

Land Services Branch
Land Administration Division
Leasing and Claims Section

Denise Saulnier
Acting Manager



Peter
Vanessa
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Towers
Project File

January 5, 2006

Priority Post

Mr. Wally Bucknell
Director
Atlantic Gold NL
Suite 701
220 Pacific Highway
Crows Nest, NSW, 2065
Australia

**RE: Proposed Crown Land Lease - DDV Gold Limited - Moose River Gold Mines,
Halifax County**

Dear Mr. Bucknell:

I understand that DDV Gold Limited, the parent company of Atlantic Gold NL, has requested a lease of 4 parcels of Crown land (PID's 40747818, 00643254, 00514695 and 40338972) encompassing approximately 98 hectares situate Moose River Gold Mines, Halifax County for the purpose of surface mining for gold and the placement of infrastructure necessary to develop and operate a surface gold mine.

This is to advise that, upon receipt of items 2, 3, 4 and 16 listed below, the Department of Natural Resources is prepared to forward your application to lease approximately 98 hectares of Crown land situate at Moose River Gold Mines, Halifax County, more particularly shown outlined in yellow on the attached reference sheet, the exact location and area to be determined upon survey, to Cabinet for consideration. This offer shall be subject to the following terms and conditions:

1. The lease shall be for the purpose of surface mining for gold and the placement of infrastructure necessary to develop and operate a surface gold mine and for no other purpose.
2. **The Department's support of this project is conditional upon the Department of Natural Resources' staff's receipt, review and approval of your Company's submission to the Department of Environment and Labour (environmental assessment application). The Department of Natural Resources reserves the right to make additional comments and conditions upon receipt of said submission. The Department will require a copy of any environmental approvals prior to a submission to Cabinet.**

3. A portion of the proposed lease site is located within the Moose River Gold Mines Provincial Park. In order to accommodate this project the park must be relocated. Your company shall be responsible for all costs associated therewith. Prior to a submission to Cabinet, your company must consult with the Department's Parks Division and develop an approved park relocation plan which shall include public consultation. Any artifacts discovered while mining must also be included in the new park or local museum.
4. There are various parcels of private land situate between the parcels of Crown land on which your company's project is proposed. Your Company shall be required to negotiate with each of the private land owners and reach an agreement in principle for use of the private land before the Department will submit your company's request to Cabinet for consideration. Copies of all agreements in principle shall be submitted to Carol Ann MacNeil Rolls, Land Administration Officer, Leasing and Claims at the above noted address.
5. The lease shall be for the term of 10 years and may be renewed for a further term of 10 years provided that your company complies with the terms and conditions of the lease to the satisfaction of the Department and provided that your company notifies the Department, in writing, of its intention to renew 3 months prior to termination.
6. The proposed lease may be terminated by the Department if your company fails to operate a surface gold mine within 24 months of the execution of the land lease or thereafter if your company fails for any continuous period of 12 months to operate a surface gold mine.
7. For the first 10 year term the annual rent for the Crown land shall be 10% of the appraised market value of the unimproved land (excluding any forest resource on PID 40747818). A minimum annual rent of \$300.00 will apply if the calculated annual rent is less than \$300.00. All rent is subject to applicable taxes.
8. It shall be your responsibility to hire and pay an accredited appraiser holding the A.A.C.I. designation to determine the unimproved value of the Crown land for the purpose described herein clause 1. The appraisal must provide a square metre value. The Nova Scotia Directory of Designated Members of the Appraisal Institute of Canada is enclosed for your reference. Please ensure that your appraiser's name is on the A.A.C.I. Membership List and not the C.R.A. Membership List. Appraisals performed by persons holding only the C.R.A. designation will not be accepted. The appraisal results are subject to final approval by the Department. Rent for any subsequent renewal will be at a rate determined by the Minister of Natural Resources. Should your company wish to conduct the appraisal prior to Cabinet approval your company shall be responsible for all costs associated therewith should your request not be approved by Cabinet.
9. There is an administration fee of \$600.00 plus \$90.00 HST for the preparation of necessary documentation which must be remitted before a report is forwarded for Cabinet's consideration. This fee is non-refundable.
10. Department Policy requires that DDV Gold Limited be properly registered at the Registry of Joint Stock Companies in Halifax, Nova Scotia and remain in good standing throughout the term of the lease. I understand that DDV Gold Limited is registered with the Registry

of Joint Stock Companies in New Brunswick. As the Province of Nova Scotia and Province of New Brunswick have reciprocal agreements in this regard the Department is prepared to proceed with your company's registration in New Brunswick. Please provide a copy of your company's certificate of incorporation, confirmation that the company is in good standing with the registry and a copy of your company's resolutions indicating the individual(s) with authority to sign on behalf of the company. Confirmation that the company is in good standing will also be required before a submission to Cabinet and again before the lease is issued. For ease of the Department's access to your company's records you may wish to consider registering DDV Gold Limited in Nova Scotia.

