participant shall promptly pay to the acquiring Participant its proportionate share of the latter’s actual out-of-pocket staking or acquisition costs.
- 13.4 Option Not Exercised. If the Management Committee does not give such Notice within the 30 day period set forth in Section 13.3, the non-acquiring Participant have no interest in the Acquired Rights, and the Acquired Rights are not a part of the Properties or subject to this Agreement.
- 13.5 No Acquisitions by Non-Manager. Except on the written direction of the Manager, a Participant who is not the Manager, or any Affiliate of such Participant, shall not at any time during the term of this Agreement, stake or otherwise acquire directly or indirectly any interest or right to acquire any interest in any mining claim, licence, lease, grant, concession, permit, patent or other mineral property or surface rights or water rights located wholly or partly within the Area of Interest.

#### 14. ABANDONMENT AND SURRENDER OF PROPERTIES

- 14.1 Surrender or Abandonment of Properties. The Management Committee may authorize the Manager to surrender or abandon part or all of the Properties, in a manner consistent with any agreement under which such Properties were acquired. If the Management Committee authorizes any such surrender or abandonment over the objection of a Participant (who objects at the Management Committee), the Participant that desires to abandon or surrender shall assign to the objecting Participant, without cost to the surrendering Participant, all of the surrendering Participant's interest in the property to be abandoned or surrendered, and the abandoned or surrendered property ceases to be part of the Properties.
- 14.2 Reacquisition. If any Properties are abandoned or surrendered under the provisions of this Article 14, then, unless this Agreement is earlier terminated, no Participant (except a Participant that has objected to an abandonment or surrender) or any Affiliate thereof shall acquire any interest in such Properties for a period of one year following the date of such abandonment or surrender. If a Participant reacquires any Properties in violation of this Section 14.2, the other Participants may elect by Notice to the reacquiring Participant within 45 days after actual Notice of such reacquisition, to have such properties made subject to the terms of this Agreement. In the event such an election is made, the acquired properties are included in the Properties. The reacquiring Participant shall solely bear all costs of reacquisition and such costs are not included for purposes of calculating the Participants' respective Participating Interests.

#### 15. TRANSFER OF INTEREST

- 15.1 General. Each Participant shall have the right to Transfer to any third party all or any part of its interest in or to this Agreement and its Participating Interest solely as provided in this Article 15.
- 15.2 Limitations on Free Transferability. The Transfer right of a Participant in Section 15.1 shall be subject to the following terms and conditions:
- (a) no transferee of all or any part of the Participating Interest of a Participant has any rights hereunder unless and until the transferring Participant has provided to the other Participant Notice of the Transfer and except as provided in Section 15.2(f), the transferee, effective as of the date of such transfer, has executed and delivered to the transferor and the continuing Participant a written covenant in favour of the transferor and continuing Participant to be bound by the terms of this Agreement in the same manner and to the same extent as though a Party to this Agreement in the first instance in proportion to the rights and interests being acquired. Upon delivery of such Notice and the transferee's written covenant to the transferor and the other Participant, the transferor will be released from its liabilities attaching to the rights and interests being transferred in the same proportion as the rights and interests transferred;

- (b) no Transfer permitted by this Article 15 relieves the transferring Participant of any liability, whether accruing before or after such Transfer, which arises out of Operations conducted prior to such Transfer;
- (c) SGF may not Transfer, or agree to Transfer, less than all of its Participating Interest, without the prior written consent of RTEC, which consent RTEC may withhold in its sole discretion;
- (d) in the event of a Transfer of less than all of a Participating Interest, the transferring Participant and its transferee shall act and be treated as one, jointly and severally; and for all purposes of this Agreement including without limitation Sections 5.6 and 6.1 to 6.5, the parts of the Participating Interest held by them respectively will be deemed to be parts of one, indivisible whole;
- (e) once a Production Decision has been made and a Development Program and Budget has been adopted in respect of such Production Decision, a Participant who has elected to contribute to the Costs of such Development Program and Budget shall be entitled to grant a security interest, mortgage, pledge, lien, charge, or other encumbrance (a "**Permitted Charge**") over its Participating Interest to a lender or group of lenders or an agent on their behalf (in each instance, a "**Lender**") to secure a loan to the Participant provided that:
  - (i) the net proceeds of such loan are solely applied by such Participant to fund its participation in such Development Program and Budget pursuant to this Agreement and for no other purpose;
  - (ii) all costs and expenses of the Participant that grants the Permitted Charge associated with the Permitted Charge and all reasonable costs and expenses of the other Participant associated with the Permitted Charge, are borne by the Participant that grants the Permitted Charge;
  - (iii) the Permitted Charge shall be in writing and the instrument by which it is granted shall incorporate all provisions as shall be necessary to give effect to this Section 15;
  - (iv) the Lenders shall have agreed in writing with the other Participant that:
    - A. such Permitted Charge is subordinate to the terms of this Agreement and the rights and interests of the other Participant hereunder and without limiting the foregoing, the Permitted Charge shall rank subordinate to any security interests, mortgages, pledges, liens, charges, or other encumbrances the Participants have granted or may grant in favour of each other under this Agreement to secure performance of this Agreement;
    - B. if during the realization or other enforcement of the Permitted Charge, any of the Lenders or any Affiliate of any of the Lenders is a Mining Entity then Section 15.3 shall apply *mutatis mutandis* to

the Lenders before the Lenders may acquire the Participating Interest of the Participant that granted the Permitted Charge as a result of such realization or enforcement. The Lenders shall notify the other Participant of their intent to Transfer the Participating Interest, at a price equal to the amount of indebtedness owed to the Lenders at that time which is secured by the Permitted Charge less any amount advanced by the Lenders which has not been paid by the Participant to the Manager in respect of the Development Program and Budget and the other Participant shall be entitled purchase the Participating Interest of the Participant that granted the Permitted Charge;

- C. the Lenders and any Person claiming through the Lenders or under the Permitted Charge (including, without limitation, any receiver or receiver and manager) shall upon any realization or other enforcement of the Permitted Charge, be subject to and bound by the provisions of this Agreement, including, without limitation, Section 15.3;
- D. upon any realization or other enforcement of the Permitted Charge, the Lenders and any Person claiming through the Lenders or under the Permitted Charge (including, without limitation, any receiver or receiver and manager) will require any purchaser of the Participating Interest from it to enter into an agreement with the other Participant whereby the purchaser assumes the obligations and position of the Participant who granted the Permitted Charge with respect to this Agreement and shall comply with and be bound by the terms and conditions of this Agreement;
- E. such Permitted Charge shall only extend and apply to the granting Participant's Participating Interest and its interest in the Assets (and proceeds therefrom), as such Participating Interests and interest in the Assets may be changed or adjusted from time to time under this Agreement, including as contemplated by Sections 5.5, 5.6 and 9.5; and
- F. where the Lenders acquire the Participating Interest as a result of realization or enforcement of the Permitted Charge and thereby becomes a Participant, any direct or indirect change of control of any of the Lenders shall trigger the application of Section 15.3, *mutatis mutandis*, and the Lenders shall notify the other Participant of its intent to Transfer the Participating Interest, at a price determined by reference to the price at which the shares of the applicable Lender were transferred directly or indirectly (adjusted as appropriate if the shares transferred, directly or indirectly, consisted of less than all of the outstanding shares of the applicable Lender, and adjusted as appropriate to take account: (i) other assets

held in addition to the Participating Interest; and (ii) liabilities that do not relate to the Participating Interest and that are not extinguished at the time of Transfer), and the other Participant may purchase such Participating Interest as provided in Subsection 15.3, *mutatis mutandis*.

- (f) if a sale or other commitment or disposition of Products or proceeds from the sale of Products by a Participant upon distribution to it pursuant to Article 11 creates in a third party a security interest in Products or proceeds therefrom prior to such distribution, such sale, commitment or disposition is subject to the terms and conditions of this Agreement;
- (g) the transferring Participant and the transferee shall bear all tax consequences of the transfer;
- (h) nothing in this Article 15 shall prohibit or restrict the grant, creation or existence of any liens, charges or encumbrances which are permitted pursuant to Section 7.2 or 9.5(c); and
- (i) for the purposes of the Notice required under Section 15.3(a), the purchase price for all Transfers must be expressed in U.S. or Canadian dollars, regardless of whether the purchase price calls for the payment of money, and to the extent the purchase price includes property other than Assets, such purchase price must describe the portion of the purchase price attributable to Assets.

15.3 Pre-emptive Right. If a Participant desires to Transfer all or any part of its Participating Interest, the other Participant shall have a pre-emptive right to acquire such interests as provided in this Section 15.3:

- (a) if a Participant (the “Selling Party”) intends to Transfer all or any of its Participating Interest shall promptly notify the other Party (the “Other Party”) of its intentions. The Notice must state the price and all other pertinent terms and conditions of the intended Transfer, and be accompanied by a copy of the offer or contract for sale. Alternatively, the Selling Party may propose terms of a sale that may be offered to a prospective purchaser. If the consideration for the intended Transfer is, in whole or in part, other than monetary, the Notice must describe such consideration and its monetary equivalent based upon the fair market value of the non-monetary consideration stated in terms of cash or currency, together with information sufficient to establish the basis for such equivalence. The Other Party shall have 45 days from the date such Notice is delivered to notify the Selling Party whether it elects to acquire the offered interest in its entirety for the same consideration, or its monetary equivalent in cash or currency, and on the same terms and conditions as set forth in the Notice. If it does so elect, the Parties shall consummate the Transfer promptly after Notice of such election is delivered to the Selling Party;

- (b) if the Other Party does not so elect within the period provided for in Section 15.3(a), the Selling Party has 90 days following the expiration of such period to consummate the Transfer to a third party for the consideration and on terms no less favourable than those offered by it to the Other Party in the Notice required in Section 15.3(a); and
- (c) if the Selling Party fails to consummate the Transfer to a third party within the period and in accordance with the requirements set forth in Section 15.3(b), the pre-emptive right of the Other Party in such offered interest is revived. Any subsequent proposal to Transfer such interest is subject to all of the procedures set forth in this Section 15.3.

15.4 Exceptions to Pre-emptive Right. Section 15.3 does not apply to the following:

- (a) in the case of RTEC, the transfer of all or any part of its Participating Interest to an Affiliate;
- (b) in the case of SGF, the transfer of all of its Participating Interest to a wholly-owned, subsidiary corporation, provided that SGF will not be released of any obligations or liabilities hereunder;
- (c) corporate consolidation or reorganization of a Participant by which the surviving entity possesses substantially all of the stock, or all of the property rights and interests, and is subject to substantially all of the liabilities and obligations of that Participant;
- (d) corporate merger or amalgamation involving a Participant by which the entity resulting therefrom possesses all of the stock or all of the property rights and interests, and is subject to substantially all of the liabilities and obligations of that Participant, provided that the value of that Participant's Participating Interest does not equal or exceed 50% of the Net Worth of such entity;
- (e) the grant by a Participant of a Permitted Charge provided that the provisions of Section 15.2(e) are complied with; or
- (f) a sale or other commitment or disposition of Products or proceeds from sale of Products by a Participant upon distribution to it pursuant to Article 11.

Sections 15.2, 15.3 and 15.4 shall not apply in respect of any Transfer by a Participant of all or part of its Participating Interest if it is then the only Participant which holds a Participating Interest.

- 15.5 Indirect Transfer By SGF. If SGF has transferred all of its Participating Interest to a wholly-owned, subsidiary corporation ("SubCo") and for any reason whatsoever, SubCo ceases to be a wholly-owned, subsidiary corporation of SGF, then SGF shall notify RTEC of its intent to Transfer the Participating Interest, at a price determined by reference to the price at which the shares of the SubCo were transferred directly or indirectly (adjusted as appropriate if the shares transferred, directly or indirectly, consisted of less than all of the

outstanding shares of SubCo, and adjusted as appropriate to take account: (i) other assets held in addition to the Participating Interest; and (ii) liabilities that do not relate to the Participating Interest and that are not extinguished at the time of Transfer), and RTEC may purchase such Participating Interest as provided in Subsection 15.3, *mutatis mutandis* and SGF shall cause SubCo to transfer such Participating Interest to RTEC in accordance with the provisions of Subsection 15.3.

- 15.6 In the event a Participant (the “**Financing Participant**”) determines to create a Permitted Charge in accordance with Section 15.2(e) in connection with a loan permitted by Section 15.2(e), the other Participant shall on request of the Lenders, concurrently with the grant of the Permitted Charge, provide a written statement to the Lenders: (i) to its actual knowledge, of any known continuing breaches by the Financing Participant under the Agreement; (ii) confirming the current Participating Interest of the Financing Participant; and (iii) that no payments are owing pursuant to Section 9.3 by the Financing Participant, or if payments are owing, the aggregate amount owing.

## 16. CONFIDENTIALITY

- 16.1 General. Subject to Section 16.5, the financial terms of this Agreement and all information obtained in connection with the performance of this Agreement are the exclusive property of the Participants and, except as provided in Section 16.2, the Participants shall not disclose such information to any third party or the public without the prior written consent of the other Participant, which consent shall not be unreasonably withheld. Whenever practical, the Participants shall jointly issue any announcements, press releases, or public statements. Each Participant agrees to promptly review any proposed request for disclosure or press release made by the other Participant.

- 16.2 Exceptions. The consent required by Section 16.1 does not apply to a disclosure:

- (a) to an Affiliate, consultant, contractor or subcontractor, banker, insurance broker, or surety that has a bona fide need to be informed;
- (b) to any third party to whom the disclosing Participant contemplates a Transfer of all or any part of its interest in or to this Agreement, its Participating Interest;
- (c) to a Governmental Authority or to the public which the disclosing Participant believes in good faith is required by Law or the rules of any stock exchange; or
- (d) by a Participant if it is then the only holder of a Participating Interest.

In any case to which Sections 16.2(a) to 16.2(c) are applicable, the disclosing Participant shall give Notice to the other Party prior to making such disclosure. The disclosing Participant shall make available to the other Participant the text of any public announcements or statements, including news releases that the disclosing Participant intends to make pursuant to this Section 16.2 and such other Participant may make suggestions for changes therein. Unless required by Law or regulatory authority, if a Participant is identified in such public announcement or statement, the disclosing Participant shall not release such statement or announcement without the consent of such

Participant. As to any disclosure pursuant to Section 16.2(a) or 16.2(b), only such confidential information as such third party has a legitimate business need to know shall be disclosed and such third party must first agree in writing to protect the confidential information from further disclosure to the same extent as the Participants are obligated under this Article 16 and, in the case of disclosures pursuant to Section 16.2(b), the non-disclosing Participant is provided with a copy of such writing prior to such disclosure.

16.3 Disclosure of Mineral Inventory. Notwithstanding any provision to the contrary:

- (a) the Manager may make any public declaration that contains a determination of the Mineral Inventory in respect of all or any part of the Properties with approval of the Management Committee; and
- (b) a Participant who is not the Manager (or whose Affiliate is not the Manager) may not make a public declaration of Mineral Inventory except as provided in this Section 16.3. If a Participant or its Affiliates proposes to make any public declaration that contains a determination of Mineral Inventory, the disclosing Participant shall:
  - (i) provide written notice to the Manager of its intention to commence evaluation and determination of any Mineral Inventory as soon as reasonably practicable after making a decision to do so;
  - (ii) promptly meet with the Manager and provide all information reasonably required by the Manager to enable it to independently determine the Mineral Inventory and to test and review the disclosing Participant's information and assumptions;
  - (iii) provide ongoing resource reports and drafts of the evaluation of those Mineral Inventory to the Manager; and
  - (iv) provide all other information reasonably required by the Manager to enable it to accurately and effectively review and approve the disclosing Participant's Mineral Inventory determination.
- (c) Appointment of Expert. If the Manager does not agree, acting reasonably, with the disclosing Participant's Mineral Inventory determination, then either of them may refer the matter to a mutually agreed independent third party who is appropriately qualified to review and complete its own determination in respect of the Mineral Inventory ("Expert"). If the Participants are unable to agree on an Expert, then each of them shall submit to each other the names of three proposed Experts. Each Participant may select one of the other's proposed Experts. The Participant requesting referral to an Expert shall then enter the two names into a lottery and select one of the two names so entered by coin flip. If either Participant fails to provide a list of proposed Experts, the Participant who has provided its list may select a person from its own list to act as the Expert.

- (d) Expert Determination Final. The determination of the Expert is final and binding on both Participants. The disclosing Participant may not disclose any information in relation to the Mineral Inventory that is contrary to the Expert's determination, unless directed to do so by its board of directors acting in good faith and on the basis of external legal advice.
  - (e) Costs of Expert. Unless otherwise agreed, the Participants shall pay the costs of the referee equally.
  - (f) Declaration Attributed to Disclosing Participant. The disclosing Participant shall attribute any public declaration made only to itself or its Affiliates.
  - (g) Applicability. The provisions of this Section 16.3 apply to all Mineral Inventory disclosures, including subsequent inventory estimates.
- 16.4 Duration of Confidentiality. The provisions of this Article 16 apply during the term of this Agreement and for two years following termination of this Agreement pursuant to Section 12.1, and continue to apply to any Party who Transfers its Participating Interest, for two years following the date of such occurrence.
- 16.5 Exclusions from Confidentiality Restriction. Confidential information does not include the following:
- (a) information that, at the time of disclosure, is in the public domain;
  - (b) information that, after disclosure, is published or otherwise becomes part of the public domain through no fault of the recipient;
  - (c) information that the recipient can show already was in the possession of the recipient at the time of disclosure; or
  - (d) information that the recipient can show was received by it after the time of disclosure, from a third party who was under no obligation of confidence to the disclosing Party at the time of disclosure.
- 16.6 In providing approval of a public announcement or statement, a Party does not thereby assume any liability or responsibility for the contents thereof, which is the sole responsibility of the disclosing Party, and the disclosing Party shall indemnify, defend and save harmless the other Party from any costs and liabilities it may incur in that regard. This provision survives expiration or earlier termination of this Agreement.

## 17. INDEMNITIES

- 17.1 The Participants, in proportion to their Participating Interests, shall indemnify and hold harmless the Manager and its directors, officers, employees, agents and representatives from and against all claims, debts, demands, suits, actions and causes of action whatsoever, and all losses, damages, fines, penalties, liabilities including without limitation environmental liabilities, costs and expenses (including legal expenses)

whatsoever, which may be brought, made against, suffered or incurred by any of them arising out of or in connection with any act or omission after the date hereof of any of the Participants or of the Manager or any of its subcontractors or the employees or agents of any of the Participants, the Manager or any of its subcontractors, unless such act or omission constitutes gross negligence or wilful misconduct on the part of the Manager.

- 17.2 The Manager shall indemnify and hold harmless the Participants and their directors, officers, employees, agents and representatives from and against all claims, debts, demands, suits, actions and causes of action whatsoever, and all losses, damages, costs and expenses (including legal expenses) whatsoever, which may be brought, made against, suffered or incurred by any of them arising directly from any act or omission after the date hereof of the Manager which constitutes gross negligence or wilful misconduct.
- 17.3 Notwithstanding anything to the contrary in this Agreement, no Party is liable to another in contract, tort or otherwise for special or consequential damages including, without limiting the generality of the foregoing, loss of profits.

## 18. GENERAL PROVISIONS

- 18.1 Notices. All notices, payments, and other required communications (“Notices”) to the Parties must be in writing, and addressed respectively as follows:

If to RTEC:

Rio Tinto Exploration Canada Inc.  
354 - 200 Granville Street  
Vancouver, British Columbia V6C 1S4  
E-Mail: [REDACTED: CONFIDENTIAL PERSONAL INFORMATION]

Subject Line must start with: “Rio Tinto, RT Exploration Canada”  
Attention: Vice President Commercial

with a copy to:

Kennecott Exploration Company  
E-Mail: [REDACTED: CONFIDENTIAL PERSONAL INFORMATION]  
Subject line must start with “RIO TINTO, RT Exploration Canada”  
Attention: Vice President, Commercial

If to SGF:

Shore Gold Inc.  
300, 224 - 4th Avenue South  
Saskatoon, SK S7K 5M5  
Attn: President & CEO  
Email: [REDACTED: CONFIDENTIAL PERSONAL INFORMATION]

With a copy to:

Bennett Jones LLP  
 4500 Bankers Hall East  
 855 – 2<sup>nd</sup> Street S.W.  
 Calgary, Alberta T2P 4K7  
 Attn: Brad D. Markel  
 Email: [REDACTED: CONFIDENTIAL PERSONAL INFORMATION]

All Notices must be given (1) by personal delivery to the addressee, or (2) by electronic communication, with a confirmation of delivery received, or (3) by registered or certified mail, return receipt requested, or (4) by commercial carrier. All Notices are effective and will be deemed delivered (1) if by personal delivery on the date of delivery if delivered during normal business hours and, if not delivered during normal business hours, on the next Business Day following delivery, (2) if by electronic communication on the next Business Day following receipt of the electronic communication, and (3) if solely by mail or commercial carrier on the next Business Day after actual receipt. A Party may change its address by Notice to the other Party.

- 18.2 Time. Time is of the essence of this Agreement.
- 18.3 Partition. Each of the Parties waives, during the term of this Agreement, any right to partition of the Assets or any part thereof and no Party shall seek or be entitled to partition of the Properties or other Assets whether by way of physical partition, judicial sale or otherwise during the term of this Agreement.
- 18.4 Waivers. The Parties agree that: (a) the *Land Contracts (Actions) Act* (Saskatchewan) shall have no application to any action (as defined in *The Land Contracts (Actions) Act*) as between the Parties, with respect to this Agreement; and (b) the *Limitation of Civil Rights Act* (Saskatchewan) shall have no application to this Agreement as between the parties, or any mortgage, charge or other security for the payment of money made, given or created by one Party to the other under this Agreement, or any agreement or instrument renewing or extending or collateral to this Agreement, or the rights, powers or remedies under this Agreement.
- 18.5 Perpetuities. If any provision of this Agreement violates any rule against perpetuities or any related rule against interests that last too long or are not alienable, then any such provision terminates 20 years after the death of the last survivor of all the lineal descendants of His late Majesty King George V of England, living on the date of execution of this Agreement.
- 18.6 Force Majeure. Except for the obligation to make payments when due hereunder, the obligations of a Party are suspended to the extent and for the period that performance is prevented by any cause, whether foreseeable or unforeseeable, beyond its reasonable control, including without limitation, labour disputes (however arising and whether or not employee demands are reasonable or within the power of the Party to grant); acts of God; Laws, orders, proclamations, instructions or requests of any Governmental Authority;

judgments or orders of any court; inability to obtain on reasonable acceptable terms any public or private license, permit or other authorization; curtailment or suspension of activities to remedy or avoid an actual or alleged, present or prospective violation of federal, provincial or local environmental standards; acts of war or conditions arising out of or attributable to war, whether declared or undeclared; riot, civil strife, insurrection or rebellion; interference by environmentalists, Natives or Native rights groups or other activists; fire, explosion, earthquake, mudslide, storm, flood, avalanche, sink holes, volcanic eruption, drought or other adverse weather condition; delay or failure by suppliers or transporters of materials, parts, supplies, services or equipment or by contractors' or subcontractors' shortage of, or inability to obtain, labour, transportation, materials, machinery, equipment, supplies, utilities or services; accidents; breakdown of equipment, machinery or facilities; or any other cause whether similar or dissimilar to the foregoing. The affected Party shall promptly give Notice to the other Party of the suspension of performance, stating therein the nature of the suspension, the reasons therefor, and the expected duration thereof. The affected Party shall resume performance as soon as reasonably possible.

