

# **“GEMCO MINERALS INC.”**

## **SECURITY UNITS SUBSCRIPTION AGREEMENT**

### **INSTRUCTIONS TO PURCHASER**

1. All purchasers complete all the information in the boxes on page 1 and sign where indicated with an “**X**”.
2. If you are a resident of Alberta, Saskatchewan, Manitoba, Prince Edward Island, Northwest Territories or Nunavut and purchasing Securities having an aggregate subscription price of greater than \$10,000, then complete the “Confirmation of Eligible Investor Status” that starts on page 5. The purpose of the confirmation is to determine whether you meet the standards for participation in the Private Placement for more than \$10,000 under the “offering memorandum” exemption in Multilateral Instrument 45-106.
3. Complete and sign **two copies** of the “Risk Acknowledgement” included at pages 3 and 4 of this subscription agreement.

# SECURITY UNITS SUBSCRIPTION AGREEMENT

TO: **Gemco Minerals Inc.** (the "Issuer")  
#203 – 20189 56<sup>th</sup> Ave,  
Langley, BC, Canada, V3A 3Y6

Subject and pursuant to the terms and conditions set out in the Terms, the General Provisions, the Flow-Through Share Provisions, and the other schedules and appendices forming part of this agreement, the undersigned (the "Purchaser") hereby irrevocably subscribes for, and at the Closing will purchase from the Issuer, the following securities at the following price:

\_\_\_\_\_ Units at a price of \$ \_\_\_\_\_ each for a total purchase price of \$ \_\_\_\_\_

The Purchaser directs the Issuer to issue, register and deliver the certificates representing the Securities comprising the Units as follows:

REGISTRATION INSTRUCTIONS:	DELIVERY INSTRUCTIONS: (if different from the registration instructions)
_____ Name to appear on certificate	_____ Name and account reference, if applicable
_____ Account reference, if applicable	_____ Contact name
_____ Address	_____ Address
_____	_____ Telephone number

**EXECUTED** by the Purchaser this \_\_\_\_\_ day of \_\_\_\_\_, 2006 (the "Agreement Date"). By executing this Subscription Agreement, the Purchaser certifies that the Purchaser is resident in the jurisdiction shown as the "Address of the Purchaser".

<p><b>WITNESS:</b></p> <p>_____ Signature of witness</p> <p>_____ Name of witness</p> <p>_____ Address of witness</p> <p>_____</p>	<p><b>EXECUTION BY PURCHASER:</b></p> <p><input checked="" type="checkbox"/> _____ Signature of individual (if Purchaser is an individual)</p> <p><input checked="" type="checkbox"/> _____ Authorized signatory (if Purchaser is <b>not</b> an individual)</p> <p>_____ Name of Purchaser (<b>please print</b>)</p> <p>_____ Name of authorized signatory (<b>please print</b>)</p> <p>_____ Address of Purchaser (residence)</p> <p>_____ Telephone number and e-mail address</p> <p>_____ <b>Social insurance number (if Purchaser is an individual)</b></p>
<p>ACCEPTED this _____ day of _____ 2006.</p> <p><b>GEMCO MINERALS INC.</b></p> <p>Per:</p> <p>_____ Authorized signatory</p>	

By signing this acceptance, the Issuer agrees to be bound by the Terms, the General Provisions, the Flow-Through Share Provisions and the other schedules and appendices forming part of this Subscription Agreement.