11. The subject Crown land must be surveyed, therefore you are required to provide a plan of survey signed by a Nova Scotia Land Surveyor. The cost of the survey shall be your company's responsibility. Your surveyor must contact Mr. Sandy Cameron, Director of Surveys, Department of Natural Resources, P.O. Box 698, Halifax, Nova Scotia, B3J 2T9, phone No. (902) 424-3145, prior to commencing work to request an Order of Survey and other such instructions as may be required. Should your company wish to commence survey work prior to Cabinet approval, you will be responsible for all costs relating to the survey, liability and site restoration in the event your request is not approved by Cabinet.
12. **It shall be your company's responsibility to obtain from the appropriate federal, provincial or municipal authorities all permits required to use the subject Crown land for the purpose described herein clause one (1) including, but not limited to, a current Mining Lease and approval from the Department of Environment and Labour. A copy of the Department of Environment and Labour's approval must be received by this office before a report will be forwarded for Cabinet's consideration. The Department of Natural Resources does not by the fact of entering into this agreement, covenant that such approvals or permits will be issued by the Province of Nova Scotia or any other body. Failure to obtain and keep current such approvals and permits shall be considered a breach of the terms of the Lease.**
13. **The term of the proposed lease shall be contingent upon the validity of the Mining Lease issued by the Department of Natural Resources, Mines and Energy Division for the subject land. Should said Mining Lease expire and not be renewed or be earlier terminated or cancelled, then this proposed lease will automatically terminate as of the date of expiration, cancellation or termination of said Mining Lease.**
14. As noted in clause 2, the Department will be reviewing and making comments on your company's environmental assessment submission. Staff have noted the following issues that should be addressed in the submission, namely:
 - appropriate measures being taken to protect all waterways - a brook flows out of the Square Lake block (proposed tailings dam area) and the Moose River, bordering the west side of the proposed project, flowing south into the Fish River;
 - given the magnitude of the project, historical significance of the site and relocation of the Provincial Park, public consultation must take place;
 - possibility of species at risk in the area;

- special management zones of 100 metre widths along watercourses;
 - containment and treatment of all on site water before it makes its way to Fish River Watershed; and
 - compensation for habitat (wetlands) destruction.
15. Your Company shall be required to file a detailed site reclamation plan with the Department of Natural Resources for approval. The bond or other form of security provided to the Department of Natural Resources pursuant to the *Mineral Resources Act* as security for the Mining Lease shall not be surrendered until all site reclamation is complete to the satisfaction of the Departments of Natural Resources and Environment and Labour.
 16. A portion of the proposed lease site (PID 40747818) is situate on lands under license to Neenah Paper Company of Canada (Neenah Paper). In addition to the proposed Crown land lease and proposed Mining Lease, your company must obtain written permission from Neenah Paper to use the Crown land for which they currently hold a license. The consent must also state whether your company is granted permission to use any existing Neenah Paper roads. A copy of this written consent must be forwarded to this office prior to a submission to Cabinet.
 17. Any timber cut on that portion of the proposed lease site under license to Neenah Paper must be given to Neenah Paper. Please remember that your company must have written permission from the Department to cut any timber on Crown land, including the proposed lease site. Written permission to cut timber may be obtained by contacting Cathy Milner, Area Supervisor, Department of Natural Resources, Middle Musquodoboit, (902) 384-2290.
 18. Your Company shall be required to pay to the Department, stumpage at the standard rate charged by the Department for any wood cut on the proposed lease site that is not under license to Neenah Paper. Please contact the Area Supervisor further instructions in this regard.
 19. Your company must document any old mine workings that are exposed in the course of surface mining for gold and any artifacts discovered shall be preserved for placement in the new park or local museum.
 20. As your company is aware, there are many old mine shafts and workings on the proposed lease site. It shall be your company's responsibility to take appropriate precautions to minimize risks associated with working in this area. As the proposed lease site is undermined, it may be subject to subsidence. The proposed lease will not contain, nor does the Department make, any covenant respecting any natural, subjacent or lateral support either with respect to the subject lands or with respect to support for buildings. Your company shall agree with the Department that your company will not at any time hereafter bring any action or assert any claim or demand whatsoever against the Department for or in respect of any damage to the subject land proposed to be leased or to any building or improvements erected or to be erected thereon or any portion thereof by reason of any lack of natural, subjacent or lateral support or by reason of subsidence.

21. The subject land is considered to be Crown land free from any encumbrances, however, your company may wish to have the title certified by its solicitor. In any event, your company's signature(s) on this Letter of Offer will be considered your company's agreement to release the Crown, her heirs, successors, agents and employees of and from all manner of actions, claims and demands relating to any title defect whatsoever.
22. Your company shall at all times indemnify and save harmless the Department of Natural Resources or any of its officers, employees or agents from and against all claims, demands, losses, costs, damages, including personal injury or death, actions, suits and other proceedings by whomsoever made, sustained, brought or prosecuted, or from anything done or omitted by your company, in any manner based upon, occasioned by or attributable to the execution of the proposed lease.
23. In the event that, for any reason whatsoever, your company's application does not receive approval, you will be notified and the Department of Natural Resources shall not be liable for any costs incurred by your company.
24. Until such time as the lease is signed by the Minister of Natural Resources no work shall take place on the Crown land without the written permission of the Department.