- 18.7 Modification. No modification of this Agreement is valid unless made in writing and duly executed by the Parties.
- 18.8 Waiver. The failure of a Party to insist on the strict performance of any provision of this Agreement or to exercise any right, power or remedy upon a breach hereof does not constitute a waiver of any provision of this Agreement or limit that Party's right thereafter to enforce any provision or exercise any right.
- 18.9 Interpretation and Severability. In the event that any condition, covenant or other provision of this Agreement is held to be invalid or void by any court of competent jurisdiction, the same will be deemed severable from the remainder of this Agreement and will in no way affect any other condition, covenant or other provision of this Agreement. If such condition, covenant or other provision is invalid due to its scope or breadth, such condition, covenant or other provision will be deemed valid to the extent of the scope or breadth permitted by Law.
- 18.10 Governing Law and Attornment. This Agreement is governed by and interpreted in accordance with the laws of Saskatchewan and the law of Canada, without regard to principles of conflicts of law that would impose a law of another jurisdiction. The Parties shall refer all disputes and claims, whether for damages, specific performance, injunction, declaration or otherwise, both at law and equity, arising out of, or in any way connected with, this Agreement to the courts of Saskatchewan and each of the Parties hereby attorns to the jurisdiction of the courts of Saskatchewan.
- 18.11 Further Assurances. Each of the Parties shall take from time to time such actions and execute such additional instruments as may be reasonably necessary or convenient to implement and carry out the intent and purpose of this Agreement.
- 18.12 Survival of Terms and Conditions. The following Articles and Sections survive the termination of this Agreement, other than pursuant to Section 10.1, to the full extent

necessary for their enforcement and the protection of the Participant in whose favour they run: Sections 2.1, 2.2, 4.1, 4.2, 5.7, the indemnities in Sections 7.2(m) and 7.2(n), Articles 9 and 12, Sections 14.1, 14.2, 15.2(b), 16.4, 16.6 and Article 17.

- 18.13 Inurement. This Agreement is binding upon and inures to the benefit of the Parties and their respective successors and permitted assigns.

*[Remainder of Page is Intentionally Left Blank]*

The Parties have executed this Agreement as of the date first above written.

**RIO TINTO CANADA EXPLORATION INC.      SHORE GOLD INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## SCHEDULE A

Attached to and forming part of a  
Joint Venture Agreement between  
Rio Tinto Exploration Canada Inc. and Shore Gold Inc.

### THE PROPERTIES AND AREA OF INTEREST

#### Part 1 - The Properties

[Note: list of claims to be completed.]

#### Part 2 - Area of Interest

The Area of Interest is the area within the boundaries of the Properties as depicted on the attachment.<sup>1</sup>

Note 1: Map to be created as of the Effective Date using a consistent methodology as in the Option Agreement.

Joint Venture Agreement  
Star – Orion South

## **SCHEDULE B**

Attached to and forming part of a  
Joint Venture Agreement between  
Rio Tinto Exploration Canada Inc. and Shore Gold Inc.

### **ACCOUNTING PROCEDURE**

#### **1. General Provisions**

1.1 **General Accounting Records.** The Manager shall maintain accounting records, prepared in accordance with this Accounting Procedure and generally accepted accounting principles consistently applied, sufficient to provide a record of revenues and expenditures and periodic statements of financial position and the results of operations for managerial, tax, regulatory or other financial reporting purposes. Such records shall be retained for the duration of the period allowed the Participants for audit or the period necessary to comply with tax or other regulatory requirements. The records shall reflect all obligations, advances and credits of the Participants.

1.1.1 **Bank Accounts.** The Manager shall maintain one or more separate bank accounts for the payment of all expenses and the deposit of all cash receipts.

1.1.2 **Statements and Billings.** The Manager shall prepare statements and bill the Participants as provided in Article 9 of the Agreement. Payment of any such billings by any Participant, including the Manager, does not prejudice its right to protest or question the correctness thereof for a period not to exceed 24 months following the calendar year during which such billings were received by the Participant. All written exceptions to and claims upon the Manager for incorrect charges, billings or statements must be made upon the Manager within such 24 month period. The time period permitted for adjustments hereunder does not apply to adjustments resulting from periodic inventories as provided in Article 5.

#### **2. CHARGES TO JOINT ACCOUNT**

The Manager shall charge the Joint Account with and the Participants shall pay all costs and expenses incurred or paid by the Manager pursuant to the Agreement to carry out adopted Programs or otherwise, including without limitation:

2.1.1 **Rentals, Royalties and Other Payments.** All property acquisition and holding costs, including filing fees, license fees, costs of permits and assessment work, production royalties, including any required advances, and all other payments made by the Manager which are necessary to acquire or maintain title to the Assets.

#### **2.2. Labour and Employee Benefits.**

2.2.1. Salaries and wages of the Manager's or the Manager's Affiliates' employees directly engaged in Operations, including salaries or wages of employees who are temporarily assigned to the Manager.

- 2.2.2. The Manager's costs of holiday, vacation, sickness and disability benefits, and other customary allowances applicable to the salaries and wages chargeable under Sections 2.2.1 and 2.12. Such costs may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages.
- 2.2.3. The Manager's actual cost of established, establishing or participating in plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus and other benefit plans of a like nature applicable to salaries and wages chargeable under Sections 2.2.1 and 2.12.
- 2.2.4. Cost of assessments imposed by a Governmental Authority that are applicable to salaries and wages chargeable under Sections 2.2.1 and 2.12, including all penalties.
- 2.3. Fixed Assets, Materials, Equipment and Supplies.
- 2.3.1. All capital costs of developing and operating the Properties as a mine including all costs of land, construction, equipment and mine development including maintenance, repairs and replacements, and any capital expenditures relating to an improvement, expansion, modernization or replacement of the facilities.
- 2.3.2. The cost of materials, equipment and supplies ("Material") purchased from unaffiliated third parties or furnished by the Manager.
- 2.4. Equipment and Facilities Furnished by Manager. The cost of machinery, equipment and facilities owned by the Manager and used in Operations or used to provide support or utility services to Operations charged at rates no less favourable than those reasonably available from arm's length third parties.
- 2.5. Transportation. Reasonable transportation costs incurred in connection with the transportation of employees and material necessary for the Operations.
- 2.6. Contract Services and Utilities. The cost of contract services and utilities procured from outside sources. If contract services are performed by the Manager or an Affiliate thereof, the cost charged to the Joint Account shall not be greater than that for which comparable services and utilities are available in the open market within the vicinity of the Operations.
- 2.7. Insurance Premiums. Net premiums paid for insurance required to be carried for Operations for the protection of the Manager and the Participants. Where the Manager may self-insure pursuant to the provisions of the Joint Venture Agreement for property, liability, Workmen's Compensation and/or Employer's Liability or other risk under the Joint Venture Agreement, the Manager may elect to include such risks in its self-insurance program and charge to the Joint Venture Account as its costs of self-insuring such risks an amount equal to the premium it would have paid had it secured and maintained a substantially similar policy or policies of insurance on a competitive bid basis in the amount of such coverage. If self-insurance is selected, the Manager shall

provide to the Participants statements as to the extent and limits of such self-insurance and the basis for the charges to the Joint Account.

- 2.8. Damages and Losses. All costs in excess of insurance proceeds necessary to repair or replace damage or losses to any Assets resulting from any cause. The Manager shall furnish the Management Committee with written notice of damages or losses as soon as practicable after a report thereof has been received by the Manager.
- 2.9. Legal and Regulatory Expense. All legal and regulatory costs and expenses incurred in or resulting from the Operations or necessary to protect or recover the Assets, including the salary and benefits of Manager's legal staff.
- 2.10. Audit. Cost of annual audits.
- 2.11. Taxes. All taxes (except income taxes) of every kind and nature assessed or levied upon or in connection with the Assets, the production of Products or Operations, which have been paid by the Manager for the benefit of the Participants. Each Participant is separately responsible for income taxes attributable to its Participating interest.
- 2.12. District and Camp Expense (Field Supervision and Camp Expenses). A pro rata portion of (i) the salaries and expenses of the Manager's superintendent and other employees serving Operations whose time is not allocated directly to such Operations, (ii) the costs of maintaining and operating an office (herein called "the Manager's Project Office") and any necessary suboffice for Operations, and (iii) all camps including housing facilities for employees used for Operations. The expense of those facilities less any revenue therefrom, include depreciation or a fair monthly rental in lieu of depreciation of the investment. The total of such charges for all properties served by the Manager's employees and facilities shall be apportioned to the Joint Account on the basis of the Manager's best estimate of the proportionate amount of such expenses incurred for the benefit of the Venture.
- 2.13. Contingency Fund.  
Amounts required by Section 8.6 of the Agreement to be contributed to the Contingency Fund.
- 2.14. Administrative Charge.  
2.14.1. Each month, the Manager shall charge the Joint Account a sum for each phase of Operations as provided below, which is a liquidated amount to reimburse the Manager and its Affiliates for its office overhead, and general and administrative expenses, and which shall be in lieu of any other management fee:  
2.14.1.1. Exploration Phase -5% of Allowable Costs;  
2.14.1.2. Development Phase - 5% of Allowable Costs; and  
2.14.1.3. Mining Phase - 2% of Allowable Costs.

2.14.2. The term "Allowable Costs" as used in this Section 2.14 for a particular phase of Operations means all charges to the Joint Account excluding (i) the administrative charge referred to herein; and (ii) amounts charged in accordance with Sections 2.1 and 2.9. The Manager shall attribute such Allowable Costs to a particular phase of Operations by applying the following guidelines:

2.14.2.1. The "Exploration Phase" covers those activities directed toward ascertaining the existence, location, quality or commercial value of deposits of Products. Such phase includes all activities undertaken through the completion of the feasibility study, if any, but does not include construction of milling or processing facilities or commencement by commercial mining operations on the Properties.

2.14.2.2. The "Development Phase" covers those activities conducted to prepare for removal and recovery of Products (including from an existing ore body), and to construct or install a mill or any other improvements to be used for the mining, extracting, producing, handling, milling, processing or other beneficiation of Products.

2.14.2.3. The "Mining Phase" includes mining, extracting, producing, handling, milling or other processing of Products and all other activities not otherwise covered above, including activities conducted after mining operations have ceased.

2.15. Other Expenditures. Any reasonable direct expenditure, other than expenditures which are covered by the foregoing provisions, incurred by the Manager for the necessary and proper conduct of Operations.

### 3. BASIS OF CHARGES

3.1. Purchases. The Manager shall charge at invoiced cost the Joint Account for material purchased and services procured from third parties, including applicable transfer taxes, less all discounts received. In the case of material purchased or services acquired from a Participant or an Affiliate of the Manager, the Manager shall reasonably determine the fair market value of such material or services and charge the Joint Account for such costs, including any premiums for short supply or remote location or other special factors.

3.2. Warranty of Material Furnished by the Manager. The Manager does not warrant the material furnished beyond any dealer's or manufacturer's warranty and shall not credit the Joint Account for defective material until adjustments are received by the Manager from the dealer, manufacturer or their respective agents.

### 4. DISPOSAL OF MATERIAL

4.1. Distribution to Participants. The Manager shall distribute any material to the Participants in proportion to their respective Participating Interests, and make corresponding credits to the Joint Account, as determined by the Manager.

- 4.2. Sales. The Manager shall credit to the Joint Account, at the net amount received, any sales of material to third parties and charge back to the Joint Account, if and when paid, any damages or claims by the purchaser.

5. **Inventories**

- 5.1. Periodic Inventories, Notice and Representations. At reasonable intervals, the Manager shall take inventories, which must include all such Material as is ordinarily considered controllable by operators of mining properties. The Manager shall charge to the Joint Account the expense of conducting such periodic inventories.
- 5.2. Reconciliation and Adjustment of Inventories. The Manager shall make inventory adjustments for averages and shortages, but the Manager is accountable to the Venture only for shortages due to gross negligence.

6. **Credits**

- 6.1. The Manager shall credit the Joint Account with revenues received by the Manager as such including, for example:
- 6.1.1. collection of insurance proceeds related to the Joint Operations when the insurance premiums have been charged to the Joint Account;
  - 6.1.2. sales of property, plant, equipment and materials of the Joint Operations in the normal course of the day-to-day business;
  - 6.1.3. rentals received, refunds of custom duties or transportation claims, rebates, and other credits pertaining to Joint Operations;
  - 6.1.4. credits received from third parties for the use of facilities or services of the Joint Operations;
  - 6.1.5. refunds for defective equipment when the Operator receives the corresponding payments from the manufacturers or agents; and
  - 6.1.6. any other credits for materials recovery or from other sources which correspond to the Joint Account.

**SCHEDULE C**

Attached to and forming part of a  
Joint Venture Agreement between  
Rio Tinto Exploration Canada Inc. and Shore Gold Inc.

**GROSS OVERRIDING ROYALTY AGREEMENT**

## SCHEDULE C

Attached to and forming part of a  
Joint Venture Agreement between  
Rio Tinto Exploration Canada Inc. and Shore Gold Inc.

### GROSS OVERRIDING ROYALTY AGREEMENT

This Royalty Agreement (this "**Agreement**") is effective as of \_\_\_\_\_, \_\_\_\_\_ (the "**Effective Date**") and is between \_\_\_\_\_ ("**Grantor**") and \_\_\_\_\_ ("**Royalty Holder**"). Grantor and Royalty Holder are referred to individually as a "**Party**" and collectively as the "**Parties**".

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, and other valuable consideration, the Parties agree as follows:

#### 1. DEFINITIONS & EXHIBITS.

- 1.1 "**Affiliate**" means any corporation which directly or indirectly Controls, is Controlled by, or is under common Control with, a Party. The term "Control" as used in this section means the rights to the exercise of more than 50% of the voting rights attributable to the shares of the controlled corporation.
- 1.2 "**Appraised Value**" means the fair market value in Canadian dollars of the Diamonds after they have been cleaned and sorted, determined as provided in Sections 2.2 and 2.3, with no deductions for costs or expenses of any nature or kind.
- 1.3 "**Business Day**" means any day other than a Saturday, Sunday or a statutory holiday in British Columbia or Saskatchewan, Canada or Salt Lake City, Utah, USA.
- 1.4 "**Diamonds**" means rough diamonds that are produced from the Properties and the tailings from the Properties (to the extent that the Grantor is entitled by law to diamonds produced from the tailings) after the Effective Date.
- 1.5 "**Gross Overriding Royalty**" is defined in Section 2.1.
- 1.6 "**Package of Diamonds**" is defined in Section 2.2.
- 1.7 "**Person**" means an individual, corporation, trust, partnership, limited liability company, joint venture, unincorporated organization, firm, estate, governmental authority or any agency or political subdivision thereof, or other entity.
- 1.8 "**Prime Rate**" means the annual rate of interest publicly announced by The Royal Bank of Canada at its principal office in Vancouver, BC as its reference rate for determining floating rates of interest for loans made by it in Canadian Dollars to Canadian borrowers.
- 1.9 "**Properties**" means the mineral dispositions described in Schedule A to this Agreement, all of which were issued under the *The Crown Minerals Act* (Saskatchewan), and any

claims, leases or other form of mineral tenure which may replace the same.

- 1.10 "Transfer" means any sale, grant, assignment, conveyance or other transfer.
- 1.11 "Valuator" is defined in Section 2.2.
- 1.12 "\$" means Canadian dollars.
- 1.13 Schedule A is incorporated into and forms part of this Agreement:

## **2. GRANT, COMPUTATION AND PAYMENT OF GROSS OVERRIDING ROYALTY**

- 2.1 **Grant and Computation.** Grantor hereby grants and shall pay to Royalty Holder a gross overriding royalty ("**Gross Overriding Royalty**") in respect of the Diamonds, to be calculated in accordance with this Agreement. To compute the Gross Overriding Royalty, Grantor shall multiply the Appraised Value of all Diamonds that are produced from the Properties by 1.0%, in each case for the immediately preceding calendar quarter.
- 2.2 **Valuation.** For the purpose of determining the Appraised Value of Diamonds, Grantor shall, at its expense, appoint a valuator ("**Valuator**") who is independent of Grantor and duly qualified and accredited. Grantor shall cause the Valuator to sort, grade and value the Diamonds at the minesite on the Properties or other location in Saskatchewan not less frequently than once in each calendar quarter (all Diamonds valued by the Valuator at a particular time are referred to as "**Package of Diamonds**"). Grantor shall give Royalty Holder not less than 15 days' notice of the date, time and place at which each such valuation will take place, and Royalty Holder may be present at and observe the valuation with, if it so elects, a diamond valuator of its selection. Grantor shall afford Royalty Holder and its valuator with such access to the Package of Diamonds and to the Valuator as is necessary to ensure that Royalty Holder is able to form its own view as to the value of the Package of Diamonds individually and in the aggregate. Grantor shall cause the Valuator to value the Diamonds in accordance with industry price books, standards and formulas and in accordance with industry standards, having regard to, but without limiting the generality of the foregoing, the commercial demand for the Diamonds and their grades, colours, sizes and clarity and to provide a report in reasonable detail to Grantor and Royalty Holder showing its conclusions as to the Appraised Value of the Package of Diamonds individually and in the aggregate.
- 2.3 **Dispute.** Upon receipt of the Valuator's report showing the Appraised Value of a Package of Diamonds, Royalty Holder will have 15 days to give notice to Grantor of a dispute of the Appraised Valuation. If Royalty Holder does not give notice of dispute, the Appraised Value of the Package of Diamonds referred to in the report is final. If Grantor gives notice of dispute, the Parties shall settle the dispute through arbitration in accordance with the procedures in Section 5.1. The final arbitration decision regarding the value of the Package of Diamonds will be final.
- 2.4 **Payment.** RTEC shall calculate and pay to Royalty Holder the Gross Overriding Royalty

in respect of each Package of Diamonds in Canadian dollars within 60 days after the Appraised Value of the Package of Diamonds has been determined in accordance with Section 2.3.

2.5 **Possession.** Grantor shall retain possession of each Package of Diamonds at the minesite on the Properties or at a location in Saskatchewan and may not sell or otherwise dispose of any such Package of Diamonds or commingle the Package of Diamonds with other diamonds unless the Appraised Value of the Package of Diamonds has been determined in accordance with Section 2.3.

2.6 **Royalty Return.** If from time to time the Grantor files a royalty return under the Crown Mineral Royalty Regulations pertaining in whole or in part to Diamonds, it will concurrently with such filing deliver a copy of the return to the Royalty Holder.

### 3. MAXIMUM AGGREGATE ROYALTY CAP

3.1 **Royalty Cap.** The Parties acknowledge and agree that the maximum aggregate amount payable under the Gross Overriding Royalty is \$40,000,000 ("**Royalty Cap**"). Once Grantor makes payments (and any deemed payments as provided in Section 6.8) equal to the Royalty Cap, whether paid (or deemed to be paid) entirely in respect of the Gross Overriding Royalty, Grantor shall have no more obligations to Royalty Holder under this Agreement and Royalty Holder shall have no further right or entitlement to any further Gross Overriding Royalty payments under this Agreement and this Agreement and the Gross Overriding Royalty will thereupon terminate. Upon Grantor paying the Royalty Cap to Royalty Holder, Royalty Holder shall take all further actions required by Grantor to further evidence the termination of this Agreement.

### 4. OPERATIONS

4.1 **Operations.** Grantor has sole authority to make all decisions concerning methods, the extent, times, procedures and techniques of any (i) exploration, development and mining related to the Properties, (ii) leaching, milling, processing or extraction treatment and (iii) materials to be introduced on or to the Properties or produced therefrom and all decisions concerning the sale or disposition of Diamonds from the Properties.

### 5. DISPUTES

#### 5.1 **Arbitration.**

- (a) If any dispute arises out of or is related to this Agreement or its breach, termination or validity, either Party may seek resolution, upon written notice to the other Party, by arbitration administered in accordance with *The Arbitration Act, 1992* (Saskatchewan), unless otherwise agreed by the Parties.
- (b) The Parties shall ensure that the arbitration is heard by a panel of three independent and impartial arbitrators; each Party shall select one arbitrator, and the arbitrators so selected shall select a third. The panel shall designate one among them to serve as chair. The arbitration proceedings will be conducted in

Saskatoon, Saskatchewan. The decision of the arbitration panel shall be final and binding.

6. **GENERAL**

6.1 **Right to Inspect.** Royalty Holder or its authorized representative on reasonable notice to Grantor, may enter upon all surface and subsurface portions of the Properties for the purpose of inspecting the Properties, all improvements thereto and operations thereon, and may inspect and copy all records and data pertaining to the computation of its interest, including without limitation such records and data that are maintained electronically. Royalty Holder or its authorized representative enter the Properties at Royalty Holder's own risk and may not unreasonably hinder operations on or pertaining to the Properties. Royalty Holder shall indemnify and hold harmless Grantor and its Affiliates (including without limitation direct and indirect parent companies), and its or their respective directors, officers, shareholders, employees, agents and attorneys, from and against any liabilities imposed upon, asserted against or incurred by any of them by reason of injury to Royalty Holder or any of its agents or representatives caused by Royalty Holder's exercise of its rights herein, excluding any injury or death resulting from the gross negligence of Grantor or its Affiliates on the Properties.

