

Court File No. CV-12-9539-00CL

**Timminco Limited
Bécancour Silicon Inc.**

SEVENTEENTH REPORT OF THE MONITOR

December 18, 2012

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
TIMMINCO LIMITED AND BÉCANCOUR SILICON INC.

**SEVENTEENTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR**

INTRODUCTION

1. On January 3, 2012, Timminco Limited (“**Timminco**”) and its wholly owned subsidiary, Bécancour Silicon Inc. (“**BSI**”, together with Timminco, the “**Timminco Entities**”) made an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) and an initial order (the “**Initial Order**”) was made by the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), granting, *inter alia*, a stay of proceedings against the Applicants until February 2, 2012, (the “**Stay Period**”) and appointing FTI Consulting Canada Inc. as monitor of the Timminco Entities (the “**Monitor**”). The proceedings commenced by the Timminco Entities under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. The Stay Period has been extended a number of times. Pursuant to the Order of the Honourable Mr. Justice Morawetz dated December 4, 2012, the Stay Period currently expires on January 31, 2012.

3. Pursuant to the Order of the Honourable Mr. Justice Morawetz dated March 9, 2012 (the “**Bidding Procedures Order**”), the Timminco Entities were authorized to enter into the Stalking Horse Agreement and the Bidding Procedures were approved, each as defined in the Monitor’s Fourth Report.
4. As described in the Monitor’s Seventh Report, the marketing process was completed and the Auction was conducted by the Timminco Entities, in consultation with the Monitor, on April 24 and 25, 2012 pursuant to the Bidding Procedures Order. At the conclusion of the Auction, the asset purchase agreement entered into between the Timminco Entities and QSI Partners Ltd. (the “**QSI APA**”) and the asset purchase agreement between the Timminco Entities and Ferroatlantica, S.A. (the “**Ferro APA**”) were collectively designated as the Successful Bid.
5. The Ferro APA was approved pursuant to an Order granted by the Court on May 22, 2012. The QSI APA was approved pursuant to an Order granted by the Court on June 1, 2012. Closing under the Ferro APA occurred on June 14, 2012. Closing under the QSI APA occurred on June 13, 2012.
6. By Order of the Honourable Mr. Justice Newbould dated August 17, 2012 (the “**CRO Appointment Order**”), Russell Hill Advisory Services Inc. was appointed as Chief Restructuring Officer (the “**CRO**”) of the Timminco Entities.
7. The Monitor has filed reports on various matters relating to the CCAA Proceedings. The purpose of this, the Monitor’s Seventeenth Report, is to inform the Court on:

- (a) The motion of Pavey Ark Minerals Inc. seeking an Order approving the sale transaction contemplated by the agreement of purchase and sale dated December 6, 2012 between Pavey Ark Minerals Inc., as purchaser, and Timminco as vendor (the “**Pavey Ark Agreement**”) and vesting the Mining Claims, as hereinafter defined, in the Purchaser free and clear of claims and encumbrances (the “**Approval and Vesting Order**”), together with the Monitor’s recommendation thereon.
8. In preparing this report, the Monitor has relied upon unaudited financial information of the Timminco Entities, the Timminco Entities’ books and records, certain financial information prepared by the Timminco Entities and discussions with the Timminco Entities’ management and others. Future oriented financial information reported or relied on in preparing this report is based on management’s assumptions regarding future events; actual results may vary from forecast and such variations may be material.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the previous reports of the Monitor or the Initial Order.

THE PAVEY PARK AGREEMENT

10. Capitalized terms used in this section of this report not otherwise defined are as defined in the Pavey Ark Agreement, a copy of which is attached hereto as Appendix A.
11. The Pavey Ark Agreement provides for the sale of 11 mining claims held by Timminco in the Puddy Lake/Obonga Lake Area, Thunder Bay District, Ontario (the “**Mining Claims**” or the “**Purchased Assets**”), for a purchase price of \$20,000 plus the Royalties Agreement.

12. The Royalties Agreement provides for the payment by the Purchaser of a perpetual net smelter royalty of 2% on all minerals production from the Purchased Assets (the “NSR”), with an option for the Purchaser to repurchase half of the NSR for \$1,000,000. A copy of the form of Royalties Agreement which the Monitor has been informed has been agreed between the parties is attached hereto as Appendix B.
13. In addition, the Purchaser is required to pay all arrears of Ontario land and mining taxes related to the Purchased Assets to a maximum of \$3,000. The Timminco Entities have informed the Monitor that they have confirmed with the relevant taxing authorities that the current amount of outstanding land and mining taxes is less than \$3,000.
14. Notwithstanding that the Timminco Entities are authorized to dispose of non-material or redundant assets not exceeding \$100,000 in any one transaction or \$1,000,000 in the aggregate without court approval, as a condition of the sale, the Purchaser is requiring that the Approval and Vesting Order be obtained. In order to save costs for the estate, the motion is being brought by the Purchaser rather than by the Timminco Entities.

THE SALE PROCESS AND THE MONITOR’S RECOMMENDATION

15. While no specific process has been undertaken for the marketing of the Mining Claims, in the Monitor’s experience, assets of the nature of the Mining Claims are difficult to successfully market and have only minimal realizable value due to the speculative nature of the underlying asset. The CRO has informed the Monitor that the Timminco Entities consulted with a mining engineering firm which advised that the Mining Claims would be expected to have only a speculative value.
16. The Monitor was not involved in the discussions between the CRO and the Purchaser, but has been informed that the Purchaser is not a party related to the Timminco Entities and that negotiations took place at arm’s length.

17. The Monitor's understanding is that the vast majority of mining claims are never developed to the point of commercial mineral production and such development takes many years. Accordingly, the Royalties Agreement is likely to have no value to the estate.
18. Based on its experience and the lack of alternate interest in the Mining Claims, the Monitor is of the view that the Purchase Price is reasonable in the circumstances and supports the request for the Approval and Vesting Order.

