Court File No. CV-13-10228-00CL

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 TAMERLANE VENTURES INC. and PINE POINT HOLDING CORP.

APPLICATION RECORD
(Initial CCAA Order Returnable August 23, 2013)

August 22, 2013

BENNETT JONES LLP
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Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

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TO: **THE HONOURABLE COURT**

AND TO: **GOODMANS LLP**
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Tab 1

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NOTICE OF APPLICATION

TO THE RESPONDENTS

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicants. The claim made by the applicants appears on the following page.

THIS APPLICATION will come on for a hearing will come on for a hearing before a judge presiding over the Commercial List on August 23, 2013 at 9:30 a.m. at 330 University Avenue, Toronto.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicants' lawyer or, where the applicants do not have a lawyer, serve it on the applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicants' lawyer or, where the applicants do not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES,

LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: August 22, 2013

Issued by: Natasha Brown
Local Registrar
Natasha Brown
Registrar

Address of court office: 330 JMS ~~393~~ University Avenue
7 ~~10~~th Floor JMS
Toronto, Ontario M5H ~~1Y8~~ 1R7 JMS

TO: THE HONOURABLE COURT

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Jason Arbuck
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Lawyers for Renvest Mercantile Bancorp Inc.

APPLICATION

Relief Sought

1. The Applicants, Tamerlane Ventures Inc. ("**Tamerlane**") and Pine Point Holding Corp. ("**Tamerlane Pine Point**", and together with Tamerlane, the "**Applicants**"), with the consent of Global Resource Fund, a fund managed by Renvest Mercantile Bancorp Inc. (the "**Secured Lender**"), make this application for an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36 (the "***CCAA***"), among other things:

a) abridging and validating the time for service of the Notice of Application and the Application Record, and dispensing with further service thereof;

b) declaring that the Applicants are companies to which the *CCAA* applies;

c) appointing Duff & Phelps Canada Restructuring Inc. ("**Duff & Phelps**") as Monitor of the Applicants;

d) staying all proceedings and remedies taken or that might be taken in respect of the Applicants or any of their property, except as otherwise set forth in the Initial Order;

e) staying all proceedings and remedies taken or that might be taken in respect of Tamerlane Ventures USA, Inc. ("**Tamerlane USA**") or Tamerlane Ventures Peru SAC ("**Tamerlane Peru**"), or any of their property with respect to any claim involving the Applicants, except as otherwise set forth in the Initial Order;

f) authorizing the Applicants to carry on business in a manner consistent with the preservation of their property and to make certain payments in connection with their business and the proceedings;

g) authorizing the Applicants to borrow funds under a credit facility (the "**DIP Financing**"), with such DIP Financing to be on the terms set out in the term sheet (the "**Term Sheet**") agreed to between the Applicants and Global Resource Fund (in such capacity, the "**DIP Lender**");

h) granting the Administration Charge, the Financial Advisor Charge, the Directors' Charge, the DIP Lender's Charge, and the Subordinated Administration Charge;

i) approving the sale investment solicitation process (the "**SISP**"), and authorizing PricewaterhouseCoopers Corporate Finance Inc. (the "**Financial Advisor**"), the Monitor and the Applicants to perform their obligations thereunder;

j) providing that the Applicants may not seek or obtain any extension of the stay of proceedings beyond 11:59 p.m. (Toronto time) on January 7, 2014 unless certain conditions (such as the prior written consent of the Applicants' secured lender) are met (such date beyond which the Applicants may not seek or obtain any extension of the stay period, if any, being the "**Outside Date**"), and that if those conditions are not met by the Outside Date, this proceeding will automatically terminate and a receiver will be appointed in respect of the Applicants; and

k) permitting the Applicants to file with this Honourable Court a plan of compromise or arrangement.

Grounds

2. The grounds for the application are:

a) the Applicants have liabilities in excess of $5 million, are insolvent and thus are debtor companies within the meaning of the *CCAA*;

b) the Applicants are corporations organized under the laws of Canada with their registered offices located in Toronto, Ontario;

c) Tamerlane Pine Point is a direct and wholly-owned subsidiary of Tamerlane;

d) Tamerlane USA and Tamerlane Peru, both of which are not applicants, are direct and wholly-owned subsidiaries of Tamerlane;

e) the Applicants' primary business is the acquisition, exploration and development of base metal mining projects in Canada and Peru;

f) pursuant to a credit agreement between Tamerlane and the Secured Lender, Tamerlane has secured debt outstanding in an amount exceeding $12,100,256.24 (the "**Secured Debt**"), which secured indebtedness is guaranteed by Tamerlane Pine Point and Tamerlane USA;

g) the Applicants, with the consent of the Secured Lender, are to undertake the SISP, run by the Financial Advisor under the oversight of the proposed

Monitor, to sell assets or obtain financing so that, among other things, the Secured Debt could be repaid in full;

h) the Applicants require a stay of proceedings and the other relief requested in order to: (1) avoid a distressed liquidation of the Applicants' assets at fire-sale prices; (2) provide the Financial Advisor with the necessary time to implement the SISP with the oversight of the proposed Monitor; and (3) engage in discussions with stakeholders concerning a potential plan of compromise or arrangement;

i) due to the integrated nature of Tamerlane USA and Tamerlane Peru within the corporate structure of Tamerlane, it would be detrimental to the Applicants' ability to successfully restructure if proceedings, rights, or remedies were to be exercised as against Tamerlane USA or Tamerlane Peru;

j) Duff & Phelps has consented to act as the Monitor of the Applicants in the CCAA proceedings and is qualified and competent to so act;

k) due to the urgency of this application and the number of potentially interested parties, it has not been possible to provide all interested parties with notice;

l) the Applicants require the expertise of the Monitor, counsel to the Monitor, and counsel to the Applicants in order to complete a successful restructuring, and the granting of a first priority charge in their favour up

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to the maximum amount of CAD $300,000 (the Administration Charge) on the assets, property and undertakings of the Applicants is fair and reasonable in the circumstances;

m) the Applicants require the expertise of the Financial Advisor to undertake the SISP and the granting of a second priority charge in their favour up to the maximum amount of CAD $300,000 (the Financial Advisor Charge) is fair and reasonable in the circumstances

n) the DIP Financing is essential to a successful restructuring of the Applicants and will not be provided in the absence of the proposed third priority charge in favour of the DIP Lenders (the DIP Lenders' Charge), which is fair and reasonable in the circumstances;

o) the Applicants' successful restructuring will only be possible with the continued participation of the Applicants' directors and officers and a fourth priority charge in their favour up to the maximum amount of CAD $45,000 (the Directors' Charge) is fair and reasonable in the circumstances;

p) the additional proposed charge in favour of the Monitor, counsel to the Monitor, counsel to the Applicants and the Financial Advisor is fair and reasonable in the circumstances;

q) Rule 2.03, 3.02, and 14.05 of the *Rules of Civil Procedure*;

r) the provisions of the *CCAA* and the equitable jurisdiction of this Honourable Court; and

s) such further and other grounds as counsel may advise and this Honourable Court may permit.

Evidence

3. The following documentary evidence will be used at the hearing of the application:

a) the Affidavit of Margaret M. Kent, signed August 22, 2013, with the sworn version to be subsequently filed;

b) the Pre-Filing Report of the proposed monitor, Duff & Phelps;

c) the consent of Duff & Phelps to act as monitor;

d) such further and other materials as counsel may advise and this Honourable Court may permit.

August 22, 2013

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Lawyers for the Applicants

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 OR COMPROMISE OR ARRANGEMENT OF TAMERLANE VENTURES INC. and PINE POINT HOLDING CORP.

Court File No. CV-13-10228-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

NOTICE OF APPLICATION

BENNETT JONES LLP
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Lawyers for the Applicants

Tab 2

Court File No. CV-13-10228-00CL

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AFFIDAVIT OF MARGARET M. KENT
(Sworn August 22, 2013)

I, Margaret M. Kent, of the City of Kailua-Kona, in the State of Hawaii, United States of America, **MAKE OATH AND SAY**:

1. I am (i) the Executive Chair and Chief Financial Officer of Tamerlane Ventures Inc. ("**Tamerlane**"), (ii) a Director of Pine Point Holding Corp. ("**Tamerlane Pine Point**", and together with Tamerlane, the "**Applicants**"), and (iii) the Chair and Treasurer of Tamerlane Ventures USA, Inc. ("**Tamerlane USA**", and together with the Applicants, the "**Company**"). As such, I have personal knowledge of the matters set out below, except where otherwise stated. Where I do not possess personal knowledge, I have stated the source of my information and I believe such information to be true.

2. All references to dollar amounts contained in this affidavit are to United States Dollars unless otherwise stated.

I. RELIEF SOUGHT

3. This affidavit is sworn in support of an application for an initial order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in respect of the Applicants, among other things:

a) abridging and validating the time for service of the Notice of Application and the Application Record, and dispensing with further service thereof;

b) declaring that the Applicants are companies to which the CCAA applies;

c) appointing Duff & Phelps Canada Restructuring Inc. ("**Duff & Phelps**") as Monitor of the Applicants;

d) staying all proceedings and remedies taken or that might be taken in respect of the Applicants or any of their property, except as otherwise set forth in the Initial Order;

e) staying all proceedings and remedies taken or that might be taken in respect of Tamerlane USA or Tamerlane Ventures Peru SAC ("**Tamerlane Peru**"), or any of their property with respect to any claim involving the Applicants, except as otherwise set forth in the Initial Order;

f) authorizing the Applicants to carry on business in a manner consistent with the preservation of their property and to make certain payments in connection with their business and the proceedings;

g) authorizing the Applicants to borrow funds under a credit facility (the "**DIP Financing**"), with such DIP Financing to be on the terms set out in the term sheet dated August 22, 2013 (the "**Term Sheet**") between the Applicants and Global Resource Fund (in such capacity, the "**DIP Lender**");

h) granting the Administration Charge (defined below), the Financial Advisor Charge (as defined below), the Directors' Charge (as defined below), the DIP Lender's Charge (defined below), and the Subordinated Administration Charge (defined below);

i) approving the SISP (defined below), and authorizing PricewaterhouseCoopers Corporate Finance Inc. (the "**Financial Advisor**"), the Monitor and the Applicants to perform their obligations thereunder;

j) providing that the Applicants may not seek or obtain any extension of the stay of proceedings beyond 11:59 p.m. (Toronto time) on January 7, 2014 unless certain conditions (such as the prior written consent of the Applicants' secured lender) are met (such date beyond which the Applicants may not seek or obtain any extension of the stay period, if any, being the "**Outside Date**"), and that if those conditions are not met by the Outside Date, this proceeding will automatically terminate and a receiver will be appointed in respect of the Applicants; and

k) permitting the Applicants to file with this Honourable Court a plan of compromise or arrangement.

4. The Secured Lender consents to the relief sought in this proceeding.

II. CORPORATE STRUCTURE

Tamerlane

5. Tamerlane is a publicly held company whose shares are listed on Tier 2 of the TSX Venture Exchange under the symbol "TAM". It was incorporated in the Province of British Columbia on May 16, 2000, and was continued as a federal corporation under the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44 (the "**CBCA**") on July 26, 2010. A copy of Tamerlane's articles of continuance is attached as Exhibit "**A**".

6. Tamerlane's registered office is located at 181 Bay Street, Suite 4400, Toronto, Ontario, M5J 2T3 and its executive office is located at 441 Peace Portal Drive, Blaine, Washington State, USA, 98230.

7. Tamerlane's share capital consists of an unlimited number of common shares without par value. As of August 20, 2013, Tamerlane had 137,828,529 common shares issued and outstanding as well as 5,630,000 stock options and 13,750,000 warrants outstanding. Additionally, a convertible debenture issued to Global Resource Fund, a fund managed by Renvest Mercantile Bancorp Inc. (the "**Secured Lender**"), would result in another 6,250,000 shares being issued and outstanding if converted.

8. To the best of my knowledge, no person beneficially owns, or exercises control or direction over, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of Tamerlane except for (i) R. Christopher Charlwood, who beneficially owns 27,500,000 shares (19.95% of voting rights), and (ii) the Secured Lender, which beneficially owns 21,268,827 shares (15.4% of voting rights). Mr. Charlwood, who I believe to be a

sophisticated investor, purchased his shares in January 2013 for CAD $1,698,842 (or CAD $0.0618 per share). I understand that he continues to believe in the long-term value of the Company and its assets.

9. Mr. Charlwood, Tamerlane's largest shareholder, has been kept up-to-date by the Applicants with respect to this proposed CCAA proceeding, and does not object to any of the relief being sought.

The Tamerlane Group

10. Tamerlane Pine Point and Tamerlane USA are both direct subsidiaries of Tamerlane. An organization chart of the Company and other related subsidiaries (collectively, the "**Tamerlane Group**") is attached as Exhibit "**B**".

11. Tamerlane owns 100% of the shares of Tamerlane Pine Point, which is incorporated under the CBCA. The articles of incorporation of Tamerlane Pine Point are attached as Exhibit "**C**".

12. Tamerlane Pine Point's registered office is located at 181 Bay Street, Suite 4400, Toronto, Ontario, M5J 2T3.

13. Tamerlane also owns 100% of the shares of (i) Tamerlane USA, a company incorporated under the laws of the State of Washington, USA, (ii) Tamerlane Peru, a company incorporated under the laws of Peru, and (iii) Minera Los Pinos de Cañete SAC ("**Tamerlane Minera**"), a company incorporated under the laws of Peru.

14. None of Tamerlane USA, Tamerlane Peru or Tamerlane Minera is an applicant in these proceedings.

15. The Tamerlane Group's business is fully integrated among the Canadian, United States and Peruvian companies.

Management of the Applicants

16. As set out above, I am a director of each of the Applicants. In addition to me, the directors of each of the Applicants are as follows:

a) Tamerlane: William J.V. Sheridan, J. Cowan McKinney, Timothy J. Chapman, and Ross F. Burns; and

b) Tamerlane Pine Point: William J.V. Sheridan and Ross F. Burns.