6.2 **Notices.**

- (a) The Parties shall send all notices and other required communications in writing and addressed respectively as follows:

If to Royalty Holder:

●

If to Grantor:

●

*with a copy to:*

●

- (b) The Parties shall give all Notices (i) by personal delivery, (ii) by electronic communication, with a receipt confirmation, or (iii) by registered or certified mail or express courier return receipt requested or by commercial courier. All Notices are effective and will be deemed delivered (i) if by personal delivery, on the date of delivery if delivered during normal business hours, and, if not delivered during normal business hours, on the next Business Day following delivery, (ii) if by electronic communication, on the next Business Day following delivery receipt confirmation, and (iii) if solely by mail or by express courier, on the next Business

Day after actual receipt. A Party may change its address by notice to the other Party.

- 6.3 **Payments.** Grantor shall make all payments to Royalty Holder by bank draft or wire transfer in immediately available funds to a bank account as designated by Royalty Holder in writing. Grantor will not be in default and the time for making such payment will be extended, if, at the time such payment is otherwise due, wire transfer facilities are not available for any reason, so long as Grantor makes payment as soon as practicable after wire transfer facilities become available. Grantor may rely on wire transfer instructions purported to be provided by Royalty Holder and is not responsible for any payment made to an incorrect wire transfer account by reason of such reliance. If any dispute arises with respect to a proper payment, Royalty Holder may make such payment by depositing the same into an escrow account pending resolution of the dispute, and such deposit will toll any interest charges for late payment. Any payment not otherwise made when due bears interest at an annual rate of interest equal to the Prime Rate plus five percent, which accrues from the date due until the date paid.
- 6.4 **Confidentiality.**
- (a) Except as provided in Section 1.1(b), Royalty Holder may not disclose to any third party or the public any information and data provided to Royalty Holder under the terms of this Agreement without the prior written consent of Grantor, which consent Grantor may withhold in its sole discretion.
  - (b) The consent required by Section 1.1(a) does not apply to a disclosure:
    - (i) by Royalty Holder to a potential successor of all or any significant portion of its interests under this Agreement, or to a potential successor by consolidation or merger;
    - (ii) to a governmental agency if required by applicable laws; or
    - (iii) made in connection with litigation or arbitration involving Royalty Holder where such disclosure is required by the applicable tribunal or is, on the advice of counsel for Royalty Holder, necessary for the prosecution of the case, but subject to prior notification to Grantor to enable Grantor to seek appropriate protective orders.
  - (c) Prior to any disclosure described in Subsections 1.1(a)(i) or 1.1(b)(ii), such third party shall first agree to protect the confidential information from further disclosure to the same extent as the Parties are obligated under this Section 6.4.
  - (d) The text of any public announcements, statements or publications including news releases which Royalty Holder is permitted to make pursuant to this Section 6.4 shall be made available to Grantor not less than five Business Days prior to publication and Royalty Payor shall have the right to make suggestions for changes therein. If Royalty Payor is identified in such public announcement or statement it shall not be released without the consent of Royalty Payor in writing.

- (e) In providing its approval of a public announcement, statement or publication, Royalty Payor does not thereby assume any liability or responsibility for the contents thereof, which shall be the sole responsibility of Royalty Holder, and Royalty Holder shall indemnify, defend and save Royalty Payor harmless from any costs and liabilities it may incur in that regard.
  - (f) Notwithstanding anything contained in this Agreement to the contrary, Royalty Holder may not disclose any geological, engineering or other data to any third party without disclosing the existence and nature of any disclaimers that accompany such data and the requirements of applicable law or regulation or rules of the applicable stock exchange for public reporting, as the case may be.
- 6.5 **Commingling.** Grantor may commingle Diamonds with diamonds produced from other properties after the Diamonds have been valued in accordance with Section 2.3.
- 6.6 **Change in Ownership of Right to Gross Overriding Royalty.**
- (a) Royalty Holder may only Transfer its rights and interest in and to the Gross Overriding Royalty and this Agreement pursuant to this Section 6.6 and Section 6.7.
  - (b) No change or division in the ownership of the Gross Overriding Royalty, however accomplished, enlarges the obligations or diminish the rights of Grantor.
  - (c) Royalty Holder covenants to ensure that any change in ownership of the Gross Overriding Royalty is accomplished in such a manner that Grantor is required to make payment and give notice to no more than one Person, and upon breach of this covenant, Grantor and its Affiliates may retain all payments otherwise due in escrow until the breach has been cured.
- 6.7 **Assignment and Transfer.**
- (a) If Grantor Transfers all or any portion of its interest in the Properties, upon obtaining from the transferee a written assumption of the obligations of Grantor pursuant to this Agreement with respect to the interest so Transferred, Grantor will thereupon be relieved of all liability for payment of royalties under this Agreement for any royalties that may thereafter arise with respect to such transferred interest.
  - (b) Royalty Holder may not transfer or assign any of its rights and interest in and to the Gross Overriding Royalty and this Agreement without obtaining from the transferee, and delivering the same to Grantor, an agreement in writing in favor of Grantor whereby the transferee assumes the obligations of Royalty Holder and is bound by the contractual terms of this Agreement.
- 6.8 **Acquisition of Gross Overriding Royalty by Grantor.** If Grantor acquires less than all of the Gross Overriding Royalty ("Acquired Interest"), the Grantor shall continue to calculate and count all Gross Overriding Royalty payments that would otherwise be

payable in respect of the Acquired Interest towards the calculation of the Royalty Cap, notwithstanding that Grantor does not make such payments to itself in respect of the Acquired Interest.

- 6.9 **Abandonment.** Grantor may, from time to time, abandon or surrender or allow to lapse or expire any part or parts of any mineral claims or mining leases relating to or comprising part of the Property, in its sole discretion, provided that Grantor will not abandon or surrender, or allow to lapse or expire, any mineral claims or mining leases comprising part of the Property for the purpose of permitting any third party to re-stake such mineral claim and avoid the Gross Overriding Royalty.
- 6.10 **Real Property Interest.** The Parties intend that the Gross Overriding Royalty, to the extent allowed by applicable law, creates a direct real property interest in the Diamonds and in the Properties in favor of Royalty Holder and shall be binding upon the Grantor and its successors and permitted assigns, which interest will be satisfied by payment to Royalty Holder of the Gross Overriding Royalty.
- 6.11 **Rule Against Perpetuity.** This Agreement and the Gross Overriding Royalty shall continue in perpetuity. If any right, power or interest of either Party under this Agreement violates the rule against perpetuities, then such right, power or interest terminates at the expiration of 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 date of this Agreement.
- 6.12 **Registration.** Royalty Holder may not register this Agreement against title to the Properties. Royalty Holder may register a notice of this Agreement and the Gross Overriding Royalty against title to the Properties. Grantor shall cooperate with such registration and provide its written consent or signature and do such other things as are necessary or desirable to effect such registration.
- 6.13 **Books and Records.** The Grantor shall keep true and accurate books and records of all of its operations and activities with respect of the Properties and the Diamonds, prepared in accordance with Canadian generally accepted accounting principles, consistently applied.
- 6.14 **No Partnership.** This Agreement is not intended to, and will not be deemed to, create any partnership, joint venture or any other form of common endeavour or association between the Parties. Nothing herein contained will be deemed to constitute a Party the partner, agent or legal representative of the other Party. The obligations and liabilities of the Parties will be several and not joint and none of the Parties will have or purport to have any authority to act for or to assume any obligations or responsibility on behalf of any other Party.
- 6.15 **Waivers.** The Parties agree that: (a) the *Land Contracts (Actions) Act* (Saskatchewan) shall have no application to any action (as defined in *The Land Contracts (Actions) Act*) as between the Parties, with respect to this Agreement; and (b) the *Limitation of Civil Rights Act* (Saskatchewan) shall have no application to this Agreement as between the parties, or any mortgage, charge or other security for the payment of money made, given

or created by one Party to the other under this Agreement, or any agreement or instrument renewing or extending or collateral to this Agreement, or the rights, powers or remedies under this Agreement.

- 6.16 **Further Assurances.** Each party shall execute all such further instruments and documents and do all such further actions as may be necessary to effectuate the documents and transactions contemplated in this agreement, in each case at the sole cost and expense of the party requesting such further investment, document or action.
- 6.17 **Time.** Time is of the essence of this Agreement.
- 6.18 **Governing Law and Attornment.** The Parties intend that this Agreement be construed and enforced in accordance with, and the rights of the parties be governed by, the laws of the Province of Saskatchewan, without regard to principles of conflicts of law that would impose a law of another jurisdiction.
- 6.19 **Binding Effect.** All covenants, conditions and terms of this Agreement benefit and run as a covenant with the Properties and bind and enure to the benefit of the Parties hereto and their respective successors and permitted assigns.
- 6.20 **Counterparts.** The Parties may sign this Agreement in counterparts and by electronic exchange of signatures, each of which will be deemed an original and together constitutes a valid and binding agreement.

*[Remainder of Page is Intentionally Left Blank]*

The Parties have executed this Agreement as of the Effective Date.

\_\_\_\_\_  
**(Grantor)**

\_\_\_\_\_  
**(Royalty Holder)**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Schedule A**

**Properties**

**[NTD: To be completed on execution of the Royalty Agreement]**

**SCHEDULE D**

Attached to and forming part of a  
Joint Venture Agreement between  
Rio Tinto Exploration Canada Inc. and Shore Gold Inc.

**"THE WAY WE WORK"**

RioTinto

June 2015

The way we work





*The way we work* symbolises what we stand for as a business. It makes clear how we behave according to our values of respect, integrity, teamwork and accountability.

Every day at Rio Tinto we find, mine and process the Earth's mineral resources with a relentless drive for improvement through innovative thinking and disciplined delivery. Our activities span the world and our products include aluminium (and bauxite and alumina), copper, diamonds, coal, uranium, gold, industrial minerals (borates, titanium dioxide, salt) and iron ore. The metals and minerals we supply help make modern life work and help the world to grow.

We will only succeed if we are inclusive and collaborate. We rely on the trust of each other and our partners, including host communities, governments, suppliers, customers, investors and the media. How we behave every day builds this trust and sets us apart from others. *The way we work* provides a clear framework for how we conduct our business, no matter where we work and where we are from. Importantly, it provides clear boundaries to help make the right choices.

*The way we work* applies to each of us as employees as well as consultants, agents, contractors and suppliers. We also strive to ensure these principles are respected by our joint venture partners and non-controlled companies.

We hope *The way we work* inspires the same pride and commitment in you that it does for both of us. We are immensely proud to work for a company that asks only the highest standards of ethical behaviour and is clearly guided by strong values at its heart.

In life or business, we are all judged by our reputation and how we respond to life's challenges. *The way we work* has stood the test of time for helping us do the right thing.

Warm regards,

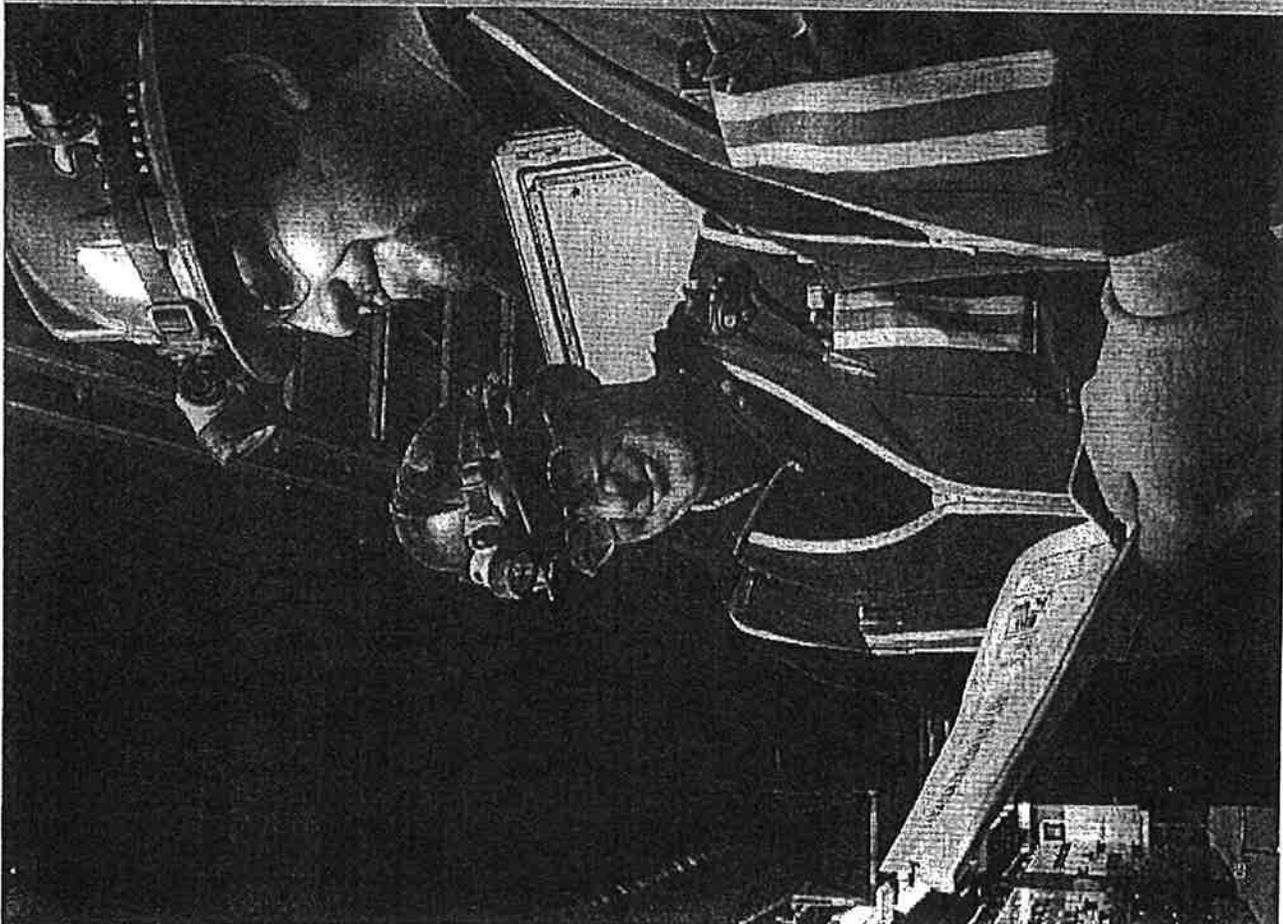
Jan du Plessis  
Chairman

Sam Walsh  
Chief Executive



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# Respect

RESPECT

We recognise and consider the views of others and treat them as we would want to be treated.

## 1.1 Safety and health

We believe all fatalities, injuries and occupational illnesses are preventable. We commit to the goal of everyone going home safe and healthy every day.

- Each of us is responsible for working safely, adhering to our standards and caring for the health and safety of those around us.
- We must be fit for work when we come to work. This means, amongst other things, not possessing, consuming or being under the influence of alcohol or drugs while working on Rio Tinto business or on a Rio Tinto site.
- We expect others we work with, including consultants, agents, contractors and suppliers, to respect and adhere to our health and safety requirements.
- We have a responsibility to report and stop the work of colleagues if we think they are putting their health and safety or that of others at risk.

## 1.2 Employment and inclusion

We believe all employees have the right to a fair and inclusive working environment of which they are proud to be a part.

- We value diversity; we do not discriminate whether based on race, gender, nationality, ethnic origin, religion, age, sexual orientation or other status.
- We believe everyone should be treated with dignity and respect. Bullying, intimidation or harassment of any kind is not acceptable in our workplace.
- We are committed to meeting local laws and international agreements about workforce labour. We respect that people have the right to choose whether to belong to a union and seek to bargain collectively.
- We work with governments to share the economic benefits of developing a country's mineral resources with the communities in which we operate. This may include government requirements for us to favour local employment.



## 1.3 Human rights

We respect human rights and commit to avoid human rights harm.

- We support the United Nations' Universal Declaration of Human Rights and respect those rights wherever we operate.
- We take measures to prevent our involvement in human rights harm through our business relationships. We reject any form of slavery. We never use forced or child labour.
- We work with public and private security providers to avoid security arrangements that cause or contribute to human rights violations. We limit the use of firearms for the security of our sites as far as possible.

## 1.4 Data privacy

We respect each person's privacy. We comply with all laws in the collection, use and protection of personal information in connection with our business.

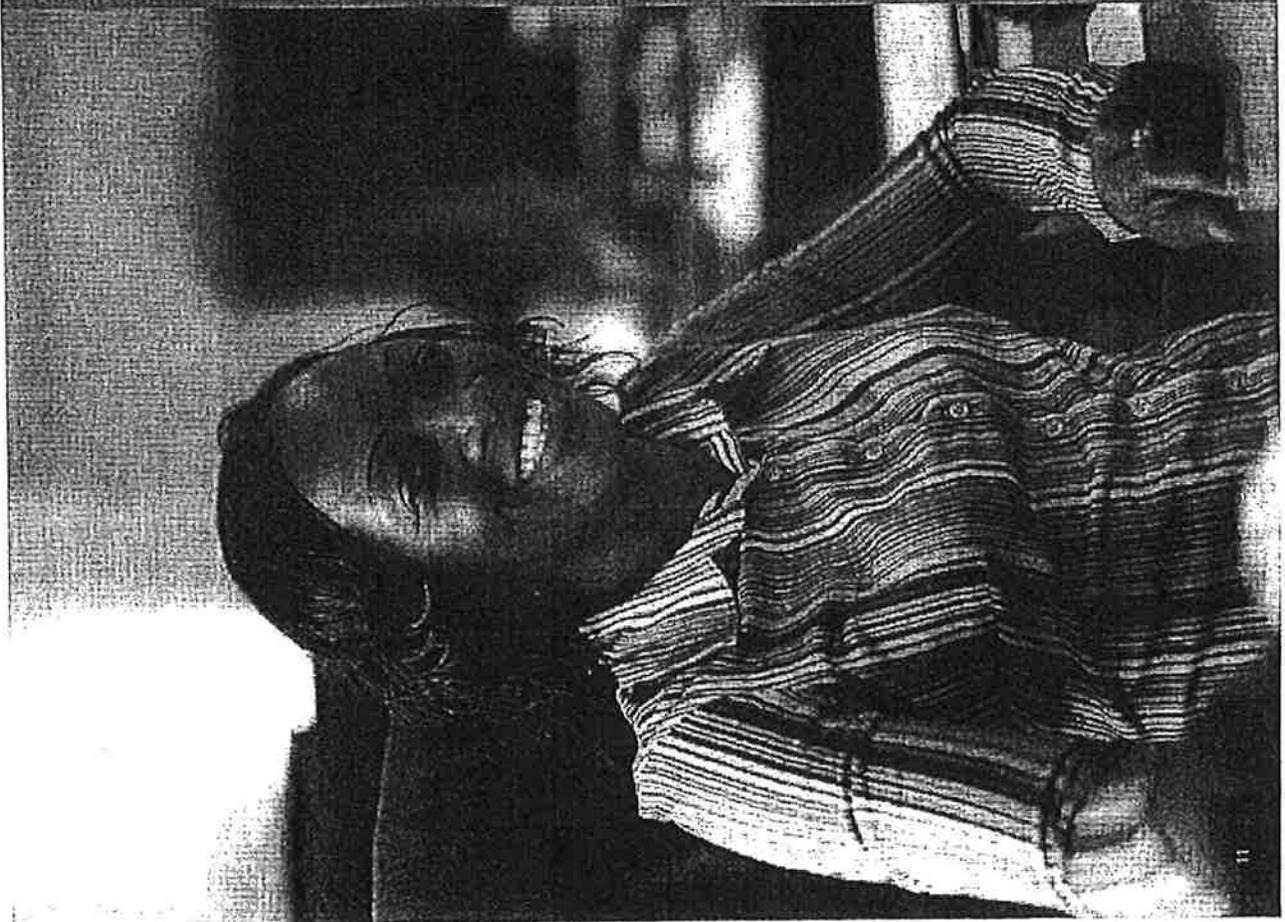
- We only collect and handle the personal information of our colleagues, shareholders, business partners, suppliers, customers and associated family or next of kin when needed for legitimate business purposes. We respect the rights each of us has to review, update and correct our information.
- We only share personal data with others when there is a legitimate business need or legal need for them to know it. We ensure they understand the importance of keeping the data private.
- When we work with others such as suppliers and consultants, we make clear the importance we place on privacy and the standards we expect.



# Integrity

We act fairly, honestly and consistently in what we say and do and we speak out when necessary.

INTEGRITY



## 2.1 Conflicts of interest

We ensure our personal activities and interests do not conflict with our responsibilities at Rio Tinto.

- We use good judgement to avoid conflicts of interest or even the appearance of a conflict.
- We declare actual and potential conflicts. Where a conflict cannot be avoided we manage it appropriately.
- We do not allow ourselves to obtain any personal advantage through our position or role within Rio Tinto.

## 2.2 Fair competition

We compete ethically and lawfully in all our activities.

- We believe in free and fair competition. We compete ethically and respect all applicable competition and antitrust laws across the globe.
- We do not obtain competitive information illegally or communicate false information regarding competitors.
- When we interact with competitors or potential competitors, we do not share confidential information which may impact how we all compete.

## 2.3 Bribery and corruption

We do not commit, or become involved in, bribery or corruption of any form.

- We do not buy business or favour, no matter where we operate, no matter what the situation is, no matter who is involved.
- We never offer, give, demand or accept any financial or other favour to, or from, any person in order to secure business or any other advantage.
- We do not use or make payments to speed up routine administrative actions.