The Monitor respectfully submits to the Court this, its Seventeenth Report.

Dated this 18th day of December, 2012.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Timminco Limited and Bécancour Silicon Inc.



Nigel D. Meakin
Senior Managing Director



Toni Vanderlaan
Managing Director

Appendix A

The Pavey Ark Agreement

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") made the 6th day of December 2012.

BETWEEN:

PAVEY ARK MINERALS INC.
a corporation incorporated under the
laws of the Province of Ontario,
(the "**Purchaser**")

- and -

TIMMINCO LIMITED,
a corporation incorporated under the
laws of Canada,
(the "**Vendor**")

RECITALS:

A. The Vendor wishes to sell and the Purchaser wishes to purchase certain assets as provided herein.

TERMS OF AGREEMENT

ARTICLE I INTERPRETATION

1.1 Definitions. In this Agreement, unless the context expressly or by necessary implication requires otherwise, the following words and phrases shall have the meanings indicated and grammatical variations shall have the corresponding meanings:

- (a) "**Closing Date**" means December 21, 2012 or such other date as the parties shall agree upon;
- (b) "**Purchased Assets**" means 11 mining claims numbered TB 8420 to 8428 inclusive, TB 8814, TB 9294 held by the Vendor in the Puddy Lake/Obonga Lake area, Thunder Bay district, Ontario and as more fully described on the parcel registers attached hereto as Schedule 1.1(b);
- (c) "**Purchase Price**" has the meaning attributed to it in Section 4.2;

(d) “**Time of Closing**” has the meaning attributed to it in Section 4.2.

1.2 Dollar Amounts. All dollar amounts referred to in this Agreement are in Canadian funds.

1.3 Number and Gender. In this Agreement, where the context so requires, words importing the singular include the plural and vice versa and words importing one gender include all genders.

1.4 Headings. Section headings are not to be considered part of this Agreement and are included solely for convenience of reference and are not intended to be full or accurate descriptions of the contents thereof.

1.5 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions of the parties, whether oral or written, and there are no warranties representations or other agreements between the parties in connection with the subject matter hereto except as specifically set forth herein. No supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the party or parties to be bound thereby.

1.6 Schedules. The following Schedules which are annexed hereto and incorporated in this Agreement by reference are true and accurate in all respects in connection with the information disclosed therein and are deemed to be part hereof:

Description	Schedule Reference	Section References
Title Abstracts – Purchased Assets	Schedule 1.1(b)	Subsection 1.1(b)

1.7 Successors and Assigns. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

ARTICLE II REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE VENDOR

The Vendor represents, warrants and covenants to the Purchaser as follows and acknowledges and confirms that the Purchaser is relying on such representations, warranties and covenants in connection with the purchase by the Purchaser of the Purchased Assets:

2.1 Due Authorization. The Vendor has all necessary corporate power and authority to enter into this Agreement and to carry out its obligations hereunder and the execution and delivery of this

Agreement and the consummation of the transactions contemplated hereunder have been duly authorized by all necessary corporate action on the part of the Vendor. This Agreement and all other agreements required hereunder constitute legal, valid and binding obligations of the Vendor, enforceable in accordance with their terms, except as may be limited by laws of general application affecting the rights of creditors.

- 2.2 Due Incorporation and Valid Existence. The Vendor is a corporation duly incorporated, and validly existing under the laws of Canada.
- 2.3 Absence of Conflicting Agreements.
- (a) The Vendor is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, instrument, charter or by-law provision, and to the best of the knowledge of the Vendor, any statute, regulation, judgment, decree or law which would be violated, contravened, breached by, or under which default would occur as a result of the execution and delivery of this Agreement or the consummation of the transactions provided for herein; and
- (b) No person, firm or corporation has any written or oral agreement, option, understanding or commitment or any right capable of becoming an agreement for the purchase from the Vendor of any of the Purchased Assets.
- 2.4 Title. The Vendor is selling herein all its right, title and interest, if any, in and to the Purchased Assets on an “as is, where is” basis without representation or warranty of title or other matter. Purchaser will have sole responsibility of satisfying itself as to title.
- 2.5 Residence of Vendor. The Vendor is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada).
- 2.6 Taxes. The Vendor acknowledges the Purchaser’s condition that arrears of mining and land taxes shall not exceed \$3000 at the Time of Closing, Purchaser having sole responsibility for verifying same and having the right to terminate this agreement up until the Time of Closing should those arrears be greater than \$3000.

ARTICLE III REPRESENTATIONS, WARRANTIES AND COVENANTS OF PURCHASER

The Purchaser represents, warrants and covenants to the Vendor as follows and acknowledges and confirms that the Vendor is relying on such representations, warranties and covenants in connection with the sale by the Vendor of the Purchased Assets:

- 3.1 Due Authorization. The Purchaser has all necessary corporate power and authority to enter into this Agreement and to carry out its obligations hereunder and the execution and delivery of

this Agreement and the consummation of the transactions contemplated hereunder have been duly authorized by all necessary corporate action on the part of the Purchaser. This Agreement and all other agreements required hereunder constitute legal, valid and binding obligations of the Purchaser, enforceable in accordance with their terms, except as may be limited by laws of general application affecting the rights of creditors.

- 3.2 Due Incorporation and Valid Existence. The Purchaser is a corporation duly incorporated, and validly existing under the laws of Ontario.
- 3.3 Absence of Conflicting Agreements. The Purchaser is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, instrument, charter or by-law provision, and to the best of the knowledge of the Vendor, any statute, regulation, judgment, decree or law which would be violated, contravened, breached by, or under which default would occur as a result of the execution and delivery of this Agreement or the consummation of the transactions provided for herein.
- 3.4 Due Authorization. This Agreement and all other agreements required hereunder have been duly and validly executed and delivered by the Purchaser.
- 3.5 Investment Canada Act. The Purchaser is not a non-Canadian for the purposes of the *Investment Canada Act*.