17. The Tamerlane management team consists of the following individuals, all of which are employed by Tamerlane USA, which provides management services to the Applicants:

a) Margaret Kent, Executive Chair and Chief Financial Officer of Tamerlane;

b) John L. Key, Chief Executive Officer of Tamerlane;

c) Judy Dudley, Vice President of Tamerlane; and

d) Richard Meschke, Director, Corporate Development and Legal of Tamerlane.

18. The Applicants do not have any employees of their own.

III. THE BUSINESS

19. The Tamerlane Group is engaged in the acquisition, exploration and development of base metal projects in Canada and Peru. The Applicants' flagship property is the Pine Point Property,

a project located near Hay River in the South Slave Lake area of the Northwest Territories, Canada. The Tamerlane Group's other significant asset is the Los Pinos mining concessions in the Lima Department, Peru, that hosts a historic copper resource.

Pine Point

20. The Pine Point Property is owned by Tamerlane Pine Point. The mine at Pine Point was the largest and most profitable zinc-lead mine in Canadian history. From 1964 to 1987 more than 64 million tonnes of ore were extracted.

21. The Pine Point Property was ultimately shut down in 1987 due to high costs of maintaining a townsite, and exhaustion of near-plant resources. However, Tamerlane has learned from the problems encountered by previous operators, and is now proposing to mine the Pine Point Properties' ore bodies using a variety of open cut and underground mining methods. No townsite will be needed, and the mill site will be centrally located to all current and future ore deposits at the Pine Point Property.

22. In 2004, the Applicants acquired an option and exclusive right to earn an undivided 60% interest in the Pine Point Property. The Applicants commenced exploration in the fourth quarter of 2004 and in 2006 fulfilled all exploration requirements to earn the 60% interest in the property. In the second quarter of 2006, the Applicants increased their interest in the Pine Point Property to 100% in exchange for $1,000,000 and the granting of a 3% net smelter return royalty to an entity controlled by the family trusts of two insiders of Tamerlane.

23. In 2007, the Applicants completed an NI 43-101 Technical Report on the Pine Point Property. The report defined 10.9 million tonnes of measured and indicated resources in

conjunction with a positive feasibility study of 1.0 million tonnes of proven and probable reserves for the R-190 zinc-lead deposit at the Pine Point Property, one of the major deposits at the Pine Point Property.

24. Between 2005 and 2008, the Applicants completed a full environmental assessment and received all necessary land and water permits to commence construction of the mill and mine infrastructure and operate the R-190 deposit. The 5-year permits were issued in 2008, but in late 2008 the Pine Point project was put on hold because of low metal prices.

25. On March 16, 2012, the Mackenzie Valley Land and Water Board approved a Type "A" Land Use Permit for the completion and construction of the main mine site at the R-190 deposit location. In addition to obtaining the Land Use Permit, the Applicants also obtained approval for an amended Water License for the R-190 deposit location. The Minister of Aboriginal Affairs and Northern Development Canada signed the Water License in April 2012. Both the Water License and the Land Use Permit are available for the full maximum term of 5 years. The Applicants have begun work on the necessary management plans associated with the Water License and Land Use Permit to allow for commencement of construction, which can begin once financing is obtained. All permits remain in good standing.

26. On April 2, 2012, an updated NI 43-101 Technical Report (the "**2012 R-190 Report**") of the six initial underground deposits at Pine Point comprising the R-190 project was completed. The 2012 R-190 Report reflects new cost assumptions based on updated quoted prices in late 2011 as well as the effect of changing the mine access from a shaft to a decline. No update was completed for the estimates of reserves and resources. The 2012 R-190 Report confirms that the R-190 project is feasible based on the assumptions used.

27. In addition, on March 23, 2012, a NI 43-101 Technical Report was published in respect of another type of deposit - the N-204 surface deposit at Pine Point (the "**2012 N-204 Report**"). The 2012 N-204 Report confirms that the N-204 project is feasible based on the assumptions used.

28. Beginning in early 2013, the Applicants commenced work on the preparation of an additional NI 43-101 Technical Report for several other deposits at the Pine Point property, all of which are expected to be mineable by open pit methods. The Applicants are now expecting to mine a substantial amount of ore at Pine Point by open pit methods as a result of input received from potential partners and investors that were considering the Pine Point project in 2012. This report is expected to be completed by the end of August, 2013.

29. The Applicants believe based on, among other things, the foregoing, that there is very substantial value in the Pine Point Property. The project has been determined to be feasible and environmental permits and licenses have already been obtained to put the first deposit into production. All of the expensive infrastructure, such as roads, powerlines and railheads, are already in place, minimizing the capital cost necessary to commence operations. The Applicants simply need to raise the financing necessary to be able to exploit the value of the project, a task made more difficult by, among other things, the problems experienced generally in the mining sector thus far during 2013.

Los Pinos

30. In 2007, Tamerlane acquired the Los Pinos assets through one of its subsidiaries, Tamerlane Peru, and it currently holds the mining concessions through another of its subsidiaries, Tamerlane Minera.

31. The Los Pinos porphyry copper deposit is located at an elevation of 700 meters, 100 km south of Lima, Peru. The deposit is contained within the Los Pinos No. 1 & 6 and the El Pino concessions, which total 790 hectares.

32. The deposit is contained in a deeply weathered granodiorite, which is part of the coastal batholithic complex, and occurs in a northwest trending zone that parallels the northern portion of the Rio de Canete. Los Pinos has several sister deposits, such as the Lucuma deposit on the opposite side of the Rio de Canete. The deposit was shown to have an extensive cap of oxide copper, changing to mixed oxides and sulfides, and eventually by sulfides to depth. The Los Pinos deposit was investigated in the early 1990s assuming a copper price of $.90 per pound, less than 30% of the current price of approximately $3.30 per pound.

33. The Los Pinos property became significantly more valuable in 2011 as a result of rising copper prices.

34. However, the Los Pinos assets have been the subject of an ownership dispute since 2008 when Alexander Vidaurre Otayza, who was the General Manager of Tamerlane Peru and Century Mining Peru SAC ("**Century Peru**"), a company that managed the affairs of Tamerlane Peru and shared offices with it, became disgruntled and, prior to resigning, directed Century Peru's in-house lawyer and an outside law firm, both of which were holding Tamerlane Peru's

shares in trust for Tamerlane, to transfer the shares to Mr. Vidaurre and his secretary. Once the share transfer was completed, Mr. Vidaurre and his secretary both resigned from Tamerlane Peru and Century Peru and took Tamerlane Peru's share registries, corporate records and minute books with them.

35. Mr. Vidaurre then attempted to blackmail Tamerlane, demanding cash for the return of the Tamerlane Peru shares. Tamerlane, however, refused to be extorted and was successful in obtaining an injunction that froze the title to the property so that Mr. Vidaurre could not sell or otherwise dispose of the concessions. Tamerlane has also been successful in regaining administrative control of Tamerlane Minera. With administrative control, Tamerlane can now move the Los Pinos project forward and apply for the permits necessary to commence work on the project. To date Tamerlane has been successful in all of its legal proceedings in respect of this ownership dispute.

36. Mr. Vidaurre has also been charged criminally with respect to these actions and the prosecutor has filed an official report charging Mr. Vidaurre and his accomplice/co-conspirator Jaime León Gerardo Sztrancman Waisblack with crimes of forgery and giving a false statement. The prosecutor has requested five-year prison sentences for each of Mr. Vidaurre and Mr. Sztrancman.

37. In addition, the Company has been actively engaged in discussions with Mr. Vidaurre and Mr. Sztrancman regarding a possible resolution to the title dispute in the interest of increasing the marketability of the Los Pinos property. Some progress has been made in that regard to date.

38. The Applicants believe that, especially in light of current copper prices and the current status of the proceedings against Mr. Vidaurre and Mr. Sztrancman, material value can be realized from the Los Pinos property.

Employees

39. As discussed above, the Applicants do not have any employees. The four individuals (including me) who constitute the Applicants' management team are employed by Tamerlane USA, which provides management services to the Applicants.

40. The Company formerly employed additional individuals, but has proactively reduced its workforce to the greatest extent possible in order to minimize expenses. The Applicants engage advisors, agents and consultants in respect of additional work that cannot be done by management.

Bank Accounts and Cash Management

41. Tamerlane's main bank is National Bank of Canada, at which it maintains Canadian dollar and US dollar accounts.

42. The Tamerlane Group manages a centralized cash management system. Tamerlane lends cash on an inter-company basis to other entities as needed. It is anticipated that the Tamerlane Group will continue to use the existing cash management system and will continue to maintain the bank accounts and arrangements already in place during the CCAA proceedings. This approach will minimize any disruption to business operations as the Applicants seek to restructure. The cash management system includes the necessary accounting controls to enable

the Applicants, as well as their creditors and this Honourable Court, to trace funds through the system and ensure that all transactions are adequately documented and readily ascertainable.

IV. CURRENT STATUS OF THE COMPANY

43. The Company's financial reporting is done on a consolidated basis in accordance with Canadian securities laws and includes all of the entities that comprise the Tamerlane Group. The Tamerlane Group's audited consolidated financial statements for the year ending December 31, 2012 are attached as Exhibit "**D**", and the Tamerlane Group's interim condensed consolidated financial statements for the three months ended March 31, 2013 are attached as Exhibit "**E**".

Assets

44. As at March 31, 2013 the Tamerlane Group had total consolidated assets with a net book value of $24,814,433. The assets included consolidated current assets of $2,007,406, and consolidated non-current assets with a net book value of $22,807,027. Non-current assets included primarily the investment in the Pine Point property of $20,729,551 and the Los Pinos property of $1,314,936. As discussed above, the Applicants believe that the Los Pinos property is worth more than its net book value as a result of, among other things, recent increases in copper prices.

Secured Debt

45. Pursuant to a Credit Agreement between Tamerlane and the Secured Lender made as of December 16, 2010, as amended by a First Amending Agreement dated June 30, 2011 and a Second Amending Agreement dated July 29, 2011 (the "**Credit Agreement**"), Tamerlane

became indebted to the Secured Lender for $10,000,000. A copy of the Credit Agreement (including the two Amending Agreements) is attached as Exhibit "**F**".

46. The secured indebtedness under the Credit Agreement (the "**Secured Debt**") is guaranteed by both Tamerlane Pine Point and Tamerlane USA, and each of Tamerlane, Tamerlane Pine Point and Tamerlane USA has executed a general security agreement in favour of the Secured Lender in respect of the Secured Debt. Copies of the relevant guarantees and security agreements are attached as Exhibit "**G**".

47. I believe that the Secured Lender is, and has always been, fully secured by the Company's Pine Point assets, and all valuations received to date, as discussed below, fully support that belief. If anything, its security cushion has increased due to the increase of value at Los Pinos.

48. As a result of liquidity constraints facing Tamerlane (and many other junior mining companies) in the fall of 2012, it failed to make four regularly scheduled monthly interest payments in respect of the Secured Debt beginning on September 25, 2012 and failed to repay the principal balance of the Secured Debt on the maturity date of October 16, 2012, each of which was an "Event of Default" under the Credit Agreement.

49. The Company and the Secured Lender then negotiated and entered into a Forbearance Agreement made as of December 31, 2012 (the "**Forbearance Agreement**") wherein, among other things, Tamerlane agreed to make certain payments to the Secured Lender, including a $1,500,000 principal repayment on March 31, 2013 (the "**March 31 Payment**). A copy of the Forbearance Agreement is attached as Exhibit "**H**".

50. Once again, as a result of liquidity constraints, Tamerlane was unable to, and did not, make the March 31 Payment, which failure resulted in an "Event of Default" under the Credit Agreement and the Forbearance Agreement.

51. Shortly after Tamerlane failed to make the March 31 Payment, Tamerlane and the Secured Lender entered into negotiations with respect to a further forbearance arrangement.

52. On May 24, 2013, Tamerlane also failed to make the May interest payment, and on May 29, 2013, I received by email a letter from the Secured Lender's counsel (the "**May 29 Letter**") enclosing: (i) a Notice of Intention to Enforce Sercurity pursuant to section 244 of the *Bankruptcy and Insolvency Act* ("**BIA**"); and (ii) a Notice of Intention to Dispose of Collateral pursuant to section 63 of the *Personal Property Security Act* (Ontario) (the "**PPSA**"). The May 29 Letter (including enclosures) is attached as Exhibit "**I**".

53. According to the May 29 Letter, the total amount of the Secured Debt as at May 29, 2013 was $11,631,948.90.

54. Negotiations continued between Tamerlane and the Secured Lender in respect of a further forbearance, and on June 10, 2013, the Secured Lender and Tamerlane entered into an amendment to the Forbearance Agreement (the "**Forbearance Agreement Amendment**"). Pursuant to the Forbearance Agreement Amendment, among other things, the Secured Lender withdrew the May 29 Letter (including the statutory notices) and agreed to capitalize the May interest payment in exchange for Tamerlane agreeing to pay certain fees to the Secured Lender (which fees were capitalized) and resuming making cash interest payments to the Secured Lender with the June 25, 2013 interest payment. A copy of the Forbearance Agreement Amendment is attached as Exhibit "**J**".

55. Tamerlane was then unable to, and therefore did not, make the July 25 payment, which failure resulted in an "Event of Default" under the Credit Agreement and the Forbearance Agreement Amendment.

56. On July 26, 2013, the Applicants' counsel received by email a letter from the Secured Lender's counsel (the "**July 26 Letter**") enclosing (i) a Notice of Intention to Enforce Security pursuant to section 244 of the BIA and (ii) a Notice of Intention to Dispose of Collateral pursuant to section 63 of the PPSA. The July 26 Letter (including enclosures) is attached as Exhibit "**K**".

57. According to the July 26 Letter, the total amount of the Secured Debt as at July 26, 2013 was $12,100,254.26.

58. Both before and after the delivery of the July 26 Letter, the Secured Lender (through its counsel) advised the Applicants (through their counsel) that, immediately after the expiry of the prescribed ten day period under section 244(2) of the BIA (the "**NITES Period**"), it intended to bring an application to seek the appointment of a receiver in respect of the Applicants.