## TERMS

### The Offering

<b>The Issuer</b>	Gemco Minerals Inc, a public company trading on the OTCBB exchange currently under the symbol "GMML", incorporated in the State of Florida, United States.						
<b>Offering</b>	<p>The offering consists of up to 200 security units of the Issuer (the "Units") at the following prices:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Number of Units</th> <th style="text-align: center;">Price Per Unit</th> <th style="text-align: center;">Proposed Closing Date</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Up to 200 Units</td> <td style="text-align: center;">\$2,500.00 USD \$2,875.00 CDN</td> <td style="text-align: center;">On or before December 31, 2006</td> </tr> </tbody> </table>	Number of Units	Price Per Unit	Proposed Closing Date	Up to 200 Units	\$2,500.00 USD \$2,875.00 CDN	On or before December 31, 2006
Number of Units	Price Per Unit	Proposed Closing Date					
Up to 200 Units	\$2,500.00 USD \$2,875.00 CDN	On or before December 31, 2006					
<b>Units</b>	Each Unit consists of 7,000 "Flow-Through" common shares and 3,000 "Non-Flow-Through" common shares in the capital stock of the Issuer.						
<b>Offering Memorandum</b>	The Company's offering memorandum is dated June 15, 2006, and may be amended from time to time. The Issuer is not a reporting issuer in any province of Canada and will not become a reporting issuer upon completion of this Offering.						
<b>Exemptions</b>	The Offering will be made in accordance with the "offering memorandum" exemption from the prospectus and registration requirements of applicable securities legislation under Part 4 of Multilateral Instrument 45-106.						
<b>Selling Jurisdictions</b>	The Units may be sold in the provinces and territories of British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Northwest Territories and Nunavut and in certain "offshore" jurisdictions outside of Canada and the United States (the "Selling Jurisdictions").						
<b>Resale restrictions</b>	The certificates for the Shares purchased in the Offering will bear a legend stating the securities are "restricted securities" as defined by the U.S. Securities and Exchange Commission (SEC) and may only be publicly offered and sold pursuant to an effective registration statement filed with the SEC, as outlined below, or pursuant to an exemption from the registration requirements. Generally the exemption from the registration requirements are in accordance with Regulation S and public offer and sale would be pursuant to SEC Rule 144. <b>The restrictions under Rule 144 will apply until the registration statement described below is declared effective by the SEC, and will not be eligible for free trading for a minimum of 4 months.</b> Purchasers are advised to consult with their own legal counsel or advisors to determine the resale restrictions that may be applicable to them.						
<b>Registration of Securities</b>	Within sixty days of the closing of the offering period the Company shall file a registration statement with the U.S. Securities and Exchange Commission (SEC) which includes the initial Shares subscribed and issued in this offering and identifies the Purchaser as a Selling Security Holder. As and when the registration statement is declared effective by the SEC, the investors herein may then publicly offer and sell the Shares without restriction.						
<b>Closing Date</b>	Closing of this Offering is expected to take place from time to time at the Company's discretion as sufficient numbers of Units are sold to warrant such a closing. The Company anticipates that closing of the Units will take place on the date set forth above under the heading "Offering".						

**END OF TERMS**

FORM 45-106F3

### Risk Acknowledgement

I acknowledge that this is a risky investment:

- **I am investing entirely at my own risk.**
- **No securities commission has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.**
- **The person selling me these securities is not registered with a securities regulatory authority and has no duty to tell me whether this investment is suitable for me.**
- **I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.**
- **I could lose all the money I invest.**

I am investing \$\_\_\_\_\_ [total consideration] in total; this includes any amount I am obliged to pay in future. Gemco Minerals Inc. will pay \$\_\_\_\_\_ [amount of fee or commission] of this to \_\_\_\_\_ as a fee or commission.

**I acknowledge that this is a risky investment and that I could lose all the money I invest.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Print name of Purchaser

**Sign 2 copies of this document.** Keep one copy for your records.

W  
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**You have 2 business days to cancel your purchase.** [Instruction: The issuer must complete this section before giving the form to the purchaser.]

To do so, send a notice to Gemco Minerals Inc. stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to Gemco Minerals Inc. at its business address. Keep a copy of the notice for your records.

**Issuer:** Gemco Minerals Inc.  
**Address:** # 203-20189 56 Avenue, Langley B.C., Canada, V3A 3Y6  
**Tel/Fax:** Ph. 1-866-848-2940 Fax: (604) 468-3955  
**Email:** [info@gemcominerals.net](mailto:info@gemcominerals.net)

### You are buying *Exempt Market Securities*

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities commission.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

### You will receive an offering memorandum

Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

### You will not receive advice [*Instruction: Delete if sold by registrant*]

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or investment dealer. In Alberta, Manitoba, Newfoundland and Labrador, Northwest Territories, Nunavut, Prince Edward Island and Saskatchewan, to qualify as an eligible investor, you may be required to obtain that advice. Contact the Investment Dealers Association of Canada (website at [www.ida.ca](http://www.ida.ca)) for a list of registered investment dealers in your area.

For more information on the *exempt market*, call your local securities commission.

