



License No.

105884

File No. 1408327

THIS AGREEMENT dated for reference the 31st day of December, 1997.

IN PURSUANCE of the *LAND ACT* (Section 39).

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF THE
PROVINCE OF BRITISH COLUMBIA, represented
by the Minister of Environment, Lands and Parks,
Parliament Buildings, Victoria, British Columbia

(hereinafter called the "Owner")

OF THE FIRST PART

AND:

RENEW FOREST PRODUCTS LTD. (Inc. No. 495,897)
PO 377, 3rd Street, 14th Avenue
Sointula, British Columbia
V0N 3E0

(hereinafter called the "Licensee")

OF THE SECOND PART

WITNESS THAT WHEREAS the Owner has agreed to grant to the Licensee a license over that parcel of land described in the schedule attached entitled Legal Description (hereinafter referred to as the "Land");

NOW THEREFORE in consideration of the fee to be paid by and the covenants of the Licensee, the parties agree as follows:

Article I - Grant of License

- (1.01) The Owner, on the terms set forth herein, hereby grants to the Licensee a license to enter on the Land for *portable sawmill, storage and office space purposes*.

Article II - Duration

- (2.01) The duration of the license and the rights herein granted shall be for a *term of 10 years commencing on the 31st day of December, 1997* (hereinafter called the "Commencement Date") unless cancelled in accordance with the terms hereof.

Article III - License Fee

- (3.01) The Licensee shall pay to the Owner, in advance, on the Commencement Date, the license fee as prescribed in the attached Fee Schedule.

Article IV - Covenants of the Licensee**(4.01) The Licensee covenants with the Owner**

- (a) to pay the license fee due at the address of the Owner first above written or at such other place as the Owner may specify from time to time;
- (b) to pay and discharge when due all applicable taxes, levies, charges and assessments now or hereafter assessed, levied or charged which relate to the Land or any improvements thereon (herein called "Realty Taxes") which the Licensee is liable to pay;
- (c) to observe, abide by and comply with all applicable laws, bylaws, orders, directions, ordinances and regulations of any competent government authority in any way affecting the Land and improvements situate thereon, or their use and occupation;
- (d) not to commit or suffer any willful or voluntary waste, spoil or destruction on the Land or do or suffer to be done thereon anything that may be or become a nuisance or annoyance to the owners or occupiers of adjoining land;
- (e) to deliver to the Owner from time to time, upon demand, proof of insurance provided for in subsection (k), receipts or other evidence of payment of Realty Taxes, insurance premiums and other monetary obligations of the Licensee required to be observed by the Licensee pursuant to this license;
- (f) to indemnify and save the Owner harmless against all losses, damages, costs and liabilities, including fees of solicitors and other professional advisors arising out of:
 - (i) any breach, violation or non-performance of any covenant, condition or agreement in this license by the Licensee,
 - (ii) any personal injury, death or property damage occurring on the Land or happening by virtue of the Licensee's occupation of the Land, and the Owner may add the amount of such losses, damages, costs and liabilities to the license fee and the amount so added shall be payable to the Owner immediately;
- (g) to keep the Land in a safe, clean and sanitary condition satisfactory to the Owner and to make clean and sanitary any portion of the Land or any improvement that the Owner may direct by notice in writing to the Licensee;
- (h) to permit the Owner, or his authorized representative to enter upon the Land at any time to examine its condition;
- (i) to use and occupy the Land in accordance with the provisions of this license including those set forth in any Special Proviso Schedule;
- (j) on the expiration or at the earlier cancellation of this license
 - (i) to quit peaceably and deliver possession of the Land to the Owner,
 - (ii) to remove all buildings, machinery, plant equipment and apparatus and all other improvements to or things on the Land, from the Land,
 - (iii) to restore the surface of the Land to the satisfaction of the Owner, and to the extent necessary, this covenant shall survive the expiration or cancellation of this license;
- (k) to effect and keep in force during the term, insurance protecting the Owner and the Licensee (without any rights of cross-claim or subrogation against the Owner) against claims for personal injury, death, property damage or third party or public liability claims arising from any accident or occurrence on the Land to an amount not less than \$1,000,000.00 PROVIDED, however, that the Owner may, in his sole discretion, waive the requirements of this subsection on the delivery to the Owner of evidence that the Licensee is self-insured;

- (l) notwithstanding subsection (k) of section 4.01, the Owner may from time to time notify the Licensee that the amount of insurance posted by the Licensee pursuant to that subsection be changed and the Licensee shall, within 60 days of receiving such notice, cause the amount of insurance posted, pursuant to subsection (k) of section 4.01 to be changed to the amount specified in the notice and deliver to the Owner written confirmation of the change except that when the Licensee is self-insuring this section shall not apply;
- (m) not to interfere with the activities of any other person to enter on and use the Land under a prior or subsequent license granted by the Owner;
- (n) not to cut or remove, or both, Crown timber from the Land without
 - (i) the prior written consent of the Owner, AND
 - (ii) being granted the right to harvest Crown timber from the Land pursuant to an agreement issued under the *Forest Act*.

Article V - Assignment

- (5.01) The Licensee shall not assign this license or sublicense any part of the Land without the prior written consent of the Owner.

Article VI - Cancellation

- (6.01) In the event that
- (a) the Owner requires the Land for his own use or in his sole discretion, considers that it is in the public interest to cancel the rights herein granted, in whole or in part;
 - (b) the Licensee ceases to use the Land for the purposes permitted herein;
 - (c) the Owner, in his sole discretion, considers that it is no longer necessary for the Licensee to use the Land for the purposes permitted herein;
- the Owner may on 90 days written notice to the Licensee, cancel this license and the rights herein granted, in whole or in part.
- (6.02) In the event that the Licensee fails to observe or perform any of the covenants, agreements, provisions or conditions contained herein, and such failure continues for a period of 60 days next after the giving of written notice by the Owner to the Licensee of the nature of the failure, the Owner may cancel this license in accordance with the *Land Act* and, notwithstanding subsection (j) of section 4.01, any building, machinery, plant equipment, and apparatus and all other improvements to the Land shall become, at the discretion of the Owner, the property of the Owner.
- (6.03) In the event that
- (a) the license hereby granted should be taken in execution or attachment by any person or the Licensee commits an act of bankruptcy, becomes insolvent or is petitioned into bankruptcy or voluntarily enters into an arrangement with his creditors;
 - (b) The Owner discovers that the Licensee either in his application for this license or otherwise has, in the opinion of the Owner, misrepresented or withheld any fact material to the application;
- the Owner may on 90 days written notice to the Licensee, cancel this license and the rights herein granted.
- (6.04) Thirty days after the expiration or cancellation of this license, any improvement or fixtures that remain unremoved from the Land shall be absolutely forfeited to and become the property of the Owner and the Owner may remove them from the

Land and the Licensee shall, on demand, compensate the Owner for all costs incurred by the Owner respecting their removal.

- (6.05) The Licensee shall not be entitled to any compensation, whether for damages or otherwise, in respect of a cancellation of this license by the Owner under this Article.

Article VII - Security

- (7.01) The security in the sum of \$3,000.00 and all rights, privileges, benefits and interests accruing thereto delivered by the Licensee to the Owner (herein called the "Security") to guarantee the performance of the Licensee's obligations under this license shall be maintained in effect until such time as the Owner certifies in writing that such obligations have been fully performed; provided, however, that the Owner may, in his sole discretion, waive the requirements of this subsection.
- (7.02) In the event the Licensee should default in the performance of any of his obligations hereunder, it shall be lawful for the Owner, in his sole discretion, to sell, call in and convert the Security, or any part of it, and such Security shall be deemed to have been absolutely forfeited to the Owner.
- (7.03) The rights of the Owner under this Article shall be deemed to continue in full force and effect notwithstanding the expiration or earlier cancellation of this license.
- (7.04) Notwithstanding any amount of Security stated to be required under section 7.01 the Owner may, from time to time by notice to the Licensee, demand the amount to be changed to that specified in a notice and the Licensee shall, within 60 days of such notice, change the Security to that specified and provide the Owner with evidence of the change, except that when no Security is required under section 7.01 this section shall not apply.

Article VIII - Notice

- (8.01) Where service of a notice or a document is required under this license, the notice or document shall be in writing and shall be deemed to have been served if delivered to, or if sent by prepaid registered mail addressed to, the Owner and the Licensee at the addresses specified for each on the first page of this license, and where service is by registered mail the notice or document shall be conclusively deemed to have been served on the eighth day after its deposit in a Canada Post office at any place in Canada.
- (8.02) Either party may, by notice in writing to the other, specify another address for service of notices under this license and where another address is specified under this section, notices shall be mailed to that address in accordance with this Article.
- (8.03) Notwithstanding section 8.01, any written notice to be served or given by the Owner to the Licensee under this license shall be effectively given or served by posting the same in a conspicuous place on the Land.

Article IX - Miscellaneous

- (9.01) No term, condition, covenant or other provision herein shall be considered to have been waived by the Owner unless such waiver is expressed in writing by the Owner. Any such waiver of any term, condition, covenant or other provision herein shall not be construed as or constitute a waiver of any further or other breach of the same or any other term, condition, covenant, or other provision and the consent or approval of the Owner to any act by the Licensee requiring the consent or approval of the Owner shall not be considered to waive or render unnecessary such consents or approvals to any subsequent similar act by the Licensee.

- (9.02) No remedy conferred upon or reserved to the Owner is exclusive of any other remedy herein or provided by law, but such remedy shall be cumulative and shall be in addition to any other remedy herein or hereafter existing at law, in equity, or by statute.
- (9.03) This license is subject to:
- (a) all subsisting grants to or rights of any person made or acquired under the *Coal Act, Forest Act, Mineral Tenure Act, Petroleum and Natural Gas Act, Range Act, Water Act* or *Wildlife Act* or any extension or renewal of the same, whether or not the Licensee has actual notice of them;
 - (b) the exceptions and reservations of rights, interests, privileges and titles referred to in section 50 of the *Land Act*; AND
 - (c) any prior disposition made pursuant to the *Land Act*.
- (9.04) The Licensee acknowledges and agrees with the Owner that
- (a) any interference with the rights of the Licensee under this license by virtue of the exercise or operation of the rights, privileges or interests described in section 9.03 shall not constitute a breach of the Owner's obligations hereunder and the Licensee releases and discharges the Owner from and against any claim for loss or damage arising directly or indirectly out of any such interference;
 - (b) all costs and expenses, direct or indirect, that arise out of any interference by the Licensee with the rights, privileges and interests described in section 9.03 shall be borne solely by the Licensee;
 - (c) he shall not commence or maintain proceedings under section 65 of the *Land Act* in respect of any interference with his rights hereunder arising directly or indirectly out of the exercise or operation of the rights, privileges or interests described in section 9.03; AND
 - (d) all schedules attached to this license form an integral part of this license.
- (9.05) This license shall not entitle the Licensee to exclusive possession of the Land, and the Owner may grant licenses to others to use the Land for any purpose other than that permitted herein, so long as the grant does not materially affect the exercise of the Licensee's rights hereunder. The question of whether a grant materially affects the exercise of the Licensee's rights hereunder shall be determined by the Owner in his sole discretion.
- (9.06) The terms and provisions of this license shall extend to, be binding upon and enure to the benefit of the parties hereto and their successors and permitted assigns.
- (9.07) Time is of the essence in this agreement.

Article X - Interpretation

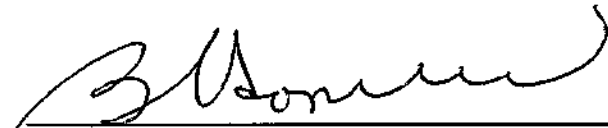
- (10.01) In this license, unless the context otherwise requires, the singular includes the plural and the masculine includes the feminine gender and a corporation.
- (10.02) The captions and headings contained in this license are for convenience only and are not to be construed as defining or in any way limiting the scope or intent of the provisions herein.
- (10.03) Where in this license there is a reference to an enactment of the Province of British Columbia or of Canada, that reference shall include a reference to any subsequent enactment of like effect, and unless the context otherwise requires, all statutes referred to herein are enactments of the Province of British Columbia.
- (10.04) If any section of this license or any part of a section is found to be illegal or unenforceable, that part or section, as the case may be, shall be considered

separate and severable and the remaining parts or sections, as the case may be, shall not be affected thereby and shall be enforceable to the fullest extent permitted by law.