59. At that time, the Applicants informed the Secured Lender that they were considering commencing a CCAA proceeding prior to the expiry of the NITES Period, and proposed that the Applicants and Secured Lender agree to a consensual CCAA proceeding, which the Applicants believed (and continue to believe) to be in the best interests of all stakeholders, including the Secured Lender.

60. The Secured Lender expressed a willingness to negotiate with the Applicants with a view to determining whether a CCAA proceeding could proceed on consent based upon consensual

terms that protect the interests of the Secured Lender. The Secured Lender firmly stated, however, that as a key term of consenting to any CCAA initial order, it required a fixed "sunset date" for the CCAA proceeding beyond which stay extensions could not be sought without the Secured Lender's consent unless the Secured Lender had been repaid in full by that date, as well as a provision in the initial order directing that a receivership order would issue after that date in the event that the Secured Debt was not paid in full by that date, unless the Secured Lender consented otherwise. The Secured Lender also required the Company to undertake a thorough marketing process run by a qualified financial advisor to sell assets or obtain financing so that, among other things, the Secured Debt could be repaid in full.

61. The NITES Period was set to expire at 11:59 p.m. EDT on August 6, 2013. However, leading up to August 6, 2013, the Company and the Secured Lender were in discussions regarding this consensual proceeding. Accordingly, the Company and the Secured Lender agreed to extend the expiry of the Notice of Intention to Enforce Security on multiple occasions. The current Notice of Intention to Enforce Security is set to expire at 11:59 p.m. EDT on August 23, 2013.

62. On August 22, 2013, the Secured Lender and Tamerlane entered into a second amendment to the Forbearance Agreement (the "**Second Forbearance Agreement Amendment**"). Pursuant to the Second Forbearance Agreement Amendment, among other things, (i) the Secured Lender agreed, subject to certain conditions, to forbear from exercising its rights against the Applicants until January 7, 2014, and to consent to the relief sought in this proceeding, and (ii) Tamerlane agreed to pay an additional fee to the Secured Lender. A copy of the Second Forbearance Agreement Amendment is attached as Exhibit "**L**".

63. As at August 20, 2013, the only parties that have registrations against the Applicants pursuant to the PPSA are: (i) the Secured Lender and (ii) the Applicants' counsel, the Monitor and the Monitor's counsel in respect of the fees and disbursements owing to each. The search results as at August 20, 2013 are attached as Exibit "**M**".

64. The Applicants are not aware of any other party claiming to be a secured creditor of one or both of the Applicants.

Unsecured Creditors

65. The Applicants' unsecured creditors are principally trade creditors. Collectively, the Applicants' accounts payable were approximately CAD $875,000 as at August 13, 2013, in addition to accrued professional fees in connection with issues related to the Secured Debt and this proceeding. The CAD $875,000 includes loans owing to me and Ross Burns for $25,000 each, as well as approximately $110,000 that has been owing since 2008 to a company that was formerly related to Tamerlane.

V. REFINANCING EFFORTS TO DATE

66. Given that the Company is in the exploration stage with its assets, it does not yet generate cash flow from operations. Accordingly, its only potential source of cash is from financing activities, which have been problematic in light of the current market for "junior" mining companies.

67. It was always contemplated by the Company when the Credit Agreement was entered into that the take-out financing would be in the form of construction financing for Pine Point.

The Company's primary focus until the early part of the summer of 2012 was on obtaining that construction financing.

68. In that regard, in or about January, 2011, advisors retained by the Company to assist in sourcing a debt deal for the financing of the Pine Point Project were successful in obtaining a term sheet for a $60 million debt financing, and the Company also received a term sheet from an offtaker for $40 million of offtake. However, the Company still needed to raise approximately $30-40 million of equity, and was ultimately unsuccessful in doing so. Therefore, that deal could not proceed.

69. There was also a negotiation with an interested strategic purchaser in mid-2012 that ultimately did not proceed because of an unrelated financial setback suffered by the purchaser.

70. Following that, in or about September 2012, the Company's focus shifted from finding project financing to finding financing to simply repay the Secured Lender. There was interest from at least one Toronto-based mezzanine fund, but no deal was ultimately reached.

71. Throughout the latter half of 2012, Tamerlane tried to raise equity through private placements, and/or to sell an interest in the Pine Point project to a partner that would be able to arrange financing for mine development. During December 2012, Tamerlane completed a CAD $160,000 equity private placement on a "flow-through" basis, meaning that the funds were required to be used for qualified Canadian exploration expenditures. This investment came from a Tamerlane director and his family.

72. Also in December, 2012, as discussed above, Tamerlane agreed to a share issuance to Mr. Charlwood, which was completed in January, 2013. The share issuance was originally going to

be in exchange for a CAD $2,000,000 equity investment, but only approximately CAD $1,700,000 could be subscribed for in January 2013 because of certain agreed ownership limitations.

73. In or about December, 2012, Tamerlane was negotiating with an arm's length potential purchaser which was interested in the Los Pinos property. The negotiations were at a relatively advanced stage, and the gross purchase price being discussed was approximately $13 million to $15 million. However, no agreement was entered into.

74. The Company has continued to search for financing for the construction of the Pine Point Property, a purchase for Los Pinos, and/or to repay the Secured Lender, but has been unsuccessful to date. There continues to be significant interest from potential purchasers/investors in respect of the Applicants and their assets.

75. For instance, the Applicants have been in discussions with a foreign state-owned entity that has a successful track record of executing M&A, strategic investments and offtake agreements in multiple countries, to produce a transaction that raises the funds needed to repay the Secured Lender in full.

76. In addition, a number of other interested parties have come forward very recently and are each in early stage discussions with the Applicants and the Secured Lender with respect to transactions involving Pine Point.

VI. THE FINANCIAL ADVISOR AND THE SISP

77. In order to consummate a transaction to, among other things, repay the Secured Debt in full as soon as possible, the Applicants, in consultation with the Secured Lender, have engaged the

Financial Advisor. The role of the Financial Advisor will be to, under the oversight of the Monitor, implement the sale investment solicitation process (the "**SISP**") attached as Exibit "**N**".

78. The SISP has been agreed among the Financial Advisor, the Monitor, the Applicants and the Secured Lender.

79. Pursuant to the SISP, the Financial Advisor will seek to identify one or more financiers or purchasers of, and/or investors in, the key assets / entities that comprise the Tamerlane Group. The SISP will include broad marketing to all potential financiers, purchasers and investors, and will consider offers for proposed financing (that will, among other things, repay the Secured Debt), an investment in the Applicants' business and/or a purchase of some or all of the Applicants' assets.

80. I believe it is critically important that the SISP be approved at this time for a variety of reasons. First and most importantly, the negotiated deal between the Applicants and the Secured Lender only provides the Applicants until January 7, 2014 to close one or more transactions to pay out the Second Lender in full. Accordingly, time is of the essence, and the process must begin immediately.

81. In addition, the Applicants' business and assets are complex, and I expect that interested parties will want to undertake substantial due diligence. Lastly, the Applicants' financing under the Term Sheet is conditional on the SISP being approved at this time.

82. Accordingly, given that one or more transactions must be completed by January 7, 2014, the complexity of the assets, and the fact that the Applicants' financing is conditional on the SISP

being approved, I believe it is necessary that the SISP be granted at this time, and that the SISP provides the best potential for recovery for the Applicants' stakeholders in the circumstances.

83. The SISP will be a fair and transparent process run by the Financial Advisor, under the oversight of the Monitor. It is intended to maximize value for the Applicants and all of their stakeholders, including the Secured Lender.

84. Tamerlane previously requested that a reputable institution with significant mining experience perform valuations of both Los Pinos and the Pine Point Property. The Los Pinos valuation was completed in May 2013 and indicates a preliminary valuation of $12 to $15 million using a 0.3% copper cut-off grade, or $17 to $21 million using a 0.2% copper cut-off grade. The Pine Point valuation was completed in July 2013 and indicates a valuation of $30 to $56 million based on market comparables, with a value as high as $229 million considering precedent transactions. The preliminary valuations of Los Pinos and Pine Point contain sensitive and competitive information, and, accordingly, have not been attached to my affidavit. However, counsel to the Applicants have copies of both valuations and will make them available to the Court if requested.

VII. THE APPLICANTS MEET THE CCAA STATUTORY REQUIREMENTS

85. I am advised by Sean Zweig of Bennett Jones LLP, counsel to the Applicants, that the CCAA applies in respect of a "debtor company" if the claims against the debtor company or affiliated debtor companies total more than CAD $5 million. I am further advised by Sean Zweig that a "debtor company" is a company incorporated under an Act of Parliament or the legislature of a Province which has, among other things, become bankrupt or insolvent.

A. The Applicants are "Companies" Under the CCAA

86. Tamerlane is a company continued under the CBCA, and Tamerlane Pine Point is a company incorporated under the CBCA. Accordingly, both are "companies" to which the CCAA applies. Copies of Tamerlane's articles of continuance and Tamerlane Pine Point's articles of incorporation were previously attached.

B. The Applicants have Claims Against them in Excess of $5 Million

87. As discussed above, each of the Applicants has debts against it in excess of the CAD $5 million statutory requirement as a result of the Secured Debt alone, which is now due and owing, and is in excess of CAD $5 million.

C. The Applicants are Insolvent

88. I am advised by Sean Zweig that under section 2 of the BIA (and a similar definition exists under sections 192(2) and 208 of the CBCA), an insolvent person is one whose liabilities to creditors exceeds CAD $1,000 and (i) is for any reason unable to meet his obligations as they generally become due, (ii) has ceased paying his current obligations in the ordinary course of business as they generally become due, or (iii) the aggregate of whose property is not, at a fair valuation, sufficient, or, if disposed of at a fairly conducted sale under legal process, would not be sufficient to enable payment of all his obligations, due and accruing due.

89. As a result of the Secured Debt becoming due and owing, the Applicants are unable to meet their obligation as they come due.

VIII. RELIEF SOUGHT

90. As discussed above, the Applicants cannot currently repay the amount owing to the Secured Lender, which is now due and payable. Accordingly, a stay of proceedings is essential

to avoid a distressed liquidation of the Applicants' assets at fire-sale prices. Such a stay would provide the Financial Advisor with the necessary time to implement the SISP with the oversight of the proposed Monitor, and the Applicants with the opportunity to engage in discussions with its stakeholders with respect to a potential plan of compromise or arrangement. The Applicants believe it is necessary to file for CCAA protection and that the Initial Order is appropriate in the circumstances.

91. On or about August 21, 2013, the Board of Directors of each of the Applicants passed a resolution approving the commencement of proceedings under the CCAA.

A. Overview of Proposed CCAA Proceedings

92. The paramount goal of the Applicants is to preserve, maximize and realize upon value for the benefit of all of their stakeholders, including the Secured Lender. I believe that there is considerable value for stakeholders ranking subordinate to the Secured Lender. The immediate objective of the proceeding is to secure sufficient funds to repay the Secured Lender in full.

B. Stay of Proceedings

93. The Applicants need a stay of proceedings to allow the Financial Advisor (with the oversight of the Monitor) to pursue and implement the SISP in an attempt to avoid a distressed liquidation of their assets.

94. Because of the integration of the Company, it would be detrimental to the Applicants' ability to successfully restructure if any person were to commence proceedings, or rights and remedies were exercised against, Tamerlane USA or Tamerlane Peru. Accordingly, the Initial Order contains provisions enjoining the exercise of rights and remedies against Tamerlane USA

or Tamerlane Peru in order to preserve the value of the Applicants while they undertake to restructure under the CCAA.

C. Appointment of Monitor

95. Duff & Phelps has consented to act as the Monitor of the Applicants in the CCAA proceedings, and I believe that Duff & Phelps is qualified and competent to so act.

96. I understand that Duff & Phelps will be filing its Pre-Filing Report with this Honourable Court as proposed Monitor in conjunction with the Applicants' request for relief under the CCAA.

D. Payments During CCAA Proceeding

97. During the course of this CCAA proceeding, the Applicants intend to make payments for goods and services supplied post-filing as set out in the cash flow projections referred to below and as permitted by the Initial Order.

E. Charges for Professionals

98. It is contemplated that the Monitor, counsel to the Monitor, and counsel to the Applicants would be granted a first priority Court-ordered charge on the assets, property and undertakings of the Applicants in priority to all other charges (the "**Administration Charge**") up to the maximum amount of CAD $300,000 in respect of their respective fees and disbursements in connection with these proceedings. The Applicants believe the Administration Charge is fair and reasonable in the circumstances.

99. It is also contemplated that the Financial Advisor would be granted a second priority Court-ordered charge on the assets, property and undertakings of the Applicants in priority to all other charges other than the Administration Charge (the "**Financial Advisor Charge**") up to a

maximum amount of CAD $300,000 in respect of the Financial Advisor's fees and disbursements in connection with these proceedings. The Applicants believe the Financial Advisor Charge is fair and reasonable in the circumstances.

100. It is further contemplated that the Monitor, counsel to the Monitor, counsel to the Applicants and the Financial Advisor would be granted an additional Court-ordered charge on the assets, property and undertakings of the Applicants in priority to all other charges other than the Administration Charge, the Financial Advisor Charge, the DIP Lender's Charge, the Directors' Charge and the security interest of the Secured Lender (the "**Subordinated Administration Charge**", and together with the Administration Charge and the Financial Advisor Charge, the "**Professional Charges**") in respect of their respective additional fees and disbursements in connection with these proceedings not covered by the Administration Charge or the Financial Advisor Charge.

101. As is customary, a significant component of the Financial Advisor's fee is a success fee which is only payable in certain circumstances. Similarly, in order to assist the Applicants with their liquidity constraints, counsel to the Applicants has agreed to discount its billing rates provided that it too be provided with a success fee to compensate it for the risk taken. Those success fees, as well as any additional ordinary fees and disbursements of the Monitor, its counsel, and the Applicants' counsel, are the subject of the Subordinated Administration Charge. The Applicants believe the Subordinated Administration Charge is fair and reasonable in the circumstances and is further evidence that there is value beyond the Secured Debt.