ARTICLE IV PURCHASE OF ASSETS

- 4.1 Assets to be Purchased. The Vendor agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Vendor the Purchased Assets for the Purchase Price on the Closing Date.
- 4.2 Purchase Price. The consideration for the Purchased Assets (the “**Purchase Price**”) shall be the sum of \$20,000 plus the Royalties Agreement referred to in Section 4.6 below.
- 4.3 Payment of the Purchase Price. At the Time of Closing, the Purchaser shall pay the Purchase Price in immediately available funds and enter into the Royalties Agreement.
- 4.4 Sales Taxes. All sales taxes and all other taxes, duties or charges payable on the transfer of the Purchased Assets to the Purchaser hereunder shall be borne by the Purchaser
- 4.5 Closing. The closing of the transactions contemplated herein shall take place at 10:00 a.m. (Toronto time) on the Closing Date (the “**Time of Closing**”) at the offices of the solicitors for the Purchaser, or at such time and place as may be mutually agreed upon by the Purchaser and the Vendor.
- 4.6 Royalties Agreement. At the Time of Closing, the Purchaser and the Vendor shall enter into a royalties agreement (the “**Royalties Agreement**”) including the following terms and conditions:

- (i) subject to the following, the Purchaser shall pay to the Vendor a perpetual 2% net smelter royalty (“NSR”) on all minerals production from the Purchased Assets;
- (ii) the Purchaser shall have the option, exercisable at any time on notice to the vendor, to repurchase from the Vendor one half of the 2% NSR (1% NSR) for a repurchase price of C\$1,000,000;
- (iii) such other terms as shall be typical for NSR agreements of this type.

4.7 Taxes. At the Time of Closing the Purchaser shall pay and satisfy, or settle in its reasonable discretion, all outstanding arrears (as of the Time of Closing) for Ontario land and mining taxes related to the Purchased Assets to a maximum of \$3000.

4.8 Order. On or before Closing, the Purchaser shall be entitled, at its own expense, to apply to the Ontario Court of Justice (Commercial List) for an order approving this Agreement and providing for the vesting of the Purchased Assets in the Purchaser in accordance with the terms of this Agreement, free and clear of all encumbrances by the Vendor and its creditors (other than mining and land taxes).

ARTICLE V COMPLETION OF PURCHASE

5.1 Purchaser’s Conditions. The Vendor covenants to and with the Purchaser as follows and the fulfillment of each of the following is a condition precedent to the Purchaser's obligations to complete the purchase of the Purchased Assets, unless waived in writing by the Purchaser:

- (a) On or before Closing, the Ontario Superior Court of Justice (Commercial List) shall have issued an order approving this Purchase Agreement and providing for the vesting of the Purchased assets in the Purchaser in accordance with the terms of this Agreement, free and clear of all encumbrances by the Vendor and its creditors.
- (b) The Vendor shall, until the Closing Date, permit the Purchaser and its employees, agents or other representatives to inspect each of the Purchased Assets.
- (c) The Vendor shall, until the Closing Date, make available to the Purchaser and its employees, agents, counsel and accountants or other representatives, such books and records relating to the Purchased Assets as the Vendor shall have in its possession.
- (d) At the Time of Closing, the Vendor shall execute and deliver to the Purchaser the Royalties Agreement.
- (e) At the Time of Closing, the Vendor shall have taken and/or have caused to be taken, all

proper steps, actions or proceedings to deliver the Purchased Assets to the Purchaser and shall have executed and delivered all necessary instruments, deeds, conveyances, transfers and other documents to implement this Agreement and transfer the Purchased Assets to the Purchaser.

5.2 Vendor's Conditions. The Purchaser hereby covenants to and with the Vendor as follows, and the fulfillment of each of the following is a condition precedent to the Vendor's obligation to complete the sale of the Purchased Assets unless waived in writing by the Vendor:

- (a) At the Time of Closing, all representations, warranties and covenants of the Purchaser contained herein shall be true, as if made on such date, and at the Time of Closing the Vendor shall have been furnished with a certificate of the Purchaser to such effect; and
- (b) The Purchaser shall execute the Royalties Agreement

ARTICLE VI GENERAL

6.1 Notices. All notices, requests, demands or other instruments or communications required or permitted to be given hereunder or in connection herewith may be hand delivered or sent by registered mail from a Post Office in Canada, postage fully prepaid, or sent by telecopier or other electronic means of written communication addressed to the addressee as follows:

in the case of the Vendor:

c/o CRO Russelhill Advisory Services Inc.
290 Russell Hill Rd Toronto , ON , Canada M4V 2T6
Attention: Sean Dunphy
Email: dunphy@russelhilladvisory.com

and, in the case of the Purchaser to:

Pavy Ark Minerals Inc.
100 Broadleaf Crescent,
Ancaster, ON, L9G 3R8
Attention: R. Sutcliffe

with a copy to:

Woolgar VanWiechen Ketcheson Ducoffe LLP
70 The Esplanade, Suite 401
Toronto, Ontario
M5E 1R2
Attention: Mark Woolgar

Fax: 416 867 1434

E-mail: mwoolgar@woolvan.com

or at such other address as any of the said parties shall by notice direct. All notices, requests, demands or other instruments or communications shall be deemed to be received (a) on the date of delivery, if delivered on a Business Day during the usual business hours of the jurisdiction wherein the recipient is situate, or if not a Business Day or during such usual business hours, on the Business day next following the day of delivery, and (b) on the third (3rd) Business Day following the mailing thereof, if mailed. In the event of a mail strike or postal interruption at any time during the currency of this Agreement, all notices, requests, demands, or other instruments or communications shall be delivered by electronic means.