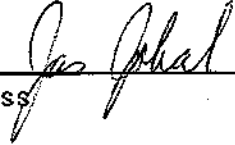
IN WITNESS WHEREOF, the parties have executed this license as of the day and year first above written.

SIGNED on behalf of HER
MAJESTY THE QUEEN IN RIGHT
OF THE PROVINCE OF BRITISH
COLUMBIA by a duly authorized
representative of the Minister of
Environment, Lands and Parks in
the presence of:

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For the Minister of Environment, Lands and Parks

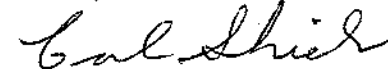

Witness

SIGNED on behalf of
RENEW FOREST PRODUCTS LTD.
by a duly authorized signatory
in the presence of:

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Authorized Signatory


Witness





Ministry of
Environment,
Lands and Parks

Legal Description Schedule

License No.

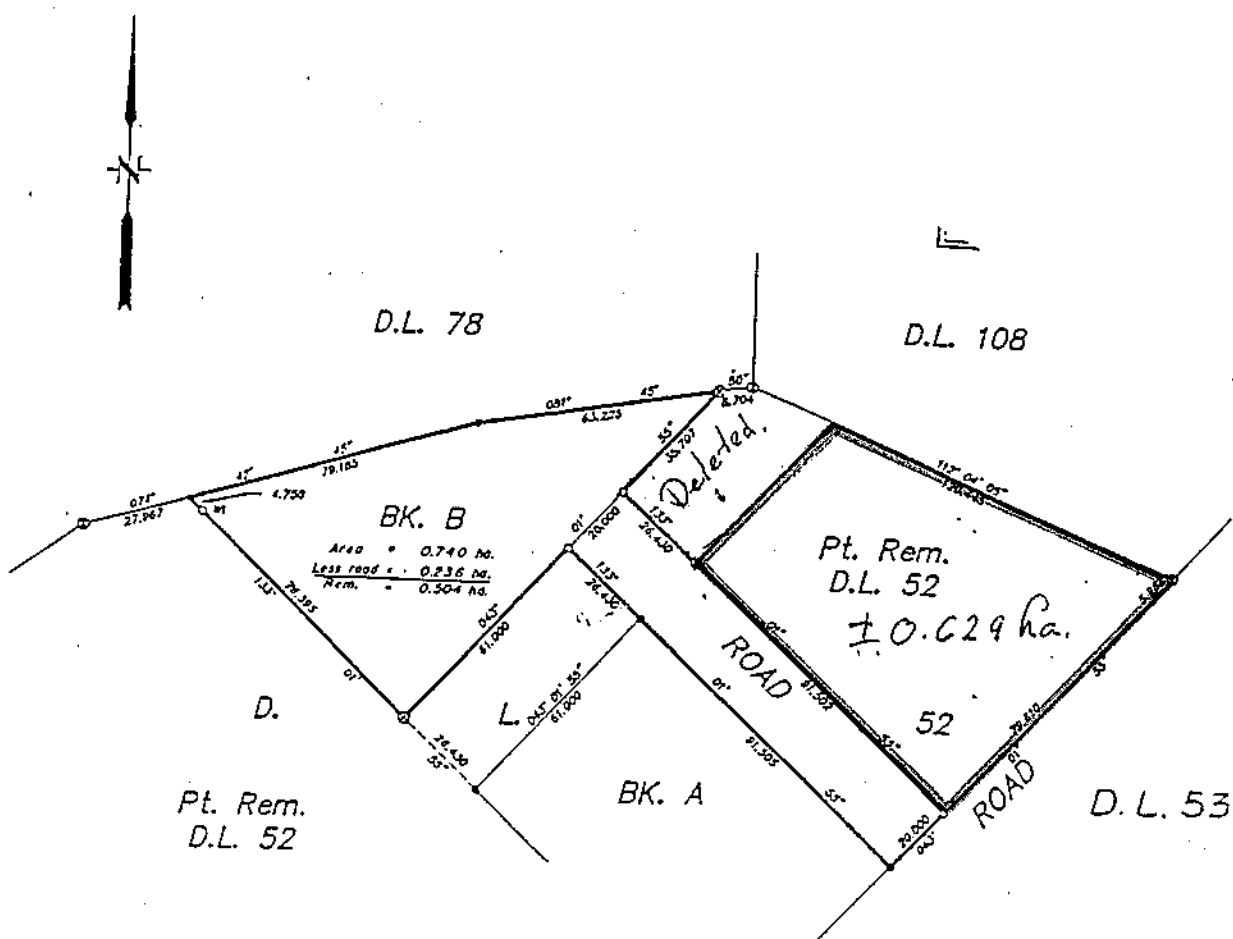
105884

File No. 1408327

1. Legal Description

That part of District Lot 52, Nootka District, shown outlined on sketch below, containing 0.629 hectares, more or less.

2. Sketch Plan



Scale = 1:2000

COMPILED FROM: OFFICIAL PLAN 15 T 1620



**BRITISH
COLUMBIA**

Ministry of
Environment,
Lands and Parks

SPECIAL PROVISIO SCHEDULE

License No.

105884

File No. 1408327

1. The Licensee covenants and agrees to develop the Land, in a diligent and workmanlike manner, in accordance with the Development Plan held on file at the office of the Owner.
2. The Licensee covenants and agrees that at the request of the Owner the Licensee shall have a boundary survey of the Land completed by a British Columbia Land Surveyor under instructions from the Surveyor General, which shall be completed within 12 months of the request and at the expense of the Licensee.



FEE SCHEDULE

License No.

105884

File No. 1408327

1. THE FEE SHALL BE

- (a) for the first year of the term, a fee of \$2,633.00 payable in advance on the Commencement Date, the receipt and sufficiency of which is hereby acknowledged; AND
 - (b) during the balance of the term, the annual fee determined by the Owner under this Schedule, payable in advance, beginning on the first anniversary of the Commencement Date and thereafter on each successive anniversary of that date.
2. The Owner shall, in each year of the term not later than 15 days before the anniversary of the Commencement Date during those years, give written notice to the Licensee specifying the annual fee payable for the immediately succeeding year of the term and the annual fee specified in the notice shall constitute conclusive evidence of the annual fee payable for the year of the term specified in it.
3. If the Owner does not give notice to the Licensee under section 2, the annual fee payable for that year shall be equal to the annual fee payable for the immediately preceding year of the term.



Ministry of
Environment,
Lands and Parks

ENDORSEMENTS

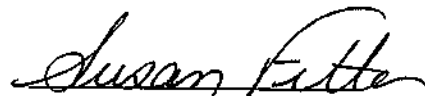
License No.: 105884

File No.: 1408327

Endorsement No.: 1

Date: AUG 30 2000

Assigned unto Maquinna Development Corporation, by agreement dated December 8, 1999.


Authorized Representative



Ministry of
Environment,
Lands and Parks

Assignment/Assumption

License No. 105884

File No. 1408327

THIS AGREEMENT dated for reference the 8th day of March 1999

BETWEEN:

RENEW FOREST PRODUCTS LTD. (Inc. No. 495,897)
PO 377, 3rd Street, 14th Avenue
Sointula, British Columbia
V0N 3E0

OF THE FIRST PART

AND:

MAQUINNA DEVELOPMENT CORPORATION (INC. NO. 302,734)
PO Box 59
Zebalos, BC
V0P 2A0

OF THE SECOND PART

AND:

HER MAJESTY THE QUEEN IN RIGHT OF THE
PROVINCE OF BRITISH COLUMBIA, represented
by the Minister of Environment, Lands and Parks,
Parliament Buildings, Victoria, British Columbia V8V 1X4

OF THE THIRD PART

(herein the "Province")

WITNESS THAT WHEREAS:

The Assignor and the Province entered into a License agreement dated December 31, 1997 (herein called the "Document") over those lands more particularly known and described as:
That part of District Lot 52, Nootka District, containing 0.629 hectares more or less.

NOW THEREFORE THIS AGREEMENT WITNESSETH that for good and valuable consideration paid by the Assignee to the Assignor and by the Assignee and the Assignor to the Province, receipt and sufficiency of which is hereby acknowledged by both the Assignor and the Province, the parties agree as follows:

Article I - Assignment

(1.01) The Assignor assigns all of his right, title, interest and estate in and to the Document to the Assignee.

Article II - Assumption

(2.01) The Assignee covenants with the Province to assume and be bound by all the terms, conditions, covenants, obligations and agreements contained in the Document.

Article III - Consent

(3.01) The Province consents to the execution and delivery of this agreement and the Assignment.

(3.02) The Province releases and discharges the Assignor from all the terms, conditions, covenants, obligations and agreements contained in the Document.

Article IV - Warranties and Representations

(4.01) The Assignee warrants and represents to the Province, with the intent that the Province will rely thereon, that the Assignee:

- (a) is a corporation duly formed under the laws of the Province of British Columbia and has filed all necessary documents under such laws and has complied with all requirements of the *Company Act*;
- (b) has the power, capacity and authority to enter into this agreement and to carry out its obligations contemplated herein, all of which have been duly and validly authorized by all necessary proceedings; and
- (c) is in good standing with respect to the filing of returns in the Office of the Registrar of Companies of British Columbia.

(4.02) The Assignee acknowledges to the Province and to the Assignor that:

- (a) the Assignee has inspected the land, and the improvements (if any) situate thereon, which are the subject of the Document and is fully aware of the condition of that land, and the improvements (if any) situate thereon, and accepts same in its current state;
- (b) the Assignee has reviewed and inspected all municipal and regional by-laws, regulations and policies concerning the use and development of the land which is the subject of the Document; and
- (c) there are no representations, warranties, collateral agreements or conditions affecting this agreement or the land, and the improvements (if any) situate thereon, which are the subject of the Document except as expressed herein and that this agreement constitutes the entire agreement.

Article V - Notice

(5.01) The address of the Assignee for the service of notices or documents under the Document shall be the address specified for the Assignee on the first page of this agreement.

Assumption/Assumption

File No. 1408327

Article VI - Miscellaneous

- (6.01) This agreement shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.
- (6.02) The parties to this agreement confirm that the terms of the Document remain and continue in full force and effect.
- (6.03) This agreement may not be assigned by the Assignee except in accordance with the provisions of the Document.
- (6.04) This agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia.
- (6.05) In this agreement, unless the context otherwise requires, the singular includes the plural and the masculine includes the feminine gender and a corporation as the case may be.
- (6.06) The captions and heading contained in this agreement are for convenience only and are not to be construed as defining or in any way limiting the scope or intent of the provisions hereof.
- (6.07) Where there is a reference to an enactment of the Province of British Columbia in this agreement, that reference shall include a reference to any subsequent enactment of the Province of British Columbia of like effect, and, unless the context otherwise requires, all statutes referred to herein are enactments of the Province of British Columbia.
- (6.08) If any section of this agreement or any part of a section is found to be illegal or unenforceable, that part or section, as the case may be, shall be considered separate and severable and the remaining parts or sections, as the case may be, shall not be affected thereby and shall be enforceable to the fullest extent permitted by law.
- (6.09) All schedules attached to this agreement form an integral part of this agreement.

IN WITNESS WHEREOF the Assignor and Assignee have executed this agreement, and the Province has consented thereto, the day and year first above written.

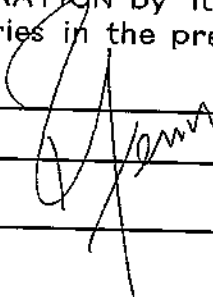
SIGNED on behalf of Her Majesty the Queen in Right of the Province of British Columbia by British Columbia Assets and Land Corporation, authorized representative of the Minister of Environment, Lands and Parks:

Sharon Fulton
Authorized Signatory

SIGNED on behalf of RENEW FOREST PRODUCTS LTD. by a duly authorized signatory in the presence of:

X Michael Edwards
X Kelly Edwards
Authorized Signatory

SIGNED on behalf of MAQUINNA
DEVELOPMENT
CORPORATION by its authorized
signatories in the presence of:



MAQUINNA
CORPORATION by its DEVELOPMENT
signatories: authorized

x 

Authorized Signatory

x 

Authorized Signatory



Licence No.:

106574

File No.: 1408556

Disposition No.: 810808

THIS AGREEMENT is dated for reference July 7, 2000 and is made under the *Land Act*.