102. The Applicants require the expertise, knowledge and continuing participation of the proposed beneficiaries of the Professional Charges in order to complete a successful

restructuring. I believe the Professional Charges are necessary to ensure their continued participation, particularly in light of the Applicant's current liquidity position.

103. The Applicants have sought to ensure that there is no unwarranted duplication of roles so as to minimize the professional fees associated with these proceedings.

104. The Secured Lender consents to the quantum and ranking of the Professional Charges.

F. DIP Financing & DIP Lender's Charge

105. As set out in the cash flow forecast attached as Exhibit "**O**", the Applicants' principal use of cash during these proceedings will consist of the payment of ongoing day-to-day operational expenses, such as management fees for those individuals providing services to the Applicants, office related expenses, and a portion of the professional fees and disbursements in connection with these CCAA proceedings. As indicated in the cash flow forecast, it is projected that the Applicants will require additional borrowings during these proceedings, notwithstanding that the Applicants are seeking to complete these proceedings as quickly as reasonably possible in order to minimize professional costs and the impact on Tamerlane's business.

106. The DIP Loan is to be governed by a debtors-in-possession term sheet substantially in the form attached as Exhibit "**P**", the material terms of which include, among other things:

i. The DIP Lender will lend an aggregate principal amount of USD $978,571 to the Applicant.

ii. The DIP Lender will receive a setup fee of USD $30,000, resulting in net proceeds of USD $948,571 to the Applicants.

iii. The Applicants will use the proceeds for general working capital purposes and to pay fees and expenses relating to the CCAA proceeding.

iv. Advances will be made once every two weeks based on the cash needs of the Applicants.

v. Interest will accrue on the principal outstanding amount of the DIP Loan outstanding at the rate of 12% per annum calculated monthly and payable on the maturity date. Interest will not compound.

vi. The Applicants may prepay the advances under the DIP Loan, in full or in part, at any time and from time to time without bonus or penalty.

vii. The DIP Loan will mature on January 7, 2014.

107. It is contemplated that the DIP Lender would be granted a third priority Court-ordered charge on the assets, property and undertakings of the Applicants in priority to all other charges other than the Administration Charge and the Financial Advisor Charge (the "**DIP Lender's Charge**"). I have been advised by the DIP Lender that it will not provide the DIP Loan if the DIP Lender's Charge is not granted.

108. The financing provided by the DIP Lender is essential to a successful restructuring of the Applicants. Given the current financial situation of the Applicants (including its dire cash situation and the lack of availability of alternate financing), the Applicants believe the DIP Loan is the best alternative for the Applicants and its stakeholders in the circumstances. Accordingly, the directors of the Applicants exercised their business judgment to enter into the Term Sheet.

The Applicants believe the Term Sheet and the DIP Lender's Charge is fair and reasonable in the circumstances.

G. Directors' Charge

109. It is contemplated that the Applicants' directors and officers would be granted a fourth priority Court-ordered charge on the assets, property and undertakings of the Applicants in priority to all other charges other than the Administration Charge, the Financial Advisor Charge and the DIP Lender's Charge (the "**Directors' Charge**") up to the maximum amount of CAD $45,000. The amount of the Directors' Charge has been calculated based on the estimated exposure of the directors and officers of the Applicants in the event of a sudden shut-down of the Tamerlane Group. The Applicants believe the Directors' Charge is fair and reasonable in the circumstances.

110. A successful restructuring of the Applicants will only be possible with the continued participation of the Applicants' directors and officers. The individuals have specialized expertise and relationships with the Company's stakeholders and potential third party financiers, investors and purchasers. In addition, the directors and officers have gained significant knowledge that cannot be easily replicated or replaced.

111. It is my understanding that in certain circumstances, directors and officers can be held personally liable for certain of a company's obligations

112. Tamerlane maintains an insurance policy in respect of the potential liability of its directors and officers (the "**D&O Insurance Policy**"). The D&O Insurance Policy insures the directors and officers of Tamerlane for certain claims that may arise against them in their capacity as

directors and/or officers of Tamerlane. But the D&O Insurance Policy contains several exclusions and limitations to the coverage provided, and there is a potential for there to be insufficient coverage in respect of the potential director and officer liabilities. The directors and officers of Tamerlane have expressed their desire for certainty with respect to potential personal liability if they continue in their current capacities in the context of a CCAA proceeding. In addition, I am advised by Tamerlane's insurers that if Tamerlane was to file for CCAA protection, and if the insurers agreed to renew the D&O Insurance Policy, there would be a significant increase in the premium for that insurance.

113. Based on the books and records of the Applicants and the PPSA searches conducted by counsel to the Applicants, the only secured creditors which are likely to be affected by the Administration Charge, the Financial Advisor Charge, the Directors' Charge and the DIP Lender's Charge are the Secured Lender and certain professionals retained in respect of this proceeding, who all consent to the charges being sought.

H. SISP

114. As discussed above, the Secured Lender has insisted that the Company undertake a thorough marketing process run by a qualified financial advisor to sell assets or obtain financing so that, among other things, the Secured Debt could be repaid in full.

115. Accordingly, Tamerlane, in consultation with the Secured Lender and the Monitor, solicited interest from qualified financial advisors, and ultimately selected the Financial Advisor as a result of, among other things, its significant experience in restructurings, its strong presence and reputation in the global markets, and its experience in the mining sector.

116. A brief summary of the SISP, as well as the reasons I beleive the SISP should be granted at this time, are detailed above.

I. Restrictions on Extensions of CCAA Proceedings

117. As a condition to the Secured Lender's consent to the relief sought herein, the Applicants have agreed that the Applicants may not seek or obtain any extension of the stay of proceedings beyond the Outside Date unless they have repaid the Secured Lender in full or received the prior written consent of the Secured Lender and the Monitor prior to such date. Immediately following the Outside Date: (i) these proceedings will terminate, (ii) the Monitor will be released and discharged, and (iii) the Initial Order (except for certain paragraphs thereof) will be of no further force or effect.

118. The Applicants have further agreed that pursuant to the Initial Order, immediately following the Outside Date, a receiver will be appointed, without security, over all assets and undertakings of the Applicants pursuant to section 243 of the BIA and section 101 of the *Courts of Justice Act*, and a receivership order will issue immediately upon the Secured Lender filing with the Court a written consent of a licensed bankruptcy trustee to act as receiver.

119. As discussed above, the Secured Lender has advised the Applicants that it insists on these terms relating to the termination of the CCAA proceedings and the appointment of a receiver immediately after the Outside Date being included in the Initial Order.

120. Given the financial circumstances of the Applicants, there were significant cost-savings and other benefits to the Applicants and all of the stakeholders for this proceeding to be

consensual rather than contentious. Accordingly, the directors of the Applicants exercised their business judgment to agree to the provisions in the Initial Order in respect of the Outside Date.

IX. 13 WEEK CASH FLOW FORECAST

121. As set out in the cash flow forecast previously attached, the Applicants' principal uses of cash during the next 13 weeks will consist of the payment of ongoing day-to-day operational expenses, such as payroll and office related expenses, and a portion of the professional fees and disbursements in connection with these CCAA proceedings.

122. As at August 19, 2013, the Applicants' had approximately $3,500 available cash on hand. The Applicants' cash flow forecast projects that, subject to obtaining the relief outlined herein, it will have sufficient cash to fund its projected operating costs until the end of the stay period.

X. CONCLUSION

123. The Company is currently in a very challenged financial position. The Applicants believe that an orderly and expedited CCAA process that gives effect to the SISP is in the best interests of all of its stakeholders.

124. It is important to understand that the Company has no ability to generate revenue at this point in time, until it can develop its properties. It can only repay the Secured Lender by raising new financing or selling off part of its assets. The Applicants do not envisage that a complete sale of all of their assets will be necessary in this process. Rather, they expect to be able to satisfy the Secured Debt through some combination of sale and refinancing and then to complete their restructuring for the benefit of the other remaining stakeholders through this process.

125. These CCAA proceedings are necessary to preserve the value of the Applicants. The valuations discussed above indicate that the value of the Company's business is greater than the amount owed to the Secured Lender.

126. The SISP will result in the Financial Advisor exploring all options available. I am confident that the granting of the Initial Order is in the best interests of the Applicants and its stakeholders as it provides the stability the Applicants require to see the SISP through to completion.

SWORN BEFORE ME at the City of Kailua-Kona, in the State of Hawaii, United States of America, this 22nd day of August, 2013	)))))	Margaret M. Kent

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 OR COMPROMISE OR ARRANGEMENT OF TAMERLANE VENTURES INC. and PINE POINT HOLDING CORP.

Court File No. CV-13-10228-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

AFFIDAVIT OF MARGARET M. KENT
(Sworn August 22, 2013)

BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

S. Richard Orzy (LSUC #23181I)
Sean H. Zweig (LSUC #57307I)
Tel: 416-863-1200
Fax: 416-863-1716

Lawyers for the Applicants

Tab A

Industry Canada Industrie Canada

Certificate of Continuance

Canada Business Corporations Act

Certificat de prorogation

Loi canadienne sur les sociétés par actions

Tamerlane Ventures Inc.

Corporate name / Dénomination sociale

759385-6

Corporation number / Numéro de société

I HEREBY CERTIFY that the above-named corporation, the articles of continuance of which are attached, is continued under section 187 of the *Canada Business Corporations Act.*

JE CERTIFIE que la société susmentionnée, dont les clauses de prorogation sont jointes, est prorogée en vertu de l'article 187 de la *Loi canadienne sur les sociétés par actions.*

A. Aomari

Aïssa Aomari

Deputy Director / Directeur adjoint

2010-07-26

Date of Continuance (YYYY-MM-DD)
Date de prorogation (AAAA-MM-JJ)

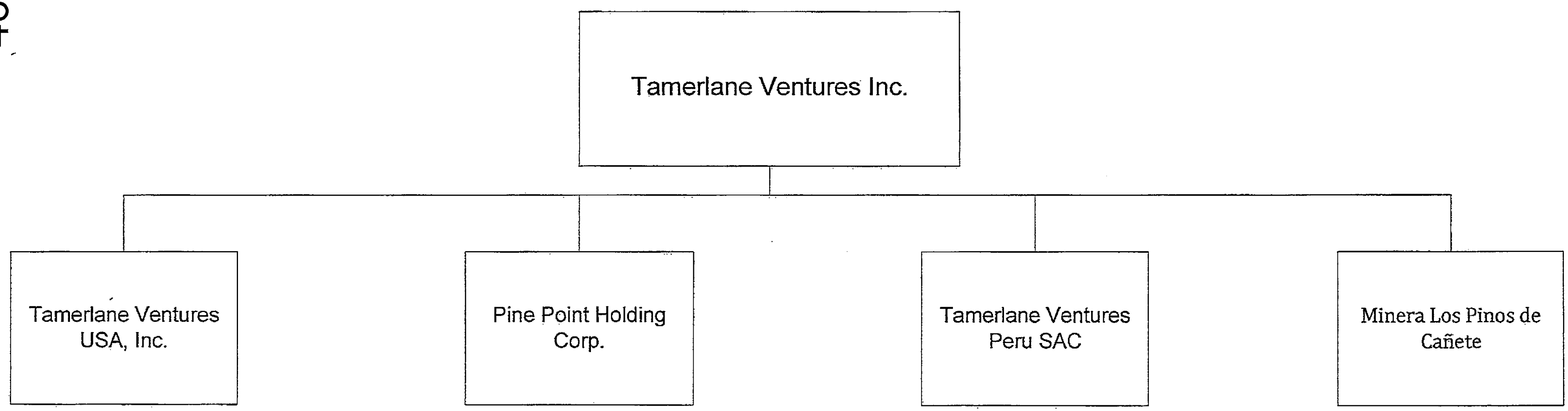
THIS IS EXHIBIT A ATTACHED
TO THE AFFIDAVIT OF
Margaret M. Kent
SWORN August 22, 2013

A COMMISSIONER

Canada

Tab B

The Tamerlane Group
Organization Chart



THIS IS EXHIBIT 6 ATTACHED
TO THE AFFIDAVIT OF
Margaret M. Kent
SWORN August 22, 2013

A COMMISSIONER

Tab C

Industry Canada Industrie Canada

Certificate of Incorporation

Canada Business Corporations Act

Certificat de constitution

Loi canadienne sur les sociétés par actions

PINE POINT HOLDING CORP.

Corporate name / Dénomination sociale

779726-5

Corporation number / Numéro de société

I HEREBY CERTIFY that the above-named corporation, the articles of incorporation of which are attached, is incorporated under the *Canada Business Corporations Act.*

JE CERTIFIE que la société susmentionnée, dont les statuts constitutifs sont joints, est constituée en vertu de la *Loi canadienne sur les sociétés par actions.*

Marcie Girouard

Director / Directeur

2011-03-04

Date of Incorporation (YYYY-MM-DD)
Date de constitution (AAAA-MM-JJ)

THIS IS EXHIBIT C ATTACHED
TO THE AFFIDAVIT OF
Margaret M. Kent
SWORN August 22, 2013

A COMMISSIONER

Canada

Tab D

TAMERLANE VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

(Expressed in Canadian dollars)

THIS IS EXHIBIT D ATTACHED
TO THE AFFIDAVIT OF
Margaret M. Kent
SWORN August 22, 2013

A COMMISSIONER

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Tamerlane Ventures Inc.

We have audited the accompanying consolidated financial statements of Tamerlane Ventures Inc., which comprise the consolidated balance sheets as at December 31, 2012 and 2011, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tamerlane Ventures Inc. as at December 31, 2012 and 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial statements which indicates that Tamerlane Ventures Inc. requires additional financing to meet its obligations and to carry out its planned exploration and development plans. This condition, along with other matters as set forth in Note 2 in the financial statements, indicate the existence of a material uncertainty that may cause significant doubt about Tamerlane Venture Inc.'s ability to continue as a going concern.

KPMG LLP (signed)

Chartered Accountants

April 29, 2013
Vancouver, Canada

TAMERLANE VENTURES INC.