## 2.4 Confidential information and insider trading

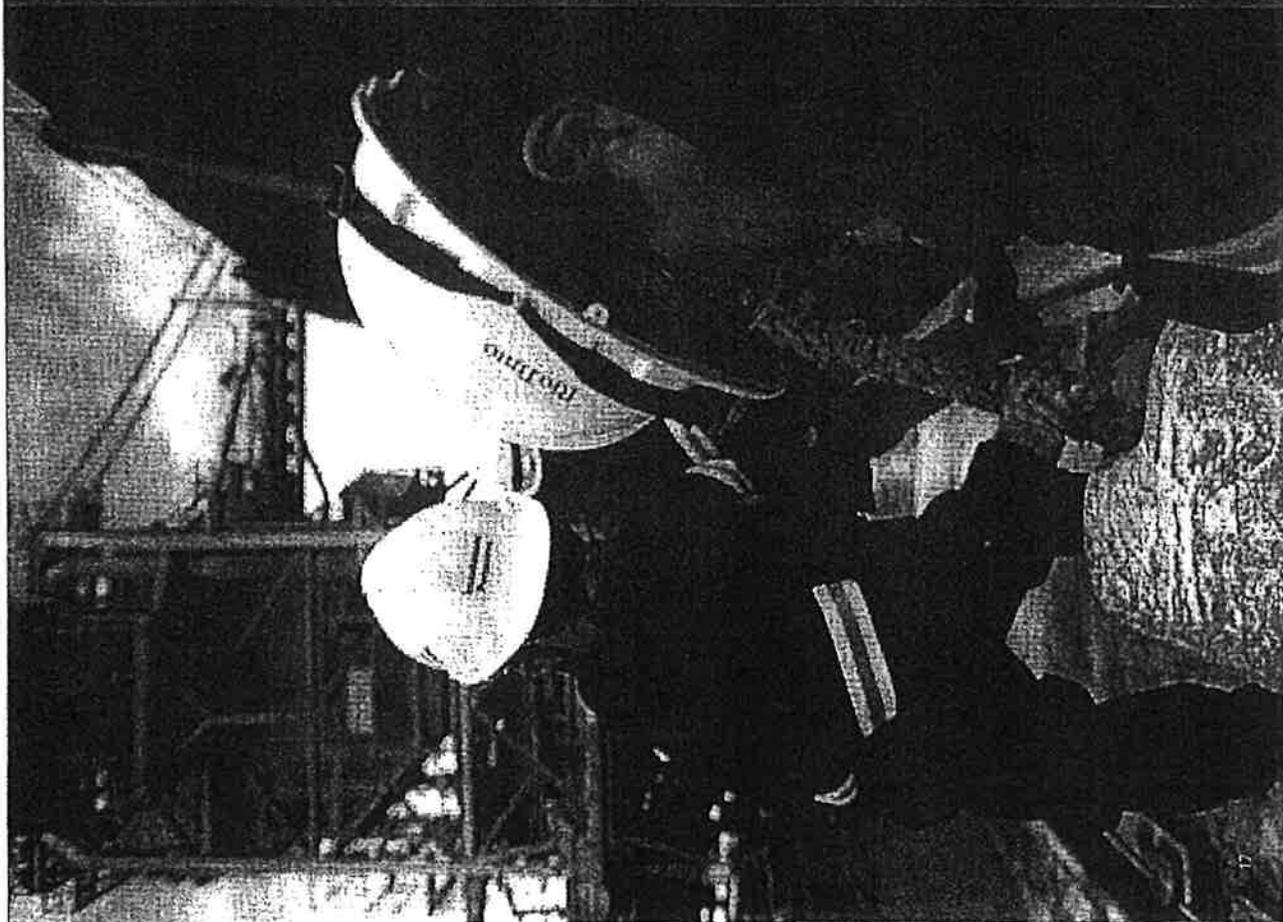
We protect our shareholders and ourselves by responsibly managing our own and third parties' confidential information. We never use it for personal advantage.

- Confidential information includes technical information about products or processes, vendor lists, pricing, marketing or service strategies, non-public financial reports, and information on asset sales, mergers and acquisitions.
- We are careful about where and to whom we talk about confidential information, and where and how we store it.
- We do not disclose or use any confidential information for personal profit or advantage.
- We do not share inside information with anyone else including our family and friends; we never commit the offence of insider dealing in Rio Tinto or third parties' securities.



# Teamwork

We work together and learn from each other to achieve our goals.



## 3.1 Host communities

We develop strong and lasting relationships with our local and regional host communities based on respect, a desire to learn and mutual benefit.

- Our relationships with local and regional communities are a key part of our projects and operations. We recognise and respect the cultures, lifestyles and heritage of our neighbours.
- We respect the diversity of indigenous peoples and acknowledge their unique and important interests in lands, waters and environment as well as their history and traditions.
- We work with communities in creating mutually beneficial agreements; we share and explore our plans with them in a format and language they understand.
- We encourage local communities to participate in the economic activity our operations create. We support regional and community based projects that contribute to sustainable and independent development.

## 3.2 Relations with government, international organisations and civil society

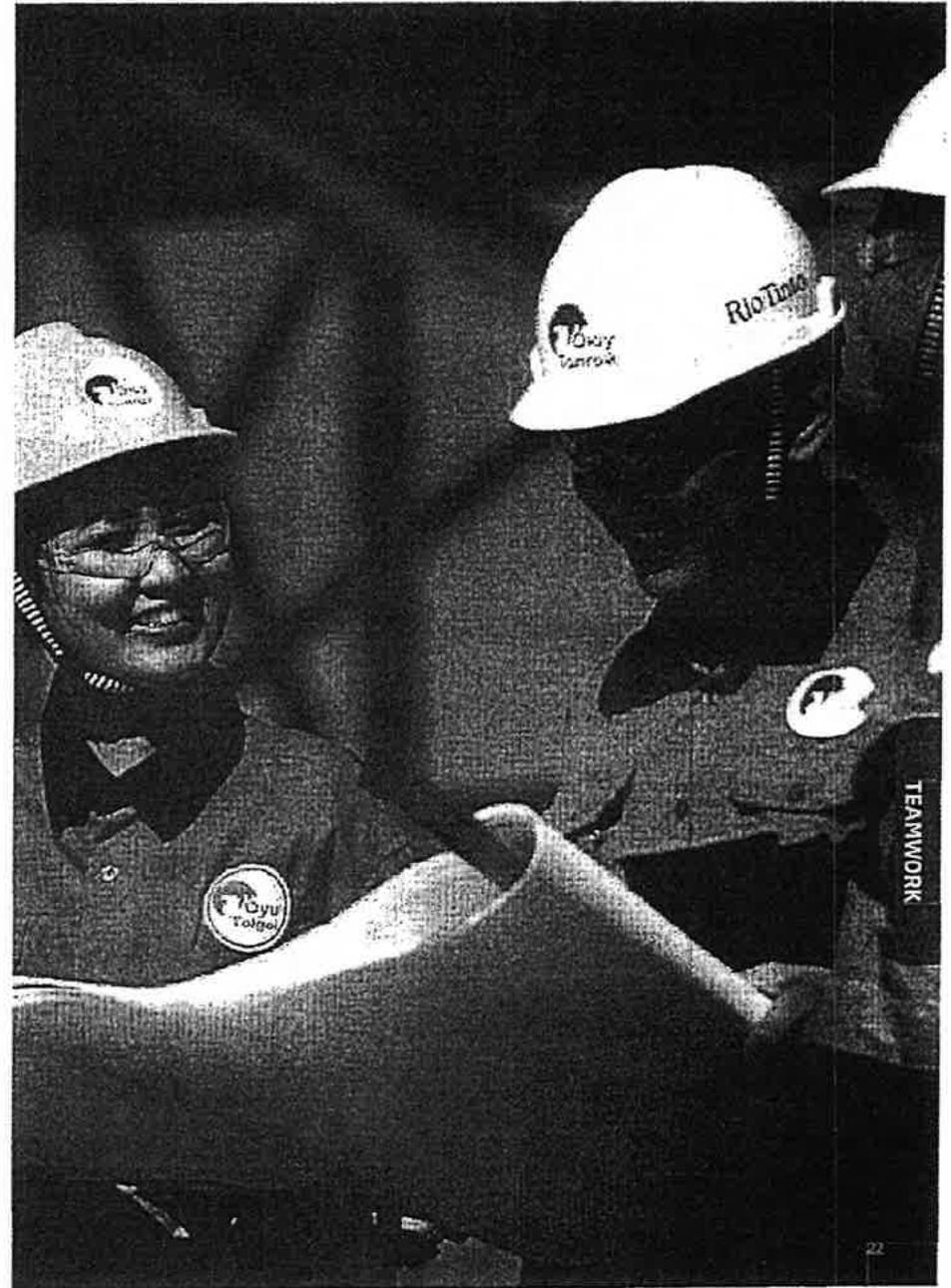
We build lasting relationships with governments and engage with international organisations and civil society to help develop robust policy and regulation. We do not favour any political party, group or individual.

- We engage on public policy and legislative issues that affect our business. We contribute useful information and share our experiences to help create sound policy and legislation.
- We respect the political process. As a company we do not involve ourselves in party political matters. We do not make any payments for the purposes of election or re-election.
- We do not restrict individual rights and freedoms; employees and contractors may support political parties, candidates or campaigns in their own time and with their own money.

### 3.3 Transparent communication

We build trust by communicating openly and honestly.

- We share accurate information about our operations and financial performance with our stakeholders, including media, investors and regulators.
- We comply with our market disclosure obligations and share material information that may affect how the market views Rio Tinto.
- We communicate openly and in a timely manner with employees and encourage honest conversations with each other.

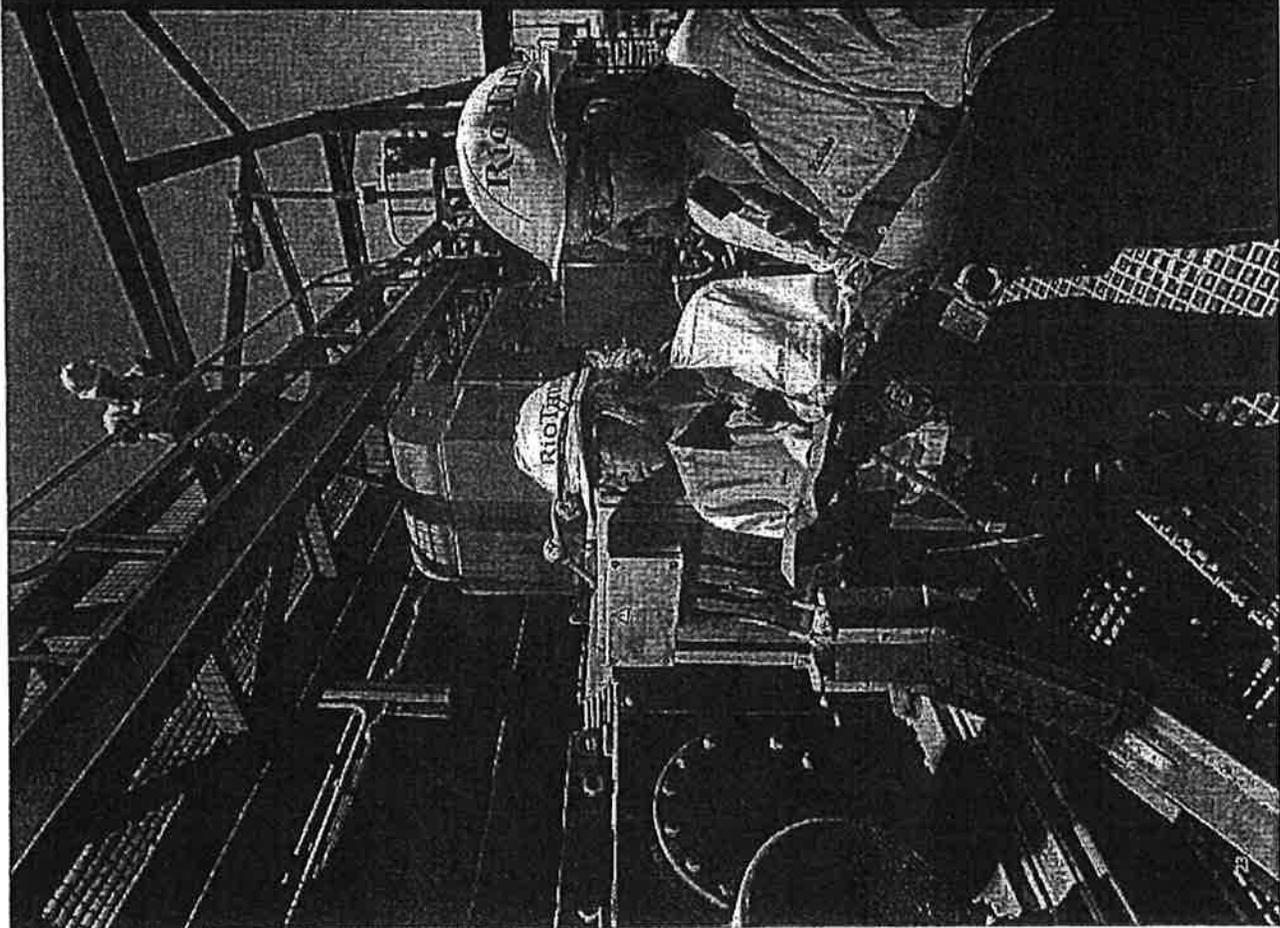


# Accountability

We take responsibility for our actions and hold others to account for theirs.

ACCOUNTABILITY

24



## 4.1 Environment

We are committed to protecting the environmental values of the regions where we operate and maintaining good product stewardship for the long term.

- We understand and then mitigate the impacts our activities and products might have on the environment as we plan, build, operate, decommission and close our operations and work with our suppliers and customers.
- We collaborate with neighbouring communities and continually seek sustainable improvements to product life cycles, biodiversity, climate change, land use, water and air, and mine closure to provide us continued access to resources and markets.

## 4.2 Intellectual property

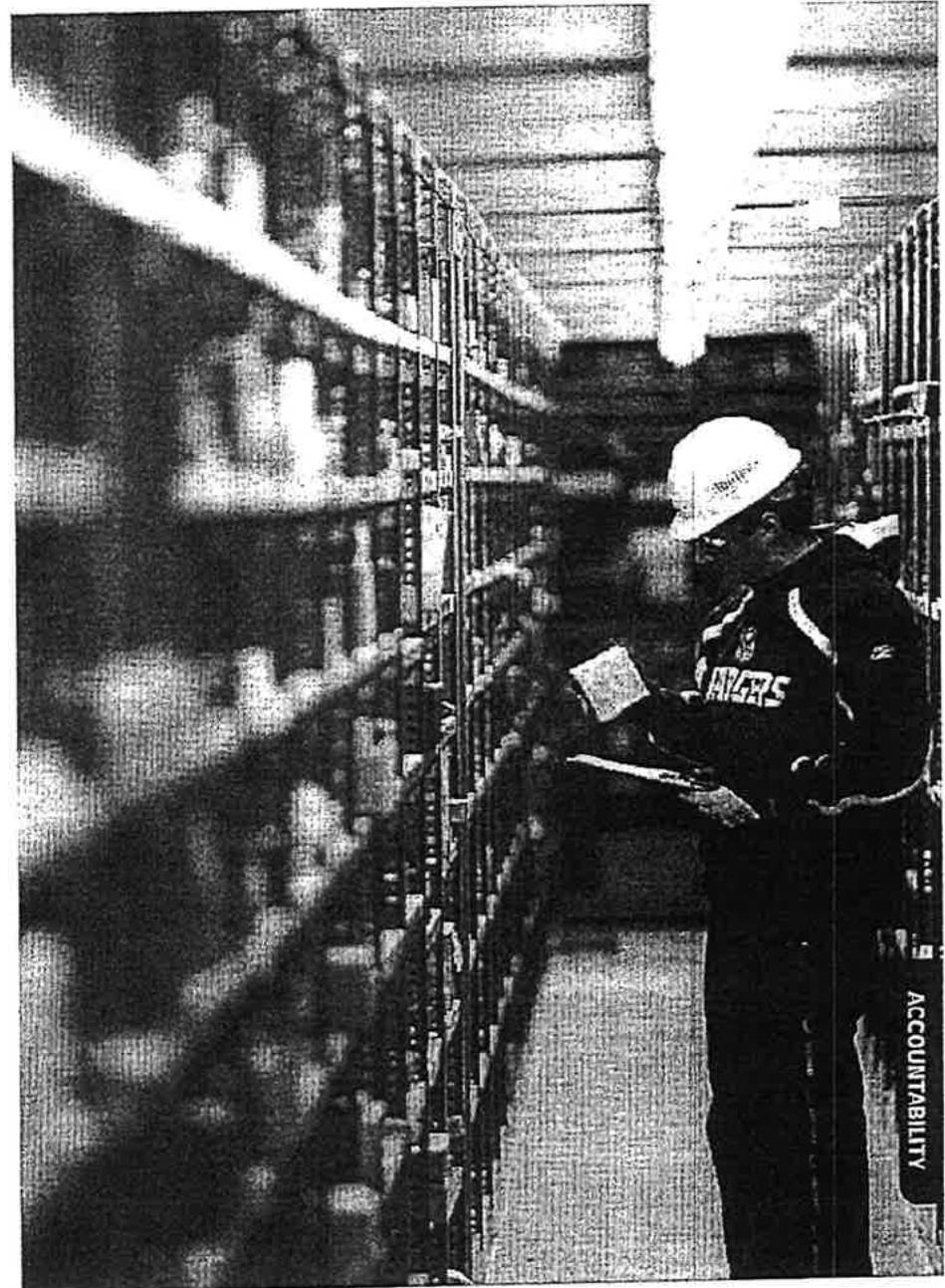
By protecting our intellectual property and respecting that of others, we keep our competitive advantage.

- We protect our intellectual property (patents, copyright, trademarks and trade secrets) and closely monitor for unauthorised use of our intellectual property by others.
- We respect the intellectual property of others, such as our suppliers, customers and competitors, and only use their intellectual property when authorised.

## 4.3 Company property and records

We use company property, financial and electronic resources to conduct company business and not for personal gain or non-authorized use.

- We do not obtain, use or divert company property or financial resources for personal use or benefit, for activity that causes a conflict of interest, or is inappropriate or illegal.
- We are provided with electronic resources such as email, internet and telephone, to help us do our jobs. We can occasionally use these resources for personal reasons if that use does not impact company systems, incur undue costs for the company or interfere with our work duties.
- We keep true and accurate records of all financial transactions and non-financial company materials.
- We do not alter, destroy or remove company property or company records unless authorized.



## Making the right choice

The way we work describes real jobs, duties, values, and standards. Missions are the things we do to create a better world for all.

When faced with a dilemma, ask yourself:

- Are my actions consistent with *The way we work* and Rio Tinto policies and standards?
- What would I tell a friend or a member of my family to do?
- What might others think of my actions and how might it look on the front page of the newspaper?

If you're still unsure, talk to your supervisor. You should seek advice at least once.

### National Laws and

#### *The way we work*

have a code, where we work

or compliance with applicable laws

When we do things that don't comply

with laws, we can't do them

It's not just about the law, it's about

the way we work. We work

to make the law and the way we work

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work together. We work

Discuss any concerns with your line

manager, a more senior manager,

compliance or Human Resources.

Speak to your supervisor if you have

any concerns about your actions.

Remember, you have a duty to report

any concerns about your actions.

Using *The way we work* as a guide

will not be tolerated.

For more information, visit

[www.rio-tinto.com](http://www.rio-tinto.com) or contact your

supervisor. We work together to

make the world a better place.

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supervisor. We work together to

Rio Tinto plc  
2 Eastbourne Terrace  
London W2 6LG  
United Kingdom

Rio Tinto Limited  
120 Collins Street  
Melbourne, Victoria 3000  
Australia

T +44 (0)20 7781 2000

T +61 (0)3 9283 3333

[riotinto.com](http://riotinto.com)

### Rio Tinto policies and standards

For more information on the topics covered in *The way we work* principles and the relevant policies and standards visit <https://intranet.riotinto.org/dms/RTHQ-Policy-Hub/>



**SCHEDULE E**

Attached to and forming part of a  
Joint Venture Agreement between  
Rio Tinto Exploration Canada Inc. and Shore Gold Inc.

**"BUSINESS INTEGRITY"**

COM-B-001
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<b>Group Standard</b>	<b>Title: Business integrity standard</b>		
	<b>Function: Rio Tinto Compliance</b>		
	<b>No. of Pages: 20</b>		
<b>Approved by ExCo:</b> 23 June 2014	<b>Effective:</b> 1 October 2014	<b>Supersedes:</b> Antibribery due diligence standards, November 2009 Fraud standards and guidance notes, January 2010 Business Integrity (anti-corruption) standard, January 2012 Business Integrity (conflicts of interest) standard, July 2012	<b>No Audit Before:</b> 1 October 2015
<b>Owner:</b> Global head of Compliance	<b>Approver:</b> Rio Tinto Executive committee		<b>Target Audience:</b> All employees, Core contractors and other contractors as defined in the glossary section of this Standard
<b>Direct Linkages to other relevant Policies, Standards, Procedures or Guidance notes:</b> Business integrity manual Online Benefits register Online Conflicts disclosure register			
<b>Document purpose:</b> This Standard is key in meeting the following Rio Tinto business integrity commitments to: <ul style="list-style-type: none"> <li>• prohibit bribery and corruption in all its forms;</li> <li>• avoid, disclose and manage conflicts of interest;</li> <li>• prohibit fraud in all its forms.</li> </ul>			

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## Introduction

<p><b>What is this Standard about?</b></p>	<p>We have a responsibility to work with integrity when acting on behalf of Rio Tinto. The <i>Business integrity standard</i> (the Standard) helps to ensure we meet that responsibility.</p> <p>This Standard is key in meeting the following Rio Tinto business integrity commitments to:</p> <ul style="list-style-type: none"> <li>• prohibit bribery and corruption in all its forms;</li> <li>• avoid, disclose and manage conflicts of interest;</li> <li>• prohibit fraud in all its forms</li> </ul>
<p><b>Why is compliance with the Standard important?</b></p>	<ol style="list-style-type: none"> <li>1. <b>Living our values.</b> Conducting business with integrity is one of Rio Tinto's four core values set out in <i>The way we work</i>.</li> <li>2. <b>Protecting our reputation.</b> How we act when doing business determines Rio Tinto's reputation.</li> <li>3. <b>Ensuring sustainable business.</b> External stakeholders want to partner with a company that they can trust to do the right thing. Rio Tinto needs to comply with all relevant laws, including anti-bribery laws.</li> </ol>
<p><b>Who does the Standard apply to?</b></p>	<p>The general requirements in this Standard apply to all Group employees and core contractors, as well as all other contractors, consultants or outsourced service providers engaged by Rio Tinto. All must abide by the Standard's general requirements as they form a part of Rio Tinto's control framework.</p> <p>The procedural requirements in this Standard (for more detail see the <i>Business integrity manual</i>) apply only to Group businesses, employees and core contractors. These include the approval and recording procedures for benefits and conflicts of interest.</p> <p>Third parties acting on Rio Tinto's behalf (eg agents, lobbyists, travel planners, etc.) should be aware of and abide by the requirements of the Standard as they act on Rio Tinto's behalf and in Rio Tinto's name. However, the relevant Rio Tinto contact must perform the procedural requirements. For example, if an agent wants to offer a gift on behalf of Rio Tinto or is organising and paying airfares for a customer, the relevant Rio Tinto contact and manager must follow the approval procedures set out in the Standard.</p> <p>If there is a conflict between the requirements under this Standard and local laws, you should comply with the more stringent requirement. The global head of Compliance must approve any variance from this Standard.</p> <p>Compliance with this Standard is mandatory. Failure to comply may result in disciplinary action up to and including termination.</p>

<p><b>What is expected of you?</b></p>	<ul style="list-style-type: none"> <li>• To be fully aware of the Standard's requirements, regardless of your role.</li> <li>• Act and lead by example in behaviour and openness.</li> </ul>
	<ul style="list-style-type: none"> <li>• Communicate and implement this Standard in your area of responsibility.</li> <li>• Ensure transparent and accurate recording in the books and records.</li> <li>• Managers/supervisors should be accessible and able to assist employees with their queries or concerns and know how to escalate relevant matters to higher-levels of management and/or Rio Tinto Compliance, as appropriate.</li> </ul>
<p><b>Where can I get more information?</b></p>	<p>More detailed guidance on business integrity issues is available in the Rio Tinto <i>Business integrity manual</i>. This is a 'how-to' guide that has been developed for individuals who need a more detailed understanding of business integrity and its associated procedures at Rio Tinto.</p> <p>If you have any questions or are in any doubt as to whether any conduct would fall within the scope of this Standard, you should contact the compliance manager for the Group business that you work for or deal with. A listing of compliance managers is available on the <i>Prospect</i> portal (Compliance community). Alternatively, you can also send an email to a member of the Rio Tinto Compliance team; contact details are also available on the <i>Prospect</i> portal (Compliance community).</p> <p>A Glossary has been included at the end of the Standard which defines key terms.</p>

# 1.0 Bribery and Corruption

## 1.1 What is Bribery and Corruption?

Bribery is the offer, giving, demand or acceptance of a financial or other advantage to or from any person in order to improperly secure business or any other advantage.