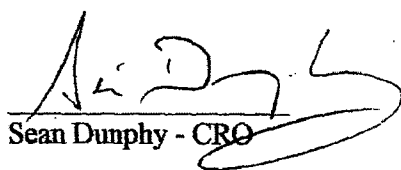
- 6.2 Further Assurances. The parties hereto covenant and agree that they will from time to time and at all times hereafter, upon every reasonable request of the other, make, do and execute or cause and procure to be made, done and executed all such further acts, deeds or assurances as may be reasonably required for purposes of implementing the matters contemplated by this Agreement.
- 6.3 Time of Essence. Time shall be of the essence of this Agreement.
- 6.4 Governing Law. This Agreement shall be governed by and shall be construed in accordance with the laws of the Province of Ontario.
- 6.5 Risk of Loss. Until the Time of Closing, all risk of loss or damage howsoever caused to the Purchased Assets shall remain with the Vendor.
- 6.6 Broker Fees. The Vendor hereby represents and warrants to the Purchaser that all discussions of the Vendor, in connection with this Agreement, with any broker or other agent, have been carried on by it at its sole expense and that the execution, delivery and performance of this Agreement will not give rise to any valid claim by the Vendor against the Purchaser for any brokerage commission, fee or other remuneration, finder's fee or other like payment arising in connection with the transactions contemplated herein.
- 6.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same document.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement.

PAVEY ARK MINERALS INC.

Per: 
Richard Sutcliffe - President

TIMMINCO LIMITED

Per: 
Sean Dunphy - CRO

Schedule 1.1(b)

(see attached)

SUBJECT TO RESERVATIONS IN CROWN GRANT

PROPERTY DESCRIPTION: PCL 6348 SEC TBF; MINING CLAIM TB 8420 UNSURVEYED TERRITORY (RECORDED AS TB14413 & TB14414) BEING LAND AND LAND COVERED WITH THE WATER OF THAT PT OF CLROME LAKE AND THAT PT OF WIGWAM LAKE WITHIN THE BOUNDARIES OF THE CLAIM SITUATE IN THE VICINITY OF OBONGA LAKE AS IN PPA4041; DISTRICT OF THUNDER BAY

PROPERTY REMARKS: CROWN GRANT SEE PPA4041.

ESTATE/QUALIFIER:
FEE SIMPLE
ABSOLUTE

RECENTLY:
FIRST CONVERSION FROM BOOK

PIN CREATION DATE:
2004/10/18

OWNERS' NAMES
CHROMIUM MINING AND SMELTING CORPORATION LIMITED

CAPACITY SHARE
BENO

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2004/10/15 **						
PPA4041	1935/05/02	CROWN PATENT			CHROMIUM MINING AND SMELTING CORPORATION LIMITED	C
REMARKS: SKETCH ATTACHED.						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

SUBJECT TO RESERVATIONS IN CROWN GRANT

PROPERTY DESCRIPTION: PCL 6349 SEC TBF; MINING CLAIM TB 8421 UNSURVEYED TERRITORY (RECORDED AS TB 14415) BEING LAND AND LAND COVERED WITH THE WATER OF THAT PT OF WIGWAM LAKE WITHIN THE BOUNDARIES OF THIS CLAIM SITUATE IN THE VICINITY OF OBONGA LAKE AS IN PPA4042; DISTRICT OF THUNDER BAY

PROPERTY REMARKS: CROWN GRANT SEE PPA4042.

ESTATE/QUALIFIER:
FEE SIMPLE
ABSOLUTE

RECENTLY:
FIRST CONVERSION FROM BOOK

PIN CREATION DATE:
2004/10/18

OWNERS' NAMES
CHROMIUM MINING AND SMELTING CORPORATION LIMITED

CAPACITY SHARE
BENO

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2004/10/15 **						
PPA4042	1935/05/02	CROWN PATENT	\$127		CHROMIUM MINING AND SMELTING CORPORATION LIMITED	C
REMARKS: SKETCH ATTACHED.						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

SUBJECT TO RESERVATIONS IN CROWN GRANT

PROPERTY DESCRIPTION: PCL 6350 SEC TBF; MINING CLAIM TB 8422 UNSURVEYED TERRITORY (RECORDED AS TB14412) BEING LAND & LAND COVERED WITH THE WATER OF THAT PT OF CHROME LAKE WITHIN THE LIMITS OF THIS MINING CLAIM SITUATE IN THE VICINITY OF OBONGA LAKE AS IN PPA4043; DISTRICT OF THUNDER BAY

PROPERTY REMARKS: CROWN GRANT SEE PPA4043.

ESTATE/QUALIFIER: FEE SIMPLE ABSOLUTE
RECENTLY: FIRST CONVERSION FROM BOOK

PIN CREATION DATE: 2004/10/18

OWNERS' NAMES: CHROMIUM MINING AND SMELTING CORPORATION LIMITED
CAPACITY SHARE: BENO

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2004/10/15 **						
PPA4043	1935/05/02	CROWN PATENT	\$84		CHROMIUM MINING AND SMELTING CORPORATION LIMITED	C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

62504-1562 (LT)

SUBJECT TO RESERVATIONS IN CROWN GRANT

PROPERTY DESCRIPTION: PCL 6351 SEC TBF; MINING CLAIM TB 8423 UNSURVEYED TERRITORY (RECORDED AS TB 10835) BEING LAND AND LAND COVERED WITH THE WATER OF THAT PT OF CHROME LAKE WITHIN THE BOUNDARIES OF THIS CLAIM SITUATE IN THE VICINITY OF OBONGA LAKE AS IN PPA4044; DISTRICT OF THUNDER BAY

PROPERTY REMARKS: CROWN GRANT SEE PPA4044.