Consolidated Balance Sheets
(Expressed in Canadian dollars)

Years ended December 31, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 135,564	$ 4,596,221
Amounts receivable	64,889	79,545
Prepaid expenses and deposits	367	202,050
Equipment held-for-sale (note 6)	918,100	-
	1,118,920	4,877,816
Intangible assets (note 4)	23,402	23,897
Equipment and furniture (note 5)	35,741	958,446
Property reclamation bond (note 3(m))	60,000	60,000
Exploration and evaluation assets (note 7)	22,625,446	20,450,870
	$ 23,863,509	$ 26,371,029
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 758,460	$ 928,677
Flow-through shares premium (note 9)	32,000	221,800
Due to related parties (note 12)	345,566	58,568
Bridge loans and convertible debenture (note 8)	9,724,283	9,324,680
Convertible debenture – embedded derivative (note 8)	18,664	19,323
	10,878,973	10,553,048
Shareholders' equity:		
Share capital (note 9)	25,938,760	25,761,558
Shares to be issued (notes 8 and 17(a))	646,907	-
Other equity reserve	3,429,818	3,183,078
Deficit	(17,030,949)	(13,126,655)
	12,984,536	15,817,981
Going concern (note 2)		
Contingency (note 7 (b))		
Commitments (notes 7 and 16)		
Subsequent events (notes 7(d), 8 and 17)		
	$ 23,863,509	$ 26,371,029

See accompanying notes to consolidated financial statements.

Approved on April 29, 2013:

"Cowan McKinney" Director "Margaret Kent" Director
(Signed) (Signed)

TAMERLANE VENTURES INC.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

Years ended December 31, 2012 and 2011

	2012	2011
Expenses:		
Amortization	$ 18,509	$ 16,893
Foreign exchange (gain) loss	(160,629)	54,007
General and administrative	1,959,757	2,488,032
Share-based compensation	222,984	313,997
	2,040,621	2,872,929
Other (income) expenses:		
Interest expense and accretion charges	2,094,216	1,442,415
Fair value gain on embedded derivative (note 8)	(659)	(503,746)
Other income	(8,084)	-
	2,085,473	938,669
Loss before taxes	4,126,094	3,811,598
Deferred income tax recovery (notes 9 and 15)	(221,800)	-
Net loss and comprehensive loss for the year	$ 3,904,294	$ 3,811,598
Net loss per share – basic and diluted	$ (0.04)	$ (0.05)
Weighted average number of shares outstanding - basic and diluted	90,675,582	74,545,115

See accompanying notes to consolidated financial statements.

TAMERLANE VENTURES INC.

Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

Years ended December 31, 2012 and 2011

	Number of common shares	Share capital	Shares to be issued	Other equity reserve	Deficit	Total
Balance, January 1, 2011	66,342,873	$ 20,230,240	$ -	$ 3,740,417	$ (9,315,057)	$ 14,655,600
Share-based compensation	-	-	-	428,927	-	428,927
Exercise of warrants and stock options	8,241,029	2,253,749	-	-	-	2,253,749
Issued for finder's fee – debt (note 8)	835,800	178,750	-	-	-	178,750
Issued pursuant to flow-through shares private placement (note 9)	11,090,000	1,219,900	-	-	-	1,219,900
Fair value attributed to warrants and stock options exercised	-	1,007,624	-	(1,007,624)	-	-
Issued for finder's fee flow-through private placement (note 9)	-	(28,696)	-	28,696	-	-
Issued pursuant to private placement	3,846,154	1,000,000	-	-	-	1,000,000
Share issuance cost flow-through (note 9)	-	(100,009)	-	-	-	(100,009)
Revaluation of warrants for contractors	-	-	-	(7,338)	-	(7,338)
Loss for the year	-	-	-	-	(3,811,598)	(3,811,598)
Balance, December 31, 2011	90,355,856	25,761,558	-	3,183,078	(13,126,655)	15,817,981
Share-based compensation	-	-	-	246,740	-	246,740
Issued pursuant to Indian Mountain Lake option agreement (note 7 (d))	350,000	52,500	-	-	-	52,500
Share issuance cost – cash	-	(3,298)	-	-	-	(3,298)
Issued pursuant to flow-through shares private placement (note 9)	3,200,000	128,000	-	-	-	128,000
Shares to be issued (notes 8 and 17(a))	-	-	646,907	-	-	646,907
Loss for the year	-	-	-	-	(3,904,294)	(3,904,294)
Balance, December 31, 2012	93,905,856	$ 25,938,760	$ 646,907	$ 3,429,818	$ (17,030,949)	$ 12,984,536

TAMERLANE VENTURES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Net loss for the year	$ (3,904,294)	$ (3,811,598)
Items not involving cash:		
Share-based compensation	222,984	313,997
Amortization	18,509	16,893
Accretion expense	832,464	572,309
Interest expense	838,528	865,957
Accrued interest reclassified to debt principal	422,190	-
Interest income	(8,084)	(6,486)
Unrealized foreign exchange (gain) loss on cash	(54)	47,723
Unrealized foreign exchange (gain) loss on debt	(211,443)	206,064
Gain/loss on embedded derivatives	(659)	(503,746)
Common shares issued as a derivative cost	-	15,600
Deferred income tax recovery	(221,800)	-
	(2,011,659)	(2,283,287)
Changes in non-cash working capital and other:		
Amounts receivable	14,656	(55,714)
Prepaid expenses and deposits	201,683	(201,783)
Amounts payable and accrued liabilities	(170,474)	440,214
Amounts (payable to) receivable from related and former related parties	286,998	(91,653)
Interest paid	(838,528)	(865,957)
Interest received	8,084	6,486
	(497,581)	(768,407)
Cash used in operating activities	(2,509,240)	(3,051,694)
Investments:		
Expenditures on exploration and evaluation assets	(2,069,820)	(5,249,826)
Purchase of intangible assets	(8,879)	(17,030)
Purchase of furniture and equipment	(4,474)	(960,528)
Cash used in investing activities	(2,083,173)	(6,227,384)
Financing:		
Convertible and bridge loans	-	4,933,750
Debt financing charges	-	(287,115)
Proceeds from shares issued	135,000	4,695,449
Share issuance costs	(3,298)	(100,009)
Cash provided by financing activities	131,702	9,242,075
Effect of exchange rates on cash and cash equivalents	54	(47,723)
Decrease in cash and cash equivalents	(4,460,657)	(84,726)
Cash and cash equivalents, beginning of the year	4,596,221	4,680,947
Cash and cash equivalents, end of the year	$ 135,564	$ 4,596,221
Supplementary information:		
Capitalization of share-based compensation in exploration and evaluation assets	$ 23,756	$ 107,592
Shares issued and capitalized in exploration and evaluation assets	52,500	-
Fair value - broker's warrants	-	28,696
Common shares issued or to be issued – debt (note 8)	646,907	166,900
Accrued interest reclassified to debt principal	422,190	-
Finance fees capitalized to debt principal	1,074,496	-

See accompanying notes to consolidated financial statements.

1. Nature of operations:

Tamerlane Ventures Inc. (the "Company" or "Tamerlane") was incorporated under the Corporations Act of the province of British Columbia on May 16, 2000. The Company was continued as a federal corporation under the Canada Business Corporations Act (CBCA) on July 26, 2010. The Company is a natural resource company engaged in the exploration and development of base metals projects in Canada and Peru.

The Company has not generated any revenue since its inception and is considered to be a development stage company. The Company is devoting its major efforts to the exploration and development of its Pine Point lead-zinc project in the Northwest Territories in Canada.

2. Going Concern:

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments as they are due. The Company has current liabilities of $10,878,973 and current assets of $1,118,920 as of December 31, 2012. The Company has senior secured loans with a face value of US$11,504,358 including capitalized interest and fees that are repayable through interim payments of at least US$1,500,000 on each of March 31, 2013 and June 30, 2013 and the remaining balance on October 16, 2013.

The Company failed to make a scheduled US$1,500,000 principal repayment due to its secured loan lender on March 31, 2013 (notes 8 and 17) and the Company is still in negotiations with the lender to address this event of default. The continuing operations of the Company are dependent on the Company's ability to successfully negotiate a resolution to its current default with its lender, obtain additional financing to pay interest and principal installments on its debt obligations and to fund operating and development costs of its mineral properties. All feasible methods of raising funds, including debt and/or equity issuances, sale of the Los Pinos property, and sale of an interest in the Pine Point Project are being considered.

As of December 31, 2012, the Company's working capital deficiency and the uncertainty regarding Tamerlane's ability to negotiate a settlement to its debt default, to obtain additional financing to repay its debt and other obligations when due and to fund ongoing operations casts significant doubt on the Company's ability to continue as a going concern. Management, however, is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. The Company is currently seeking up to $15 million to repay its existing lender and provide immediate working capital, and additional project financing for its Pine Point project of $125 million. The financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

3. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

3. Significant accounting policies (continued):

(b) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Details of the Company's subsidiaries at December 31, 2012 are as follows:

Name	Place of incorporation	Interest %	Principal activity
Tamerlane Ventures USA Inc.	United States	100%	Management company and head office location
Tamerlane Ventures Peru SAC	Peru	100%	Inactive Peruvian company
Minera Los Pinos de Cañete SAC	Peru	100%	Holds all Peruvian mining concessions
Pine Point Holding Corp.	Canada	100%	Holds the Pine Point assets including equipment and studies and mining leases

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

(c) Critical accounting judgments and estimates: *Critical accounting judgments:*

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements relates to going concern as follows:

Going concern:

Determining if the Company has the ability to continue as a going concern is dependent on the Company's ability to negotiate a settlement to its debt default, to obtain additional financing to repay its debt and other obligations due. These judgments are further disclosed in note 2.

3. Significant accounting policies (continued):

(c) Critical accounting judgments and estimates (continued):

Critical accounting estimates:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant financial statement items which involve the use of estimates include the valuation of exploration and evaluation assets for the purpose of impairment testing, valuation of held-for-sale assets, assumptions used in valuing the derivative related to the conversion feature of convertible debt instruments and prepayment terms of debt instruments, and valuing options and warrants in stock-based compensation calculations and deferred income tax amounts. Actual results may differ from those estimates.

The most significant areas of estimates made by management that have a significant risk of resulting in a material adjustment within the next fiscal year are as follows:

Estimated reserves, resources and exploration potential:

Reserves are estimates of the amount of product that can be extracted from the Company's properties, considering both economic and legal factors. Calculating reserves, resources and exploration potential estimates requires decisions on assumptions about geological, technical and economic factors, including quantities, grades. production techniques. recovery rates. production costs, transport costs, commodity demand, prices and exchange rates.

Estimating the quantity and/or grade of reserves, resources and exploration potential require the analysis of drilling samples and other geological data. Estimates may change from period to period as the economic assumptions used to estimate reserves, resources and exploration potential change from period to period and because additional geological data is generated during the course of operations. Changes in reported reserves may affect the Company's financial position.

Impairment of property, plant and equipment and valuation of assets held for sale:

Assets or cash generating units are evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Estimating the sales proceeds and costs to sell assets held for sale considers historical, proposed or similar asset transaction sale transaction amounts.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

3. Significant accounting policies (continued):

(c) Critical accounting judgments and estimates (continued):

Impairment of property, plant and equipment and valuation of assets held for sale (continued):

Present values are determined using a risk-adjusted pre-tax discount rate appropriate for the risks inherent to the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, restoration and rehabilitation costs and future capital expenditure. The Company's management is required to make these estimates and assumptions which are subject to risk and uncertainty; hence, there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the asset may be impaired and the impairment would be charged against the consolidated statement of comprehensive loss.

Taxation:

The provision for income taxes and composition of income tax assets and liabilities requires management's judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized in the balance sheet.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows and profitability. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. The application of income tax legislation also requires judgments. These judgments and assumptions are subject to risk and uncertainty, therefore there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized.

Fair value of share-based compensation:

The Company grants share-based awards to certain officers, employees, directors and other eligible persons. For equity settled awards, the fair value is charged to the consolidated statement of comprehensive income as well as capitalized mineral interests and credited to the related reserve account, on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest.

The fair value of the equity-settled awards to employees is determined at the date of the grant using the Black-Scholes option pricing model. Option pricing models used to value options, warrants and derivatives associated with conversion features require the input of highly subjective assumptions, including the expected term to exercise and future price volatility. Changes in these assumptions can materially affect the fair value estimate.

3. Significant accounting policies (continued):

(d) Cash and cash equivalents:

The Company considers all highly liquid instruments with a maturity of three months or less when acquired to be cash equivalents.

(e) Marketable securities:

Marketable securities include publicly traded common shares received as proceeds of mineral property option transactions. Marketable securities are carried at market value based upon quoted market prices.

(f) Equipment and furniture and Intangible assets:

Furniture and equipment and Intangible assets are stated at cost and are being amortized on commencement of use on a straight line basis over their estimated useful life of three years.

(g) Equipment held-for-sale:

Equipment held-for-sale is stated at the lower of cost and estimated sales value, less cost to sell. Assets held-for-sale are not depreciated.

(h) Exploration and evaluation assets:

The Company follows the method of accounting for its exploration and evaluation assets whereby all costs related to acquisition, exploration and evaluation are capitalized by project, net of recoveries which are recognized when received. The amounts shown as exploration and evaluation assets represent costs incurred to date less recoveries received and amounts written off, and do not necessarily represent present or future values. Exploration and evaluation assets are written off if the project is abandoned or sold. Exploration and evaluation costs incurred prior to the Company obtaining rights to explore a mineral property are expensed. Once economic feasibility of an exploration and evaluation project is established and management has approved the development decision, the capitalized costs are first tested for impairment and then reclassified to mineral properties and amortized on a units-of-production basis.

The ultimate recoverability of the amounts capitalized is dependent upon the identification of economically recoverable ore reserves and resources, and the Company's ability to obtain the necessary financing to complete their exploration and development and to realize profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionees, option payments are recorded as resource property costs or recoveries only when the payments are made or received, respectively.

3. Significant accounting policies (continued):

(i) Foreign currency translation:

The reporting and functional currency of the Company is the Canadian dollar. The functional currency of its subsidiaries is also the Canadian dollar. Foreign currency monetary assets and liabilities are translated to Canadian dollars at the prevailing period-end exchange rate. Foreign currency non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the average rate of exchange for the period. Translation gains and losses are included in the statement of operations.