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA, represented by the minister responsible for the *Land Act*, Parliament Buildings, Victoria, British Columbia

(the "Province")

AND:

WALTER JOHN CROWHURST
DIANE LORETTA CROWHURST
Box 25
Zeballos, BC V0P 2A0

as Joint Tenants

(the "Licensee")

The parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.1 In this Agreement,

"Agreement" means this licence of occupation;

"Commencement Date" means July 7, 2000;

"disposition" has the meaning given to it in the *Land Act* and includes a licence of occupation;

"Fees" means the fees set out in Article 3;

"Improvements" includes anything made, constructed, erected, built, altered, repaired or added to, in, on or under the Land, and attached to it or intended to become a part of it,

and also includes any clearing, excavating, digging, drilling, tunnelling, filling, grading or ditching of, in, on or under the Land;

“Land” means that part or those parts of the following described land shown outlined by bold line on the schedule attached to this Agreement entitled “Legal Description Schedule”:

that part of District Lot 52, Nootka District,

except for those parts of the land that, on the Commencement Date, consist of highways (as defined in the *Highway Act*) and land covered by water;

“Realty Taxes” means all taxes, rates, levies, duties, charges and assessments levied or charged, at any time, by any competent governmental authority which relate to the Land, the Improvements or both of them and which you are liable to pay;

“Security” means the security referred to in section 6.1 or 6.2, as replaced or supplemented in accordance with section 6.5;

“Term” means the period of time set out in section 2.2;

“we”, “us” or “our” refers to the Province alone and never refers to the combination of the Province and the Licensee: that combination is referred to as **“the parties”**; and

“you” or “your” refers to the Licensee.

- 1.2 In this Agreement, “person” includes a corporation, firm or association and wherever the singular or masculine form is used in this Agreement it will be construed as the plural or feminine or neuter form, as the case may be, and vice versa where the context or parties require.
- 1.3 The captions and headings contained in this Agreement are for convenience only and do not define or in any way limit the scope or intent of this Agreement.
- 1.4 This Agreement will be interpreted according to the laws of the Province of British Columbia.
- 1.5 Where there is a reference to an enactment of the Province of British Columbia or of Canada in this Agreement, that reference will include a reference to every amendment to it, every regulation made under it and any subsequent enactment of like effect and, unless otherwise indicated, all enactments referred to in this Agreement are enactments of the Province of British Columbia.
- 1.6 If any section of this Agreement, or any part of a section, is found to be illegal or unenforceable, that section or part of a section, as the case may be, will be considered separate

and severable and the remainder of this Agreement will not be affected and this Agreement will be enforceable to the fullest extent permitted by law.

- 1.7 Each schedule to this Agreement is an integral part of this Agreement as if set out at length in the body of this Agreement.
- 1.8 This Agreement constitutes the entire agreement between the parties and no understanding or agreement, oral or otherwise, exists between the parties with respect to the subject matter of this Agreement except as expressly set out in this Agreement and this Agreement may not be modified except by subsequent agreement in writing between the parties.
- 1.9 Each party will, upon the request of the other, do or cause to be done all lawful acts necessary for the performance of the provisions of this Agreement.
- 1.10 All provisions of this Agreement in our favour and all of our rights and remedies, either at law or in equity, will survive the termination of this Agreement.
- 1.11 Time is of the essence of this Agreement.
- 1.12 Wherever this Agreement provides that an action may be taken, a consent or approval must be obtained or a determination must be made, then you or we, as the case may be, will act reasonably in taking such action, deciding whether to provide such consent or approval or making such determination; but where this Agreement states that you or we have sole discretion to take an action, provide a consent or approval or make a determination, there will be no requirement to show reasonableness or to act reasonably in taking that action, providing that consent or approval or making that determination.

ARTICLE 2 - GRANT AND TERM

- 2.1 On the terms and conditions set out in this Agreement, we grant you a licence of occupation of the Land for sawmill, log and lumber storage purposes, and you acknowledge this licence of occupation does not grant you exclusive use and occupancy of the Land.
- 2.2 The term of this Agreement commences on the Commencement Date and terminates on the 10th anniversary of that date, or such earlier date provided for in this Agreement.

ARTICLE 3 - FEES

- 3.1 You will pay to us:

(a) for the first year of the Term, Fees of \$1,252.00, payable in advance on the

Commencement Date; and

- (b) for each year during the remainder of the Term, the Fees either determined by us under section 3.2 or established under section 3.3, payable in advance on each anniversary of the Commencement Date.

3.2 We will, not later than 15 days before each anniversary of the Commencement Date during the Term, give written notice to you specifying in our sole discretion the Fees payable by you under subsection 3.1(b) for the subsequent year of the Term.

3.3 If we do not give notice to you under section 3.2, the Fees payable by you under section 3.1(b) for the year for which notice was not given will be the same as the Fees payable by you for the preceding year of the Term.

ARTICLE 4 - COVENANTS

4.1 You must

- (a) pay, when due,
 - (i) the Fees to us at the address set out in Article 10,
 - (ii) the Realty Taxes, and
 - (iii) all charges for electricity, gas, water and other utilities supplied to the Land for use by you or on your behalf or with your permission;
- (b) deliver to us, immediately upon demand, receipts or other evidence of the payment of Realty Taxes and all other money required to be paid by you under this Agreement;
- (c) observe, abide by and comply with
 - (i) all laws, bylaws, orders, directions, ordinances and regulations of any competent governmental authority in any way affecting your use and occupation of the Land and the Improvements, and
 - (ii) the provisions of this Agreement;
- (d) keep the Land and the Improvements in a safe, clean and sanitary condition satisfactory to us, and at our written request, make the Land and the Improvements safe, clean and sanitary;
- (e) not commit any wilful or voluntary waste, spoil or destruction on the Land or do

anything on the Land that may be or become a nuisance or annoyance to an owner or occupier of land in the vicinity of the Land;

- (f) use and occupy the Land only in accordance with and for the purposes set out in section 2.1;
- (g) not construct, place or affix any Improvement on or to the Land except as necessary for the purposes set out in section 2.1;
- (h) pay all accounts and expenses as they become due for work performed on or materials supplied to the Land at your request, on your behalf or with your permission, except for money that you are required to hold back under the *Builders Lien Act*;
- (i) if any claim of lien over the Land is made under the *Builders Lien Act* for work performed on or materials supplied to the Land at your request, on your behalf or with your permission, immediately take all steps necessary to have the lien discharged, unless the claim of lien is being contested in good faith by you and you have taken the steps necessary to ensure that the claim of lien will not subject the Land or any interest of yours under this Agreement to sale or forfeiture;
- (j) not cut or remove timber on or from the Land without
 - (i) our prior written consent, and
 - (ii) being granted the right under the *Forest Act* to harvest Crown timber on the Land;
- (k) during the course of land alteration or other activities on the Land which result in discovery or disturbance of any archaeological material, take all reasonable precautions to avoid direct impact with such material and immediately notify the Archaeology Branch of the Ministry of Small Business, Tourism and Culture;
- (l) at our request have a boundary survey of the Land completed by a British Columbia Land Surveyor under instructions from the Surveyor General, which shall be completed within 12 months of the request and at your expense;
- (m) agree to develop the Land, in a diligent and workmanlike manner, in accordance with the Management Plan held on file at our office;
- (n) permit us, or our authorized representatives, to enter on the Land at any time to inspect the Land and the Improvements;
- (o) indemnify and save us and our servants, employees and agents harmless against all claims, actions, causes of action, losses, damages, costs and liabilities, including fees of

solicitors and other professional advisors, arising out of

- (i) your breach, violation or nonperformance of a provision of this Agreement, and
- (ii) any personal injury, bodily injury (including death) or property damage occurring or happening on or off the Land by virtue of your entry upon, use or occupation of the Land,

and the amount of all such losses, damages, costs and liabilities will be payable to us immediately upon demand; and

(p) on the termination of this Agreement,

- (i) peaceably quit and deliver to us possession of the Land and, subject to paragraphs (ii), (iii) and (iv), the Improvements in a safe, clean and sanitary condition,
- (ii) within 90 days, remove from the Land any Improvement you want to remove, if the Improvement was placed on or made to the Land by you and you are not in default of this Agreement,
- (iii) not remove any Improvement from the Land if you are in default of this Agreement, unless we direct or permit you to do so under paragraph (iv),
- (iv) remove from the Land any Improvement that we, in writing, direct or permit you to remove, other than any Improvement permitted to be placed on or made to the Land under another disposition, and
- (v) restore the surface of the Land as nearly as may reasonably be possible to the same condition as it was on the Commencement Date, to our satisfaction, but if you are not directed or permitted to remove an Improvement under paragraph (iv), this paragraph will not apply to that part of the surface of the Land on which that Improvement is located,

and all of your right, interest and estate in the Land will be absolutely forfeited to us, and to the extent necessary, this covenant will survive the termination of this Agreement.

4.2 You will not permit any person to do anything you are restricted from doing under this Article.

ARTICLE 5 - LIMITATIONS

5.1 You agree with us that

- (a) we are under no obligation to provide access or services to the Land or to maintain or improve existing access roads;
- (b) this Agreement is subject to
 - (i) all subsisting grants to or rights of any person made or acquired under the *Coal Act, Forest Act, Mineral Tenure Act, Petroleum and Natural Gas Act, Range Act, Wildlife Act or Water Act*, or any extension or renewal of the same, whether or not you have actual notice of them, and
 - (ii) the exceptions and reservations of interests, rights, privileges and titles referred to in section 50 of the *Land Act*;
- (c) we may make other dispositions of or over the Land;
- (d) you will make no claim for compensation, in damages or otherwise, in respect of a disposition made under subsection (c), where such disposition does not materially affect the exercise of your rights under this Agreement;
- (e) subject to subsection (d), all of your costs and expenses, direct or indirect, that arise out of any lawful interference with your rights under this Agreement as a result of the exercise or operation of the interests, rights, privileges and titles reserved to us in subsections (b) and (c) will be borne solely by you;
- (f) you will not commence or maintain proceedings under section 65 of the *Land Act* in respect of any lawful interference with your rights under this Agreement that arises as a result of the exercise or operation of the interests, rights, privileges and titles described in subsections (b) and (c);
- (g) you will not remove or permit the removal of any Improvement from the Land except as expressly permitted or required under this Agreement;
- (h) any interest you may have in the Improvements ceases to exist and becomes our property upon the termination of this Agreement, except where an Improvement may be removed under paragraph 4.1(p)(ii), (iii) or (iv) in which case any interest you may have in that Improvement ceases to exist and becomes our property if the Improvement is not removed from the Land within the time period set out in paragraph 4.1(p)(ii) or the time period provided for in the direction or permission given under paragraph 4.1(p)(iii); and
- (i) if, after the termination of this Agreement, we permit you to remain in possession of the Land and we accept money from you in respect of such possession, a tenancy from year to year will not be created by implication of law and you will be deemed to be a monthly tenant only subject to all of the provisions of this Agreement, except as to

duration, in the absence of a written agreement to the contrary.

ARTICLE 6 - SECURITY AND INSURANCE

- 6.1 On the Commencement Date, you will deliver to us security in the amount of \$5,000.00 which will
- (a) guarantee the performance of your obligations under this Agreement;
 - (b) be in the form required by us; and
 - (c) remain in effect until we certify, in writing, that you have fully performed your obligations under this Agreement.
- 6.2 Despite section 6.1, your obligations under that section are suspended for so long as you maintain in good standing other security acceptable to us to guarantee the performance of your obligations under this Agreement and all other dispositions held by you.
- 6.3 We may use the Security for the payment of any costs and expenses incurred by us to perform any of your obligations under this Agreement that are not performed by you or to pay any overdue Fees and, if such event occurs, you will, within 30 days of that event, deliver further Security to us in an amount equal to the amount drawn down by us.
- 6.4 After we certify, in writing, that you have fully performed your obligations under this Agreement, we will return to you the Security maintained under section 6.1, less all amounts drawn down by us under section 6.3.
- 6.5 You acknowledge that we may, from time to time, notify you to
- (a) change the form or amount of the Security; and
 - (b) provide and maintain another form of Security in replacement of or in addition to the Security posted by you under this Agreement;
- and you will, within 60 days of receiving such notice, deliver to us written confirmation that the change has been made or the replacement or additional form of Security has been provided by you.
- 6.6 You must
- (a) without limiting your obligations or liabilities under this Agreement, at your expense, effect and keep in force during the Term Comprehensive/Commercial General Liability insurance protecting us as an additional insured in an amount of not less than

\$1,000,000.00 inclusive per occurrence insuring against liability for personal injury, bodily injury and property damage, and claims for liability assumed under contract, arising from all accidents or occurrences on the Land or the Improvements;

- (b) on the Commencement Date and immediately upon demand, deliver to us a completed "Province of British Columbia Certificate of Insurance" for all insurance required to be maintained by you under this Agreement;
- (c) ensure that all insurance required to be maintained by you under this Agreement is
 - (i) placed with insurers licensed in British Columbia,
 - (ii) primary and does not require the sharing of any loss by any insurer that insures us, and
 - (iii) endorsed to provide us with 30 days' advance written notice of cancellation or material change; and
- (d) deliver to us, immediately upon demand, certified copies of all policies of insurance required to be maintained by you under this Agreement.