**Rio Tinto employees and core contractors must not commit, be a party to or be involved in bribery or corruption in any form.**

<b>Key matters to remember:</b>
<b>Bribery and Corruption</b> may involve anything of value, such as: <ul style="list-style-type: none"><li>• Money</li><li>• Cash equivalents (eg gift, discount, store cards, cheques)</li><li>• Gifts</li><li>• Entertainment and other hospitality</li><li>• Travel and accommodation</li><li>• Favours or decisions (such as awarding jobs, contracts, licences, etc.)</li><li>• Sponsorships and donations</li></ul>
<b>Any person:</b> Bribery and corruption may involve dealings with government officials or with private individuals or enterprises.
<b>Direct or indirect:</b> Bribery and corruption may take place directly or indirectly, for example via a third party such as an agent.
<b>No actual bribe necessary:</b> The offer or demand of a bribe is prohibited under most external regulations; and this Standard. This means even if no bribe is ultimately paid it can still be construed as an offence.
<b>For the benefit of others:</b> You cannot accept a bribe for your own benefit or for the benefit of family, friends or someone else.

## 1.2 Facilitation Payments

Facilitation payments are small payments normally made to lower-level government officials as a personal benefit to them, to secure or speed up a performance of a routine action to which the payer is entitled (eg licences, permits, visas, customs clearance).

Facilitation payments:

- are a form of corruption;
- are illegal in most countries; and
- can open the door to more serious issues of corruption.

**Rio Tinto prohibits all facilitation payments.** However, if a payment has to be made due to a direct or imminent threat to personal safety or wellbeing and no alternative exists or can be foreseen given the circumstances, then such payments may be considered. You must exercise the best possible judgment and if a payment has been made ensure that it is:

- reported as soon as practicable to the relevant Group executive, global head of Compliance and head of Global Security; and
- recorded in Rio Tinto's books and records.

## 2.0 Fraud

### 2.1 What is Fraud?

A fraud is any intentional or deliberate act to deprive Rio Tinto or an external party with whom Rio Tinto transacts, of anything of value by deception, or other unfair means. This includes internal fraud, when an employee obtains personal gain through the deliberate misuse or misapplication of Rio Tinto's resources or assets.

**Fraud is a criminal offence and is a violation of this Standard. Individuals must not knowingly commit, or be a party to, or be involved in, fraud.**

<p>Fraud includes any theft or misappropriation of Rio Tinto funds or assets, which can include:</p> <ul style="list-style-type: none"><li>• Money</li><li>• Cash and cash equivalents</li><li>• Company credit card misuse</li><li>• Plant, equipment and inventory</li><li>• Confidential information, know-how and other Intellectual property</li><li>• Employee and customer/supplier information</li></ul>
<p><b>Other fraudulent activities include:</b></p> <ul style="list-style-type: none"><li>• Falsifying accounting records or company books and records for the purpose of deception or to mislead others</li><li>• Overcharging on invoices</li><li>• Claiming of expenses never incurred or falsification of claims</li><li>• Money laundering</li><li>• Accounts receivables and payables fraud eg fictitious sales and refund entries, manipulating vendor details and creating bogus vendors</li></ul>

## 3.0 Benefits – Gifts and Hospitality

### 3.1 What are Benefits and when are they acceptable?

Benefits are things of value that are exchanged between Rio Tinto and an external party for which the recipient has not paid or paid less than market value. Benefits can be divided into the following categories:

- Gifts
- Meals
- Entertainment
- Travel and lodging expenses
- Other contributions

'Other contributions' are any other benefits given or received which do not come within the other specific categories. This would include, for example, daily allowances for living expenses (per diems).

### 3.2 Why are Benefits of concern?

Depending on their size, frequency and the circumstances, benefits can be perceived as improperly influencing business decisions and may be considered or perceived as a bribe.

Before giving or receiving a benefit, you should always ask yourself – could this action create an appearance of bad faith or improper behaviour? If the answer is yes, you must not offer or accept the benefit.

**You must not misuse your position within Rio Tinto to demand or receive benefits from external parties.**

If the recipient has direct or indirect decision-making responsibility over an anticipated or pending business decision that will affect Rio Tinto's interests, then special caution must be exercised.

Important considerations for benefits, including daily allowances for living expenses (per diems), cash benefits, are contained in the *Business Integrity manual* (section 3).

### 3.3 Key Principles that apply to ALL 'Benefits'

Benefits on a modest scale are commonly used to build goodwill and strengthen working relationships among business associates. Rio Tinto permits the giving and receiving of such benefits when they comply with all the key principles set out below.

**P1** The benefit must be permitted by local laws or regulations

**P2** You must never knowingly give a benefit if it breaches the recipient's internal policies and standards

**P3** The benefit must be given or received in good faith without expecting any benefit in return

**P4** There must be a legitimate business purpose

**P5** The benefit must be tasteful, decent and consistent with generally accepted standards for professional courtesy

**P6** The nature, value and frequency of the benefit must be appropriate to the occasion on which it is given and to the position or role of the recipient

**P7** The benefit must be transparently given or received. There must be sufficient documentation and information to identify the giver/recipient, the nature, value and purpose/occasion relating to the benefit.

### 3.4 Approval and recording of Benefits

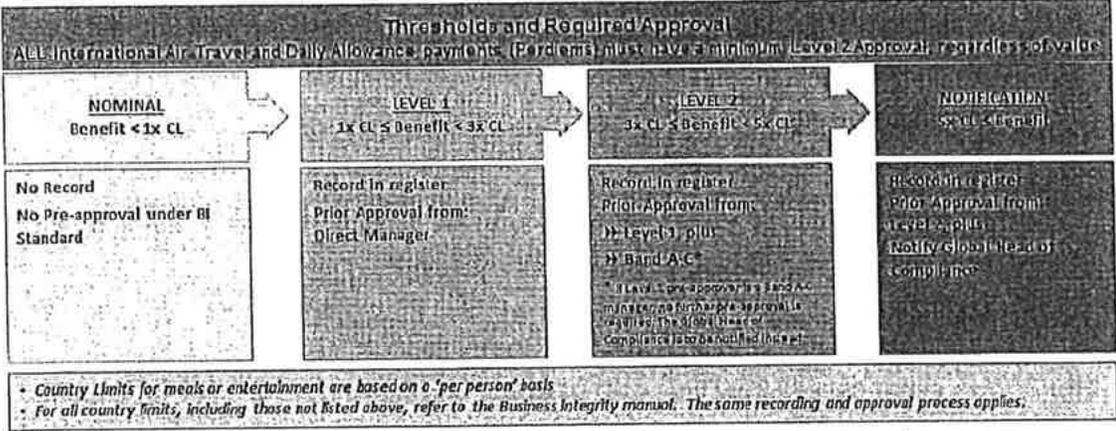
To avoid misperception and misunderstanding it is important that any benefits given or received are approved and accurately recorded. The table below gives a summary of the approval and recording process.

The limits given below provide a basic standard. Many companies and national government departments have laws or internal rules that restrict what their staff and representatives can or cannot accept. In the event of a conflict between the limits in this Standard and a law or limit that is to be followed by the external party, the more stringent of the two should be applied. More information is available in the *Business Integrity manual* (section 3).

**All Benefits – Limits/Recording/Approvals Process** (ie Gifts, Meals, Entertainment, Travel & lodging, Other contributions)

**Country Limits (CL) – Includes countries in which Rio Tinto has a presence**

<p><b>Group A: Country Limit</b>                  Travel &amp; lodging: USD 400                  All other benefit types: USD 250                  Americas: Canada, United States                  APAC: Australia, Japan, New Zealand, Singapore                  EMEA: Belgium, France, Germany, Iceland, Switzerland, United Kingdom</p>	<p><b>Group B: Country Limit</b>                  Travel &amp; lodging: USD 300                  All other benefit types: USD 150                  Americas: Argentina, Brazil, Chile                  APAC: China, Taiwan                  EMEA: Portugal, Russia, Spain</p>	<p><b>Group C: Country Limit</b>                  Travel &amp; lodging: USD 200                  All other benefit types: USD 100                  Americas: Peru                  APAC: Indonesia, India, Laos, Malaysia, Philippines, PNG, Thailand                  EMEA: Kazakhstan, Serbia, Cameroon, Democratic Republic of Congo, Guinea, Madagascar, Mozambique, Namibia, Oman, South Africa, Uzbekistan, Zimbabwe</p>
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**3.5 Dealing with government officials**

Although many countries punish corruption in both public and private sectors, the rules applied to dealings with government officials tend to be stricter. Some, government authorities have internal policies or laws that restrict or place limits on the value of benefits that can be paid to government officials. If giving a gift to a government official, you must ensure, to the extent possible, that the government official is legally allowed to receive a personal benefit.

At Rio Tinto, our recruitment process is merit based. When considering the appointment of government officials to a Rio Tinto company position, caution should be taken to avoid any situation where it could be perceived that the appointment was made to obtain favours or for other improper purposes. Group businesses require the approval of their Group executive to:

- engage a politician or government official as a consultant; or
- appoint a politician or government official to a company position with signing or approval authority.

**Government officials include:**

- employees of state owned enterprises or of a government agency or regulatory authority;

- employees of an international public organisation such as the United Nations, World Bank or International Monetary Fund;
- political party officials;
- individuals who hold or perform the duties of an appointment, office or position created by custom or convention, including some members of royal families and some tribal leaders;
- police officers; and
- children or other relatives of a government official.

If you are in doubt as to whether a person is a government official or the entity is a government owned enterprise, you should consult Rio Tinto Compliance or Legal.

## 4.0 Sponsorships and Donations

### 4.1 What are Sponsorships?

Sponsorships can provide a way for Rio Tinto to strengthen and promote the corporate brand. Sponsorships include any contributions of anything of value towards an event, initiative, organisation or other promotional platforms which are owned or organised by an external party. For example, sporting and cultural events, conferences, naming rights for a building or structure.

In the case of a sponsorship there is an expectation of Rio Tinto receiving something of business value in return, such as communication, marketing or advertising rights.

### 4.2 What are Donations?

Donations are a way for Rio Tinto to contribute to worthy causes and reflect the company as a responsible corporate citizen. They are voluntary contributions made by Rio Tinto to an external party for a charitable purpose, where Rio Tinto receives nothing tangible in return. If Rio Tinto, without requesting, receives things of minor value in return, the activity can still be classified as a donation. A donation can be a financial benefit or an in-kind donation.

For example, donations can be made up of:

- contributions to registered charities, requiring an official tax receipt to be produced; or
- other donations, which are contributions made to non-registered charities or individuals where an official tax receipt cannot be offered.

### 4.3 Why are Sponsorships and Donations an issue?

They can create problems if they are made to improperly influence business decisions. They can be seen as forms of corruption (for example, 'sponsoring', or 'donating' to illegitimate organisations can be used to conceal corrupt payments).

#### 4.4 Key Principles that apply to ALL 'Sponsorships and Donations'

All sponsorships and donations must comply with the following key principles:

**P1** They must not be offered or given to improperly influence business decisions or obtain favours

**P2** They must be transparent and there must be sufficient documentation to identify the recipient, value and purpose

**P3** Sponsorships must be justified by a legitimate business purpose

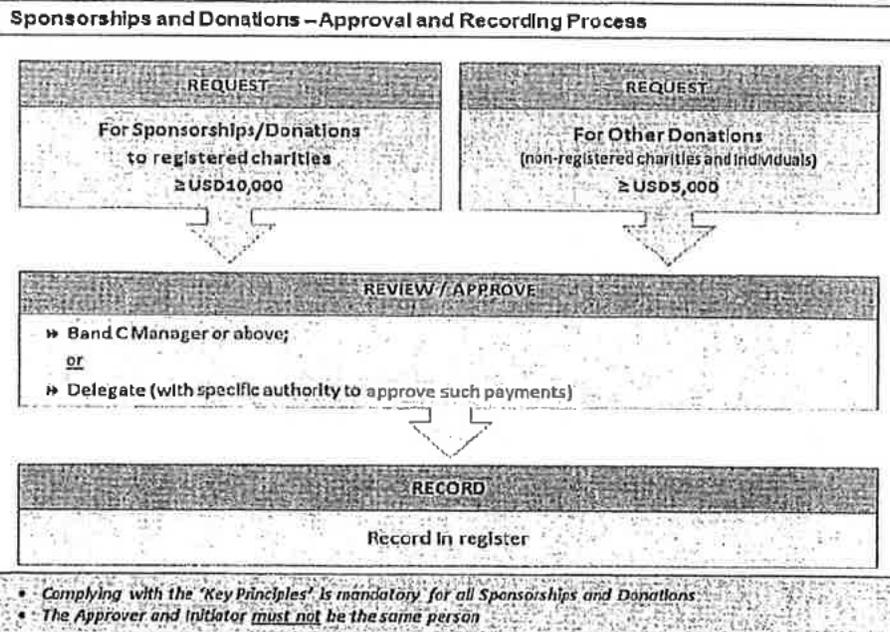
**P4** Donations must be voluntary and given to external parties for charitable purposes

**P5** They must not be used as conduits to divert funds to other unintended beneficiaries

#### 4.5 Recording and approval of Sponsorships and Donations

It is important that sponsorships and donations are approved and accurately recorded. The recording and approval process is contained in the *Business Integrity manual* (section 4).

A summary of the process is presented in the table below.



## 5.0 Conflicts of Interest

### 5.1 What is a Conflict of Interest?

A *conflict of interest* arises when your own personal interests (eg relationships, activities or obligations) are inconsistent or interfere with the interests of Rio Tinto or your duties to Rio Tinto. **You are not allowed to obtain or provide any advantage as a result of a conflict of interest.**

Learn to recognise all actual or potential conflicts of interest as they arise. Some common situations where conflicts can arise include:

#### Outside work interests

- You work for an external party that does (or could potentially do) business with, or compete with Rio Tinto. This includes working in any capacity, such as employment, consulting, advising, acting as agent, being a director or officer and volunteering.
- You have secondary employment or side-line work which leads to a decrease in your work performance or impacts your duties for Rio Tinto.

#### Investments and financial interests

You, a relative, or an associate has a significant ownership (5% and above) or controlling interest in an external party that does (or could potentially do) business with, or compete with Rio Tinto.

#### Relatives or associates who are government officials interacting with Rio Tinto

You have a relative or an associate who is a government official with whom Rio Tinto has (or could potentially have) some form of interaction or dealing. One example is, where the government official has a role in granting a permit or licence to Rio Tinto, or in an approval affecting Rio Tinto.

#### Other personal relationships

- You hire a relative or an associate as an employee, contractor or consultant.
- You have influence over the job performance evaluation or compensation of any person who is a relative or an associate.
- You have a relative or an associate who is employed by, or is a director of an external party that does (or could potentially do) business with, or competes with Rio Tinto.

## 5.2 Why should Conflicts of Interest be of concern?

While conflicts of interest should be avoided wherever possible, conflicts will sometimes happen and will need to be managed. Conflicts of interest can – if not identified, disclosed and managed effectively – cause you to be at risk of putting your private interests above the interests of Rio Tinto or perceived to be doing so. In some cases, conflicts of interest can give rise to serious wrongdoings, such as corruption.

- Conflicts of interest can cause others to question your actions, reputation and integrity.
- Conflicts of Interest can cause severe consequences for you, your co-workers and Rio Tinto.
- Conflicts of interest are not in themselves a sign of wrongdoing – they are merely risks to be recognised and managed.

Be alert to situations that create or may create a conflict of interest during the course of your work at Rio Tinto. Even the perception of a conflict of interest could negatively affect you and/or Rio Tinto, potentially causing reputational harm and financial loss.

## 5.3 Key Principles that apply to managing and disclosing ALL 'Conflicts of Interest'

All conflicts of interest must comply with the following key principles:

**P1 You are not allowed to obtain or provide any advantage as a result of a conflict of interest**

**P2 You have a duty to disclose your conflicts promptly through the *Conflicts disclosure register***

**P3 If you become aware of, or suspect the occurrence of a conflict of interest that may not have been disclosed, you must report the matter to your manager or a senior manager**

## 5.4 When and how to disclose a Conflict of Interest?

As soon as you become aware of an actual or potential conflict of interest, it is important that you promptly disclose all relevant details according to the process outlined in the chart below.

Managers have a duty to prevent and detect conflicts of interest and to encourage all their employees and core contractors to disclose them.

Employees and core contractors who are newly hired or commencing new roles need to pay particular attention and promptly disclose any conflicts that might arise from their new role. Employees in senior roles will be required to certify in the annual integrity and

compliance certification whether or not they have disclosed all relevant conflicts of interest.

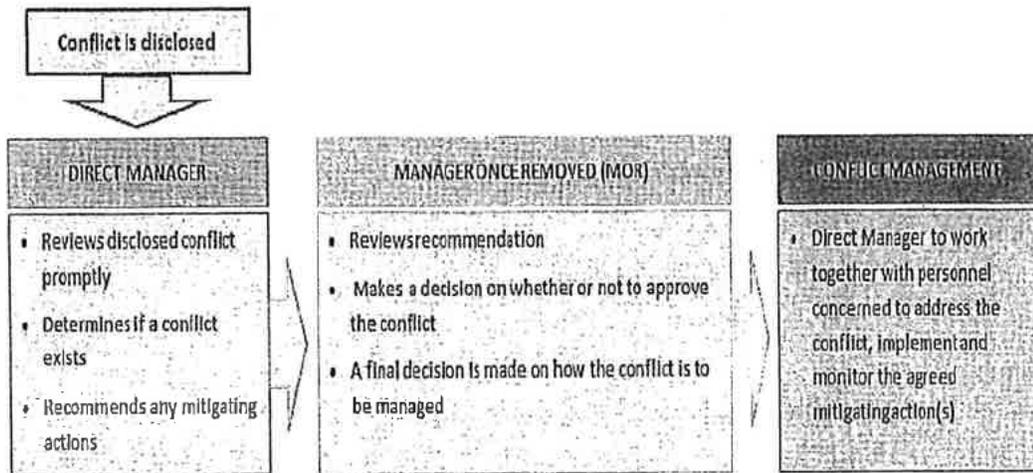
Who	When	How
All Rio Tinto employees and core contractors		Online, or paper-based register
On-going obligation to disclose		
Immediately on becoming aware of an actual or potential conflict of interest		
Senior roles (Band E and above) – Additional requirement		
Annual certification		

### 5.5 Managing a Conflict of Interest

It is essential for employees and core contractors who disclose conflicts of interest, have their conflict of interest situation managed consistently, fairly and transparently and in accordance with the process contained in the *Business integrity manual* (section 5).

A summary of the conflicts management process is presented in the table below.

#### Managing Conflicts of Interest



## 6.0 Third Party Due Diligence

### 6.1 Know your customer/supplier

A significant component of our business involves working with other non-Rio Tinto third parties whether it is the customers we sell to, suppliers we use to provide goods and services, joint venture partners, business partnerships, agents or acquisition and divestment targets.

In many cases Rio Tinto can suffer damage as a result of the activities of the third parties we interact with, or be held responsible for the illegal activities of our partners and agents, especially where we may be perceived as having approved or directed their activities. This may be in connection with a third party having been involved in bribery or other corruption, human rights issues, money laundering or other similar issues. It may also be as a result of the people that the third party deals with or the countries in which it operates. The third party may be legally allowed to conduct such activities locally but Rio Tinto may not be able to work with these third parties, because it is listed in the UK and Australia and has operations in the US, all of which have stricter regulations.

**Before engaging with any third party, each Group business is responsible for conducting an appropriate risk assessment on that third party and, if required, conducting an appropriate due diligence in accordance with the process contained in the *Business Integrity manual* (section 6).**

The conduct and results of the risk assessment and due diligence process should be documented and retained on file. The degree and manner of due diligence required should align with the risk assessment performed. The relevant business unit is responsible for ensuring an appropriate mitigation plan is in place for any issues identified.

On the renewal of any relationship with a third party the relevant Group business is responsible for ensuring that any previous risk assessment or due diligence is still valid and there have been no significant changes which would change the overall conclusion. If there have been significant changes, the business unit should consider revising the risk assessment and due diligence process.