(j) Financial instruments:

Financial assets:

Financial assets are classified as available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as available-for-sale are measured at fair value on initial recognition plus transaction costs and subsequently at fair value with unrealized gains and losses recognized in other comprehensive income (loss), except for financial assets that are considered to be impaired in which case the loss is recognized in net income or loss. The Company has classified marketable securities as available-for-sale financial assets.

Financial assets classified as loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortized cost using the effective interest rate method. The Company's cash and cash equivalents, amounts receivable and property reclamation bond are classified as loans and receivables.

Financial assets classified as FVTPL are measured on initial recognition and subsequently at fair value with unrealized gains and losses recognized in income or loss. Transaction costs are expensed for assets classified as FVTPL.

Financial liabilities:

Financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables, amounts due to related parties and convertible debentures and bridge loans are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in net income or loss. The Company has not designated any financial liabilities as FVTPL.

3. Significant accounting policies (continued):

(j) Financial instruments (continued):

Embedded derivatives:

The conversion feature of the convertible debenture and the prepayment features on both the convertible debenture and bridge loans are embedded derivatives. The derivatives are accounted for as separate instruments and are measured at fair value at each reporting date. Changes in fair value are recognized in earnings. Fair values are determined using pricing models that include credit spread and price volatility.

(k) Impairment:

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss. Interest on the impaired asset is recognized through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease, the decrease is reversed through profit or loss.

(l) Comprehensive income:

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. The Company reports a consolidated statement of comprehensive loss as a category, accumulated other comprehensive income (loss), which is included in the shareholders' equity section of the consolidated balance sheet.

(m) Reclamation:

The present value of the asset retirement obligations and the associated retirement costs related to site reclamation are recorded when that liability is incurred with a corresponding increase in the related asset. The liability is increased over time to reflect an accretion to the amount ultimately payable on the date it is paid. As at December 31, 2012 and 2011, the Company has not incurred any asset retirement obligations related to the exploration and development of its mineral properties. The Company has issued a $60,000 reclamation bond in favour of the Minister of Aboriginal Affairs and Northern Development Canada for the purposes of obtaining an exploration Land Use permit connected to the Pine Point project.

(n) Income taxes:

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to taxes payable or receivable.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2012 and 2011

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3. Significant accounting policies (continued):

(n) Income taxes (continued):

The Company utilizes the asset and liability method of accounting for deferred income taxes. Under this method, deferred income taxes are recognized to reflect the expected deferred tax consequences arising from tax losses carried forward and temporary differences between the carrying value and the tax bases of the Company's assets and liabilities. Deferred income tax assets are not recognized until realization is more likely than not. Deferred tax assets and liabilities are measured using substantively enacted tax rates in effect in the periods that the temporary differences are expected to be settled or realized. The effect of a change in income tax rates is recognized in income in the period the change occurs.

(o) Flow-through shares:

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares. These instruments permit the enterprise to renounce, or transfer to the investor, the tax deductions associated with an equal value of qualifying resource expenditures. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds or "premium" is recorded as an obligation to provide future tax deductions. When expenditures are incurred and future renunciation of these expenditures is probable, a deferred tax liability and corresponding deferred tax expense is recognized and the related premium is reversed as a credit to deferred tax expense.

(p) Share-based payments:

Certain employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of stock options. The cost of these stock options is measured using the estimated fair value at the date of grant determined using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise. Expected volatility is estimated with reference to the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment. The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in the share-based payment reserve in shareholders' equity.

Awards issued that are directly related to the development of mineral interests are capitalized to the mineral interests as opposed to being expensed.

(q) Earnings per share:

Basic earnings (loss) per share amounts are computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options and warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants. However, outstanding options and warrants would be anti-dilutive for any loss period.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2012 and 2011

3. Significant accounting policies (continued):

(r) Comparative information:

Certain comparative information has been reclassified for the current period presentation.

(s) Future changes in accounting standards:

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretation Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2012. Many are not applicable or do not have a significant impact to the Company and have been excluded from the discussion below. The following have not yet been adopted:

IAS 27 (2011) *Separate Financial Statements* will become effective for annual periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after January 1, 2013.

IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after January 1, 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Company recognizes that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Company's consolidated financial statements. The impact of these changes will be analyzed during the course of the project as further phases of the standard are issued. The Company does not intend to adopt this standard early.

IFRS 10 Consolidated Financial Statements will be effective for annual periods beginning on or after January 1, 2013. The new standard supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 *Consolidation - Special Purpose Entities*. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period.

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3. Significant accounting policies (continued):

(s) Future changes in accounting standards (continued):

IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after January 1, 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. Comparative disclosure information is not required for periods before the date of initial application.

Various other improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than January 1, 2013. The Company does not expect these changes to have a material effect on the Financial Statements.

4. Intangible assets:

		Software
Cost at January 1, 2011	$	75,036
Additions		17,031
Disposals		-
Cost at December 31, 2011		92,067
Additions		8,875
Disposals		(22,770)
Cost at December 31, 2012	$	78,172
Accumulated Amortization		
Accumulated amortization at January 1, 2011	$	61,963
Amortization		6,207
Disposals		-
Accumulated amortization at December 31, 2011		68,170
Amortization		9,370
Disposals		(22,770)
Accumulated amortization at December 31, 2012	$	54,770
Net book value at December 31, 2011	$	23,897
Net book value at December 31, 2012	$	23,402

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5. Equipment and furniture:

		Equipment and furniture
Cost at January 1, 2011	$	169,640
Additions		960,528
Disposals		-
Cost at December 31, 2011		1,130,168
Additions		4,474
Reclassification as assets held-for-sale (note 6)		(918,100)
Disposals		-
Cost at December 31, 2012	$	216,542
Accumulated amortization at January 1, 2011	$	161,035
Amortization		10,687
Disposals		-
Accumulated amortization at December 31, 2011		171,722
Amortization		9,079
Disposals		-
Accumulated amortization at December 31, 2012	$	180,801
Net book value at December 31, 2011	$	958,446
Net book value at December 31, 2012	$	35,741

6. Equipment held for sale:

Cost at January 1, 2012	$	-
Additions		-
Reclassification from equipment previously held in use (a)		918,100
Disposals		-
Cost at December 31, 2012	$	918,100

(a) Capital additions in the year ended December 31, 2011 included approximately $918,100 related to the acquisition, transportation, insurance and storage of flotation cells originally intended for installation at the Pine Point property. No amortization has been recorded with respect to these assets. Under the Forbearance Agreement with the Company's senior secured lender effective December 31, 2012 (see note 8 below) the Company committed to sell the flotation cells. The Company has enlisted a representative to sell this equipment and has reclassified this equipment as held for sale.

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7. Exploration and evaluation assets:

	Pine Point property (a)	Los Pinos property (b)	Carolin Mine property (c)	Indian Mountain Lake property (d)	Total
Balance, January 1, 2011	$ 13,669,136	$ 1,307,630	$ 116,686	$ -	$ 15,093,452
Expenditures during the period:					
Acquisition and option costs, payments, and property maintenance	119,847		-	-	119,847
Engineering and geological services including share-based compensation	3,435,992	-	-	-	3,435,992
Drilling	1,254,095	-	-	-	1,254,095
Mine site administration	544,916	2,568	-	-	547,484
	5,354,850	2,568	-	-	5,357,418
Balance, December 31, 2011	19,023,986	1,310,198	116,686	-	20,450,870
Expenditures during the period:					
Acquisition and option costs, payments, and property maintenance	54,779	4,738	-	158,500	218,017
Engineering and geological services	1,299,378	-	-	354,012	1,653,390
Mine site administration	300,780	-	-	2,389	303,169
	1,654,937	4,738	-	514,901	2,174,576
Balance, December 31, 2012	$ 20,678,923	$ 1,314,936	$ 116,686	$ 514,901	$ 22,625,446

(a) Pine Point property:

In 2004, the Company acquired an option and exclusive right to earn an undivided 60% interest in a lead-zinc property in the Northwest Territories south of Great Slave Lake ("Pine Point Property"). The Company commenced exploration in the fourth quarter of 2004 and in 2006 fulfilled all exploration requirements to earn the 60% interest in the property. In the second quarter of 2006, the Company increased its interest in the Pine Point Property to 100% by paying $1,000,000 and granting a 3% NSR royalty to Karst Investments LLC, a company owned by the family trusts of two officers and directors of the Company.

7. Exploration and evaluation assets (continued):

(b) Los Pinos property:

In March 2007, the Company purchased the Los Pinos copper deposit in southern Peru. The Company paid the vendors a total of US$1 million in four staged payments over 18 months to complete the acquisition. The Company also paid a finder's fee of US$50,000 and issued 50,000 shares of Tamerlane with an estimated fair value of $117,500 to the finder.

As at December 31, 2012, Tamerlane Ventures Peru SAC's ("Tamerlane Peru") share registry, which provides evidence of the ownership of the issued and outstanding shares of Tamerlane Peru, is in the possession of the former General Manager of Century Mining Peru SAC and Tamerlane Peru, Alexander Ernesto Vidaurre Otayza ("Mr. Vidaurre"). Management understands that the shares of Tamerlane Peru are listed in the share registry as owned by the former General Manager rather than the Company. This person has also registered himself as the General Manager of Tamerlane Ventures Peru SAC's subsidiary Minera Los Pinos Cañete SAC ("MLPC"). Tamerlane has won the appeal in the 7th civil court awarding the Company a preliminary injunction which resulted in the registrar's office "freezing" the title to the Los Pinos property. Mr. Vidaurre no longer has power to register, alter or transfer the title.

In 2011, as part of its efforts to regain control of the Los Pinos property the Company agreed to an exchange whereby the Company acquired directly the shares of MLPC in exchange for forgiveness of the debt of Tamerlane Peru to the Company, which was incurred for the original purchase of MLPC and the Los Pinos concessions in 2007.

In 2012, Tamerlane's lawyer in Peru was appointed the judicial administrator of MLPC, eliminating the power of Mr. Vidaurre to operate the company holding the mining concessions.

No exploration work was conducted on the Los Pinos property during 2012.

(c) Carolin Mine property:

In 2004, the Company optioned the dormant Carolin gold mine and Ladner Creek properties, which are located in southern British Columbia, from Athabaska Gold Resources Ltd ("Athabaska"). In April 2006, the Company completed its purchase of 100% of the property from Athabaska.

Later in 2004, the Company sub-optioned its option in the Carolin Mine to Century Mining Corporation (Century), a company then with a common officer and director, and Century acquired an undivided 70% interest in the property in 2006. As a part of the consideration for the 70% interest, Century issued 300,000 common shares to the Company valued at $135,000. The Company currently holds a 30% interest and Century holds a 70% interest in the Carolin property. Century has an option to acquire the Company's remaining 30% interest in the property for $6,667 cash for each 1% interest held by the Company or in the equivalent value of common shares of Century at Century's option. The Company has received a letter from the court-appointed receiver for Century stating that the receiver intends to exercise the option on Century's behalf.

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7. Exploration and evaluation assets (continued):

(d) Indian Mountain Lake property:

On February 9, 2012, the Company entered into an option agreement which allows the Company to acquire up to 100% of the Indian Mountain Lake property from Panarc Resources Ltd. ("Panarc"). Tamerlane issued 100,000 common shares to Panarc and paid $106,000 pursuant to the terms of the option agreement. The Company also issued 250,000 shares to its existing creditor, Global Resource Fund, (see note 8) in order to satisfy conditions necessary for the Company to enter into this option agreement. The fair value of the 350,000 common shares issued, based upon the quoted share price on the issuance date totaled $52,500.

Because of the Company's limited availability of cash to fund the exploration program, the Company was not able to spend the required $500,000 work commitment during the twelve months ended January 31, 2013, and on February 9, 2013 the parties agreed to defer $300,000 of this work commitment until January 31, 2015 in exchange for the issuance of 150,000 shares of the Company to Panarc (in addition to the 100,000 shares required to acquire the option, raising the total common shares to be issued to 250,000) which shares were issued on February 11, 2013. Based on the amended agreement, Tamerlane has the option to earn a 49% undivided interest in the property by making cash payments, delivering a number of its shares and completing the work commitments on the property set out below on or before the dates shown in the table below:

Time Period	Status	Work Commitment	Common Shares	Cash
January 31, 2013	Completed	$200,000	250,000	NIL
January 31, 2014	Future Option Requirement	$500,000	100,000	NIL
January 31, 2015	Future Option Requirement	$1,300,000	200,000	$500,000

Subject to the exercise of the initial 49% option, the Company will have the exclusive right to earn the remaining 51% undivided interest in the property by making cash payments, delivering a number of its shares and completing the work commitments on the property set out below on or before the dates shown in the table below:

Time Period	Work Commitment	Common Shares	Cash
January 31, 2016	$1,000,000	200,000	NIL
January 31, 2017	$1,000,000	200,000	$1,500,000

For the twelve months ended December 31, 2012, the Company has spent $356,401 on engineering, geological and administrative costs at Indian Mountain Lake.

8. Bridge loans, convertible debentures and embedded derivatives:

On December 16, 2010, the Company obtained a $5,028,000 (US$5,000,000) senior secured bridge loan bearing interest at 12.5% per annum and maturing on June 16, 2012, with $1,257,000 (US$1,250,000) of the bridge loan being in the form of a convertible debenture with a conversion price of $0.40 per common share. The Company has the right to force conversion of the convertible debenture if and when the price per common share has traded at a minimum of $0.90 for 30 consecutive days on a volume-weighted average basis. The conversion feature is a derivative liability due to the currency of the loan being different from the functional currency of the Company. The bridge loan also contains various optional and mandatory Company prepayment options which are also embedded derivatives. The bridge and convertible loans are secured by all assets of the Company.