6.7 You acknowledge that we may, from time to time, notify you to

- (a) change the amount of insurance set out in subsection 6.6(a); and
- (b) provide and maintain another type or types of insurance in replacement of or in addition to the insurance previously required to be maintained by you under this Agreement;

and you will, within 60 days of receiving such notice, cause the amounts and types to be changed and deliver to us a completed "Province of British Columbia Certificate of Insurance" for all insurance then required to be maintained by you under this Agreement.

ARTICLE 7 - ASSIGNMENT

- 7.1 You must not sublicense, assign, mortgage or transfer this Agreement, or permit any person to use or occupy the Land, without our prior written consent, which consent we may withhold in our sole discretion.
- 7.2 For the purpose of section 7.1, if you are a corporation, a change in control (as that term is defined in subsection 1(4) of the *Company Act*) will be deemed to be a transfer of this Agreement.
- 7.3 Section 7.2 does not apply to a corporation if the shares of the corporation which carry votes

for the election of the directors of the corporation trade on a stock exchange located in Canada.

ARTICLE 8 - TERMINATION

8.1 You agree with us that

- (a) if you
 - (i) default in the payment of any money payable by you under this Agreement, or
 - (ii) fail to observe, abide by and comply with the provisions of this Agreement (other than the payment of any money payable by you under this Agreement),and your default or failure continues for 60 days after we give written notice of the default or failure to you,
- (b) if, in our opinion, you fail to make diligent use of the Land for the purposes set out in this Agreement, and your failure continues for 60 days after we give written notice of the failure to you;
- (c) if you
 - (i) become insolvent or make an assignment for the general benefit of your creditors,
 - (ii) commit an act which entitles a person to take action under the *Bankruptcy and Insolvency Act* (Canada) or a bankruptcy petition is filed or presented against you or you consent to the filing of the petition or a decree is entered by a court of competent jurisdiction adjudging you bankrupt under any law relating to bankruptcy or insolvency, or
 - (iii) voluntarily enter into an arrangement with your creditors;
- (d) if you are a corporation,
 - (i) a receiver or receiver-manager is appointed to administer or carry on your business, or
 - (ii) an order is made, a resolution passed or a petition filed for your liquidation or winding up;
- (e) if you are a society, you convert into a company in accordance with the *Society Act* without our prior written consent;

- (f) if this Agreement is taken in execution or attachment by any person; or
- (g) if we require the Land for our own use or, in our opinion, it is in the public interest to cancel this Agreement and we have given you 60 days' written notice of such requirement or opinion;

this Agreement will, at our option and with or without entry, terminate and your right to use and occupy the Land will cease.

- 8.2 If the condition complained of (other than the payment of any money payable by you under this Agreement) reasonably requires more time to cure than 60 days, you will be deemed to have complied with the remedying of it if you commence remedying or curing the condition within 60 days and diligently complete the same.
- 8.3 You agree with us that
- (a) you will make no claim for compensation, in damages or otherwise, upon the lawful termination of this Agreement under section 8.1; and
 - (b) our remedies under this Article are in addition to those available to us under the *Land Act*.

ARTICLE 9 - DISPUTE RESOLUTION

- 9.1 If any dispute arises under this Agreement, the parties will attempt to resolve the dispute within 60 days of the dispute arising (or within such other time period agreed to by the parties) and, subject to applicable laws, provide candid and timely disclosure to each other of all relevant facts, information and documents to facilitate those efforts.
- 9.2 Subject to section 9.5, if a dispute under this Agreement cannot be resolved under section 9.1, we or you may refer the dispute to arbitration conducted by a sole arbitrator appointed pursuant to the *Commercial Arbitration Act*.
- 9.3 The cost of the arbitration referred to in section 9.2 will be shared equally by the parties and the arbitration will be governed by the laws of the Province of British Columbia.
- 9.4 The arbitration will be conducted at our offices (or the offices of our authorized representative) in Nanaimo, British Columbia, and if we or our authorized representative have no office in Nanaimo, British Columbia, then our offices (or the offices of our authorized representative) that are closest to Nanaimo, British Columbia.
- 9.5 A dispute under this Agreement in respect of a matter within our sole discretion cannot, unless we agree, be referred to arbitration as set out in section 9.2.

ARTICLE 10 - NOTICE

- 10.1 Any notice required to be given by either party to the other will be deemed to be given if mailed by prepaid registered mail in Canada or delivered to the address of the other as follows:

to us

British Columbia Assets and Land Corporation
2080-A Labieux Road
Nanaimo, BC V9T 6J9;

to you

WALTER JOHN CROWHURST
DIANE LORETTA CROWHURST
Box 25
Zeballos, BC V0P 2A0;

or at such other address as a party may, from time to time, direct in writing, and any such notice will be deemed to have been received if delivered, on the day of delivery, and if mailed, 7 days after the time of mailing, except in the case of mail interruption in which case actual receipt is required.

- 10.2 In order to expedite the delivery of any notice required to be given by either party to the other, a concurrent facsimile copy of any notice will, where possible, be provided to the other party but nothing in this section, and specifically the lack of delivery of a facsimile copy of any notice, will affect the deemed delivery provided in section 10.1.
- 10.3 The delivery of all money payable to us under this Agreement will be effected by hand, courier or prepaid regular mail to the address specified above, or by any other payment procedure agreed to by the parties, such deliveries to be effective on actual receipt.

ARTICLE 11 - MISCELLANEOUS

- 11.1 No provision of this Agreement will be considered to have been waived unless the waiver is in writing, and a waiver of a breach of a provision of this Agreement will not be construed as or constitute a waiver of any further or other breach of the same or any other provision of this Agreement, and a consent or approval to any act requiring consent or approval will not waive or render unnecessary the requirement to obtain consent or approval to any subsequent same or

similar act.

- 11.2 No remedy conferred upon or reserved to us under this Agreement is exclusive of any other remedy in this Agreement or provided by law, but that remedy will be in addition to all other remedies in this Agreement or then existing at law, in equity or by statute.
- 11.3 The grant of a sublicense, assignment or transfer of this Agreement does not release you from your obligation to observe and perform all the provisions of this Agreement on your part to be observed and performed unless we specifically release you from such obligation in our consent to the sublicense, assignment or transfer of this Agreement.
- 11.4 This Agreement extends to, is binding upon and enures to the benefit of the parties, their heirs, executors, administrators, successors and permitted assigns.
- 11.5 If, due to a strike, lockout, labour dispute, act of God, inability to obtain labour or materials, law, ordinance, rule, regulation or order of a competent governmental authority, enemy or hostile action, civil commotion, fire or other casualty or any condition or cause beyond your reasonable control, other than normal weather conditions, you are delayed in performing any of your obligations under this Agreement, the time for the performance of that obligation will be extended by a period of time equal to the period of time of the delay so long as
- (a) you give notice to us within 30 days of the commencement of the delay setting forth the nature of the delay and an estimated time frame for the performance of your obligation; and
 - (b) you diligently attempt to remove the delay.
- 11.6 You agree with us that
- (a) we are under no obligation, express or implied, to provide financial assistance or to contribute toward the cost of servicing, creating or developing the Land or the Improvements and you are solely responsible for all costs and expenses associated with your use of the Land and the Improvements for the purposes set out in this Agreement; and
 - (b) nothing in this Agreement constitutes you as our agent, joint venturer or partner or gives you any authority or power to bind us in any way.
- 11.7 This Agreement does not override or affect any powers, privileges or immunities to which you are entitled under any enactment of the Province of British Columbia.

The parties have executed this Agreement as of the date of reference of this Agreement.

SIGNED on behalf of **HER MAJESTY
THE QUEEN IN RIGHT OF THE
PROVINCE OF BRITISH COLUMBIA** by
British Columbia Assets and Land Corporation,
authorized representative of the
minister responsible for the *Land Act*

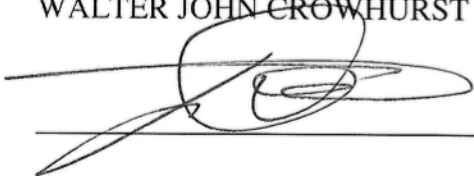


Authorized Signatory,
British Columbia Assets and Land Corporation

SIGNED BY
DIANE LORETTA CROWHURST



SIGNED BY
WALTER JOHN CROWHURST



Licence No.:

112892

File No.: 1408327

Disposition No.: 860090

THIS AGREEMENT is dated for reference December 31, 2007 and is made under the *Land Act*.

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA, represented by the minister responsible for the *Land Act*, Parliament Buildings, Victoria, British Columbia

(the "Province")

AND:

MAQUINNA DEVELOPMENT CORPORATION Inc. No. BC0302734
PO Box 59
Zeballos, BC V0P 2A0

(the "Licensee")

The parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.1 In this Agreement,

"Agreement" means this licence of occupation;

"Commencement Date" means December 31, 2007;

"disposition" has the meaning given to it in the *Land Act* and includes a licence of occupation;

"Fees" means the fees set out in Article 3;

"Improvements" includes anything made, constructed, erected, built, altered, repaired or added to, in, on or under the Land, and attached to it or intended to become a part of it, and also includes any clearing, excavating, digging, drilling, tunnelling, filling, grading or ditching of, in, on or under the Land;

“Land” means that part or those parts of the following described land shown outlined by bold line on the schedule attached to this Agreement entitled “Legal Description Schedule”:

That part of District Lot 52, Nootka District, containing 0.629 hectares, more or less.

except for those parts of the land that, on the Commencement Date, consist of highways (as defined in the *Transportation Act*) and land covered by water;

“Realty Taxes” means all taxes, rates, levies, duties, charges and assessments levied or charged, at any time, by any government authority having jurisdiction which relate to the Land, the Improvements or both of them and which you are liable to pay under applicable laws;

“Security” means the security referred to in section 6.1 or 6.2, as replaced or supplemented in accordance with section 6.5;

“Term” means the period of time set out in section 2.2;

“we”, “us” or “our” refers to the Province alone and never refers to the combination of the Province and the Licensee: that combination is referred to as **“the parties”**; and

“you” or “your” refers to the Licensee.

- 1.2 In this Agreement, “person” includes a corporation, firm or association and wherever the singular or masculine form is used in this Agreement it will be construed as the plural or feminine or neuter form, as the case may be, and vice versa where the context or parties require.
- 1.3 The captions and headings contained in this Agreement are for convenience only and do not define or in any way limit the scope or intent of this Agreement.
- 1.4 This Agreement will be interpreted according to the laws of the Province of British Columbia.
- 1.5 Where there is a reference to an enactment of the Province of British Columbia or of Canada in this Agreement, that reference will include a reference to every amendment to it, every regulation made under it and any subsequent enactment of like effect and, unless otherwise indicated, all enactments referred to in this Agreement are enactments of the Province of British Columbia.
- 1.6 If any section of this Agreement, or any part of a section, is found to be illegal or unenforceable, that section or part of a section, as the case may be, will be considered separate and severable and the remainder of this Agreement will not be affected and this Agreement will be enforceable to the fullest extent permitted by law.