ESTATE/QUALIFIER: FEE SIMPLE ABSOLUTE
RECENTLY: FIRST CONVERSION FROM BOOK

PIN CREATION DATE: 2004/10/18

OWNERS' NAMES: CHROMIUM MINING AND SMELTING CORPORATION LIMITED
CAPACITY SHARE: BENO

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2004/10/15 **						
PPA4044	1935/05/02	CROWN PATENT	\$166		CHROMIUM MINING AND SMELTING CORPORATION LIMITED	C
REMARKS: SKETCH ATTACHED.						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

SUBJECT TO RESERVATIONS IN CROWN GRANT

PROPERTY DESCRIPTION: PCL 6352 SEC TBF; MINING CLAIM TB 8424 UNSURVEYED TERRITORY RECORDED AS TB10836 SITUATE IN THE VICINITY OF OBONGA LAKE; DISTRICT OF THUNDER BAY

PROPERTY REMARKS: CROWN GRANT SEE PPA4045.

ESTATE/QUALIFIER:
FEE SIMPLE
ABSOLUTE

RECENTLY:
FIRST CONVERSION FROM BOOK

PIN CREATION DATE:
2004/10/18

OWNERS' NAMES
CHROMIUM MINING AND SMELTING CORPORATION LIMITED

CAPACITY SHARE
BENO

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2004/10/15 **						
PPA4045	1935/05/02	CROWN PATENT	\$173		CHROMIUM MINING AND SMELTING CORPORATION LIMITED	C
REMARKS: SKETCH ATTACHED.						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

SUBJECT TO RESERVATIONS IN CROWN GRANT

PROPERTY DESCRIPTION: PCL 6353 SEC TBF; MINING CLAIM TB 8425 UNSURVEYED TERRITORY (RECORDED AS TB 10826) SITUATE IN THE VICINITY OF OBONGA LAKE; DISTRICT OF THUNDER BAY

PROPERTY REMARKS: CROWN GRANT SEE PPA4046.

ESTATE/QUALIFIER:
FEE SIMPLE
ABSOLUTE

RECENTLY:
FIRST CONVERSION FROM BOOK

PIN CREATION DATE:
2004/10/18

OWNERS' NAMES
CHROMIUM MINING AND SMELTING CORPORATION LIMITED

CAPACITY SHARE
BENO

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2004/10/15 **						
PPA4046	1935/05/02	CROWN PATENT REMARKS: SKETCH ATTACHED.	\$111		CHROMIUM MINING AND SMELTING CORPORATION LIMITED	C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

SUBJECT TO RESERVATIONS IN CROWN GRANT

PROPERTY DESCRIPTION: PCL 6354 SEC TBF; MINING CLAIM TB 8426 UNSURVEYED TERRITORY (RECORDED AS TB 10827) BEING LAND AND LAND COVERED WITH THE WATER OF THAT PART OF CHROME LAKE WITHIN THE LIMITS OF THIS MINING CLAIM SITUATE IN THE VICINITY OF OBONGA LAKE AS IN PPA4047; DISTRICT OF THUNDER BAY

PROPERTY REMARKS: CROWN GRANT SEE PPA4047.

ESTATE/QUALIFIER:

FEE SIMPLE
ABSOLUTE

RECENTLY:

FIRST CONVERSION FROM BOOK

PIN CREATION DATE:

2004/10/18

OWNERS' NAMES

CHROMIUM MINING AND SMELTING CORPORATION LIMITED

CAPACITY SHARE

BENO

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2004/10/15 **						
PPA4047	1935/05/02	CROWN PATENT			CHROMIUM MINING AND SMELTING CORPORATION LIMITED	C
REMARKS: SKETCH ATTACHED.						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

SUBJECT TO RESERVATIONS IN CROWN GRANT

PROPERTY DESCRIPTION: PCL 6355 SEC TBF; MINING CLAIM TB 8427 UNSURVEYED TERRITORY (RECORDED AS TB 10828), SITUATE IN THE VICINITY OF OBONGA LAKE; DISTRICT OF THUNDER BAY

PROPERTY REMARKS: CROWN GRANT SEE PPA4048.

ESTATE/QUALIFIER: FEE SIMPLE ABSOLUTE
RECENTLY: FIRST CONVERSION FROM BOOK

PIN CREATION DATE: 2004/10/18

OWNERS' NAMES: CHROMIUM MINING AND SMELTING CORPORATION LIMITED
CAPACITY SHARE: BENO

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2004/10/15 **						
PPA4048	1935/05/02	CROWN PATENT	\$79		CHROMIUM MINING AND SMELTING CORPORATION LIMITED	C
REMARKS: SKETCH ATTACHED.						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

SUBJECT TO RESERVATIONS IN CROWN GRANT

PROPERTY DESCRIPTION: PCL 6356 SEC TBF; MINING CLAIM TB 8428 UNSURVEYED TERRITORY (RECORDED AS TB10883) SITUATE IN THE VICINITY OF OBONGA LAKE; DISTRICT OF THUNDER BAY

PROPERTY REMARKS:

ESTATE/QUALIFIER:

FEE SIMPLE
ABSOLUTE

RECENTLY:

FIRST CONVERSION FROM BOOK

PIN CREATION DATE:

2004/10/18

OWNERS' NAMES

CHROMIUM MINING AND SMELTING CORPORATION LIMITED

CAPACITY SHARE

BENO

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2004/10/15 **						
PPA4049	1935/05/02	CROWN PATENT			CHROMIUM MINING AND SMELTING CORPORATION LIMITED	C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

SUBJECT TO RESERVATIONS IN CROWN GRANT

PROPERTY DESCRIPTION: PCL 6208 SEC TBF; MINING CLAIM TB 8614 UNSURVEYED TERRITORY SITUATE NEAR OBONGA LAKE; DISTRICT OF THUNDER BAY

PROPERTY REMARKS: CROWN GRANT SEE PPA3965.