The Company paid an upfront fee on the US$5,000,000 bridge loan of $125,700 (US$125,000) in cash and issued 835,800 common shares of the Company with an estimated fair value of $192,233 to the lender and incurred legal and other costs of $177,058. The carrying value of the debt host at inception of $4,304,112 was determined by deducting from the face amount of the debt allocated fees and costs of $468,464 and also the fair value assigned to the embedded derivatives of $255,423 at the issuance date. The carrying value of the debt at issuance is accreted up to its face value over the term of the debt using the effective interest method. Fees and costs of $30,669 were allocated to the derivatives at issuance and were recorded in the statement of operations.

The Company entered into an agreement dated June 30, 2011 to extend the maturity date of the bridge loan from June 16, 2012 to October 16, 2012 in exchange for US $150,000 cash. The cost of the amendment offset the carrying value of the debt as such extension was determined to be a modification rather than an extinguishment for accounting purposes. In addition to the bridge loan, the December 16, 2010 loan facility allowed the Company to borrow a further US$5,000,000 under a bridge loan standby facility, with the first US$1,250,000 being in the form of a convertible debenture, having the same terms as the December 16, 2010 advance discussed above.

The Company was required to pay a fee of 0.25% per annum on any unused principal portion of the standby facility.

The standby facility expired on June 16, 2011 and was subsequently reinstated on July 29, 2011 through to November 30, 2011. Upon execution of the reinstatement of the standby facility, a further $2,384,500 (US$2,500,000) bridge loan was borrowed, with $1,192,250 (US$1,250,000) being in the form of a convertible debenture. A fee of US$50,000 was paid to have the facility reinstated. The Company also paid US$62,500 in cash and issued 417,900 common shares with an estimated fair value of $120,000 to the lender as drawdown fees. The carrying value of the debt host at inception of $1,967,166 was determined by deducting from the face amount of the debt allocated fees and costs of $182,699 and also the fair value assigned to the embedded derivatives of $234,635 at the issuance date.

The remaining US$2,500,000 of the standby facility was drawn down on November 30, 2011 and the Company paid $63,731 (US$62,500) in cash and issued 417,900 common shares with an estimated fair value of $58,500. The carrying value of the debt host at inception of $2,426,329 was determined by deducting from the face amount of the debt allocated fees and costs of $122,921.

8. Bridge loans, convertible debentures and embedded derivatives (continued):

Proceeds from the bridge loans and the convertible debenture have been used to advance the Pine Point project and to provide general working capital.

The Company failed to make interest payments of $101,001 (US$102,740) due September 25, 2012 and also defaulted on its obligation to repay the full US$10,000,000 principal amount of the loans due on October 16, 2012. Despite these defaults, the lender did not take action with respect to the security under the loans. The loans are secured by all present and future property of the Company. The Company and the lender entered into a Forbearance Agreement effective December 31, 2012 for an extension of the loans to October 16, 2013 and deferral of interest for the period of September 2012 through December 2012 of $422,190 (US$424,354) which has been capitalized and added to the face value of the Bridge loan. As consideration for the extension, the Company has agreed to pay the legal costs of $79,596 (US$80,004) and a forbearance fee of $994,900 (US$1,000,000) to the lenders which has also been capitalized and added to the face value of the Bridge loan, and has agreed to issue to the lender 16,172,673 common shares subsequently issued per (note 17(a)) of the Company valued at $646,907 (US$650,224) as a debt discount. The face value of senior secured loans of US$11,504,358 including capitalized interest and fees that are repayable in full on October 16, 2013, subject to interim payments of at least US$1,500,000 on each of March 31, 2013 (which remains outstanding as of the date of these financial statements - see notes 17(d) and 2) and June 30, 2013 and interest payments of approximately US$120,000 per month.

The extension of the loan was determined to be a modification for accounting purposes with fees and costs of the modification reducing the carrying value of the loan. Beginning in January 2013, interest must be paid monthly in cash, and interim principal repayments will be required equal to 50% of new equity in excess of $2,000,000 raised by the Company except for the issuance of flow-through shares subject to minimum repayments of $1,500,000 on or before each of March 31, 2013 and June 30, 2013. Additional terms of the Forbearance Agreement include the subordination of loans from management and deferral of certain payments to executives, approval by the lender of budgeted expenditures and approval by the lender of most agreements to be entered into by the Company. The lender also has the right to nominate one director and one observer to the Company's board of directors.

The Company has not met its obligation to pay US$1,500,000 by March 31, 2013, and the Company is in discussions with the lender regarding alternate payment arrangements (note 17).

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8. Bridge loans, convertible debentures and embedded derivatives (continued):

US Dollars	Bridge Loan			Convertible Debt			Total		
	Face Value	Discount	Carrying Value	Face Value	Discount	Carrying value	Face Value	Discount	Carrying value
Opening balance at January 1, 2011	$ 3,750,000	$ (367,124)	$ 3,382,87[illegible]	$ 1,250,000	$ (336,667)	$ 913,333	$ 5,000,000	$ (703,791)	$ 4,296,209
Issued:									
July 29, 2011	1,250,000	(105,557)	1,144,443	1,250,000	(330,755)	919,245	2,500,000	(436,312)	2,063,688
November 30, 2011	2,500,000	(121,400)	2,378,600	-	-	-	2,500,000	(121,400)	2,378,600
Loan Extension Fee	-	(112,500)	(112,500)	-	(37,500)	(37,500)	-	(150,000)	(150,000)
Accretion Expense	-	299,529	299,529	-	279,177	279,177	-	578,706	578,706
Closing Balance at December 31, 2011	7,500,000	(407,052)	7,092,948	2,500,000	(425,745)	2,074,255	10,000,000	(832,797)	9,167,203
Accretion expense		407,052	407,052		425,745	425,745		832,797	832,797
Subtotal at December 31, 2012	7,500,000	-	7,500,000	2,500,000	-	2,500,000	10,000,000	-	10,000,000
Amendment to Extend Loans:									
Lender fees capitalized to face value of Bridge Loan	1,080,004	(810,003)	270,001	-	(270,001)	(270,001)	1,080,004	(1,080,004)	-
Accrued interest capitalized to face value of Bridge Loan	424,354	-	424,354	-	-	-	424,354	-	424,354
Shares to be issued to the Lender	-	(485,180)	(485,180)	-	(161,727)	(161,727)	-	(646,907)	(646,907)
Closing balance at December 31, 2012	$ 9,004,358	$(1,295,183)	$7,709,175	$ 2,500,000	$ (431,728)	$ 2,068,272	$11,504,358	$(1,726,911)	$ 9,777,447

(Expressed in Canadian dollars)

8. Bridge loans, convertible debentures and embedded derivatives (continued):

Canadian dollars	Bridge Loan			Convertible Debt			Total		
	Face Value	Discount	Carrying Value	Face Value	Discount	Carrying value	Face Value	Discount	Carrying value
Opening balance at January 1, 2011	$ 3,729,750	$ (345,965)	$ 3,383,785	$ 1,243,250	$ (329,578)	$ 913,672	$ 4,973,000	$ (675,543)	$ 4,297,457
Issued:									
July 29, 2011	1,192,250	(101,354)	1,090,896	1,192,250	(315,980)	876,270	2,384,500	(417,334)	1,967,166
November 30, 2011	2,549,250	(122,921)	2,426,329	-	-	-	2,549,250	(122,921)	2,426,329
Loan Extension Fee	-	(108,484)	(108,484)	-	(36,161)	(36,161)	-	(144,645)	(144,645)
Accretion Expense	-	296,187	296,187	-	276,122	276,122	-	572,309	572,309
Foreign Exchange	156,250	(30,306)	125,944	107,000	(26,880)	80,120	263,250	(57,186)	206,064
Closing Balance at December 31, 2011	**7,627,500**	**(412,843)**	**7,214,657**	**2,542,500**	**(432,477)**	**2,110,023**	**10,170,000**	**(845,320)**	**9,324,680**
Accretion expense		406,889	406,889		425,575	425,575		832,464	832,464
Foreign exchange	(167,395)	5,954	(161,441)	(56,904)	6,902	(50,002)	(224,299)	12,856	(211,443)
Subtotal at December 31, 2012	7,460,105	-	7,460,105	2,485,596	-	2,485,596	9,945,701	-	9,945,701
Amendment to Extend Loans									
Lender fees capitalized to face value of Bridge Loan:	1,074,496	(805,872)	-	(268,624)	(268,624)	-	1,074,496	(1,074,496)	-
Accrued interest capitalized to face value of Bridge Loan	422,190	-	422,190	-	-	-	422,190	-	422,190
Shares to be issued to the Lender	-	(482,706)	(482,706)	-	(160,902)	(160,902)	-	(643,608)	(643,608)
Foreign exchange	-	-	-	-	-	-	-	-	-
Closing balance at December 31, 2012	**$ 8,956,791**	**$(1,288,578)**	**$ 7,668,213**	**$ 2,485,596**	**$ (429,526)**	**$ 2,056,070**	**$ 11,442,387**	**$(1,718,104)**	**$ 9,724,283**

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8. Bridge loans, convertible debentures and embedded derivatives (continued):

The following table summarizes the continuity of the fair value of the derivatives, including the convertible debenture conversion feature and prepayment option:

Fair value at January 1, 2011	$	288,434
Fair value of derivative liability on July 29, 2011 and November 30, 2011 financings		234,635
Decrease in fair value		(503,746)
Fair value at December 31, 2011		19,323
Decrease in fair value		(659)
Fair value December 31, 2012	$	18,664

9. Share capital:

(a) Authorized: Unlimited common shares without par value:

	Number of shares		Amount
Balance, January 1, 2011	66,342,873	$	20,230,240
Issued pursuant to private placement	3,846,154		1,000,000
Issued for finder's fee on debt	835,800		178,750
Exercise of options	345,000		62,000
Fair value attributed to stock options exercised	-		56,518
Exercise of warrants	7,896,029		2,191,749
Fair value attributed to warrants exercised	-		951,106
Issued pursuant to flow-through private placement	11,090,000		1,219,900
Warrants issued for finder's fee – flow-through private placement			(28,696)
Share issuance costs	-		(100,009)
Balance, December 31, 2011	90,355,856	$	25,761,558
Balance, January 1, 2012	90,355,856		25,761,558
Issued pursuant to Indian Mountain Lake property option agreement	350,000		52,500
Issued pursuant to flow-through private placement	3,200,000		128,000
Share issuance costs	-		(3,298)
Balance, December 31, 2012	93,905,856	$	25,938,760

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9. Share capital (continued):

(b) Private placements:

On July 29, 2011, the Company completed a private placement of common equity with Renvest Mercantile Bancorp Inc. through its Global Resource Fund. The Company issued 3,846,154 common shares of the Company at $0.26 per share for a total equity investment of $1,000,000. The private placement of common shares carried a four month hold period.

On December 23, 2011, the Company completed a flow-through private placement of 11,090,000 common shares at $0.13 per share which raised gross cash proceeds of $1,441,700, of which $1,219,900 was allocated to share capital and $221,800 to flow-through share premium liability. Finders' fees consisted of $100,009 in cash and 769,300 broker warrants with an estimated fair value of $28,696. Each broker warrant entitles the holder to purchase a common share of the Company at $0.13 per share for one year expiring December 22, 2012.

On February 13, 2012, the Company issued 100,000 common shares to Panarc Resources Ltd. and 250,000 shares to Global Resource Fund in relation to the option agreement for the Indian Mountain Lake property (see note 7 (d)).

On December 28, 2012, the Company issued 3,200,000 flow-through common shares at $0.05 per share for gross cash proceeds of $160,000, of which $128,000 was allocated to share capital and $32,000 to flow-through share premium liability. $25,000 of the $160,000 cash proceeds raised were received subsequent to December 31, 2012.

10. Share purchase warrants:

The following table summarizes the continuity of the Company's share purchase warrants.

	Number of shares	Weighted Average Exercise Price
Balance, January 1, 2011	9,578,124	$ 0.30
Issued (note 9 (b))	769,300	0.13
Exercised	(7,896,029)	0.28
Expired	(1,682,095)	0.29
Balance, December 31, 2011	769,300	0.13
Issued	-	-
Exercised	-	-
Expired	(769,300)	$ 0.13
Balance, December 31, 2012	-	$ -

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11. Stock options:

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted Average Exercise Price
Balance, January 1, 2011	4,230,000	$ 0.35
Granted	3,760,000	0.29
Exercised	(345,000)	0.18
Forfeited	(1,860,000)	0.36
Expired	(175,000)	0.46
Balance, December 31, 2011	5,610,000	$ 0.32
Granted	900,000	0.15
Forfeited	(1,185,000)	0.22
Expired	(325,000)	1.64
Balance, December 31, 2012	5,000,000	$ 0.22

The Company has a share-based compensation plan in effect which provides that up to ten percent of the number of common shares outstanding may be reserved for stock option grants to eligible optionees. Stock options granted under the plan prior to July 15, 2007 vested immediately, and stock options granted to persons other than directors subsequent to July 15, 2007 are subject to 33.3% vesting at 6, 18, and 30 months after the grant date.

At December 31, 2012, this plan provided for the grant of stock options to purchase a maximum of 9,390,586 common shares of which 5,000,000 have been granted and 4,390,586 options are available for future grants.

Additional information regarding stock options outstanding as of December 31, 2012 is as follows:

	Number of shares	Expiring in	Weighted average exercise price
	300,000	2013	0.70
	400,000	2014	0.17
	2,020,000	2015	0.15
	1,480,000	2016	0.29
	800,000	2017	0.15
Options outstanding	5,000,000		$ 0.22
Options exercisable	4,390,000		$ 0.21

(Expressed in Canadian dollars)

11. Stock options (continued):

There were 900,000 stock options granted during the year ended December 31, 2012 (2011 - 3,760,000). The weighted average fair value for stock options granted during 2012 was $0.15 (2011 - $0.29) estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2012	2011
Expected dividends	Nil	Nil
Interest rate	1.8%	2.20%
Expected life (in years)	5.00	5.00
Expected forfeitures	20%	20%
Expected volatility	149%	139%

The expected volatility is based on the Company's historical common share prices. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. Expected forfeitures are based on the Company's past forfeiture rate and expectations of future experience. Total fair value of share-based compensation for the year ended December 31, 2012 was $246,740 (2011 - $428,362) of which $222,984 (2011 - $313,997) was expensed and $23,756 (2011 - $107,592) was capitalized.