- 1.7 Each schedule to this Agreement is an integral part of this Agreement as if set out at length in the body of this Agreement.
- 1.8 This Agreement constitutes the entire agreement between the parties and no understanding or agreement, oral or otherwise, exists between the parties with respect to the subject matter of this Agreement except as expressly set out in this Agreement and this Agreement may not be modified except by subsequent agreement in writing between the parties.
- 1.9 Each party will, upon the request of the other, do or cause to be done all lawful acts necessary for the performance of the provisions of this Agreement.
- 1.10 All provisions of this Agreement in our favour and all of our rights and remedies, either at law or in equity, will survive the termination of this Agreement.
- 1.11 Time is of the essence of this Agreement.
- 1.12 Wherever this Agreement provides that an action may be taken, a consent or approval must be obtained or a determination must be made, then you or we, as the case may be, will act reasonably in taking such action, deciding whether to provide such consent or approval or making such determination; but where this Agreement states that you or we have sole discretion to take an action, provide a consent or approval or make a determination, there will be no requirement to show reasonableness or to act reasonably in taking that action, providing that consent or approval or making that determination.

ARTICLE 2 - GRANT AND TERM

- 2.1 On the terms and conditions set out in this Agreement, we grant you a licence of occupation of the Land for portable sawmill, storage and office space purposes, and you acknowledge this licence of occupation does not grant you exclusive use and occupancy of the Land.
- 2.2 The term of this Agreement commences on the Commencement Date and terminates on the 10th anniversary of that date, or such earlier date provided for in this Agreement.

ARTICLE 3 - FEES

- 3.1 You will pay to us
- (a) for the first year of the Term, Fees of \$2,632.50, payable in advance on the Commencement Date; and

- (b) for each year during the remainder of the Term, the Fees either determined by us under section 3.2 or established under section 3.3, payable in advance on each anniversary of the Commencement Date.
- 3.2 We will, not later than 15 days before each anniversary of the Commencement Date during the Term, give written notice to you specifying in our sole discretion the Fees payable by you under subsection 3.1(b) for the subsequent year of the Term and we will establish such Fees in accordance with our policies applicable to your use of the Land under this Agreement.
- 3.3 If we do not give notice to you under section 3.2, the Fees payable by you under subsection 3.1(b) for the year for which notice was not given will be the same as the Fees payable by you for the preceding year of the Term.

ARTICLE 4 - COVENANTS

- 4.1 You must
 - (a) pay, when due,
 - (i) the Fees to us at the address set out in Article 10,
 - (ii) the Realty Taxes, and
 - (iii) all charges for electricity, gas, water and other utilities supplied to the Land for use by you or on your behalf or with your permission;
 - (b) deliver to us, immediately upon demand, receipts or other evidence of the payment of Realty Taxes and all other money required to be paid by you under this Agreement;
 - (c) observe, abide by and comply with
 - (i) all applicable laws, bylaws, orders, directions, ordinances and regulations of any government authority having jurisdiction in any way affecting your use or occupation of the Land or the Improvements, and
 - (ii) the provisions of this Agreement;
 - (d) in respect of the use of the Land by you or by anyone you permit to use the Land, keep the Land and the Improvements in a safe, clean and sanitary condition satisfactory to us, and at our written request, rectify any failure to comply with such a covenant by making the Land and the Improvements safe, clean and sanitary;
 - (e) not commit any wilful or voluntary waste, spoil or destruction on the Land or do

anything on the Land that may be or become a nuisance or annoyance to an owner or occupier of land in the vicinity of the Land;

- (f) use and occupy the Land only in accordance with and for the purposes set out in section 2.1;
- (g) not construct, place or affix any Improvement on or to the Land except as necessary for the purposes set out in section 2.1;
- (h) pay all accounts and expenses as they become due for work performed on or materials supplied to the Land at your request, on your behalf or with your permission, except for money that you are required to hold back under the *Builders Lien Act*;
- (i) if any claim of lien over the Land is made under the *Builders Lien Act* for work performed on or materials supplied to the Land at your request, on your behalf or with your permission, immediately take all steps necessary to have the lien discharged, unless the claim of lien is being contested in good faith by you and you have taken the steps necessary to ensure that the claim of lien will not subject the Land or any interest of yours under this Agreement to sale or forfeiture;
- (j) not cut or remove timber on or from the Land without
 - (i) our prior written consent, and
 - (ii) being granted the right under the *Forest Act* to harvest Crown timber on the Land;
- (k) dispose of raw sewage and refuse only in accordance with the requirements and regulations of appropriate federal and provincial agencies;
- (l) store bulk hazardous petroleum products and other toxic substances in accordance with the provisions of the *Environmental Management Act*;
- (m) not use construction materials containing toxic substances, except in marine waters where the use of a preservative-treated wood may be necessary;
- (n) not alter, repair or add to any Improvement without our prior written consent;
- (o) at our request and at your expense, have a British Columbia Land Surveyor conduct a survey of the Land within 3 months;
- (p) agree to develop the land in a diligent and workmanlike manner in accordance with the management plan held on file in this office;

- (q) permit us, or our authorized representatives, to enter on the Land at any time to inspect the Land and the Improvements, provided that in regard to our inspection of the Improvements we take reasonable steps to minimize any disruption of your operations;
- (r) indemnify and save us and our servants, employees and agents harmless against all claims, actions, causes of action, losses, damages, costs and liabilities, including fees of solicitors and other professional advisors, arising out of
 - (i) your breach, violation or nonperformance of a provision of this Agreement, and
 - (ii) any personal injury, bodily injury (including death) or property damage occurring or happening on or off the Land by virtue of your entry upon, use or occupation of the Land,

and the amount of all such losses, damages, costs and liabilities will be payable to us immediately upon demand; and

- (s) on the termination of this Agreement,
 - (i) peaceably quit and deliver to us possession of the Land and, subject to paragraphs (ii), (iii) and (iv), the Improvements in a safe, clean and sanitary condition,
 - (ii) within 90 days, remove from the Land any Improvement you want to remove, if the Improvement was placed on or made to the Land by you and you are not in default of this Agreement,
 - (iii) not remove any Improvement from the Land if you are in default of this Agreement, unless we direct or permit you to do so under paragraph (iv),
 - (iv) remove from the Land any Improvement that we, in writing, direct or permit you to remove, other than any Improvement permitted to be placed on or made to the Land under another disposition, and
 - (v) restore the surface of the Land as nearly as may reasonably be possible to the same condition as it was on the Commencement Date, to our satisfaction, but if you are not directed or permitted to remove an Improvement under paragraph (iv), this paragraph will not apply to that part of the surface of the Land on which that Improvement is located,

and all of your right, interest and estate in the Land will be absolutely forfeited to us, and to the extent necessary, this covenant will survive the termination of this Agreement.

4.2 You will not permit any person to do anything you are restricted from doing under this Article.

ARTICLE 5 - LIMITATIONS

5.1 You agree with us that

- (a) we are under no obligation to provide access or services to the Land or to maintain or improve existing access roads;
- (b) this Agreement is subject to
 - (i) all subsisting dispositions and subsisting grants to or rights of any person made or acquired under the *Coal Act, Forest Act, Mineral Tenure Act, Petroleum and Natural Gas Act, Range Act, Wildlife Act or Water Act*, or any extension or renewal of the same, whether or not you have actual notice of them, and
 - (ii) the exceptions and reservations of interests, rights, privileges and titles referred to in section 50 of the *Land Act*;
- (c) without limiting subsection 4.1(r), you must indemnify and save us and our servants, employees and agents harmless from and against all claims, actions, causes of action, losses, damages, costs and liabilities, including fees of solicitors and other professional advisors, arising out of any conflict between your rights under this Agreement and the rights of any person under a disposition or under a subsisting grant to or right of any person made or acquired under the *Coal Act, Forest Act, Mineral Tenure Act, Petroleum and Natural Gas Act, Range Act, Wildlife Act or Water Act* (or any prior or subsequent enactment of the Province of British Columbia of like effect), or any extension or renewal of the same, whether or not you have actual notice of them, and the amount of all such losses, damages, costs and liabilities will be payable to us immediately upon demand;
- (d) you release us from all claims, actions, causes of action, suits, debts and demands that you now have or may at any time in the future have against us arising out of any conflict between your rights under this Agreement and the rights of any person under a disposition or under a subsisting grant to or right made or acquired under the enactments referred to in subsection (c), and you acknowledge that this Agreement and your rights under this Agreement are subject to those grants and rights referred to in subsection (c) whether or not you have actual notice of them.
- (e) we may make other dispositions of or over the Land;
- (f) you will make no claim for compensation, in damages or otherwise, in respect of a disposition made under subsection (e), where such disposition does not materially affect

the exercise of your rights under this Agreement;

- (g) subject to subsection (f), all of your costs and expenses, direct or indirect, that arise out of any lawful interference with your rights under this Agreement as a result of the exercise or operation of the interests, rights, privileges and titles reserved to us in subsections (b) and (c) will be borne solely by you;
- (h) you will not commence or maintain proceedings under section 65 of the *Land Act* in respect of any lawful interference with your rights under this Agreement that arises as a result of the exercise or operation of the interests, rights, privileges and titles described in subsections (b) and (c);
- (i) you will not remove or permit the removal of any Improvement from the Land except as expressly permitted or required under this Agreement;
- (j) any interest you may have in the Improvements ceases to exist and becomes our property upon the termination of this Agreement, except where an Improvement may be removed under paragraph 4.1(s)(ii), (iii) or (iv) in which case any interest you may have in that Improvement ceases to exist and becomes our property if the Improvement is not removed from the Land within the time period set out in paragraph 4.1(s)(ii) or the time period provided for in the direction or permission given under paragraph 4.1(s)(iii); and
- (k) if, after the termination of this Agreement, we permit you to remain in possession of the Land and we accept money from you in respect of such possession, a tenancy from year to year will not be created by implication of law and you will be deemed to be a monthly occupier only subject to all of the provisions of this Agreement, except as to duration, in the absence of a written agreement to the contrary.

ARTICLE 6 - SECURITY AND INSURANCE

- 6.1 On the Commencement Date, you will deliver to us security in the amount of \$3,000.00 which will
- (a) guarantee the performance of your obligations under this Agreement;
 - (b) be in the form required by us; and
 - (c) remain in effect until we certify, in writing, that you have fully performed your obligations under this Agreement.
- 6.2 Despite section 6.1, your obligations under that section are suspended for so long as you maintain in good standing other security acceptable to us to guarantee the performance of your obligations under this Agreement and all other dispositions held by you.

6.3 We may use the Security for the payment of any costs and expenses incurred by us to perform any of your obligations under this Agreement that are not performed by you or to pay any overdue Fees and, if such event occurs, you will, within 30 days of that event, deliver further Security to us in an amount equal to the amount drawn down by us.

6.4 After we certify, in writing, that you have fully performed your obligations under this Agreement, we will return to you the Security maintained under section 6.1, less all amounts drawn down by us under section 6.3.

6.5 You acknowledge that we may, from time to time, notify you to

- (a) change the form or amount of the Security; and
- (b) provide and maintain another form of Security in replacement of or in addition to the Security posted by you under this Agreement;

and you will, within 60 days of receiving such notice, deliver to us written confirmation that the change has been made or the replacement or additional form of Security has been provided by you.

6.6 You must

- (a) without limiting your obligations or liabilities under this Agreement, at your expense, effect and keep in force during the Term Comprehensive/Commercial General Liability insurance protecting us as an additional insured in an amount of not less than \$1,000,000.00 inclusive per occurrence insuring against liability for personal injury, bodily injury (including death) or property damage, and claims for liability assumed under contract, arising from all accidents or occurrences on the Land or the Improvements;
- (b) on the Commencement Date and immediately upon demand, deliver to us a completed "Province of British Columbia Certificate of Insurance" for all insurance required to be maintained by you under this Agreement;
- (c) ensure that all insurance required to be maintained by you under this Agreement is
 - (i) placed with insurers licensed in British Columbia,
 - (ii) primary and does not require the sharing of any loss by any insurer that insures us, and
 - (iii) endorsed to provide us with 30 days' advance written notice of cancellation or material change; and

- (d) deliver or cause to be delivered to us, immediately upon demand, certified copies of all policies of insurance required to be maintained by you under this Agreement.

6.7 You acknowledge that we may, from time to time, notify you to

- (a) change the amount of insurance set out in subsection 6.6(a); and
- (b) provide and maintain another type or types of insurance in replacement of or in addition to the insurance previously required to be maintained by you under this Agreement;

and you will, within 60 days of receiving such notice, cause the amounts and types to be changed and deliver to us a completed "Province of British Columbia Certificate of Insurance" for all insurance then required to be maintained by you under this Agreement.