ESTATE/QUALIFIER:
FEE SIMPLE
ABSOLUTE

RECENTLY:
FIRST CONVERSION FROM BOOK

PIN CREATION DATE:
2004/10/18

OWNERS' NAMES
CHROMIUM MINING & SMELTING CORPN LIMITED

CAPACITY SHARE
BENO

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2004/10/15 **						
LPA21845	1934/07/03	TRANSFER	\$1		CHROMIUM MINING & SMELTING CORPN LIMITED	C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

SUBJECT TO RESERVATIONS IN CROWN GRANT

PROPERTY DESCRIPTION: PCL 6466 SEC TBF; MINING CLAIM TB 9294 UNSURVEYED TERRITORY (RECORDED AS TB 19207) BEING LAND AND LAND COVERED WITH THE WATER OF A SMALL LAKE PARTLY WITHIN THE LIMITS OF THIS CLAIM SITUATE IN THE VICINITY OF OBONGA LAKE; DISTRICT OF THUNDER BAY

PROPERTY REMARKS: CROWN GRANT SEE PPA4126.

ESTATE/QUALIFIER: FEE SIMPLE ABSOLUTE
RECENTLY: FIRST CONVERSION FROM BOOK

PIN CREATION DATE: 2004/10/18

OWNERS' NAMES: CHROMIUM MINING & SMELTING CORPORATION LIMITED
CAPACITY SHARE: BENO

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2004/10/15 **						
PPA4126	1935/10/02	CROWN PATENT			CHROMIUM MINING & SMELTING CORPORATION LIMITED	C
REMARKS: SKETCH ATTACHED.						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

Appendix B

The Royalties Agreement

ROYALTY AGREEMENT

THIS ROYALTY AGREEMENT (the "**Agreement**") made the _____ day of November 2012.

BETWEEN:

PAVEY ARK MINERALS INC.

an Ontario corporation,
(the "**Grantor**")

- and -

TIMMINCO LIMITED,

a Canadian corporation,
(the "**Grantee**")

RECITALS:

- A. the Grantor has acquired the Property (as hereinafter defined) from the Grantee pursuant to a purchase agreement dated November , 2012 ("**Purchase Agreement**") and as partial consideration for such transfer the Grantor has agreed to grant the Grantee a royalty (the "**Royalty**") equal to 2% of Net Returns (as hereinafter defined) all on and subject to the terms and conditions hereinafter contained.

TERMS OF AGREEMENT:

1. DEFINITIONS

"**Affiliate**" has the meaning indicated in the *Canada Business Corporations Act*, as amended.

"**Gross Value**" shall mean the consideration actually received by the Grantor from the sale or other disposition of Minerals, provided that where the Grantor's sale or disposition is based upon a contract for the sale of Minerals that fixes a selling price for metals other than on the market price of the product on the date of delivery to the purchaser (less deductions normally negotiated as a part of such contracts), specifically including without limitation, forward sales, futures trading or commodity options trading and any other price hedging, price protection and speculative arrangements not involving physical delivery of Minerals produced from ores mined from the Property, Minerals shall be deemed to have been sold only at the time that refined metal attributable to such Minerals is physically delivered by the Grantor in satisfaction of such commitments. Gross

Value of Minerals shall be based on the recoverable value of the Minerals actually delivered, calculated by dividing the sum of all such prices reported for each respective Mineral on each day of the calendar month by the number of days for which such prices were reported for the month in which the sale occurred, as such prices are quoted on the London Metal Exchange (LME). In the event of cessation or suspension of quotations for a period of more than five consecutive days in a given month, the parties hereto shall agree on a reputable substitute quotation mechanism for each affected Mineral. If the Grantor terminates or "**buys-back**" any of such price protection arrangements without actual physical delivery of Minerals, the Grantee shall not share in any profits or losses therefrom.

"**Interest**" shall have the meaning set forth in section 5.

"**Interest Transfer Acceptance Notice**" shall have the meaning set forth in section 5.

"**Interest Transfer Notice**" shall have the meaning set forth in section 5.

"**Minerals**" shall mean raw and/or processed ores, concentrates, precipitates, leach liquor, metals, ore and mineral materials of every kind and character and all other naturally-occurring products contained within the Property (excluding only sand and gravel and other common non-metallic materials).

"**Net Returns**" shall mean the Gross Value received by the Grantor less the following expenses incurred by the Grantor with respect to such Minerals after they leave the Property: (i) actual charges for treatment in the smelting and refining process (including handling, assaying, processing, penalties, impurity charges, metal losses and other processor deductions); (ii) actual sales, marketing and brokerage costs; (iii) any sales, severance, gross production, privilege or similar taxes assessed on or in connection with the sale or other disposition of Minerals; (iv) actual costs of transportation (including freight, insurance, security charges, transaction taxes, import and export duties, levies, imposts, handling, port, demurrage, delay, stowage and forwarding expenses incurred by reason of or in the course of such transportation) of such Minerals, to the mill, smelter or other purchaser, user or customer. The Grantor shall be permitted to sell concentrates in the form usually commercially marketable to an Affiliate of the Grantor provided that such sales shall be considered, solely for the purpose of computing Net Returns, to have been sold at prices and on terms no less favourable than those which would be extended to an unaffiliated third party in a *bona fide* arm's length transaction under similar circumstances. Similarly, if the Grantor or an Affiliate of the Grantor incurs costs that are deductible or treats the Minerals in a smelter that the Grantor or the Affiliate of the Grantor owns or controls, the Grantor or the Affiliate of the Grantor may deduct treatment charges and costs, but only to the extent they are no more than the amount that the Grantor or the Affiliate of the Grantor would have charged an unaffiliated third party in a *bona fide* arm's length transaction under similar circumstances.