Province/Territory	Name of Regulatory Authority	Telephone Number	Website Address
British Columbia	British Columbia Securities Commission	(604) 899 – 6500 1 (800) 373 - 6393	<a href="http://www.bsc.bc.ca">www.bsc.bc.ca</a>
Alberta	Alberta Securities Commission	(403) 297 – 6454	<a href="http://www.albertasecurities.com">www.albertasecurities.com</a>
Saskatchewan	Saskatchewan Financial Services	(306) 787 – 5879	<a href="http://www.sfsc.gov.sk.ca/">www.sfsc.gov.sk.ca/</a>
Manitoba	Manitoba Securities Commission	(204) 945 – 2548	<a href="http://www.msc.gov.mb.ca">www.msc.gov.mb.ca</a>
Newfoundland/Labrador	Securities Commission of Newfoundland	(709) 729 – 4189	
Prince Edward Island	Prince Edward Island Securities Office	(902) 368 – 4551	<a href="http://www.gov.pe.ca/securities/">www.gov.pe.ca/securities/</a>
Nova Scotia	Nova Scotia Securities Commission	(902) 424 – 7768	<a href="http://www.gov.ns.ca/nssc/">www.gov.ns.ca/nssc/</a>
Northwest Territories	Government of Northwest Territories – Dept. of Justice (Securities Registry)	(867) 920 – 3318	<a href="http://www.justice.gov.nt.ca./SecuritiesRegistry">www.justice.gov.nt.ca./SecuritiesRegistry</a>
Nunavut	Government of Nunavut – Dept. of Justice (Legal Registries Div.)	(867) 975 - 6190	

**The purchaser must sign two copies of this form. The purchaser and the issuer must each receive a signed copy.**

**Confirmation of Eligible Investor Status**

**Each Purchaser who is a resident of either Alberta, Saskatchewan, Manitoba, Prince Edward Island, Northwest Territories or Nunavut and who is subscribing for more than \$10,000 in Units and relying on the offering memorandum exemption contained in Part 4 of Multilateral Instrument 45-106 is required to complete and execute the following acknowledgement.**

**CONFIRMATION OF ELIGIBLE INVESTOR STATUS**

In connection with the execution of the Subscription Agreement to which this schedule is attached, the undersigned (the "Purchaser") hereby represents and warrants to the Issuer that the Purchaser is purchasing the Units as principal, that the Purchaser is resident in the jurisdiction set out on the first page of the Subscription Agreement and that the Purchaser satisfies one or more of the categories indicated below (please **circle** the applicable letters):

- (a) a person or company whose:
  - (i) net assets, alone or with a spouse, exceed \$400,000;
  - (ii) net income before taxes exceeded \$75,000 in each of the two most recent years and who reasonably expects to exceed that income level in the current year; or
  - (iii) net income before taxes combined with that of a spouse exceeded \$125,000 in each of the two most recent years and who reasonable expects to exceed that income level in the current year;
- (b) a person or company of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors;
- (c) a general partnership in which all of the partners are eligible investors;
- (d) a limited partnership in which the majority of the general partners are eligible investors;
- (e) a trust or estate in which all of the beneficiaries or a majority of the trustees are eligible investors;
- (f) an accredited investor <sup>(1)</sup>;
- (g) a person or company that has obtained advice regarding the suitability of the investment and, if the person or company is in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser <sup>(2)</sup>;
- (h) a director, senior officer or control person of the issuer, or of an affiliate of the issuer;
- (i) a spouse, parent, grandparent, brother, sister or child of a director, senior officer or control person of the issuer, or of an affiliate of the issuer;
- (j) a parent, grandparent, brother, sister or child of the spouse of a director, senior officer or control person of the issuer, or of an affiliate of the issuer;
- (k) a close personal friend of a director, senior officer or control person of the issuer, or of an affiliate of the issuer;
- (l) a close business associate of a director, senior officer or control person of the issuer, or of an affiliate of the issuer;
- (m) a founder of the issuer or a spouse, parent, grandparent, brother, sister, child, close personal friend or close business associate of a founder of the issuer;
- (n) a parent, grandparent, brother, sister or child of the spouse of a founder of the issuer;
- (o) a person or company of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons or companies described in paragraphs (h) to (n); or
- (p) a trust or estate of which all of the beneficiaries or a majority of the trustees are, persons or companies described in paragraphs (h) to (n).

**EXECUTED** by the Purchaser at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

\_\_\_\_\_  
Signature of individual or authorized  
Signatory of corporate subscriber

\_\_\_\_\_  
Print Name of individual or corporation

\_\_\_\_\_  
Province of Residence or Incorporation

- (1) “*accredited investor*” has the meaning ascribed to such term in Multilateral Instrument 45-106 and includes, but is not limited to, the following persons:
- (a) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000;
  - (b) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent years and who, in either case, reasonably expects to exceed that net income level in the current year;
  - (c) a person or company, other than a mutual fund or non-redeemable investment fund, that, either alone or with a spouse, has net assets of at least \$5,000,000, and unless the person or company is an individual, that amount is shown on its most recently prepared financial statements;
  - (d) a person or company trading as agent on behalf of a fully managed account if that person or company is registered or authorized to carry on business under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction as a portfolio manager or under an equivalent category of adviser or is exempt from registration as a portfolio manager or the equivalent category of adviser; or
  - (e) a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, except the voting securities required by law to be owned by directors, are persons or companies that are accredited investors.