Group businesses should consult with Rio Tinto Legal or Compliance or Global Security if they have any questions or concerns around the conduct of the risk assessment and due diligence exercises.

### 6.2 Joint Venture integrity and compliance processes

A joint venture is any business or venture in which a member of the Rio Tinto Group holds an interest of less than [100%].

Before entering into any joint venture (managed or non-managed), Group businesses must follow the joint venture processes contained in *Business Integrity manual* (section 6). These processes relate to due-diligence, contractual requirements designed to promote integrity and compliance within the joint venture, and monitoring.

## 7.0 Reporting of Violations

### 7.1 How do I report violations of this Standard?

Everyone at Rio Tinto has a responsibility to report violations of this Standard. Rio Tinto will take appropriate action on any reported violations.

**If you are aware of, or suspect, a violation of this Standard you must report the matter using one of the following reporting channels:**

You can:

- talk to your manager or supervisor – this is often the best person to contact first;
- contact your compliance manager;
- contact a Rio Tinto lawyer;
- contact Rio Tinto Compliance; or
- use *Speak-OUT*, our whistleblowing programme <sup>1</sup>.

Investigations and management of suspected violations will be carried out in accordance with the procedures contained in the *Investigations Procedure*, available on the *Prospect* portal (Compliance community).

No action will be taken against anyone for reporting in good faith a suspected violation of this Standard. However, baseless reports made with malicious intention will not be tolerated.

---

<sup>1</sup> Subject to local laws

## Glossary

**Associate** includes a:

- person with whom personal business is conducted;
- close friend;
- person who is a trustee of a trust in relation to which the employee or core contractor may benefit; or
- director or officer of a company or other entity over which the employee or core contractor has substantial control.

**Benefits** are things of value that are exchanged between Rio Tinto and an external party for which the recipient has not paid or paid less than market value.

**Bribery** is the offer, giving, demand or acceptance of a financial or other advantage to or from any person in order to improperly secure business or any other advantage.

**Core contractor** means the following:

- category 1 contractors ie essentially replacement persons engaged on temporary contracts to work under Rio Tinto supervision within existing operations. This could include both individuals employed through labour brokers and those employed as temporary staff;
- any external contractors, consultants and other service providers when performing internal duties or roles for Rio Tinto having access to internal systems and required to follow Rio Tinto procedures;
- anyone determined by a Group business to be a core contractor required to comply with Rio Tinto policies and procedures.

**Conflicts of interest** exist when your own personal interests (eg relationships, activities or obligations) are inconsistent or interfere with the interests of Rio Tinto or your duties to Rio Tinto.

**Daily allowances (per diems)** means a payment calculated on daily basis that estimates the reasonable cost of travel, meals, accommodation and other reasonable costs that an external party will incur to attend a Rio Tinto business meeting or event.

**Donations** are voluntary contributions made by Rio Tinto to an external party for a charitable purpose, where Rio Tinto is not paid nor receives anything tangible in return.

**Employee** includes directors, officers and staff (whether permanent or casual, full time or part time) and temporary hires employed directly by the Rio Tinto Group but do not include contractors and agents.

**Facilitation payments** are small payments normally made to lower-level employees as a personal benefit to them, to secure or speed up a performance of a routine action to which the payer is legally entitled (eg licences, permits, visas, customs clearance).

**Fraud** is any intentional or deliberate act to deprive Rio Tinto or an external party with whom Rio Tinto transacts, of anything of value by deception, or other unfair means.

**Gifts** mean anything of value given or received where the recipient does not pay fair market value.

**Government officials** include:

- employees of state owned enterprises or of a government agency or regulatory authority;
- employees of an international public organisation such as the United Nations, World Bank or International Monetary Fund;
- political party officials;
- individuals who hold or perform the duties of an appointment, office or position created by custom or convention, including some members of royal families and some tribal leaders;
- police officers; and
- children or other relatives of a government official.

**Group business** means a Rio Tinto product group; or a collection of global functions under the management of a Group executive.

**Group executive** means the product group chief executive or, in the case of global functions, their executive sitting on the Rio Tinto Executive committee.

**Other contributions** mean any other benefit given or received without consideration, which does not qualify as any of the more specific benefit categories (eg meals, gifts, entertainment, etc). For example, this would include daily allowances for living expenses (per diems).

**Per diems** refer to 'daily allowances'.

**Personal interest** includes your financial interests, your personal relationships, interests related to your other outside activities or other personal obligations.

**Relative** means an immediate family member and includes a spouse, partner, parent, child and sibling whether by blood, marriage or adoption (including in-laws) and includes anyone residing in a person's home (other than a tenant or domestic employee).

**Rio Tinto, Rio Tinto Group, or Group** means Rio Tinto plc, Rio Tinto Limited and any business which is directly or indirectly wholly or majority owned, or managed, by Rio Tinto plc or Rio Tinto Limited.

**Senior role** means a person in a Band E and above position.

**Sponsorship** means any contributions of anything of value towards an event, initiative, organisation or other promotional platforms which are owned or organised by an external party in exchange for Rio Tinto receiving something of business value in return, such as communication, marketing and/or advertising rights.

**SCHEDULE C**

Attached to and forming part of an Option Agreement between  
Shore Gold Inc., Kensington Resources Ltd. and Rio Tinto Exploration Canada Inc.

*“The Way We Work”*

RioTinto

June 2015

The way we work





*The way we work* symbolises what we stand for as a business. It makes clear how we behave according to our values of respect, integrity, teamwork and accountability.

Every day at Rio Tinto we find, mine and process the Earth's mineral resources with a relentless drive for improvement through innovative thinking and disciplined delivery. Our activities span the world and our products include aluminium (and bauxite and alumina), copper, diamonds, coal, uranium, gold, industrial minerals (borates, titanium dioxide, salt) and iron ore. The metals and minerals we supply help make modern life work and help the world to grow.

We will only succeed if we are inclusive and collaborate. We rely on the trust of each other and our partners, including host communities, governments, suppliers, customers, investors and the media. How we behave every day builds this trust and sets us apart from others. *The way we work* provides a clear framework for how we conduct our business, no matter where we work and where we are from. Importantly, it provides clear boundaries to help make the right choices.

*The way we work* applies to each of us as employees as well as consultants, agents, contractors and suppliers. We also strive to ensure these principles are respected by our joint venture partners and non-controlled companies.

We hope *The way we work* inspires the same pride and commitment in you that it does for both of us. We are immensely proud to work for a company that asks only the highest standards of ethical behaviour and is clearly guided by strong values at its heart.

In life or business, we are all judged by our reputation and how we respond to life's challenges. *The way we work* has stood the test of time for helping us do the right thing.

Warm regards,

Jan du Plessis  
Chairman

Sam Walsh  
Chief Executive



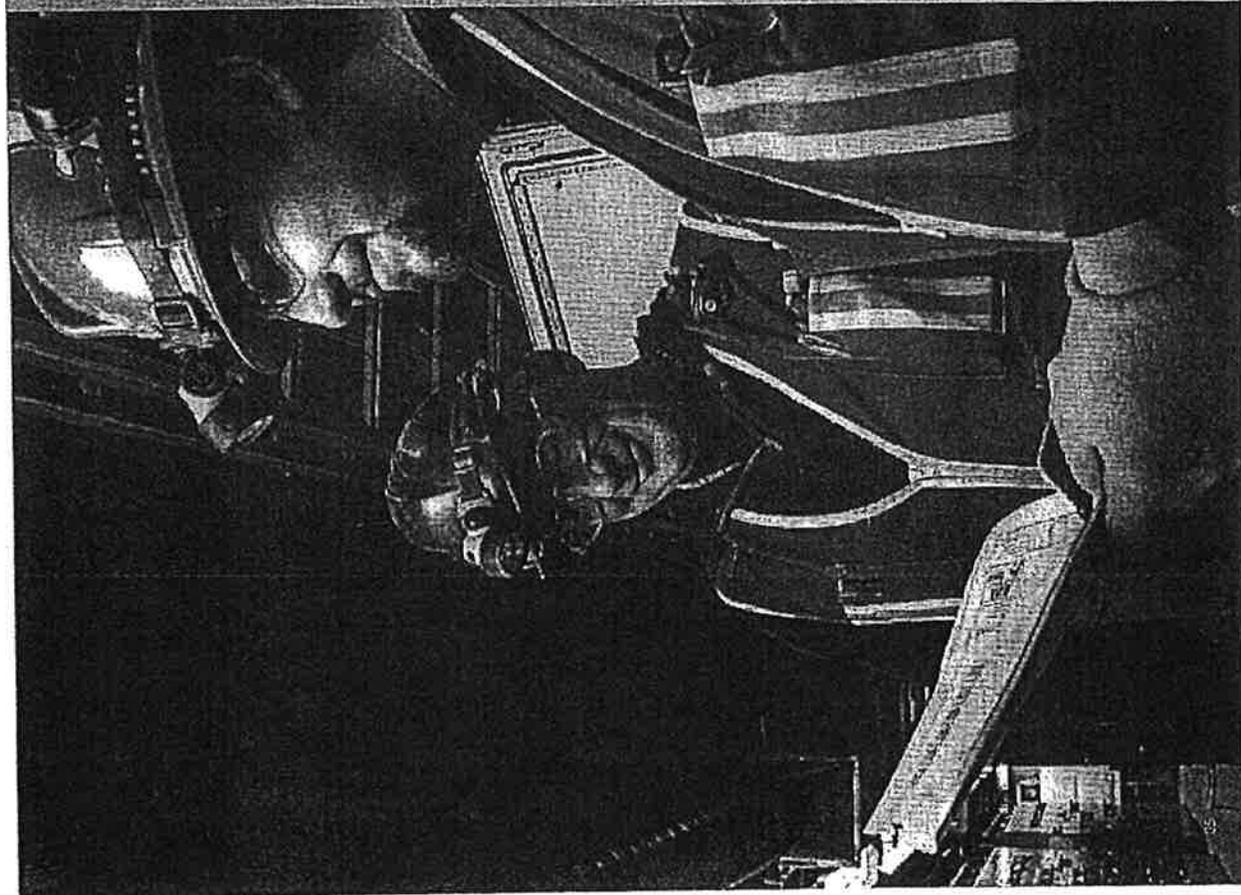
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# Respect

RESPECT

We recognise and consider the views of others and treat them as we would want to be treated.



## 1.1 Safety and health

We believe all fatalities, injuries and occupational illnesses are preventable. We commit to the goal of everyone going home safe and healthy every day.

- Each of us is responsible for working safely, adhering to our standards and caring for the health and safety of those around us.
- We must be fit for work when we come to work. This means, amongst other things, not possessing, consuming or being under the influence of alcohol or drugs while working on Rio Tinto business or on a Rio Tinto site.
- We expect others we work with, including consultants, agents, contractors and suppliers, to respect and adhere to our health and safety requirements.
- We have a responsibility to report and stop the work of colleagues if we think they are putting their health and safety or that of others at risk.

## 1.2 Employment and inclusion

We believe all employees have the right to a fair and inclusive working environment of which they are proud to be a part.

- We value diversity; we do not discriminate whether based on race, gender, nationality, ethnic origin, religion, age, sexual orientation or other status.
- We believe everyone should be treated with dignity and respect. Bullying, intimidation or harassment of any kind is not acceptable in our workplace.
- We are committed to meeting local laws and international agreements about workforce labour. We respect that people have the right to choose whether to belong to a union and seek to bargain collectively.
- We work with governments to share the economic benefits of developing a country's mineral resources with the communities in which we operate. This may include government requirements for us to favour local employment.



## 1.3 Human rights

We respect human rights and commit to avoid human rights harm.

- We support the United Nations' Universal Declaration of Human Rights and respect those rights wherever we operate.
- We take measures to prevent our involvement in human rights harm through our business relationships. We reject any form of slavery. We never use forced or child labour.
- We work with public and private security providers to avoid security arrangements that cause or contribute to human rights violations. We limit the use of firearms for the security of our sites as far as possible.

## 1.4 Data privacy

We respect each person's privacy. We comply with all laws in the collection, use and protection of personal information in connection with our business.

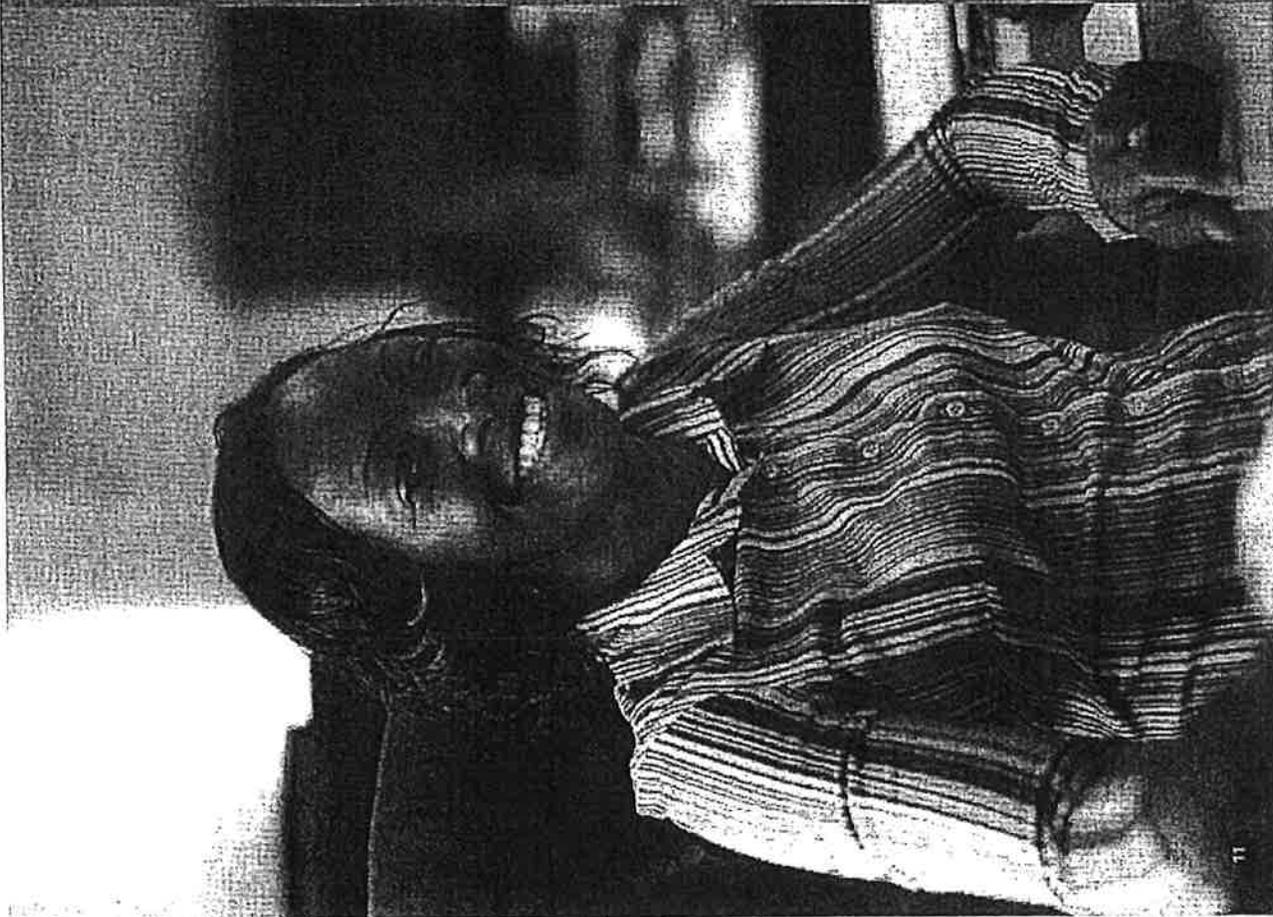
- We only collect and handle the personal information of our colleagues, shareholders, business partners, suppliers, customers and associated family or next of kin when needed for legitimate business purposes. We respect the rights each of us has to review, update and correct our information.
- We only share personal data with others when there is a legitimate business need or legal need for them to know it. We ensure they understand the importance of keeping the data private.
- When we work with others such as suppliers and consultants, we make clear the importance we place on privacy and the standards we expect.



# Integrity

We act fairly, honestly and consistently in what we say and do and we speak out when necessary.

INTEGRITY



## 2.1 Conflicts of interest

We ensure our personal activities and interests do not conflict with our responsibilities at Rio Tinto.

- We use good judgement to avoid conflicts of interest or even the appearance of a conflict.
- We declare actual and potential conflicts. Where a conflict cannot be avoided we manage it appropriately.
- We do not allow ourselves to obtain any personal advantage through our position or role within Rio Tinto.

## 2.2 Fair competition

We compete ethically and lawfully in all our activities.

- We believe in free and fair competition. We compete ethically and respect all applicable competition and antitrust laws across the globe.
- We do not obtain competitive information illegally or communicate false information regarding competitors.
- When we interact with competitors or potential competitors, we do not share confidential information which may impact how we all compete.

## 2.3 Bribery and corruption

We do not commit, or become involved in, bribery or corruption of any form.

- We do not buy business or favour, no matter where we operate, no matter what the situation is, no matter who is involved.
- We never offer, give, demand or accept any financial or other favour to, or from, any person in order to secure business or any other advantage.
- We do not use or make payments to speed up routine administrative actions.

## 2.4 Confidential information and insider trading

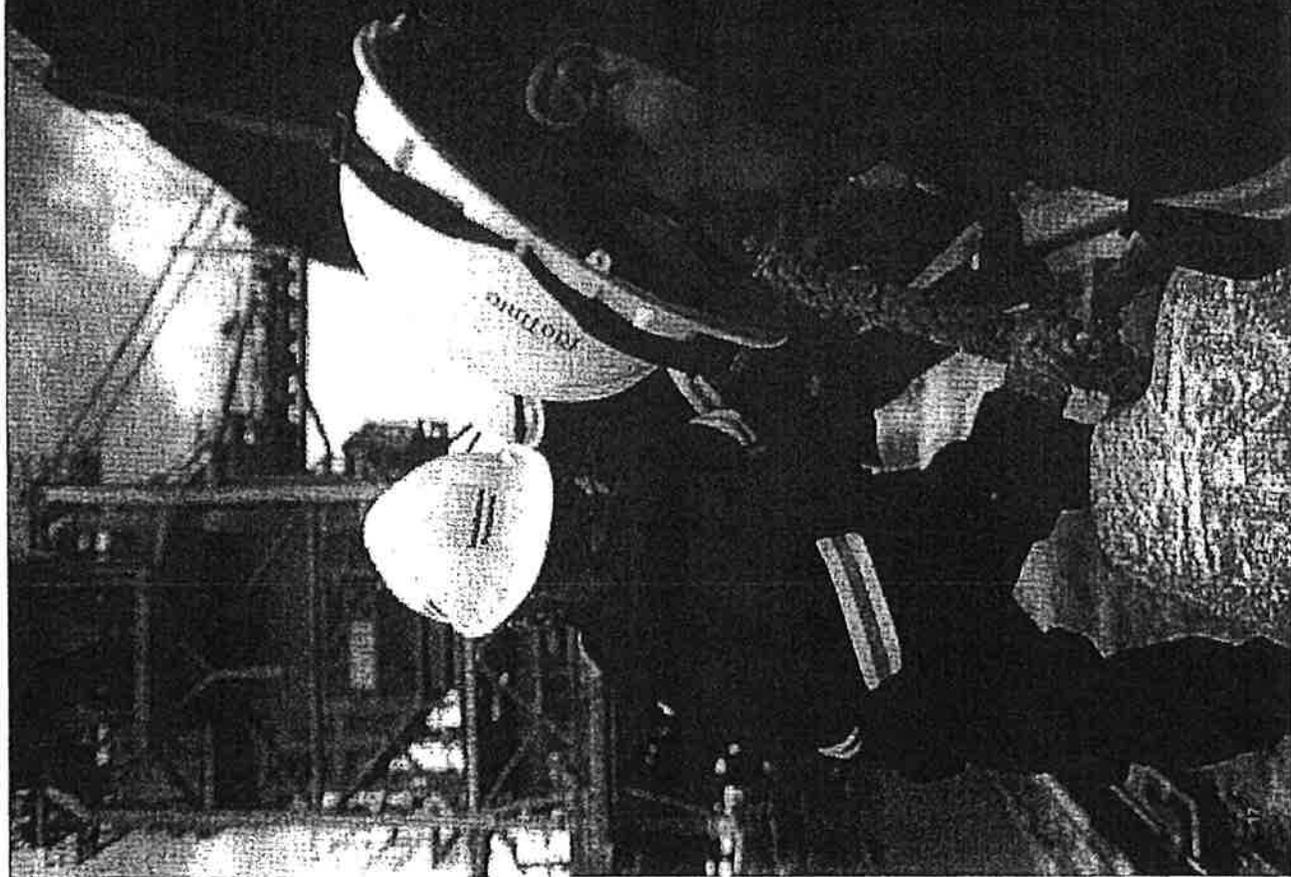
We protect our shareholders and ourselves by responsibly managing our own and third parties' confidential information. We never use it for personal advantage.

- Confidential information includes technical information about products or processes, vendor lists, pricing, marketing or service strategies, non-public financial reports, and information on asset sales, mergers and acquisitions.
- We are careful about where and to whom we talk about confidential information, and where and how we store it.
- We do not disclose or use any confidential information for personal profit or advantage.
- We do not share inside information with anyone else including our family and friends; we never commit the offence of insider dealing in Rio Tinto or third parties' securities.



# Teamwork

We work together and learn from each other to achieve our goals.



## 3.1 Host communities

We develop strong and lasting relationships with our local and regional host communities based on respect, a desire to learn and mutual benefit.

- Our relationships with local and regional communities are a key part of our projects and operations. We recognise and respect the cultures, lifestyles and heritage of our neighbours.
- We respect the diversity of indigenous peoples and acknowledge their unique and important interests in lands, waters and environment as well as their history and traditions.
- We work with communities in creating mutually beneficial agreements; we share and explore our plans with them in a format and language they understand.
- We encourage local communities to participate in the economic activity our operations create. We support regional and community based projects that contribute to sustainable and independent development.