"**Offer**" shall have the meaning set forth in section 5.

"**Produced**" shall mean the mining, saving, extraction from the surface or subsurface or other creation of a marketable production containing Minerals from the Property.

"**Property**" shall mean the patented mining claims TB 8420, TB 8421, TB 8422, TB 8423, TB 8424, TB 8425, TB 8426, TB 8427, TB 8428, TB 8814 and TB 9294, located in the Puddy Lake/Obonga Lake area, Thunder Bay Mining District, Province of Ontario.

"**Reduction Notice**" shall have the meaning set forth in section 6.

"**Reduction Price**" shall have the meaning set forth in section 6.

"**Royalty**" shall have the meaning set forth in the preambles to this Agreement.

"**Transfer**" when used as a verb, shall mean to sell, grant, assign, encumber, pledge or otherwise commit or dispose of, directly or indirectly, including through mergers, consolidations or asset purchases. When used as a noun, "**Transfer**" shall mean a sale, grant, assignment, pledge or disposal or the commitment to do any of the foregoing, directly or indirectly, including through mergers.

2. **ROYALTY INTEREST**

The Grantor does hereby grant the Royalty to the Grantee in perpetuity, subject to the terms and conditions of this Agreement. The Royalty shall constitute a vested interest in, and a covenant running with, the Property. The Royalty shall apply to any and all Minerals Produced from the Property. The Royalty shall be on the basis of the Net Returns received by the Grantor from the sale or other disposition of Minerals Produced from the Property.

The Grantee may register or record against title this Agreement and such form of notice, caution or other documents or security instruments as it considers appropriate to protect the Grantee's right to receive the Royalty under this Agreement. The Grantor hereby consents to such registration and agrees to cooperate with the Grantee to accomplish same.

3. **GRANTOR'S OPERATIONS**

(a) **Further Processing.** The Grantor may, but is not obligated to, beneficiate, mill, sort, concentrate, refine, smelt or otherwise process or upgrade the Minerals Produced from ores mined from the Property prior to sale, transfer, or conveyance to a purchaser, user or consumer other than the Grantor. The Grantor shall not be liable for mineral values lost in such processing except for losses resulting from the bad faith or gross negligence of the Grantor.

(b) **Weighing and Sampling – Commingling**. All ores, materials or products containing Minerals shall be weighed or measured, sampled and analyzed in accordance with the Grantor's standard mining and metallurgical practices. After such weights, measurements or samples are taken, at its discretion, the Grantor may mix or commingle such ores, materials or products with ores, materials or products from other properties or sources.

(c) **Information to Grantee**. All payments of the Royalty hereunder shall be accompanied by a smelter settlement sheet or other evidence of sale indicating the weight of materials received, contained mineral values and a statement of the Grantor as to the deductions made. If no Royalty is due the Grantee for any pay period, the Grantor shall nonetheless provide the Grantee with a statement showing in reasonable detail the quantities of Minerals produced from the Property.

(d) **Mining Methods - No Implied Covenants**. The Grantor shall have the sole and exclusive right to determine the timing and the manner of any production from the Property and all related exploration, development, operational and mining activities. Nothing in this Agreement shall require the Grantor to explore, develop or mine or continue operations on the Property or to process ores from the Property. The Grantor shall not be responsible for nor be obliged to make any Royalty payments for Mineral values lost in any mining or processing of the Minerals conducted pursuant to customary mining practices. The Grantor shall not be required to mine or to preserve or protect the Minerals which under customary mining practices cannot be mined or shipped at a reasonable profit at the time mined.

(e) **Retention of Inventory**. The Grantor may, but is not obligated to, retain ore or treated ore products containing Minerals as inventory for any length of time and for any reason. At the Grantee's reasonable request, the Grantor shall deliver to the Grantee a monthly statement of such inventory, but the Grantee shall have no right to any Royalty payments until the Grantor actually sells the Minerals. For clarity, no payments hereunder are required in relation to raw Minerals stockpiles until Gross Value accrues in relation thereto.

4. **ROYALTY TRANSFER**

The Grantee shall not Transfer the Royalty or its rights under this Agreement (collectively, the "**Interest**") other than in accordance with this Section. In the case of any proposed Transfer of the Interest, the Grantee shall provide 30 days advance notice in writing to that effect to the Grantor (the "**Interest Transfer Notice**"). The Interest Transfer Notice shall: (i) set out the purchase price to be paid for the Interest and the mode of payment of the consideration; (ii) set out the anticipated closing date and all other pertinent terms and conditions appertaining to the Transfer of the Interest; and (iii) contain an offer to the Grantor to purchase the Interest upon the foregoing terms and conditions (the "**Offer**"). If the Grantor wishes to accept the Offer, the Grantor shall send a written notice to that effect (the "**Interest Transfer Acceptance Notice**") to the Grantee within ten days after delivery of the Interest Transfer Notice to the Grantor. If the Grantor shall have duly delivered the Interest Transfer Acceptance Notice, closing of

the Transfer of the Interest to the Grantor shall be consummated in accordance with the terms and conditions of the Interest Transfer Notice (with any necessary amendments as agreed between the parties). If the Grantor does not accept the Offer, the Grantee shall have the right to Transfer the Interest to a *bona fide* third party at arm's length to the Grantee on the same terms and conditions set forth in the Interest Transfer Notice; provided closing occurs within 45 days of the date of the Interest Transfer Notice.