ARTICLE 7 - ASSIGNMENT

- 7.1 You must not sublicense, assign, mortgage or transfer this Agreement, or permit any person to use or occupy the Land, without our prior written consent, which consent we may withhold.
- 7.2 For the purpose of section 7.1, if you are a corporation, a change in control (as that term is defined in subsection 2(3) of the *Business Corporations Act*) will be deemed to be a transfer of this Agreement.
- 7.3 Section 7.2 does not apply to a corporation if the shares of the corporation which carry votes for the election of the directors of the corporation trade on a stock exchange located in Canada.
- 7.4 Prior to considering a request for our consent under section 7.1, we may require you to meet certain conditions, including without limitation, that you submit to us a "site profile", "preliminary site investigation" or "detailed site investigation" (as those terms are defined in the *Environmental Management Act*) for the Land or other similar type of investigation of the Land.

ARTICLE 8 - TERMINATION

8.1 You agree with us that

- (a) if you
 - (i) default in the payment of any money payable by you under this Agreement, or
 - (ii) fail to observe, abide by and comply with the provisions of this Agreement

(other than the payment of any money payable by you under this Agreement),

and your default or failure continues for 60 days after we give written notice of the default or failure to you,

- (b) if, in our opinion, you fail to make diligent use of the Land for the purposes set out in this Agreement, and your failure continues for 60 days after we give written notice of the failure to you;
- (c) if you
 - (i) become insolvent or make an assignment for the general benefit of your creditors,
 - (ii) commit an act which entitles a person to take action under the *Bankruptcy and Insolvency Act* (Canada) or a bankruptcy petition is filed or presented against you or you consent to the filing of the petition or a decree is entered by a court of competent jurisdiction adjudging you bankrupt under any law relating to bankruptcy or insolvency, or
 - (iii) voluntarily enter into an arrangement with your creditors;
- (d) if you are a corporation,
 - (i) a receiver or receiver-manager is appointed to administer or carry on your business, or
 - (ii) an order is made, a resolution passed or a petition filed for your liquidation or winding up;
- (e) if you are a society, you convert into a company in accordance with the *Society Act* without our prior written consent;
- (f) if this Agreement is taken in execution or attachment by any person; or
- (g) if we require the Land for our own use or, in our opinion, it is in the public interest to cancel this Agreement and we have given you 60 days' written notice of such requirement or opinion;

this Agreement will, at our option and with or without entry, terminate and your right to use and occupy the Land will cease.

8.2 If the condition complained of (other than the payment of any money payable by you under this Agreement) reasonably requires more time to cure than 60 days, you will be deemed to have

complied with the remedying of it if you commence remedying or curing the condition within 60 days and diligently complete the same.

8.3 You agree with us that

- (a) you will make no claim for compensation, in damages or otherwise, upon the lawful termination of this Agreement under section 8.1; and
- (b) our remedies under this Article are in addition to those available to us under the *Land Act*.

ARTICLE 9 - DISPUTE RESOLUTION

- 9.1 If any dispute arises under this Agreement, the parties will make all reasonable efforts to resolve the dispute within 60 days of the dispute arising (or within such other time period agreed to by the parties) and, subject to applicable laws, provide candid and timely disclosure to each other of all relevant facts, information and documents to facilitate those efforts.
- 9.2 Subject to section 9.5, if a dispute under this Agreement cannot be resolved under section 9.1, we or you may refer the dispute to arbitration conducted by a sole arbitrator appointed pursuant to the *Commercial Arbitration Act*.
- 9.3 The cost of the arbitration referred to in section 9.2 will be shared equally by the parties and the arbitration will be governed by the laws of the Province of British Columbia.
- 9.4 The arbitration will be conducted at our offices (or the offices of our authorized representative) in Nanaimo, British Columbia, and if we or our authorized representative have no office in Nanaimo, British Columbia, then our offices (or the offices of our authorized representative) that are closest to Nanaimo, British Columbia.
- 9.5 A dispute under this Agreement in respect of a matter within our sole discretion cannot, unless we agree, be referred to arbitration as set out in section 9.2.

ARTICLE 10 - NOTICE

- 10.1 Any notice required to be given by either party to the other will be deemed to be given if mailed by prepaid registered mail in Canada or delivered to the address of the other as follows:

to us

MINISTRY OF AGRICULTURE AND LANDS
Suite 142 - 2080 Labieux Road
Nanaimo, BC V9T 6J9;

to you

MAQUINNA DEVELOPMENT CORPORATION
Po Box 59
Zeballos, BC V0P 2A0;

or at such other address as a party may, from time to time, direct in writing, and any such notice will be deemed to have been received if delivered, on the day of delivery, and if mailed, 7 days after the time of mailing, except in the case of mail interruption in which case actual receipt is required.

- 10.2 In order to expedite the delivery of any notice required to be given by either party to the other, a concurrent facsimile copy of any notice will, where possible, be provided to the other party but nothing in this section, and specifically the lack of delivery of a facsimile copy of any notice, will affect the deemed delivery provided in section 10.1.
- 10.3 The delivery of all money payable to us under this Agreement will be effected by hand, courier or prepaid regular mail to the address specified above, or by any other payment procedure agreed to by the parties, such deliveries to be effective on actual receipt.

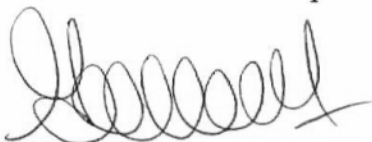
ARTICLE 11 - MISCELLANEOUS

- 11.1 No provision of this Agreement will be considered to have been waived unless the waiver is in writing, and a waiver of a breach of a provision of this Agreement will not be construed as or constitute a waiver of any further or other breach of the same or any other provision of this Agreement, and a consent or approval to any act requiring consent or approval will not waive or render unnecessary the requirement to obtain consent or approval to any subsequent same or similar act.
- 11.2 No remedy conferred upon or reserved to us under this Agreement is exclusive of any other remedy in this Agreement or provided by law, but that remedy will be in addition to all other remedies in this Agreement or then existing at law, in equity or by statute.
- 11.3 The grant of a sublicense, assignment or transfer of this Agreement does not release you from your obligation to observe and perform all the provisions of this Agreement on your part to be observed and performed unless we specifically release you from such obligation in our consent to the sublicense, assignment or transfer of this Agreement.
- 11.4 This Agreement extends to, is binding upon and enures to the benefit of the parties, their heirs, executors, administrators, successors and permitted assigns.

- 11.5 If, due to a strike, lockout, labour dispute, act of God, inability to obtain labour or materials, law, ordinance, rule, regulation or order of a competent governmental authority, enemy or hostile action, civil commotion, fire or other casualty or any condition or cause beyond your reasonable control, other than normal weather conditions, you are delayed in performing any of your obligations under this Agreement, the time for the performance of that obligation will be extended by a period of time equal to the period of time of the delay so long as
- (a) you give notice to us within 30 days of the commencement of the delay setting forth the nature of the delay and an estimated time frame for the performance of your obligation; and
 - (b) you diligently attempt to remove the delay.
- 11.6 You agree with us that
- (a) we are under no obligation, express or implied, to provide financial assistance or to contribute toward the cost of servicing, creating or developing the Land or the Improvements and you are solely responsible for all costs and expenses associated with your use of the Land and the Improvements for the purposes set out in this Agreement; and
 - (b) nothing in this Agreement constitutes you as our agent, joint venturer or partner or gives you any authority or power to bind us in any way.
- 11.7 This Agreement does not override or affect any powers, privileges or immunities to which you are entitled under any enactment of the Province of British Columbia.

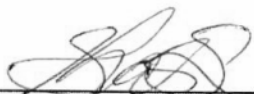
The parties have executed this Agreement as of the date of reference of this Agreement.

SIGNED on behalf of **HER MAJESTY
THE QUEEN IN RIGHT OF THE
PROVINCE OF BRITISH COLUMBIA**
by the minister responsible for the *Land Act*
or the minister's authorized representative

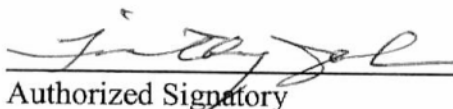


Minister responsible for the *Land Act*
or the minister's authorized representative

SIGNED on behalf of
MAQUINNA DEVELOPMENT CORPORATION
by a duly authorized signatory



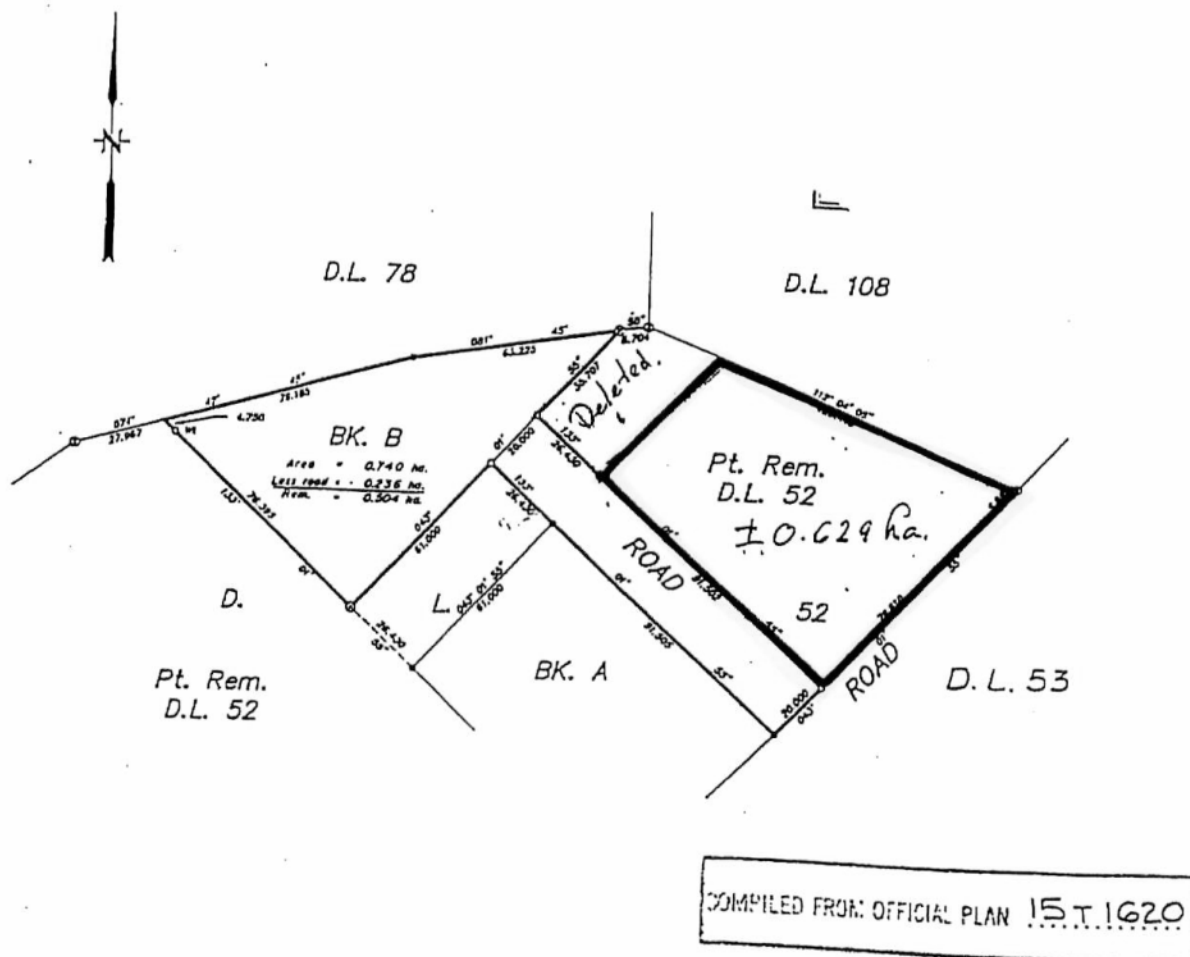
Authorized Signatory



Authorized Signatory

LEGAL DESCRIPTION SCHEDULE

That part of District Lot 52, Nootka District, shown outlined on sketch below, containing 0.629 hectares, more or less. ,





LEASE

Lease No.:

113968

File No.: 1413479

Disposition No.: 889277

THIS AGREEMENT is dated for reference April 15, 2011 and is made under the *Land Act*.