For the purposes of the definition of “accredited investor”, “*financial assets*” means cash and securities.

- (2) “*eligibility adviser*” means:
- (a) an investment dealer or equivalent category of registration, registered under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed; and
  - (b) in Saskatchewan and Manitoba, also means a lawyer who is a practising member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or management accountants in a jurisdiction of Canada provided that the lawyer or public accountant:
    - (i) does not have a professional, business or personal relationship with the issuer, or any of its directors, senior officers, founders or control persons, and
    - (ii) has not acted for or been retained personally or otherwise as an employee, senior officer, director, associate or partner of a person or company that has acted for or been retained by the issuer or any of its directors, senior officers, founders or control persons within the previous year.

## GENERAL PROVISIONS

### 1. DEFINITIONS

1.1 In the Subscription Agreement, the following words have the following meanings unless otherwise indicated:

- (a) “1933 Act” means the United States Securities Act of 1933, as amended;
- (b) “Applicable Legislation” means the securities legislation applicable to the Issuer in the jurisdictions in which the Units are being sold, together with the regulations and rules made and promulgated under that legislation and all administrative policy statements, blanket orders and rulings, notices and other administrative directions issued by the Commissions;
- (c) “Closing” means the completion of the sale and purchase of the Units;
- (d) “Closing Date” has the meaning assigned in the Terms;
- (e) “Commissions” means the securities commissions and other regulatory authorities having jurisdiction over the Issuer under the Applicable Legislation;
- (f) “Flow-Through Share Provisions” means those portions of the Subscription Agreement headed “Flow-Through Share Provisions” commencing on page 12;
- (g) “General Provisions” means those portions of the Subscription Agreement headed “General Provisions” commencing on page 7;
- (h) “Offering Memorandum” means the offering memorandum prepared by the Issuer dated June 15, 2006 in connection with the Private Placement, as it may be amended from time to time;
- (i) “Private Placement” means the offering of the Units on the terms and conditions set out in the Offering Memorandum and this Subscription Agreement;
- (j) “Regulation S” means Regulation S promulgated under the 1933 Act;
- (k) SEC “Rule 144” requires a one year holding period from the date of payment for the securities, requires that the sales be made only in market transactions executed by a broker-dealer and limits the amount of securities that may be sold in any ninety day period to one percent (1%) of the outstanding securities. After two years, the restrictive legend may be removed from certificates held by non-affiliates of the Company.
- (l) “Securities” has the meaning assigned in the Terms;
- (m) “Subscription Agreement” or “Agreement” means the cover page, the Terms, the General Provisions, the Flow-Through Share Provisions and the other schedules and appendices forming part of this agreement; and
- (n) “Terms” means those portions of the Subscription Agreement headed “Terms” commencing on page 2.

1.2 In the Subscription Agreement, the following terms have the meanings defined in Regulation S: “Directed Selling Efforts”, “Foreign Issuer”, “Substantial U.S. Market Interest”, “U.S. Person” and “United States”.

1.3 Unless otherwise specified, currency references in this Agreement are to Canadian dollars.

## 2. REPRESENTATIONS AND WARRANTIES OF PURCHASER

### 2.1 Acknowledgements concerning offering

The Purchaser acknowledges that:

- (a) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;
- (b) there is no government or other insurance covering the Securities;
- (c) there are risks associated with the purchase of the Securities as detailed in the Offering Memorandum and that the Purchaser has been advised to seek professional advice in respect of the Purchaser's investment in the Securities;
- (d) there are restrictions on the Purchaser's ability to resell the Securities and it is the responsibility of the Purchaser to find out what those restrictions are and to comply with them before selling the Securities;
- (e) the Issuer has advised the Purchaser that the Issuer is relying on an exemption from the requirements to provide the Purchaser with a prospectus and to sell securities through a person registered to sell securities under the Applicable Legislation and, as a consequence of acquiring securities pursuant to this exemption, certain protections, rights and remedies provided by the Applicable Legislation, including statutory rights of rescission or damages, will not be available to the Purchaser;
- (f) no prospectus has been filed by the Issuer with the Commissions in connection with the issuance of the Securities, the issuance is exempted from the prospectus and registration requirements of the Applicable Legislation and:
  - (i) the Purchaser is restricted from using most of the civil remedies available under the Applicable Legislation;
  - (ii) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Applicable Legislation; and
  - (iii) the Issuer is relieved from certain obligations that would otherwise apply under the Applicable Legislation; and
- (g) the Purchaser acknowledges that the Securities have not been registered under the 1933 Act and may not be offered or sold in the United States unless registered under the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and that the Issuer has no obligation or present intention of filing a registration statement under the 1933 Act in respect of the Securities or any of them.