## 3.2 Relations with government, international organisations and civil society

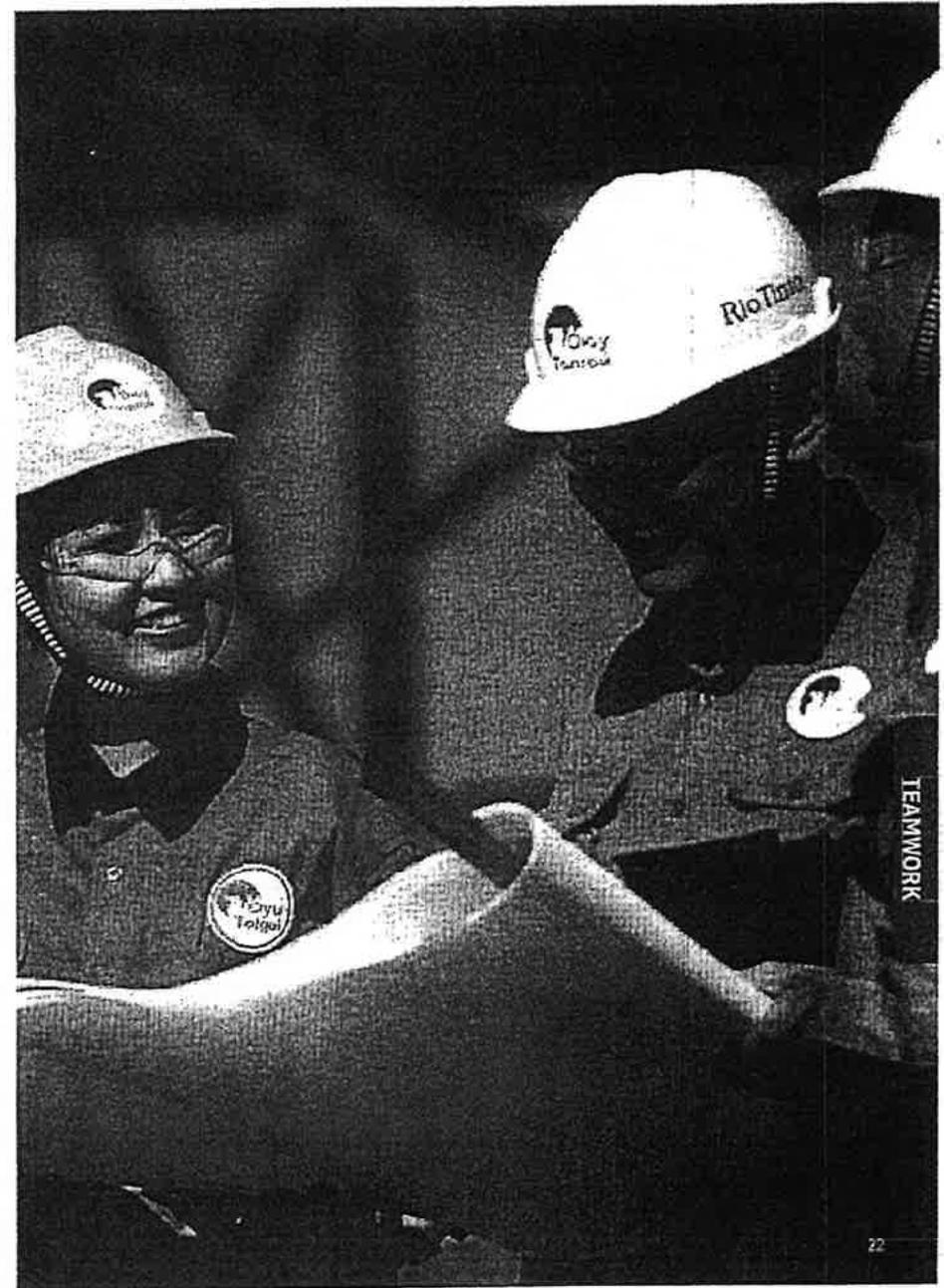
We build lasting relationships with governments and engage with international organisations and civil society to help develop robust policy and regulation. We do not favour any political party, group or individual.

- We engage on public policy and legislative issues that affect our business. We contribute useful information and share our experiences to help create sound policy and legislation.
- We respect the political process. As a company we do not involve ourselves in party political matters. We do not make any payments for the purposes of election or re-election.
- We do not restrict individual rights and freedoms; employees and contractors may support political parties, candidates or campaigns in their own time and with their own money.

### 3.3 Transparent communication

We build trust by communicating openly and honestly.

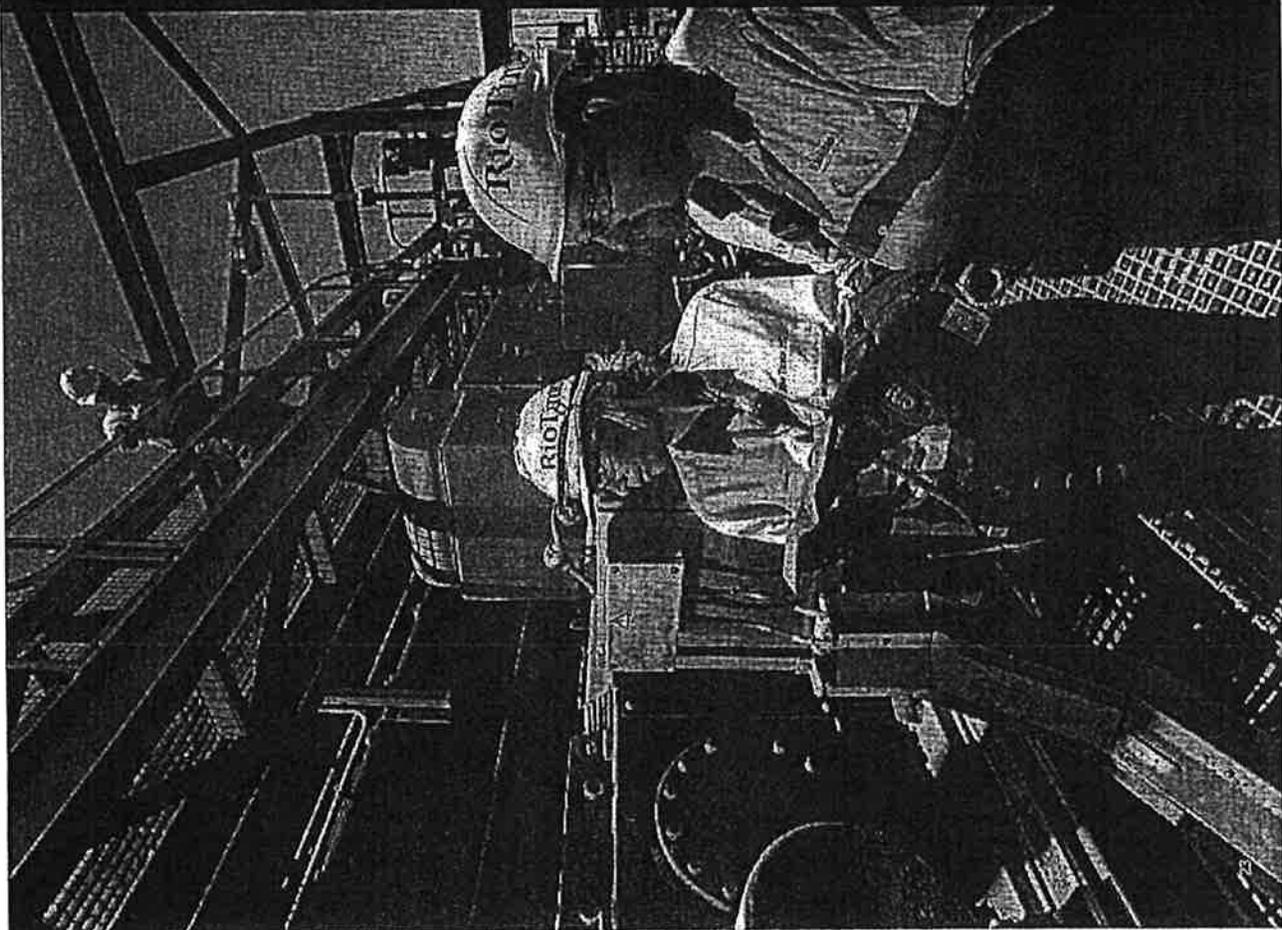
- We share accurate information about our operations and financial performance with our stakeholders, including media, investors and regulators.
- We comply with our market disclosure obligations and share material information that may affect how the market views Rio Tinto.
- We communicate openly and in a timely manner with employees and encourage honest conversations with each other.



# Accountability

We take responsibility for  
our actions and hold others  
to account for theirs.

ACCOUNTABILITY



## 4.1 Environment

We are committed to protecting the environmental values of the regions where we operate and maintaining good product stewardship for the long term.

- We understand and then mitigate the impacts our activities and products might have on the environment as we plan, build, operate, decommission and close our operations and work with our suppliers and customers.
- We collaborate with neighbouring communities and continually seek sustainable improvements to product life cycles, biodiversity, climate change, land use, water and air, and mine closure to provide us continued access to resources and markets.

## 4.2 Intellectual property

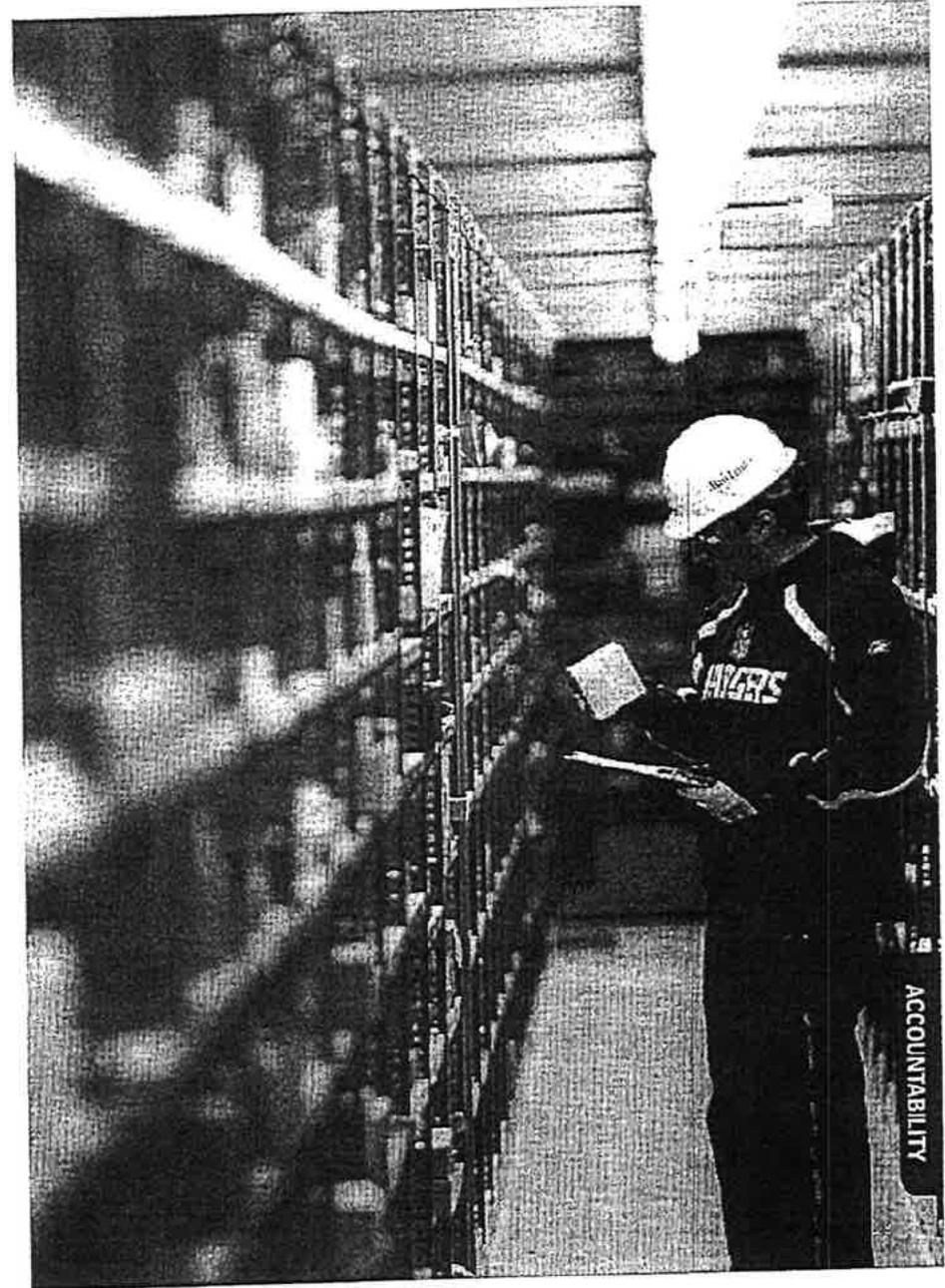
By protecting our intellectual property and respecting that of others, we keep our competitive advantage.

- We protect our intellectual property (patents, copyright, trademarks and trade secrets) and closely monitor for unauthorised use of our intellectual property by others.
- We respect the intellectual property of others, such as our suppliers, customers and competitors, and only use their intellectual property when authorised.

## 4.3 Company property and records

We use company property, financial and electronic resources to conduct company business and not for personal gain or non-authorized use.

- We do not obtain, use or divert company property or financial resources for personal use or benefit, for activity that causes a conflict of interest, or is inappropriate or illegal.
- We are provided with electronic resources such as email, internet and telephone, to help us do our jobs. We can occasionally use these resources for personal reasons if that use does not impact company systems, incur undue costs for the company or interfere with our work duties.
- We keep true and accurate records of all financial transactions and non-financial company materials.
- We do not alter, destroy or remove company property or company records unless authorized.



## Making the right choice

The way we work provides clear guidelines to a wide range of issues. See our website for more information on some of the key situations.

When faced with a dilemma, ask yourself:

- Are my actions consistent with *The way we work* and Rio Tinto policies and standards?
- What would I tell a friend or a member of my family to do?
- What might others think of my actions and how might it look on the front page of the newspaper?

You are in a dilemma. It's a very common situation. You need to make a choice.

### National laws and *The way we work*

In every country where we work,

we comply with applicable laws.

When deciding what to do about

the laws of a country, it's the

principles of *The way we work*

that we refer to. It's the same if you

use whichever is the more

protective. *The way we work*

is a set of principles and standards

that all Rio Tinto employees must

follow. It's the same if you

work in a country where the

laws are less strict than

in your home country. *The way we work*

is a set of principles and standards

that all Rio Tinto employees must

follow. It's the same if you

work in a country where the

laws are less strict than

in your home country. *The way we work*

Discuss any concerns with your line

manager. At more senior manager

levels, a need to make resources

stretch. It's also a good idea to

discuss any concerns with your

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**SCHEDULE D**

Attached to and forming part of an Option Agreement between  
Shore Gold Inc., Kensington Resources Ltd. and Rio Tinto Exploration Canada Inc.

*“Business Integrity Guidance”*

COM-B-001
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<b>Group Standard</b>	<b>Title: Business integrity standard</b>		
	<b>Function: Rio Tinto Compliance</b>		
	<b>No. of Pages: 20</b>		
<b>Approved by ExCo:</b> 23 June 2014	<b>Effective:</b> 1 October 2014	<b>Supersedes:</b> Antibribery due diligence standards, November 2009  Fraud standards and guidance notes, January 2010  Business Integrity (anti-corruption) standard, January 2012  Business Integrity (conflicts of interest) standard, July 2012	<b>No Audit Before:</b> 1 October 2015
<b>Owner:</b> Global head of Compliance	<b>Approver:</b> Rio Tinto Executive committee		<b>Target Audience:</b> All employees, Core contractors and other contractors as defined in the glossary section of this Standard
<b>Direct Linkages to other relevant Policies, Standards, Procedures or Guidance notes:</b> Business integrity manual Online Benefits register Online Conflicts disclosure register			
<b>Document purpose:</b> This Standard is key in meeting the following Rio Tinto business integrity commitments to: <ul style="list-style-type: none"> <li>• prohibit bribery and corruption in all its forms;</li> <li>• avoid, disclose and manage conflicts of interest;</li> <li>• prohibit fraud in all its forms.</li> </ul>			

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## Introduction

<p><b>What is this Standard about?</b></p>	<p>We have a "responsibility to work with integrity when acting on behalf of Rio Tinto". The <i>Business integrity standard</i> (the Standard) helps to ensure we meet that responsibility.</p> <p>This Standard is key in meeting the following Rio Tinto business integrity commitments to:</p> <ul style="list-style-type: none"> <li>• prohibit bribery and corruption in all its forms;</li> <li>• avoid, disclose and manage conflicts of interest;</li> <li>• prohibit fraud in all its forms.</li> </ul>
<p><b>Why is compliance with the Standard important?</b></p>	<ol style="list-style-type: none"> <li>1. <b>Living our values.</b> Conducting business with integrity is one of Rio Tinto's four core values set out in <i>The way we work</i>.</li> <li>2. <b>Protecting our reputation.</b> How we act when doing business determines Rio Tinto's reputation.</li> <li>3. <b>Ensuring sustainable business.</b> External stakeholders want to partner with a company that they can trust to do the right thing. Rio Tinto needs to comply with all relevant laws, including anti-bribery laws.</li> </ol>
<p><b>Who does the Standard apply to?</b></p>	<p>The general requirements in this Standard apply to all Group employees and core contractors, as well as all other contractors, consultants or outsourced service providers engaged by Rio Tinto. All must abide by the Standard's general requirements as they form a part of Rio Tinto's control framework.</p> <p>The procedural requirements in this Standard (for more detail see the <i>Business integrity manual</i>) apply only to Group businesses, employees and core contractors. These include the approval and recording procedures for benefits and conflicts of interest.</p> <p>Third parties acting on Rio Tinto's behalf (eg agents, lobbyists, travel planners, etc.) should be aware of and abide by the requirements of the Standard as they act on Rio Tinto's behalf and in Rio Tinto's name. However, the relevant Rio Tinto contact must perform the procedural requirements. For example, if an agent wants to offer a gift on behalf of Rio Tinto or is organising and paying airfares for a customer, the relevant Rio Tinto contact and manager must follow the approval procedures set out in the Standard.</p> <p>If there is a conflict between the requirements under this Standard and local laws, you should comply with the more stringent requirement. The global head of Compliance must approve any variance from this Standard.</p> <p>Compliance with this Standard is mandatory. Failure to comply may result in disciplinary action up to and including termination.</p>

<p><b>What is expected of you?</b></p>	<ul style="list-style-type: none"> <li>• To be fully aware of the Standard's requirements, regardless of your role.</li> <li>• Act and lead by example in behaviour and openness.</li> </ul>
	<ul style="list-style-type: none"> <li>• Communicate and implement this Standard in your area of responsibility.</li> <li>• Ensure transparent and accurate recording in the books and records.</li> <li>• Managers/supervisors should be accessible and able to assist employees with their queries or concerns and know how to escalate relevant matters to higher-levels of management and/or Rio Tinto Compliance, as appropriate.</li> </ul>
<p><b>Where can I get more information?</b></p>	<p>More detailed guidance on business integrity issues is available in the <i>Rio Tinto Business Integrity manual</i>. This is a 'how to' guide that has been developed for individuals who need a more detailed understanding of business integrity and its associated procedures at Rio Tinto.</p> <p>If you have any questions or are in any doubt as to whether any conduct would fall within the scope of this Standard, you should contact the compliance manager for the Group business that you work for or deal with. A listing of compliance managers is available on the <i>Prospect</i> portal (Compliance community). Alternatively, you can also send an email to a member of the Rio Tinto Compliance team; contact details are also available on the <i>Prospect</i> portal (Compliance community).</p> <p>A Glossary has been included at the end of the Standard which defines key terms.</p>

# 1.0 Bribery and Corruption

## 1.1 What is Bribery and Corruption?

Bribery is the offer, giving, demand or acceptance of a financial or other advantage to or from any person in order to improperly secure business or any other advantage.

Rio Tinto employees and core contractors must not commit, be a party to or be involved in bribery or corruption in any form.

<b>Key matters to remember:</b>
<b>Bribery and Corruption may involve anything of value, such as:</b> <ul style="list-style-type: none"><li>• Money</li><li>• Cash equivalents (eg gift, discount, store cards, cheques)</li><li>• Gifts</li><li>• Entertainment and other hospitality</li><li>• Travel and accommodation</li><li>• Favours or decisions (such as awarding jobs, contracts, licences, etc.)</li><li>• Sponsorships and donations</li></ul>
<b>Any person:</b> Bribery and corruption may involve dealings with government officials or with private individuals or enterprises.
<b>Direct or indirect:</b> Bribery and corruption may take place directly or indirectly, for example via a third party such as an agent.
<b>No actual bribe necessary:</b> The offer or demand of a bribe is prohibited under most external regulations; and this Standard. This means even if no bribe is ultimately paid it can still be construed as an offence.
<b>For the benefit of others:</b> You cannot accept a bribe for your own benefit or for the benefit of family, friends or someone else.

## 1.2 Facilitation Payments

Facilitation payments are small payments normally made to lower-level government officials as a personal benefit to them, to secure or speed up a performance of a routine action to which the payer is entitled (eg licences, permits, visas, customs clearance).

Facilitation payments:

- are a form of corruption;
- are illegal in most countries; and
- can open the door to more serious issues of corruption.

**Rio Tinto prohibits all facilitation payments.** However, if a payment has to be made due to a direct or imminent threat to personal safety or wellbeing and no alternative exists or can be foreseen given the circumstances, then such payments may be considered. You must exercise the best possible judgment and if a payment has been made ensure that it is:

- reported as soon as practicable to the relevant Group executive, global head of Compliance and head of Global Security; and
- recorded in Rio Tinto's books and records.

## 2.0 Fraud

### 2.1 What is Fraud?

A fraud is any intentional or deliberate act to deprive Rio Tinto or an external party with whom Rio Tinto transacts, of anything of value by deception, or other unfair means. This includes internal fraud, when an employee obtains personal gain through the deliberate misuse or misapplication of Rio Tinto's resources or assets.