To signify acceptance of the terms and conditions contained herein please have the attached duplicate of this letter signed, sealed and returned to the attention of Ms. Carol Ann MacNeil Rolls, Land Administration Officer, Leasing and Claims at the above noted address **within 90 days of receipt of this offer. This offer will otherwise become null and void.** Please include a cheque or money order for \$690.00 made payable to "The Department of Natural Resources", to cover the administration fee.

After the signed duplicate letter, payment of \$690.00 and completion of the required conditions noted above, a report detailing your company's request will be forwarded for Cabinet's consideration. If you have any concerns or questions please do not hesitate to contact Ms. MacNeil Rolls at (902) 424-3164.

Sincerely,

Denise Saulnier

Denise Saulnier
Acting Manager

cc: Cathy Milner, DNR
Tim Miller, DNR
Tom Lamb, DNR
Chris Daly, DOEL

I/We the authorized signing agent(s) for DDV Gold Limited have read understand and agree to the above noted terms and conditions.

DDV GOLD LIMITED

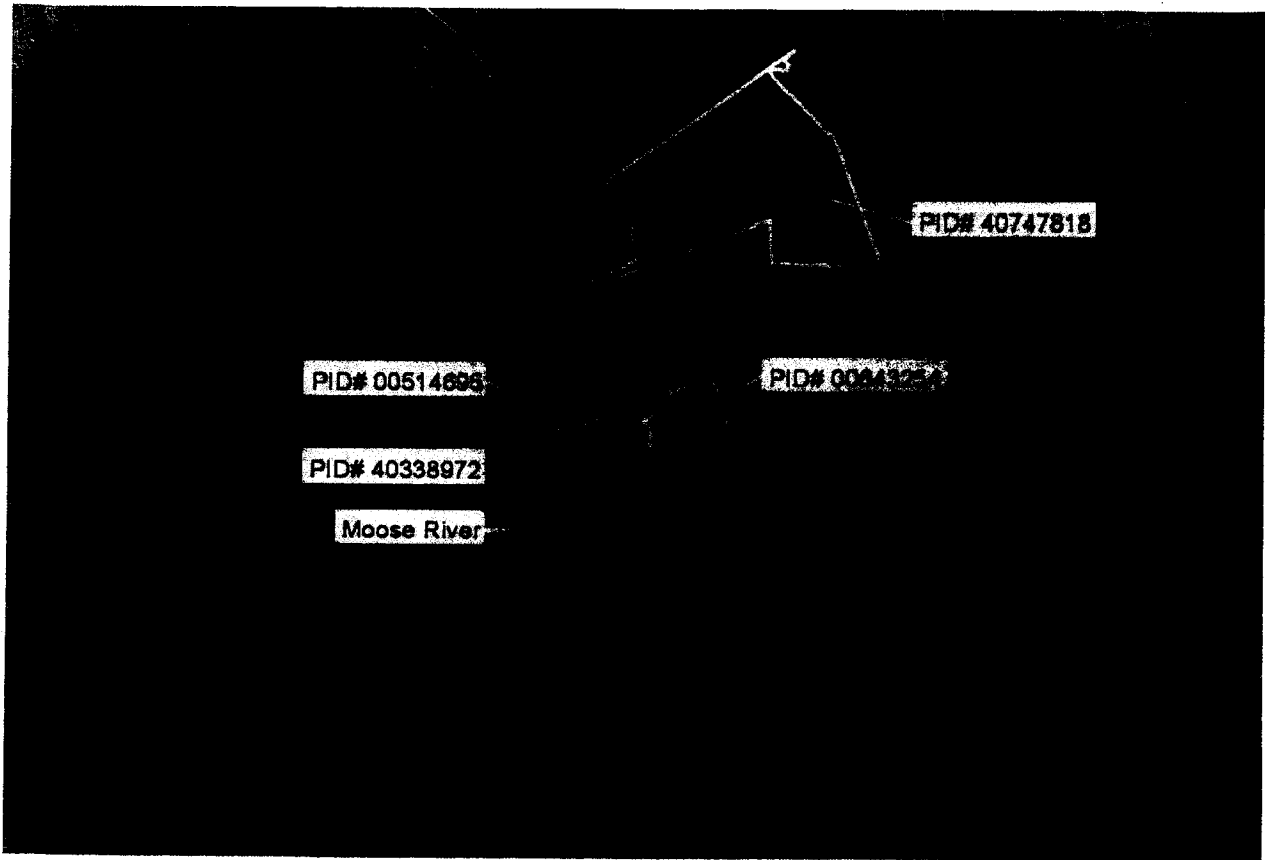
Affix legal seal here

Date

Name:
Title:

Date

Name:
Title:



Proposed Lease Sites

DDV Gold Limited

**Moose River Gold Mines
Halifax County**

***exact location and area to be determined upon survey**