### 2.2 Representations by all purchasers

The Purchaser represents and warrants to the Issuer that, as at the Agreement Date and at the Closing:

- (a) the Purchaser has received a copy of the Offering Memorandum;
- (b) to the best of the Purchaser's knowledge, the Securities were not advertised;

- (c) no person has made to the Purchaser any written or oral representations:
  - (i) that any person will resell or repurchase the Securities;
  - (ii) that any person will refund the purchase price of the Securities;
  - (iii) as to the future price or value of any of the Securities; or
  - (iv) that any of the Securities will be listed and posted for trading on a stock exchange or that application has been made to list and post any of the Securities for trading on any stock exchange;
- (d) this subscription has not been solicited in any other manner contrary to the Applicable Legislation or the 1933 Act;
- (e) the Purchaser is purchasing the Securities as principal for his or her own account and not with a view to the resale or distribution of any or all of the Securities and no other person, corporation, firm or other organization will have a beneficial interest in the Securities;
- (f) this subscription was not solicited from the Purchaser when the Purchaser was in the United States and, at the time the Purchaser signed this Subscription Agreement, the Purchaser was outside the United States;
- (g) the Purchaser is not a U.S. Person and the Purchaser is not and will not be purchasing Securities for the account or benefit of any U.S. Person;
- (h) the Purchaser is at arm's length (as that term is customarily defined) with the Issuer;
- (i) the Purchaser has been advised to consult its own legal and tax advisors with respect to applicable resale restrictions and tax considerations, and it is solely responsible for compliance with applicable resale restrictions and applicable tax legislation;
- (j) the offer made by this subscription is irrevocable (subject to the Purchaser's right to withdraw the subscription and to terminate the obligations as set out in this Subscription Agreement) and requires acceptance by the Issuer;
- (k) the Purchaser has the legal capacity and competence to enter into and execute this Subscription Agreement and to take all actions required pursuant to the Subscription Agreement and, if the Purchaser is a corporation, it is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been given to authorize execution of this Subscription Agreement on behalf of the Purchaser;
- (l) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound;
- (m) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser enforceable against the Purchaser;
- (n) the Purchaser is capable of assessing the proposed investment as a result of the Purchaser's financial and business experience or as a result of advice received from an eligibility adviser (as defined under the Applicable Legislation) other than the Issuer or any affiliates of the Issuer; and

- (o) if required by Applicable Legislation or by any Commission or other regulatory authority, the Purchaser will execute, deliver, file and otherwise assist the Issuer in filing, such reports, undertakings and other documents with respect to the issue of the Securities as may be required.

### 2.3 Reliance, indemnity and notification of changes

The Purchaser's representations and warranties in the Subscription Agreement are made with the intent that they be relied upon by the Issuer in determining its suitability as a purchaser of Securities, and the Purchaser hereby agrees to indemnify the Issuer against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur as a result of reliance thereon. The Purchaser undertakes to notify the Issuer immediately of any change in any representation, warranty or other information relating to the Purchaser set forth in the Subscription Agreement which occurs prior to the Closing.

### 2.4 Survival of representations and warranties

The representations and warranties contained in this Section will survive the Closing.

## 3. REPRESENTATIONS AND WARRANTIES OF THE ISSUER

### 3.1 Representations and Warranties

The Issuer represents and warrants to the Purchaser that, as at the Agreement Date and at the Closing:

- (a) the Issuer is a valid and subsisting corporation extra-provincially registered under the laws of the Province of British Columbia and in good standing with respect to the filing of annual reports;
- (b) the Issuer will reserve or set aside sufficient shares in the treasury of the Issuer to issue to the Purchaser the Securities;
- (c) the issuance and sale of the Securities by the Issuer does not and will not conflict with and does not and will not result in a breach of any of the terms, conditions or provisions of its constating documents or any agreement or instrument to which the Issuer is a party; and
- (d) this Agreement has been duly authorized by all necessary corporate action on the part of the Issuer and, upon acceptance, will constitute a valid obligation of the Issuer legally binding upon it and enforceable in accordance with its terms.

### 3.2 Survival of representations and warranties

The representations and warranties contained in this Section will survive the Closing.

### 3.3 Acknowledgement of Purchaser

The Purchaser acknowledges that no information or representation concerning the Issuer has been provided to the Purchaser by the Issuer other than those contained in the Offering Memorandum and this Agreement and that the Purchaser is relying entirely upon information contained in the Offering Memorandum and this Agreement.