**Fraud is a criminal offence and is a violation of this Standard. Individuals must not knowingly commit, or be a party to, or be involved in, fraud.**

<p>Fraud includes any theft or misappropriation of Rio Tinto funds or assets, which can include:</p> <ul style="list-style-type: none"><li>• Money</li><li>• Cash and cash equivalents</li><li>• Company credit card misuse</li><li>• Plant, equipment and inventory</li><li>• Confidential information, know-how and other intellectual property</li><li>• Employee and customer/supplier information</li></ul>
<p><b>Other fraudulent activities include:</b></p> <ul style="list-style-type: none"><li>• Falsifying accounting records or company books and records for the purpose of deception or to mislead others</li><li>• Overcharging on invoices</li><li>• Claiming of expenses never incurred or falsification of claims</li><li>• Money laundering</li><li>• Accounts receivables and payables fraud eg fictitious sales and refund entries, manipulating vendor details and creating bogus vendors</li></ul>

## 3.0 Benefits – Gifts and Hospitality

### 3.1 What are Benefits and when are they acceptable?

Benefits are things of value that are exchanged between Rio Tinto and an external party for which the recipient has not paid or paid less than market value. Benefits can be divided into the following categories:

- Gifts
- Meals
- Entertainment
- Travel and lodging expenses
- Other contributions

'Other contributions' are any other benefits given or received which do not come within the other specific categories. This would include, for example, daily allowances for living expenses (per diems).

### 3.2 Why are Benefits of concern?

Depending on their size, frequency and the circumstances, benefits can be perceived as improperly influencing business decisions and may be considered or perceived as a bribe.

Before giving or receiving a benefit, you should always ask yourself – could this action create an appearance of bad faith or improper behaviour? If the answer is yes, you must not offer or accept the benefit.

**You must not misuse your position within Rio Tinto to demand or receive benefits from external parties.**

If the recipient has direct or indirect decision-making responsibility over an anticipated or pending business decision that will affect Rio Tinto's interests, then special caution must be exercised.

Important considerations for benefits, including daily allowances for living expenses (per diems), cash benefits, are contained in the *Business Integrity manual* (section 3).

### 3.3 Key Principles that apply to ALL 'Benefits'

Benefits on a modest scale are commonly used to build goodwill and strengthen working relationships among business associates. Rio Tinto permits the giving and receiving of such benefits when they comply with all the key principles set out below.

**P1** The benefit must be permitted by local laws or regulations

**P2** You must never knowingly give a benefit if it breaches the recipient's internal policies and standards

**P3** The benefit must be given or received in good faith without expecting any benefit in return

**P4** There must be a legitimate business purpose

**P5** The benefit must be tasteful, decent and consistent with generally accepted standards for professional courtesy

**P6** The nature, value and frequency of the benefit must be appropriate to the occasion on which it is given and to the position or role of the recipient

**P7** The benefit must be transparently given or received. There must be sufficient documentation and information to identify the giver/recipient, the nature, value and purpose/occasion relating to the benefit.

### 3.4 Approval and recording of Benefits

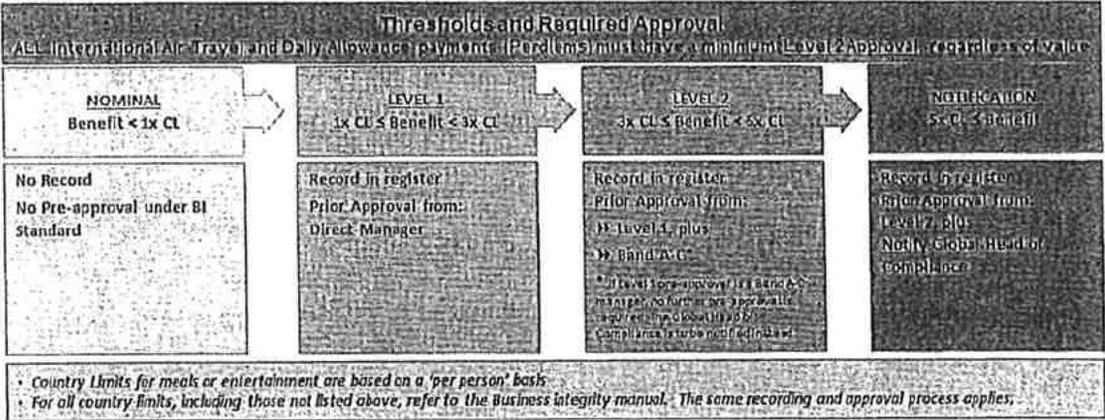
To avoid misperception and misunderstanding it is important that any benefits given or received are approved and accurately recorded. The table below gives a summary of the approval and recording process.

The limits given below provide a basic standard. Many companies and national government departments' have laws or internal rules that restrict what their staff and representatives can or cannot accept. In the event of a conflict between the limits in this Standard and a law or limit that is to be followed by the external party, the more stringent of the two should be applied. More information is available in the *Business integrity manual* (section 3).

**All Benefits – Limits/Recording/Approvals Process** (ie Gifts, Meals, Entertainment, Travel & lodging, Other contributions)

**Country Limits (CL) – Includes countries in which Rio Tinto has a presence**

<p><b>Group A: Country Limit</b>                  Travel &amp; lodging: USD 400                  All other benefit types: USD 250                  Americas: Canada, United States                  APAC: Australia, Japan, New Zealand, Singapore                  EMEA: Belgium, France, Germany, Iceland, Switzerland, United Kingdom</p>	<p><b>Group B: Country Limit</b>                  Travel &amp; lodging: USD 300                  All other benefit types: USD 150                  Americas: Argentina, Brazil, Chile                  APAC: China, Taiwan                  EMEA: Portugal, Russia, Spain</p>	<p><b>Group C: Country Limit</b>                  Travel &amp; lodging: USD 200                  All other benefit types: USD 100                  Americas: Peru                  APAC: Indonesia, India, Laos, Malaysia, Philippines, PNG, Thailand                  EMEA: Kazakhstan, Serbia, Cameroon, Democratic Republic of Congo, Guinea, Madagascar, Mozambique, Namibia, Oman, South Africa, Uzbekistan, Zimbabwe</p>
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**3.5 Dealing with government officials**

Although many countries punish corruption in both public and private sectors, the rules applied to dealings with government officials tend to be stricter. Some, government authorities have internal policies or laws that restrict or place limits on the value of benefits that can be paid to government officials. If giving a gift to a government official, you must ensure, to the extent possible, that the government official is legally allowed to receive a personal benefit.

At Rio Tinto, our recruitment process is merit based. When considering the appointment of government officials to a Rio Tinto company position, caution should be taken to avoid any situation where it could be perceived that the appointment was made to obtain favours or for other improper purposes. Group businesses require the approval of their Group executive to:

- engage a politician or government official as a consultant; or
- appoint a politician or government official to a company position with signing or approval authority.

**Government officials include:**

- employees of state owned enterprises or of a government agency or regulatory authority;

- employees of an international public organisation such as the United Nations, World Bank or International Monetary Fund;
- political party officials;
- individuals who hold or perform the duties of an appointment, office or position created by custom or convention, including some members of royal families and some tribal leaders;
- police officers; and
- children or other relatives of a government official.

If you are in doubt as to whether a person is a government official or the entity is a government owned enterprise, you should consult Rio Tinto Compliance or Legal.

## 4.0 Sponsorships and Donations

### 4.1 What are Sponsorships?

Sponsorships can provide a way for Rio Tinto to strengthen and promote the corporate brand. Sponsorships include any contributions of anything of value towards an event, initiative, organisation or other promotional platforms which are owned or organised by an external party. For example, sporting and cultural events, conferences, naming rights for a building or structure.

In the case of a sponsorship there is an expectation of Rio Tinto receiving something of business value in return, such as communication, marketing or advertising rights.

### 4.2 What are Donations?

Donations are a way for Rio Tinto to contribute to worthy causes and reflect the company as a responsible corporate citizen. They are voluntary contributions made by Rio Tinto to an external party for a charitable purpose, where Rio Tinto receives nothing tangible in return. If Rio Tinto, without requesting, receives things of minor value in return, the activity can still be classified as a donation. A donation can be a financial benefit or an in-kind donation.

For example, donations can be made up of:

- contributions to registered charities, requiring an official tax receipt to be produced; or
- other donations, which are contributions made to non-registered charities or individuals where an official tax receipt cannot be offered.

### 4.3 Why are Sponsorships and Donations an issue?

They can create problems if they are made to improperly influence business decisions. They can be seen as forms of corruption (for example, 'sponsoring', or 'donating' to illegitimate organisations can be used to conceal corrupt payments).

#### 4.4 Key Principles that apply to ALL 'Sponsorships and Donations'

All sponsorships and donations must comply with the following key principles:

P1 They must not be offered or given to improperly influence business decisions or obtain favours

P2 They must be transparent and there must be sufficient documentation to identify the recipient, value and purpose

P3 Sponsorships must be justified by a legitimate business purpose

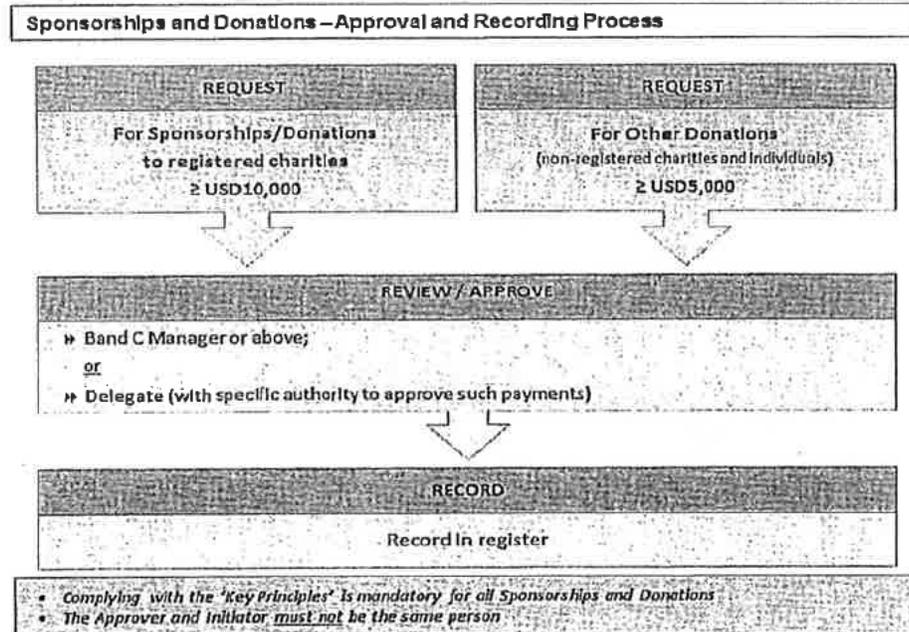
P4 Donations must be voluntary and given to external parties for charitable purposes

P5 They must not be used as conduits to divert funds to other unintended beneficiaries

#### 4.5 Recording and approval of Sponsorships and Donations

It is important that sponsorships and donations are approved and accurately recorded. The recording and approval process is contained in the *Business Integrity manual* (section 4).

A summary of the process is presented in the table below.



## 5.0 Conflicts of Interest

### 5.1 What is a Conflict of Interest?

A *conflict of interest* arises when your own personal interests (eg relationships, activities or obligations) are inconsistent or interfere with the interests of Rio Tinto or your duties to Rio Tinto. You are not allowed to obtain or provide any advantage as a result of a conflict of interest.

Learn to recognise all actual or potential conflicts of interest as they arise. Some common situations where conflicts can arise include:

#### Outside work interests

- You work for an external party that does (or could potentially do) business with, or compete with Rio Tinto. This includes working in any capacity, such as employment, consulting, advising, acting as agent, being a director or officer and volunteering.
- You have secondary employment or side-line work which leads to a decrease in your work performance or impacts your duties for Rio Tinto.

#### Investments and financial interests

You, a relative, or an associate has a significant ownership (5% and above) or controlling interest in an external party that does (or could potentially do) business with, or compete with Rio Tinto.

#### Relatives or associates who are government officials interacting with Rio Tinto

You have a relative or an associate who is a government official with whom Rio Tinto has (or could potentially have) some form of interaction or dealing. One example is, where the government official has a role in granting a permit or licence to Rio Tinto, or in an approval affecting Rio Tinto.

#### Other personal relationships

- You hire a relative or an associate as an employee, contractor or consultant.
- You have influence over the job performance evaluation or compensation of any person who is a relative or an associate.
- You have a relative or an associate who is employed by, or is a director of an external party that does (or could potentially do) business with, or competes with Rio Tinto.

## 5.2 Why should Conflicts of Interest be of concern?

While conflicts of interest should be avoided wherever possible, conflicts will sometimes happen and will need to be managed. Conflicts of interest can – if not identified, disclosed and managed effectively – cause you to be at risk of putting your private interests above the interests of Rio Tinto or perceived to be doing so. In some cases, conflicts of interest can give rise to serious wrongdoings, such as corruption.

- Conflicts of interest can cause others to question your actions, reputation and integrity.
- Conflicts of interest can cause severe consequences for you, your co-workers and Rio Tinto.
- Conflicts of interest are not in themselves a sign of wrongdoing – they are merely risks to be recognised and managed.

Be alert to situations that create or may create a conflict of interest during the course of your work at Rio Tinto. Even the perception of a conflict of interest could negatively affect you and/or Rio Tinto, potentially causing reputational harm and financial loss.

## 5.3 Key Principles that apply to managing and disclosing ALL 'Conflicts of Interest'

All conflicts of interest must comply with the following key principles:

**P1** You are not allowed to obtain or provide any advantage as a result of a conflict of interest

**P2** You have a duty to disclose your conflicts promptly through the *Conflicts disclosure register*

**P3** If you become aware of, or suspect the occurrence of a conflict of interest that may not have been disclosed, you must report the matter to your manager or a senior manager

## 5.4 When and how to disclose a Conflict of Interest?

As soon as you become aware of an actual or potential conflict of interest, it is important that you promptly disclose all relevant details according to the process outlined in the chart below.

Managers have a duty to prevent and detect conflicts of interest and to encourage all their employees and core contractors to disclose them.

Employees and core contractors who are newly hired or commencing new roles need to pay particular attention and promptly disclose any conflicts that might arise from their new role. Employees in senior roles will be required to certify in the annual integrity and

compliance certification whether or not they have disclosed all relevant conflicts of interest.

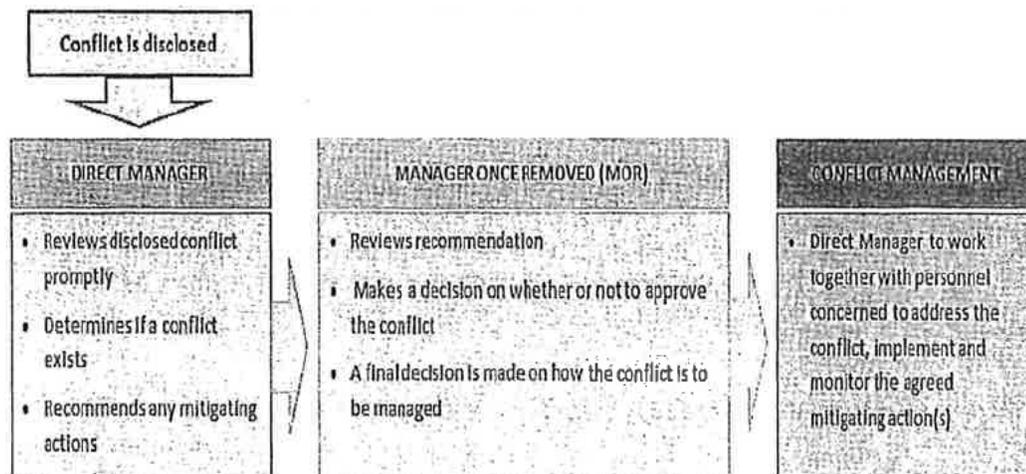
Who	When	How
All Rio Tinto employees and core contractors		Online, or paper-based register
On-going obligation to disclose Immediately on becoming aware of an actual or potential conflict of interest		
Senior roles (Band E and above) – Additional requirement		
Annual certification		

### 5.5 Managing a Conflict of Interest

It is essential for employees and core contractors who disclose conflicts of interest, have their conflict of interest situation managed consistently, fairly and transparently and in accordance with the process contained in the *Business integrity manual* (section 5).

A summary of the conflicts management process is presented in the table below.

#### Managing Conflicts of Interest



## 6.0 Third Party Due Diligence

### 6.1 Know your customer/supplier

A significant component of our business involves working with other non-Rio Tinto third parties whether it is the customers we sell to, suppliers we use to provide goods and services, joint venture partners, business partnerships, agents or acquisition and divestment targets.

In many cases Rio Tinto can suffer damage as a result of the activities of the third parties we interact with, or be held responsible for the illegal activities of our partners and agents, especially where we may be perceived as having approved or directed their activities. This may be in connection with a third party having been involved in bribery or other corruption, human rights issues, money laundering or other similar issues. It may also be as a result of the people that the third party deals with or the countries in which it operates. The third party may be legally allowed to conduct such activities locally but Rio Tinto may not be able to work with these third parties, because it is listed in the UK and Australia and has operations in the US, all of which have stricter regulations.

**Before engaging with any third party, each Group business is responsible for conducting an appropriate risk assessment on that third party and, if required, conducting an appropriate due diligence in accordance with the process contained in the *Business Integrity manual* (section 6).**

The conduct and results of the risk assessment and due diligence process should be documented and retained on file. The degree and manner of due diligence required should align with the risk assessment performed. The relevant business unit is responsible for ensuring an appropriate mitigation plan is in place for any issues identified.

On the renewal of any relationship with a third party the relevant Group business is responsible for ensuring that any previous risk assessment or due diligence is still valid and there have been no significant changes which would change the overall conclusion. If there have been significant changes, the business unit should consider revising the risk assessment and due diligence process.

Group businesses should consult with Rio Tinto Legal or Compliance or Global Security if they have any questions or concerns around the conduct of the risk assessment and due diligence exercises.

### 6.2 Joint Venture integrity and compliance processes

A joint venture is any business or venture in which a member of the Rio Tinto Group holds an interest of less than [100%].

Before entering into any joint venture (managed or non-managed), Group businesses must follow the joint venture processes contained in *Business Integrity manual* (section 6). These processes relate to due-diligence, contractual requirements designed to promote integrity and compliance within the joint venture, and monitoring.

## 7.0 Reporting of Violations

### 7.1 How do I report violations of this Standard?

Everyone at Rio Tinto has a responsibility to report violations of this Standard. Rio Tinto will take appropriate action on any reported violations.

**If you are aware of, or suspect, a violation of this Standard you must report the matter using one of the following reporting channels:**

You can:

- talk to your manager or supervisor – this is often the best person to contact first;
- contact your compliance manager;
- contact a Rio Tinto lawyer;
- contact Rio Tinto Compliance; or
- use *Speak-OUT*, our whistleblowing programme<sup>1</sup>.

Investigations and management of suspected violations will be carried out in accordance with the procedures contained in the *Investigations Procedure*, available on the *Prospect* portal (Compliance community).

No action will be taken against anyone for reporting in good faith a suspected violation of this Standard. However, baseless reports made with malicious intention will not be tolerated.

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<sup>1</sup> Subject to local laws

## Glossary

**Associate** includes a:

- person with whom personal business is conducted;
- close friend;
- person who is a trustee of a trust in relation to which the employee or core contractor may benefit; or
- director or officer of a company or other entity over which the employee or core contractor has substantial control.

**Benefits** are things of value that are exchanged between Rio Tinto and an external party for which the recipient has not paid or paid less than market value.

**Bribery** is the offer, giving, demand or acceptance of a financial or other advantage to or from any person in order to improperly secure business or any other advantage.

**Core contractor** means the following:

- category 1 contractors ie essentially replacement persons engaged on temporary contracts to work under Rio Tinto supervision within existing operations. This could include both individuals employed through labour brokers and those employed as temporary staff;
- any external contractors, consultants and other service providers when performing internal duties or roles for Rio Tinto having access to internal systems and required to follow Rio Tinto procedures;
- anyone determined by a Group business to be a core contractor required to comply with Rio Tinto policies and procedures.

**Conflicts of interest** exist when your own personal interests (eg relationships, activities or obligations) are inconsistent or interfere with the interests of Rio Tinto or your duties to Rio Tinto.

**Daily allowances (per diems)** means a payment calculated on daily basis that estimates the reasonable cost of travel, meals, accommodation and other reasonable costs that an external party will incur to attend a Rio Tinto business meeting or event.

**Donations** are voluntary contributions made by Rio Tinto to an external party for a charitable purpose, where Rio Tinto is not paid nor receives anything tangible in return.

**Employee** includes directors, officers and staff (whether permanent or casual, full time or part time) and temporary hires employed directly by the Rio Tinto Group but do not include contractors and agents.

**Facilitation payments** are small payments normally made to lower-level employees as a personal benefit to them, to secure or speed up a performance of a routine action to which the payer is legally entitled (eg licences, permits, visas, customs clearance).

**Fraud** is any intentional or deliberate act to deprive Rio Tinto or an external party with whom Rio Tinto transacts, of anything of value by deception, or other unfair means.

**Gifts** mean anything of value given or received where the recipient does not pay fair market value.

**Government officials** include:

- employees of state owned enterprises or of a government agency or regulatory authority;
- employees of an international public organisation such as the United Nations, World Bank or International Monetary Fund;
- political party officials;
- individuals who hold or perform the duties of an appointment, office or position created by custom or convention, including some members of royal families and some tribal leaders;
- police officers; and
- children or other relatives of a government official.

**Group business** means a Rio Tinto product group; or a collection of global functions under the management of a Group executive.

**Group executive** means the product group chief executive or, in the case of global functions, their executive sitting on the Rio Tinto Executive committee.

**Other contributions** mean any other benefit given or received without consideration, which does not qualify as any of the more specific benefit categories (eg meals, gifts, entertainment, etc). For example, this would include daily allowances for living expenses (per diems).

**Per diems** refer to 'daily allowances'.

**Personal interest** includes your financial interests, your personal relationships, interests related to your other outside activities or other personal obligations.

**Relative** means an immediate family member and includes a spouse, partner, parent, child and sibling whether by blood, marriage or adoption (including in-laws) and includes anyone residing in a person's home (other than a tenant or domestic employee).

**Rio Tinto, Rio Tinto Group, or Group** means Rio Tinto plc, Rio Tinto Limited and any business which is directly or indirectly wholly or majority owned, or managed, by Rio Tinto plc or Rio Tinto Limited.

**Senior role** means a person in a Band E and above position.

**Sponsorship** means any contributions of anything of value towards an event, initiative, organisation or other promotional platforms which are owned or organised by an external party in exchange for Rio Tinto receiving something of business value in return, such as communication, marketing and/or advertising rights.