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA, represented by the minister responsible for the *Land Act*, Parliament Buildings, Victoria, British Columbia

(the "Province")

AND:

SCHOOL DISTRICT NO.84 (VANCOUVER ISLAND WEST)

PO Box 100

Gold River, BC V0P 1G0

(the "Lessee")

The parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.1 In this Agreement,

"Agreement" means this lease;

"Commencement Date" means April 15, 2011;

"disposition" has the meaning given to it in the *Land Act* and includes a licence of occupation;

"Improvements" includes anything made, constructed, erected, built, altered, repaired or added to, in, on or under the Land, and attached to it or intended to become a part of it, and also includes any clearing, excavating, digging, drilling, tunnelling, filling, grading or ditching of, in, on or under the Land;

“Land” means:

Lot 26, District Lot 53, Plan 34143, except that part in plan VIP 61665; together with that part of the surface of District Lot 485, surveyed as the claim known as Answer No. 4 mineral claim, all within Nootka District, containing 2.534 hectares, more or less

except for those parts of the land that, on the Commencement Date, consist of highways (as defined in the *Transportation Act*) and land covered by water;

“Management Plan” means the most recent management plan prepared by you in a form acceptable to us, signed and dated by the parties, and held on file by us;

“Realty Taxes” means all taxes, rates, levies, duties, charges and assessments levied or charged, at any time, by any government authority having jurisdiction which relate to the Land, the Improvements or both of them and which you are liable to pay under applicable laws;

“Rent” means the rent set out in Article 3;

“Security” means the security referred to in section 6.1 or 6.2, as replaced or supplemented in accordance with section 6.5;

“Term” means the period of time set out in section 2.2;

“we”, “us” or “our” refers to the Province alone and never refers to the combination of the Province and the Lessee: that combination is referred to as **“the parties”**; and

“you” or “your” refers to the Lessee.

- 1.2 In this Agreement, “person” includes a corporation, firm or association and wherever the singular or masculine form is used in this Agreement it will be construed as the plural or feminine or neuter form, as the case may be, and vice versa where the context or parties require.
- 1.3 The captions and headings contained in this Agreement are for convenience only and do not define or in any way limit the scope or intent of this Agreement.
- 1.4 This Agreement will be interpreted according to the laws of the Province of British Columbia.
- 1.5 Where there is a reference to an enactment of the Province of British Columbia or of Canada in this Agreement, that reference will include a reference to every amendment to it, every regulation made under it and any subsequent enactment of like effect and, unless otherwise indicated, all enactments referred to in this Agreement are enactments of the Province of
-

British Columbia.

- 1.6 If any section of this Agreement, or any part of a section, is found to be illegal or unenforceable, that section or part of a section, as the case may be, will be considered separate and severable and the remainder of this Agreement will not be affected and this Agreement will be enforceable to the fullest extent permitted by law.
- 1.7 Each schedule to this Agreement is an integral part of this Agreement as if set out at length in the body of this Agreement.
- 1.8 This Agreement constitutes the entire agreement between the parties and no understanding or agreement, oral or otherwise, exists between the parties with respect to the subject matter of this Agreement except as expressly set out in this Agreement and this Agreement may not be modified except by subsequent agreement in writing between the parties.
- 1.9 Each party will, upon the request of the other, do or cause to be done all lawful acts necessary for the performance of the provisions of this Agreement.
- 1.10 All provisions of this Agreement in our favour and all of our rights and remedies, either at law or in equity, will survive the termination of this Agreement.
- 1.11 Time is of the essence of this Agreement.
- 1.12 Wherever this Agreement provides that an action may be taken, a consent or approval must be obtained or a determination must be made, then you or we, as the case may be, will act reasonably in taking such action, deciding whether to provide such consent or approval or making such determination; but where this Agreement states that you or we have sole discretion to take an action, provide a consent or approval or make a determination, there will be no requirement to show reasonableness or to act reasonably in taking that action, providing that consent or approval or making that determination.
- 1.13 Where this Agreement contains the forms of words contained in Column I of Schedule 4 of the *Land Transfer Form Act*, those words will have the same effect and be construed as if the appropriate forms of words contained in Column II of that Schedule were contained in this Agreement, unless the context requires another construction of those words.

ARTICLE 2 - GRANT AND TERM

- ✓ 2.1 On the terms and conditions set out in this Agreement, we grant you a lease of the Land for construction and maintenance of public school purposes.
- ✓ 2.2 The term of this Agreement commences on the Commencement Date and terminates on the

30th anniversary of that date, or such earlier date provided for in this Agreement.

ARTICLE 3 - RENT

- ✓ 3.1 The Rent for the Term is \$1.00, the receipt of which we acknowledge.

ARTICLE 4 - COVENANTS

4.1 You must

- (a) pay, when due,
 - (i) the Rent to us at the address set out in Article 10,
 - (ii) the Realty Taxes, and
 - (iii) all charges for electricity, gas, water and other utilities supplied to the Land;
- (b) deliver to us, immediately upon demand, receipts or other evidence of the payment of Realty Taxes and all other money required to be paid by you under this Agreement;
- (c) observe, abide by and comply with
 - (i) all applicable laws, bylaws, orders, directions, ordinances and regulations of any government authority having jurisdiction in any way affecting your use or occupation of the Land or Improvements, and
 - (ii) the provisions of this Agreement;
- (d) in respect of the use of the Land by you or by anyone you permit to use the Land, keep the Land and the Improvements in a safe, clean and sanitary condition satisfactory to us, and at our written request, rectify any failure to comply with such a covenant by making the Land and the Improvements safe, clean and sanitary;
- (e) not commit any wilful or voluntary waste, spoil or destruction on the Land or do anything on the Land that may be or become a nuisance or annoyance to an owner or occupier of land in the vicinity of the Land;
- (f) use and occupy the Land only in accordance with and for the purposes set out in the Management Plan;

- (g) not construct, place, anchor, secure or affix any Improvement in, on, to or into the Land except as necessary for the purposes set out in section 2.1 and, despite those purposes, you will not construct, place, anchor, secure or affix anything on or to the Land that may interfere with the riparian right of access of any person over the Land without first obtaining from that person a statutory right of way, in registrable form and in our favour, by which that person allows us to curtail his or her riparian right of access over the Land;
- (h) pay all accounts and expenses as they become due for labour or services performed on, or materials supplied to, the Land except for money that you are required to hold back under the *Builders Lien Act*;
- (i) if any claim of lien over the Land is made under the *Builders Lien Act*, immediately take all steps necessary to have the lien discharged, unless the claim of lien is being contested in good faith by you and you have taken the steps necessary to ensure that the claim of lien will not subject the Land or any interest of yours under this Agreement to sale or forfeiture;
- ✓ (j) not cut or remove timber on or from the Land without
 - (i) our prior written consent, and
 - (ii) being granted the right under the *Forest Act* to harvest Crown timber on the Land;
- (k) dispose of raw sewage and refuse only in accordance with the requirements and regulations of appropriate federal and provincial agencies;
- (l) store bulk hazardous petroleum products and other toxic substances in accordance with the provisions of the *Environmental Management Act*;
- (m) take all reasonable precautions to avoid disturbing or damaging any archaeological material found on or under the Land and, upon discovering any archaeological material on or under the Land, you must immediately notify the ministry responsible for administering the *Heritage Conservation Act*;
- (n) at our request and at your expense, have a British Columbia Land Surveyor conduct a survey of the Land within 3 months;
- (o) permit us, or our authorized representatives, to enter on the Land at any time to inspect the Land and the Improvements, provided that in regard to our inspection of the Improvements we take reasonable steps to minimize any disruption to your operations;

- (p) indemnify and save us and our servants, employees and agents harmless against all claims, actions, causes of action, losses, damages, costs and liabilities, including fees of solicitors and other professional advisors, arising out of
- (i) your breach, violation or nonperformance of a provision of this Agreement, and
 - (ii) any personal injury, bodily injury (including death) or property damage occurring or happening on or off the Land by virtue of your entry upon, use or occupation of the Land,

and the amount of all such losses, damages, costs and liabilities will be payable to us immediately upon demand; and

- (q) on the termination of this Agreement,
- (i) peaceably quit and deliver to us possession of the Land and, subject to paragraphs (ii) and (iii), the Improvements in a safe, clean and sanitary condition,
 - (ii) within 90 days, remove from the Land any Improvement you want to remove, if the Improvement was placed on or made to the Land by you, is in the nature of a tenant's fixture normally removable by tenants and is not part of a building or part of the Land,
 - (iii) remove from the Land any Improvement that we, in writing, direct or permit you to remove, other than any Improvement permitted to be placed on or made to the Land under another disposition, and
 - (iv) restore the surface of the Land as nearly as may reasonably be possible to the same condition as it was on the Commencement Date, to our satisfaction, but if you are not directed or permitted to remove an Improvement under paragraph (iii), this paragraph will not apply to that part of the surface of the Land on which that Improvement is located,

and all of your right, interest and estate in the Land will be absolutely forfeited to us, and to the extent necessary, this covenant will survive the termination of this Agreement.

4.2 You will not permit any person to do anything you are restricted from doing under this Article.

4.3 We will provide you with quiet enjoyment of the Land.

ARTICLE 5 - LIMITATIONS**5.1 You agree with us that**

- (a) we are under no obligation to provide access or services to the Land or to maintain or improve existing access roads;
- (b) this Agreement is subject to
 - (i) all subsisting dispositions and subsisting grants to or rights of any person made or acquired under the *Coal Act, Forest Act, Mineral Tenure Act, Petroleum and Natural Gas Act, Range Act, Wildlife Act* or *Water Act*, or any extension or renewal of the same, whether or not you have actual notice of them, and
 - (ii) the exceptions and reservations of interests, rights, privileges and titles referred to in section 50 of the *Land Act*;
- (c) without limiting subsection 4.1(p), you must indemnify and save us and our servants, employees and agents harmless from and against all claims, actions, causes of action, losses, damages, costs and liabilities, including fees of solicitors and other professional advisors, arising out of any conflict between your rights under this Agreement and the rights of any person under a disposition or under a subsisting grant to or right of any person made or acquired under the *Coal Act, Forest Act, Mineral Tenure Act, Petroleum and Natural Gas Act, Range Act, Wildlife Act* or *Water Act* (or any prior or subsequent enactment of the Province of British Columbia of like effect), or any extension or renewal of the same, whether or not you have actual notice of them, and the amount of all such losses, damages, costs and liabilities will be payable to us immediately upon demand;
- (d) you release us from all claims, actions, causes of action, suits, debts and demands that you now have or may at any time in the future have against us arising out of any conflict between your rights under this Agreement and the rights of any person under a disposition or under a subsisting grant to or right made or acquired under the enactments referred to in subsection (c), and you acknowledge that this Agreement and your rights under this Agreement are subject to those grants and rights referred to in subsection (c) whether or not you have actual notice of them.
- (e) with your prior consent, which consent you will not unreasonably withhold, we may make other dispositions of or over the Land, or any part of it, to a person, including a Crown agency or ministry, and, upon such consent being given you will, if required by us in the case of a disposition by way of easement, right of way or statutory right of way, immediately execute and deliver to us such instrument as may be necessary to subordinate your rights under this Agreement to such easement, right of way or

statutory right of way;

- (f) for the purpose of subsection (e), you will be deemed to have reasonably withheld your consent if a disposition made under that subsection would materially affect the exercise of your rights under this Agreement;
- (g) you will make no claim for compensation, in damages or otherwise, in respect of a disposition made under subsection (e), where such disposition does not materially affect the exercise of your rights under this Agreement;
- (h) subject to subsection (g), all of your costs and expenses, direct or indirect, that arise out of any lawful interference with your rights under this Agreement as a result of the exercise or operation of the interests, rights, privileges and titles reserved to us in subsections (b) and (e) will be borne solely by you;
- (i) you will not commence or maintain proceedings under section 65 of the *Land Act* in respect of any lawful interference with your rights under this Agreement that arises as a result of the exercise or operation of the interests, rights, privileges and titles described in subsections (b) and (e);
- (j) any interference with your rights under this Agreement as a result of the exercise or operation of the interests, rights, privileges and titles described in subsections (b) and (e) will not constitute a breach of our covenant of quiet enjoyment and you release and discharge us from all claims for loss or damage arising directly or indirectly out of any such interference;
- (k) you will make no claim for compensation, in damages or otherwise, if the Land becomes unsuitable for the purposes set out in this Agreement because of erosion, flooding or debris flow affecting the Land;
- (l) you will not remove or permit the removal of any Improvement from the Land except as expressly permitted or required under this Agreement;
- (m) any interest you may have in the Improvements ceases to exist and becomes our property upon termination of this Agreement, except where an Improvement may be removed under paragraph 4.1(q)(ii) or (iii) in which case any interest you may have in that Improvement ceases to exist and becomes our property if the Improvement is not removed from the Land within the time period set out in paragraph 4.1(q)(ii) or the time period provided for in the direction or permission given under paragraph 4.1(q)(iii); and
- (n) if, after the termination of this Agreement, we permit you to remain in possession of the Land and we accept money from you in respect of such possession, a tenancy from year to year will not be created by implication of law and you will be deemed to be a

monthly tenant only subject to all of the provisions of this Agreement, except as to duration, in the absence of a written agreement to the contrary.