## 4. CLOSING

4.1 The Purchaser acknowledges that, although Securities may be issued to other purchasers under the Private Placement concurrently with the Closing, there may be other sales of Securities under the Private Placement, some or all of which may close before or after the Closing. The Purchaser further acknowledges that there is a risk that insufficient funds may be raised on the Closing to fund the Issuer's objectives described in the Offering Memorandum and that further closings may not take place after the Closing.

4.2 At Closing of the offering the Issuer will deliver within 30 days to the order of the Purchaser the certificates representing the Securities purchased by the Purchaser registered in the name of the Purchaser or its nominee as shown on the first page of the Subscription Agreement.

## 5. MISCELLANEOUS

5.1 The Purchaser agrees to sell, assign or transfer the Securities only in accordance with the requirements of the Applicable Legislation and any legends placed on the Securities as contemplated by such legislation.

5.2 The Purchaser hereby authorizes the Issuer to correct any minor errors in, or complete any minor information missing from any part of the Subscription Agreement and any other schedules, forms, certificates or documents executed by the Purchaser and delivered to the Issuer in connection with the Private Placement.

5.3 The Issuer may rely on delivery by fax machine of an executed copy of this subscription, and acceptance by the Issuer of such faxed copy will be equally effective to create a valid and binding agreement between the Purchaser and the Issuer in accordance with the terms of the Subscription Agreement.

5.4 This Subscription Agreement is not assignable or transferable by the parties hereto without the express written consent of the other party to this Subscription Agreement.

5.5 Time is of the essence of this Subscription Agreement and will be calculated in accordance with the provisions of the *Interpretation Act* (British Columbia).

5.6 Except as expressly provided in this Subscription Agreement and in the agreements, instruments and other documents contemplated or provided for in this Subscription Agreement, this Subscription Agreement contains the entire agreement between the parties with respect to the Securities and there are no other terms, conditions, representations or warranties whether expressed, implied, oral or written, by statute, by common law, by the Issuer, or by anyone else.

5.7 The parties to this Subscription Agreement may amend this Subscription Agreement only in writing.

5.8 This Subscription Agreement enures to the benefit of and is binding upon the parties to this Subscription Agreement and their respective heirs, executors, administrators, successors and permitted assigns.

5.9 A party to this Subscription Agreement will give all notices to or other written communications with the other party to this Subscription Agreement concerning this Subscription Agreement by hand or by registered mail addressed to the address given on page 1.

5.10 This Subscription Agreement is to be read with all changes in gender or number as are required by the context.

5.11 This Subscription Agreement will be governed by and construed solely in accordance with the laws of British Columbia (without reference to its rules governing the choice or conflict of laws) and the federal laws of Canada applicable therein, and the parties irrevocably attorn and submit to the exclusive jurisdiction of the courts of British Columbia with respect to any dispute related to the Subscription Agreement.

**END OF GENERAL PROVISIONS**

## FLOW-THROUGH SHARE PROVISIONS

**WHEREAS** in consideration of the Purchaser entering into the Subscription Agreement and subscribing for Units, the Issuer agrees to issue Flow-Through Shares as contemplated therein and undertake certain matters, upon the terms and conditions herein set forth.

### 1. DEFINITIONS

1.1 In these Flow-Through Share Provisions, the following words have the following meanings unless otherwise indicated:

- (a) "Canadian Exploration Expense(s)" or "CEE" means Canadian exploration expense within the meaning of sections 66 and 66.1 of the Tax Act and section 1219 of the Income Tax Regulations;
- (b) "CRA" means the Canada Revenue Agency;
- (c) "Flow-Through Share" means a previously unissued common share in the capital stock of the Issuer forming part of a Unit that upon issuance will constitute a "flow-through share" as defined in subsection 66(15) of the Tax Act and having the special "flow-through" share features described herein and in the Offering Memorandum;
- (d) "Mineral resource" means
  - A base- or a precious-metal deposit;
  - A coal deposit;
  - A mineral deposit from which the principal extracted substance is diamond or ammonite gemstone, potash, sodium chloride, gypsum or silica (if extracted from sandstone or quartzite);
  - A certified non-bedded deposit from which an industrial mineral is the principal mineral extracted;
  - A bituminous sands or oil shale deposit
- (e) "Project" means collectively any natural resource properties in Canada in which the Issuer now has or may in the future have an interest or the right to acquire an interest on which the Issuer, either alone or in conjunction with others, intends to carry out or participate in a program for the purposes of determining the existence, location, extent or quality of a mineral resource or petroleum or natural gas in Canada, including expenses involved with: prospecting, geological, geophysical or geochemical surveys, drilling (rotary, diamond, percussion or other methods), and/or trenching, digging test pits and preliminary sampling.;
- (f) "Qualified Expenditures" means expenditures that are CEE at the date they are incurred; and
- (g) "Tax Act" means the *Income Tax Act* (Canada), as amended from time to time.