5. PARTIAL PURCHASE OF ROYALTY

At any time after the date of this Agreement and with a minimum of 60 days prior written notice to the Grantee (the "**Reduction Notice**"), the Grantor shall have, in its sole discretion, the right and option to purchase 1% of the Royalty (such that the remaining Royalty shall be reduced to 1% of Net Returns) for a price equal to \$1,000,000 (the "**Reduction Price**"). The Reduction Price shall be paid in immediately available funds. Closing shall occur within 15 days of the date of delivery of the Reduction Notice to the Grantee. In consideration of the Reduction Price, at closing the Grantee shall deliver to the Grantor an executed quitclaim or deed of release in respect of 1% of the Royalty, in form and substance satisfactory to the Grantor, which document shall constitute an amendment of this Agreement, to specifically provide for the Royalty reduction. For greater certainty and without limitation, any previously made payments of the Royalty shall not be refunded by the Grantee to the Grantor and the reduction in Royalty payments shall apply only from and after the date of closing.

6. PAYMENT OF ROYALTY

(a) **Frequency of Payment of Royalty.** The Royalty shall be due and payable, and a corresponding calculation of how the Royalty was determined, within 30 days after the end of each fiscal year of the Grantor in which the Gross Value accrues.

(b) **Method of Making Payments.** All Royalty payments required to be made hereunder shall be by wire transfer as instructed by the Grantee.

(c) **Records, Inspection.** All books and records used by the Grantor to calculate the Royalty shall be kept in accordance with Canadian generally accepted accounting principles. The Grantee may, at its sole expense, upon reasonable notice to the Grantor, inspect the Grantor's books and records used to calculate the Royalty. No inspections taken hereunder shall be in derogation of the Grantees' right to make objections as described in subsection 7(d).

(d) **Objections.** All Royalty payments shall be considered final and in full satisfaction of all obligations of the Grantor with respect thereto, unless the Grantee shall give the Grantor written notice describing and setting forth a specific objection to the calculation thereof within 30 days after receipt by the Grantee of documentation with respect to the calculation of such Royalty payment. For 90 days following receipt of the Grantee's objection, the Grantee may conduct an audit of the Grantor's records and accounts relating to the Royalty calculation assisted by an independent certified public accountant acceptable to the Grantor at reasonable times and upon reasonable notice

to the Grantor. If such audit determines that there was a deficiency or an excess in the payment in the Royalty payments made to the Grantee, such deficiency or excess shall be resolved by either immediate payment or adjusting the next annual Royalty payment due hereunder, at the election of the party owed such payment. The Grantee shall pay all costs of the audit unless a deficiency in the payment made to the Grantee is greater than 5% of the Royalty determined to have been payable, in which event the Grantor shall pay the costs.

(e) **Application to Reprocess and Other Materials.** If the Grantor reprocesses any mill tailings or any residues from the Property, the Royalty shall be payable only upon any Minerals recovered. The Grantee shall not be entitled to any royalties on ores or minerals produced from other properties which are otherwise processed at the Property by the Grantor.

7. NOTICES

All notices required or permitted to be given hereunder shall be given in writing and shall be sent by the parties by registered or certified mail, telex, facsimile transmission or by express delivery service to the address set forth below or to such other address as either party may later designate by like notice to the other:

(i) to the Grantor at:

Pavy Ark Minerals Inc.
100 Broadleaf Crescent,
Ancaster, ON, L9G 3R8
Attention: R. Sutcliffe

(ii) to the Grantee at:

Timminco Limited
c/o CRO Russelhill Advisory Services Inc.
290 Russell Hill Rd
Toronto, ON M4V 2T6
Attention: Sean Dunphy

All notices required or permitted to be given hereunder shall be deemed to have been given upon the earliest of; (1) actual receipt; (2) acknowledgment in any form of receipt of telex or facsimile transmission; (3) the business day next following deposit with an express delivery service, properly addressed; or (4) 72 hours after deposit with Canada Post, properly addressed with postage prepaid. Any party may change its address from time-to-time by notice to the other party hereunder.

8. INTERPRETATION

(a) **Governing Law.** This Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

(b) **Performance.** The failure of either the Grantee or the Grantor to insist on the strict performance of any provision of this Agreement or to exercise any right, power or remedy upon a breach hereof shall not constitute a waiver of any provision of this Agreement or limit the Grantee's or the Grantor's right thereafter to enforce any provision or exercise any right hereunder. A waiver of any provision of this Agreement shall not be effective unless in writing and signed by the party against whom it is to be enforced.

(c) **Invalidity of Provisions.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

(d) **Enurement.** This Agreement shall be binding on and shall enure to the benefit of the respective heirs, executors, administrators, legal representatives, successors and permitted assigns of the Grantee and the Grantor.

9. GENERAL

(a) **Modifications in Writing.** No modification or amendment of this Agreement shall be valid unless made in writing and duly executed by the Grantee and the Grantor.

(b) **Recording.** This Agreement may be recorded by either the Grantee or the Grantor to give record notice of this Agreement.

(c) **No Prior Agreements.** This Agreement and the Purchase Agreement contain the entire understanding of the Grantee and the Grantor and supersedes all prior agreements and understandings among the Grantees and the Grantor relating to the subject matter hereof.

(d) **Perpetuities.** If any right, power or interest of either party under this Agreement would violate the rule against perpetuities, then such right, power or interest shall terminate at the expiration of 20 years after the death of the last survivor of all the lineal descendants of Her Majesty, Queen Elizabeth II of England, living on the date of this Agreement. This Agreement shall not be terminated solely as a result of a violation of the rule against perpetuities.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement.

PAVEY ARK MINERALS INC.

TIMMINCO LIMITED

Per: _____
Richard Sutcliffe - President

Per: _____
Sean Dunphy - CRO