ARTICLE 6 - SECURITY AND INSURANCE

6.1 On the Commencement Date, you will deliver to us security in the amount of \$0.00 which will

- (a) guarantee the performance of your obligations under this Agreement;
- (b) be in the form required by us; and
- (c) remain in effect until we certify, in writing, that you have fully performed your obligations under this Agreement.

6.2 Despite section 6.1, your obligations under that section are suspended for so long as you maintain in good standing other security acceptable to us to guarantee the performance of your obligations under this Agreement and all other dispositions held by you.

6.3 We may use the Security for the payment of any costs and expenses incurred by us to perform any of your obligations under this Agreement that are not performed by you and, if such event occurs, you will, within 30 days of that event, deliver further Security to us in an amount equal to the amount drawn down by us.

6.4 After we certify, in writing, that you have fully performed your obligations under this Agreement, we will return to you the Security maintained under section 6.1, less all amounts drawn down by us under section 6.3.

6.5 You acknowledge that we may, from time to time, notify you to

- (a) change the form or amount of the Security; and
- (b) provide and maintain another form of Security in replacement of or in addition to the Security posted by you under this Agreement;

and you will, within 60 days of receiving such notice, deliver to us written confirmation that the change has been made or the replacement or additional form of Security has been provided by you.

6.6 You must

- (a) without limiting your obligations or liabilities under this Agreement, at your expense, effect and keep in force during the Term the following insurance with insurers licensed

to do business in Canada:

- (i) Commercial General Liability insurance in an amount of not less than \$2,000,000.00 inclusive per occurrence insuring against liability for personal injury, bodily injury (including death) and property damage, including coverage for all accidents or occurrences on the Land or the Improvements. Such policy will include cross liability, liability assumed under contract, provision to provide 30 days advance notice to us of material change or cancellation, and include us as additional insured;
 - (b) ensure that all insurance required to be maintained by you under this Agreement is primary and does not require the sharing of any loss by any of our insurers;
 - (c) within 10 working days of Commencement Date of this Agreement, provide to us evidence of all required insurance in the form of a completed "Province of British Columbia Certificate of Insurance";
 - (d) if the required insurance policy or policies expire or are cancelled before the end of the Term of this Agreement, provide within 10 working days of the cancellation or expiration, evidence of new or renewal policy or policies of all required insurance in the form of a completed "Province of British Columbia Certificate of Insurance";
 - (e) notwithstanding subsection (c) or (d) above, if requested by us, provide to us certified copies of the required insurance policies.
- 6.7 We may, acting reasonably, from time to time, require you to
- (a) change the amount of insurance set out in subsection 6.6(a); and
 - (b) provide and maintain another type or types of insurance in replacement of or in addition to the insurance previously required to be maintained by you under this Agreement;
- and you will, within 60 days of receiving such notice, cause the amounts and types to be changed and deliver to us a completed "Province of British Columbia Certificate of Insurance" for all insurance then required to be maintained by you under this Agreement.
- 6.8 You shall provide, maintain, and pay for any additional insurance which you are required by law to carry, or which you consider necessary to insure risks not otherwise covered by the insurance specified in this Agreement in your sole discretion.
- 6.9 You waive all rights of recourse against us with regard to damage to your own property.

ARTICLE 7 - ASSIGNMENT

- 7.1 You must not sublease, assign, mortgage or transfer this Agreement, or permit any person to use or occupy the Land, without our prior written consent, which consent we may withhold.
- 7.2 For the purpose of section 7.1, if you are a corporation, a change in control (as that term is defined in subsection 2(3) of the *Business Corporations Act*) will be deemed to be a transfer of this Agreement.
- 7.3 Section 7.2 does not apply to a corporation if the shares of the corporation which carry votes for the election of the directors of the corporation trade on a stock exchange located in Canada.
- 7.4 Prior to considering a request for our consent under section 7.1, we may require you to meet certain conditions, including without limitation, that you submit to us a "site profile", "preliminary site investigation" or "detailed site investigation" (as those terms are defined in the *Environmental Management Act*) for the Land or other similar type of investigation of the Land.

ARTICLE 8 - TERMINATION

- 8.1 You agree with us that
- (a) if you
 - (i) default in the payment of any money payable by you under this Agreement, or
 - (ii) fail to observe, abide by and comply with the provisions of this Agreement (other than the payment of any money payable by you under this Agreement),and your default or failure continues for 60 days after we give written notice of the default or failure to you,
 - (b) if, in our opinion, you fail to make diligent use of the Land for the purposes set out in this Agreement, and your failure continues for 60 days after we give written notice of the failure to you;
 - (c) if you
 - (i) become insolvent or make an assignment for the general benefit of your creditors,
 - (ii) commit an act which entitles a person to take action under the *Bankruptcy and*

Insolvency Act (Canada) or a bankruptcy petition is filed or presented against you or you consent to the filing of the petition or a decree is entered by a court of competent jurisdiction adjudging you bankrupt under any law relating to bankruptcy or insolvency, or

- (iii) voluntarily enter into an arrangement with your creditors;
- (d) if you are a corporation,
 - (i) a receiver or receiver-manager is appointed to administer or carry on your business, or
 - (ii) an order is made, a resolution passed or a petition filed for your liquidation or winding up;
- (e) if you are a society, you convert into a company in accordance with the *Society Act* without our prior written consent; or
- (f) if this Agreement is taken in execution or attachment by any person;

this Agreement will, at our option and with or without entry, terminate, and all of your right, interest and estate in the Land will be absolutely forfeited to us.

8.2 If the condition complained of (other than the payment of any money payable by you under this Agreement) reasonably requires more time to cure than 60 days, you will be deemed to have complied with the remedying of it if you commence remedying or curing the condition within 60 days and diligently complete the same.

8.3 You agree with us that

- (a) you will make no claim for compensation, in damages or otherwise, upon the lawful termination of this Agreement under section 8.1; and
- (b) our remedies under this Article are in addition to those available to us under the *Land Act*.

ARTICLE 9 - DISPUTE RESOLUTION

9.1 If any dispute arises under this Agreement, the parties will make all reasonable efforts to resolve the dispute within 60 days of the dispute arising (or within such other time period agreed to by the parties) and, subject to applicable laws, provide candid and timely disclosure to each other of all relevant facts, information and documents to facilitate those efforts.

- 9.2 Subject to section 9.5, if a dispute under this Agreement cannot be resolved under section 9.1, we or you may refer the dispute to arbitration conducted by a sole arbitrator appointed pursuant to the *Commercial Arbitration Act*.
- 9.3 The cost of the arbitration referred to in section 9.2 will be shared equally by the parties and the arbitration will be governed by the laws of the Province of British Columbia.
- 9.4 The arbitration will be conducted at our offices (or the offices of our authorized representative) in Nanaimo, British Columbia, and if we or our authorized representative have no office in Nanaimo, British Columbia, then our offices (or the offices of our authorized representative) that are closest to Nanaimo, British Columbia.
- 9.5 A dispute under this Agreement in respect of a matter within our sole discretion cannot, unless we agree, be referred to arbitration as set out in section 9.2.

ARTICLE 10 - NOTICE

- 10.1 Any notice required to be given by either party to the other will be deemed to be given if mailed by prepaid registered mail in Canada or delivered to the address of the other as follows:

to us

MINISTRY OF NATURAL RESOURCE OPERATIONS
Suite 142 - 2080 Labieux Road
Nanaimo, BC V9T 6J9;

to you

SCHOOL DISTRICT NO.84 (VANCOUVER ISLAND WEST)
PO Box 100
Gold River, BC V0P 1G0;

or at such other address as a party may, from time to time, direct in writing, and any such notice will be deemed to have been received if delivered, on the day of delivery, and if mailed, 7 days after the time of mailing, except in the case of mail interruption in which case actual receipt is required.

- 10.2 In order to expedite the delivery of any notice required to be given by either party to the other, a concurrent facsimile copy of any notice will, where possible, be provided to the other party but nothing in this section, and specifically the lack of delivery of a facsimile copy of any

notice, will affect the deemed delivery provided in section 10.1.

- 10.3 The delivery of all money payable to us under this Agreement will be effected by hand, courier or prepaid regular mail to the address specified above, or by any other payment procedure agreed to by the parties, such deliveries to be effective on actual receipt.

ARTICLE 11 - MISCELLANEOUS

- 11.1 No provision of this Agreement will be considered to have been waived unless the waiver is in writing, and a waiver of a breach of a provision of this Agreement will not be construed as or constitute a waiver of any further or other breach of the same or any other provision of this Agreement, and a consent or approval to any act requiring consent or approval will not waive or render unnecessary the requirement to obtain consent or approval to any subsequent same or similar act.
- 11.2 No remedy conferred upon or reserved to us under this Agreement is exclusive of any other remedy in this Agreement or provided by law, but that remedy will be in addition to all other remedies in this Agreement or then existing at law, in equity or by statute.
- 11.3 The grant of a sublease, assignment or transfer of this Agreement does not release you from your obligation to observe and perform all the provisions of this Agreement on your part to be observed and performed unless we specifically release you from such obligation in our consent to the sublease, assignment or transfer of this Agreement.
- 11.4 This Agreement extends to, is binding upon and enures to the benefit of the parties, their heirs, executors, administrators, successors and permitted assigns.
- 11.5 If, due to a strike, lockout, labour dispute, act of God, inability to obtain labour or materials, law, ordinance, rule, regulation or order of a competent governmental authority, enemy or hostile action, civil commotion, fire or other casualty or any condition or cause beyond your reasonable control, other than normal weather conditions, you are delayed in performing any of your obligations under this Agreement, the time for the performance of that obligation will be extended by a period of time equal to the period of time of the delay so long as
- (a) you give notice to us within 30 days of the commencement of the delay setting forth the nature of the delay and an estimated time frame for the performance of your obligation; and
 - (b) you diligently attempt to remove the delay.
- 11.6 You agree with us that

- (a) we are under no obligation, express or implied, to provide financial assistance or to contribute toward the cost of servicing, creating or developing the Land or the Improvements and you are solely responsible for all costs and expenses associated with your use of the Land and the Improvements for the purposes set out in this Agreement; and
- (b) nothing in this Agreement constitutes you as our agent, joint venturer or partner or gives you any authority or power to bind us in any way.
- 11.7 This Agreement does not override or affect any powers, privileges or immunities to which you are entitled under any enactment of the Province of British Columbia.

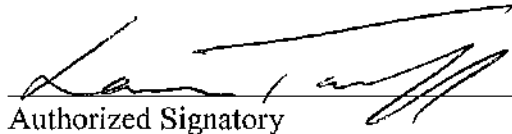
The parties have executed this Agreement as of the date of reference of this Agreement.

SIGNED on behalf of **HER MAJESTY
THE QUEEN IN RIGHT OF THE
PROVINCE OF BRITISH COLUMBIA**
by the minister responsible for the *Land Act*
or the minister's authorized representative



Minister responsible for the *Land Act*
or the minister's authorized representative

SIGNED on behalf of
SCHOOL DISTRICT NO.84 (VANCOUVER ISLAND WEST)
by its authorized signatories


Authorized Signatory
Authorized Signatory

LEGAL DESCRIPTION SCHEDULE

Lot 26, District Lot 53, Plan 34143, except that part in plan VIP 61665; together with that part of the surface of District Lot 485, surveyed as the claim known as Answer No. 4 mineral claim, all within Nootka District, containing 2.534 hectares, more or less