### 2. ALLOCATION OF SUBSCRIPTION PRICE

2.1 The subscription price of each Unit will be allocated as follows:

- (a) 70% of the subscription price for each security Unit will be allocated to the 7,000 Flow-Through Common Shares.
- (b) 30% of the subscription price for each security Unit will be allocated to the 3,000 Non Flow-Through Common Shares.

### **3. ISSUE OF FLOW-THROUGH SHARES**

3.1 Following receipt by the Issuer from the Purchaser of the Flow-Through Funds, the Issuer will:

- (a) issue to the Purchaser the number of Flow-Through Shares purchased by the Purchaser; and
- (b) deliver to the Purchaser a share certificate representing such Flow-Through Shares within 30 days from the date of the closing of the Offering.

### **4. ACCRUED INTEREST ON FLOW-THROUGH FUNDS**

4.1 The Purchaser acknowledges that any interest accruing on the Flow Through Funds will accrue to the sole benefit of the Issuer and may be applied by the Issuer for general corporate purposes.

### **5. ADDITIONAL PURCHASERS TO PARTICIPATE IN THE PROJECT**

5.1 The Purchaser acknowledges that the Issuer has entered into and will be entering into agreements similar to this Agreement with other persons in respect of Flow-Through Shares pursuant to the Private Placement. Such agreements may be dated for reference the same or different date as this Agreement. If the Issuer, however, sells rights to acquire, or issues, "Flow-Through" common shares pursuant to private placements or pursuant to other offerings, public or otherwise, subsequent to this Private Placement, any subscription funds received from such private placements or other offerings will be expended after the funds from this Private Placement, it being the intention of the Issuer that it will expend the funds from each "flow-through" financing in the order of:

- (a) the reference date of any private placement "Flow-Through" subscription agreements entered into for such private placements; and
- (b) the date of closing of such other offerings,

such that the subscription funds from the oldest "Flow-Through" financing will always be spent first and renunciation made in respect of such expenditures before any renunciations are made in respect of any expenditures that are financed from subsequent "flow-through" financings.

### **6. RENUNCIATION OF QUALIFIED EXPENDITURES**

6.1 The Issuer hereby represents, warrants and covenants to the Purchaser that:

- (a) the Issuer shall use its reasonable commercial efforts to carry out and develop the Project so as to incur Qualified Expenditures in an amount equal to the Flow Through Funds;
- (b) Qualified Expenditures incurred pursuant this Agreement shall be for such an amount and of such a nature that, after taking into account:
  - (i) all assistance that the Issuer has received, is entitled to receive, or may reasonably be expected to receive at any time, related to those expenditures or to CEE;
  - (ii) expenses of the Issuer that are prescribed under the Income Tax Regulations as relating to overhead expenses;
  - (iii) any other renunciations with the same or earlier effective date made or to be made by the Issuer;
  - (iv) the balance of the cumulative CEE account of the Issuer at all relevant times; and
  - (v) all specified expenses, each of which is a cost of, or for the use of, seismic data as contemplated in the Tax Act;

the Issuer will be able to renounce to the Purchaser in accordance with the Tax Act and these Flow-Through Share Provisions, Qualified Expenditures in an amount of up to the Flow Through Funds;

- (c) subject to the terms of these Flow-Through Share Provisions and the Tax Act, the Issuer will, on or before March 31 of each year, renounce in favour of those Purchasers who advanced Flow Through Funds pursuant to Subscription Agreements which closed on or before December of the prior year, effective December 31 of the prior year, Qualified Expenditures in an amount expended by the end of February in such year or which the Issuer will expend thereafter but before the end of the calendar year in which such March 31 date occurs, and the Issuer shall also deliver to the Purchaser on a timely basis such other information and documentation (including renunciations in prescribed form) as the Purchaser may reasonably require or be entitled to for income tax purposes under the Tax Act (or as may otherwise be required for purposes of any provincial tax filings). The Issuer will use its reasonable commercial efforts to expend the Flow-Through Funds toward Qualified Expenditures on or before the date which is the last day of the 24<sup>th</sup> month period after the end of the month that includes the applicable Closing Date;
- (d) it is a "principal-business corporation" within the meaning of the Tax Act and will, until the later of the time when the Flow-Through Shares are issued to the Purchaser and the actual date that all Qualified Expenditures are renounced to the Purchaser, continue to maintain its status as a "principal-business corporation";
- (e) it shall keep proper books, records and accounts of all Qualified Expenditures and all transactions affecting the Flow Through Funds and the Qualified Expenditures, and upon reasonable notice, to make such books, records and accounts available for inspection and audit by or on behalf of the Purchaser at the Purchaser's expense;
- (f) each of the Flow-Through Shares of the Issuer to be issued pursuant to this Subscription Agreement will be "new shares"; the Flow-Through Shares will qualify as "flow-through shares" as defined in subsection 66(15) of the Tax Act; and are not and will not be, at the time of issuance, "prescribed shares", within the meaning of Regulation 6202.1 of the Tax Act, excluding the effect of any agreements or arrangements to which the Issuer is not a party;
- (g) it will deliver to the Purchaser, not later than March 31 of each year, a statement setting forth the aggregate amounts of such Qualified Expenditures renounced to the Purchaser to be effective December 31 of the prior year; and if applicable will deliver to the Purchaser such further statements from time to time setting forth the aggregate amounts of additional Qualified Expenditures renounced to the Purchaser, within the time guidelines of the Tax Act;
- (h) the Issuer will file, in respect of each renunciation made pursuant to these Flow-Through Share Provisions, before the last day of the month following the date of making such renunciation, such information returns with CRA as are prescribed by subsection 66(12.7) of the Tax Act and will, if required under the Tax Act, send concurrently a copy of such information returns to the Purchaser;
- (i) the Issuer will file, together with a copy of any selling instrument or this Agreement, the prescribed form referred to in subsection 66(12.68) of the Tax Act with CRA on or before the last day of the month following the earlier of: (i) the month in which the Agreement is entered into; and (ii) the month in which this Agreement is first delivered to a potential investor;
- (j) the Issuer will file, before March of the year following a particular year, any return required to be filed under Part XII.6 of the Tax Act in respect of the particular year, and will pay any tax or other amount owing in respect of that return on a timely basis;
- (k) the Issuer will not renounce any Qualified Expenditures in respect of the Project in favour of any person other than the Purchasers of Flow-Through Shares. For the purpose of determining the extent to which the Flow Through Funds received by the Issuer from the Purchaser have been the subject of renunciation under the Tax Act, the total amount expended on Qualifying Expenditures will be allocated among the Purchasers on a basis pro rata to the relative amounts of their respective

contributions of Flow Through Funds, as described in section 2 and as set forth in the information returns required by subsection 66(12.7) of the Tax Act; and

- (l) the Issuer acknowledges that it has no right to claim any deduction or credit for Qualified Expenditures renounced to the Purchaser as contemplated by these Flow-Through Share Provisions and covenants not to claim any such deduction or credit when preparing its tax returns from time to time.

## **7. MUTUAL COVENANTS**

7.1 Without limiting the generality of the matters under these Flow-Through Share Provisions relating to Qualified Expenditures and the renunciation of CEE, the parties hereto agree to be governed by the rules relating to the renunciation of CEE as provided by the Tax Act and to make such elections and renunciations and to file such documents and other forms as may be required thereunder in the manner and within the time therein set forth (and, in addition, the parties hereto further agree to make all such elections, renunciations and filings as may be required for provincial purposes or as may otherwise be required in order to give effect to the object and spirit of the Agreement).

7.2 In the event the Issuer is required to reduce the amount of Qualified Expenditures renounced to the Purchaser, or in the event CRA reduces the amount renounced to the Purchaser, then as the sole recourse of the Purchaser, the Issuer shall indemnify the Purchaser as to, and pay in settlement thereof to the Purchaser, an amount equal to the amount of any tax payable under the Tax Act (and under any corresponding provincial legislation) by the Purchaser as a consequence of such reduction.

## **8. PURCHASER WARRANTIES**

8.1 The Purchaser acknowledges, represents, warrants and covenants to and with the Issuer that, as at the date of this Agreement the Purchaser is at arm's length (as that term is used in the Tax Act) with the Issuer and, the Purchaser acknowledges that if at any time during the term of the Agreement, the Purchaser is not at arm's length with the Issuer and the Issuer renounces Qualified Expenditures it incurs or plans to incur, then the renunciation will not be effective.

## **9. NO DISSEMINATION OF CONFIDENTIAL INFORMATION**

9.1 The Issuer will be entitled to hold confidential all information relating to any Project on which any portion of the Flow-Through Funds is expended pursuant to the Agreement and it will not be obligated to make such information available to the Purchaser except in the manner and at such time as it makes any such information available to its shareholders or to the public pursuant to the Applicable Legislation.

**END OF FLOW-THROUGH SHARE PROVISIONS**

**END OF SUBSCRIPTION AGREEMENT**