12. Related party transactions:

Described below are the Company's related party transactions, all of which have been in the normal course of operations.

On December 24, 2012, the Company entered into a loan agreement with two officers and directors of the Company for a maximum amount of US$100,000 and on December 24, 2012 the Company drew down US$50,000 of this amount. The term of the loan is for twelve months from the date of the advance of funds, and bears interest at 12% per annum with a 10% premium on the principal amount payable at maturity.

In September 2011, the Company entered into a head office rental agreement with Karst Investments LLC, a company owned by the family trusts of two officers and directors of Tamerlane. For the year ended December 31, 2012, $45,822 (2011 - $14,854) was paid to Karst Investments LLC and at December 31, 2012 nil (2011 - nil) is owing.

In September 2011, the Company entered into a month to month storage facility rental agreement with Talus Investment LLC, a company controlled by two officers and directors of Tamerlane. For the year ended December 31, 2012, $2,681 (2011 - nil) was paid and at December 31, 2012 nil (2011 - nil) is owing. This agreement was terminated in September 2012.

(Expressed in Canadian dollars)

12. Related party transactions (continued):

For the year ended December 31, 2012, the Company incurred legal fees of $183,395 (2011 - $355,943) to McMillan LLP, a law firm in which a director of the Company is a partner. On December 31, 2012, $159,130 (2011 - $58,568) was owing to the law firm.

As at December 31, 2012, a total of $111,340 (2011 - $108,965) was owed to a company with a former common director. This amount is currently being disputed but is recognized in accounts payable and accrued liabilities.

Key Management Personnel Compensation:

		2012		2011
Executive salaries and short-term benefits	$	406,285	$	393,137
Directors' fees		20,250		41,800
Share-based compensation		246,740		246,485
Total key management personnel compensation	$	673,275	$	681,422

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

13. Financial instruments and risk management:

For certain of the Company's financial instruments, including cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, flow-through share premiums, bridge loans and convertible debenture, the carrying amounts approximate fair value due to their short terms to maturity. The fair value of amounts due to or from related parties is not practical to determine due to their related party nature and absence of a secondary market for such instruments.

The Company is exposed to varying degrees to a variety of financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management procedures are established to identify, analyze and mitigate the risks faced by the Company.

(Expressed in Canadian dollars)

13. Financial instruments and risk management (continued):

The types of risk exposure and the way in which such exposure is managed are as follows:

(a) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2012, the Company had cash and cash equivalents of $135,564 and a working capital deficiency of $9,760,053. The Company has senior secured loans with a face value of US$11,504,358 including capitalized interest and fees that are repayable in full on October 16, 2013, subject to interim payments of at least US$1,500,000 on each of March 31, 2013 (which remains outstanding as of the date of these financial statements – see note 17(d), note 8, and note 2) and June 30, 2013 and interest payments of approximately US$120,000 per month. The Company's expected sources of cash flow in the upcoming year will be through debt and equity financings. It is expected that any financing deals the Company enters into in 2013 will include necessary funding to extinguish all debts as they become due. See note 2 for further disclosures on the Company's liquidity risk and the going concern matter.

(b) Credit risk:

The Company is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. It arises principally from the Company's cash and cash equivalents and outstanding receivables.

(*i*) Cash and cash equivalents:

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties with strong credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

(*ii*) Amounts receivable:

The Company's receivables are due primarily from the Federal Government of Canada in respect of GST and HST.

(*iii*) Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at December 31, 2012 was:

Description	Amount
Cash and cash equivalents	$ 135,564
Amounts receivable	64,889

(Expressed in Canadian dollars)

13. Financial instruments and risk management (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return on capital.

(*i*) Currency risk:

The Company operates on an international basis and therefore foreign currency risk exposures arise from transactions denominated in currency other than the Canadian dollar functional currency. The foreign exchange risk arises primarily with respect to US dollars and Peruvian New Sols. The Company has not hedged its exposure to currency fluctuations.

The following is a breakdown of financial assets and liabilities denominated in foreign currencies as at December 31, 2012 to which the Company is exposed:

		USD		SOL
Cash and cash equivalents	$	4,827	$	15,369
Amounts receivable		4,302		2,712
Accounts payable and accrued liabilities		(68,379)		(1,567)
Debt		(9,777,447)		-
		(9,836,697)		16,514
CAD foreign exchange rate		0.9949		0.3898
Balance sheet amounts subject to currency risk exposure in equivalent CAD	$	(9,786,530)	$	6,437

(*ii*) *Sensitivity analysis:*

A 10 percent strengthening (weakening) in the Canadian dollar against the above currencies at December 31, 2012 would have increased (decreased) net loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant:

December 31, 2012		Change
USD	$	978,653
SOL		644

13. Financial instruments and risk management (continued):

(c) Market risk (continued):

(*iii*) Interest rate risk:

This is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents contain highly liquid investments that earn interest at market interest rates. Fluctuations in market interest rates do not have significant impact on the Company's results of operations due to minimal amounts kept in cash holdings and low interest rate earned, other than on its bridge loans and convertible debt. The accretion rate on the bridge loans and convertible debt is estimated to approximate market rates at December 31, 2012.

14. Capital management:

The Company considers cash and cash equivalents, debt issuances, common shares, stock options and warrants as capital. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level of risk.

The Company manages the capital structure and makes adjustments to it in light of the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire, or dispose of assets.

In order to facilitate the management of its capital requirements the Company prepares annual expenditure budgets that are updated as necessary, depending on various factors including successful capital deployment and general industry conditions.

The Company has not changed its approach to capital management during the current period. As described in notes 2, 8, and 17, the Company is in default of its debt agreements.

The Company expects that it will be necessary to raise additional capital during 2013 to meet its budgeted exploration and development plans and scheduled US$11.5 million debt repayment and related interest payments (note 2).

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements (Unaudited)
(Expressed in Canadian dollars)

Years ended December 31, 2012 and 2011

15. Income taxes:

Reconciliation of effective tax rate:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and territorial income tax rate of 26.50% (2011 – 28.00%) to pre-tax loss as a result of the following:

	2012	2011
Loss before income taxes	$ (4,126,094)	$ (3,811,599)
Computed expected tax recovery	(1,093,415)	(1,067,248)
Entities with different tax rates	(81,862)	(100,762)
Deferred tax assets not recognized	746,700	1,102,480
Flow-through share renunciation	382,051	-
Premium Liability Reversed	(221,800)	-
Permanent differences	256,144	69,252
Other	(209,618)	(3,722)
Income tax expense (recovery)	$ (221,800)	$ -

The income tax recovery for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Current income tax recovery	$ -	$ -
Deferred income tax (recovery) liability	(221,800)	-
Income tax expense (recovery)	$ (221,800)	$ -

Deferred income tax assets and liabilities:

Deferred tax assets have not been recognized in respect of the following items:

	2012	2011
Unrecognized deferred tax assets:		
Tax losses	$ 2,300,230	$ 1,595,626
Other deductible differences	111,421	69,324
	$ 2,411,651	$ 1,664,950

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements (Unaudited)
(Expressed in Canadian dollars)

Years ended December 31, 2012 and 2011

15. Income taxes:

Deferred tax assets and liabilities are attributed to the following:

	2012	2011
Deferred tax assets		
Tax losses	$ 1,826,616	$ 1,456,766
Exploration and evaluation assets	(1,826,616)	(1,456,766)
	$ -	$ -

The Company has Canadian tax loss carryforwards of approximately $4.9 million (2011 - $3.6 million) and U.S. non-capital losses carry forwards of approximately $2.8 million (2011 - $1.8 million) as at December 31, 2012. These non-capital losses can offset future income for tax purposes which expire between 2014 and 2032.

In addition, the Corporation has approximately $0.4 million (2011 - $0.3 million) of other deductable temporary differences in Canada for which no benefits has been recognized. These future deductions can be utilized to be deducted against future profits.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profits will be available against which the Company can utilize the benefits.

16. Commitments:

On September 1, 2011, the Company entered into a 5-year lease with Karst Investments LLC, a company owned by family trusts of two officers and directors of Tamerlane. This 5-year lease will require the Company to pay USD$45,500 per year from 2012 to 2015 and USD$30,333 in 2016.

17. Subsequent events:

The following events occurred between December 31, 2012 and the date these financial statements were authorized for issue:

(a) On January 21, 2013, the Company issued 16,172,673 common shares to its senior secured bridge lender, Global Resource Fund, in connection with the Forbearance Agreement described in note 8 above.

(b) On January 21, 2013 the Company issued 27,500,000 common shares to R. Christopher Charlwood at a price of approximately $0.0618 per share. Mr. Charlwood now owns approximately 19.99% of Tamerlane's issued and outstanding shares. The Company also issued Mr. Charlwood 13,750,000 common share purchase warrants exercisable at $0.11 per share for 24 months.

17. Subsequent events (continued):

(c) Effective February 9, 2013, the Company and Panarc Resources Ltd. ("Panarc") agreed to amend the agreement with respect to the Indian Mountain Lake property as described in note 7 (d) hereof. The material changes include deferral of the obligation to make $300,000 of exploration expenditures from January 31, 2013 to January 31, 2015 in exchange for the issuance of an additional 150,000 common shares in the Company to Panarc. As a result, on February 13, 2013 the Company issued 250,000 common shares to Panarc, including 100,000 that had previously been specified in the option agreement, to extend the Indian Mountain Lake property option.

(d) The Company failed to make the US$1,500,000 principal repayment due to Global by March 31, 2013 under the Forbearance Agreement (see note 8), and the Company is in discussions with the lender to resolve the default, including arranging alternate payment arrangements.

(e) On February 22, 2013, the Company appointed John L. Key as CEO, and granted him 750,000 employee stock options exercisable at $0.10 per share. Mr. Key replaced Michael Willett, who resigned.

Tab E

TAMERLANE VENTURES INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
Prepared by Management
(Expressed in Canadian Dollars)
Unaudited

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators the Company discloses that its auditors have not reviewed the interim consolidated financial statements for the three months ended March 31, 2013 and 2012

THIS IS EXHIBIT E ATTACHED
TO THE AFFIDAVIT OF
Margaret M. Hunt
SWORN August 22, 2013

A COMMISSIONER

TAMERLANE VENTURES INC.

Consolidated Balance Sheets (Unaudited)
(Expressed in Canadian dollars)

March 31, 2013 and December 31, 2012

		March 31, 2013		December 31, 2012
Assets				
Current assets:				
Cash and cash equivalents	$	1,045,487	$	135,564
Amounts receivable		38,426		64,889
Prepaid expenses and deposits		5,393		367
Equipment held for sale (note 6)		918,100		918,100
		2,007,406		1,118,920
Intangible assets (note 4)		23,402		23,402
Equipment and furniture (note 5)		35,051		35,741
Property reclamation bond		60,000		60,000
Exploration and evaluation assets (note 7)		22,688,574		22,625,446
	$	24,814,433	$	23,863,509
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	742,054	$	758,460
Flow-through shares premium		32,000		32,000
Due to related parties (note 12)		355,485		345,566
Bridge loans and convertible debenture (note 8)		10,363,444		9,724,283
Convertible debenture – embedded derivative (note 8)		6,121		18,664
		11,499,104		10,878,973
Shareholders' equity				
Share capital (note 9)		27,789,397		25,938,760
Shares to be issued (note 8)		-		646,907
Other equity reserve		3,940,037		3,429,818
Deficit		(18,414,105)		(17,030,949)
		13,315,329		12,984,536
Going concern (note 2)				
Contingency (note 7 (b))				
Commitments (note15)				
Subsequent events (note 16)				
	$	24,814,433	$	23,863,509

See accompanying notes to consolidated financial statements.

Approved on May 29, 2013:

"Cowan McKinney" Director "Margaret Kent" Director
(Signed) (Signed)

TAMERLANE VENTURES INC.

Consolidated Statements of Comprehensive Loss (Unaudited)
(Expressed in Canadian dollars)

Three months ended March 31, 2013 and 2012

		2013		2012
Expenses:				
Amortization	$	690	$	11,879
Foreign exchange (gain) loss		114,149		(181,607)
General and administrative		263,997		598,684
Share-based compensation		-		142,916
		378,836		571,872
Other (income) expenses:				
Interest expense and accretion charges		991,777		523,453
Fair value (gain) loss on embedded derivative (note 8)		12,543		29,427
Renunciation of flow-through premium		-		(93,010)
Net loss and comprehensive loss	$	1,383,156	$	1,031,742
Net loss per share – basic and diluted		(0.01)	$	(0.01)
Weighted average number of shares outstanding – basic and diluted		127,893,659		90,589,189

See accompanying notes to consolidated financial statements.

TAMERLANE VENTURES INC.

Consolidated Statements of Changes in Equity (Unaudited)
(Expressed in Canadian dollars)

Three months ended March 31, 2013 and 2012

	Number of common shares	Share capital	Shares to be issued	Other equity reserve	Deficit	Total
Balance, January 1, 2012	90,355,856	25,761,558	-	3,183,078	(13,126,655)	15,817,981
Share-based compensation	-	-	-	151,483	-	151,483
Issued pursuant to Indian Mountain Lake option agreement (note 6 (d))	350,000	52,500	-	-	-	52,500
Share issuance cost - cash	-	(1,620)	-	-	-	(1,620)
Loss for the period	-	-	-	-	(1,031,742)	(1,031,742)
Balance, March 31, 2012	90,705,856	$ 25,812,438	$ -	$ 3,334,561	$ (14,158,397)	$ 14,998,602
Balance, January 1, 2013	93,905,856	$ 25,938,760	$ 646,907	$ 3,429,818	$ (17,030,949)	$ 12,984,536
Share-based compensation	-	-	-	17,144	-	17,144
Issued pursuant to Indian Mountain Lake option amendment (note 6 (d))	250,000	12,500	-	-	-	12,500
Share issuance cost - cash	-	(14,537)	-	-	-	(14,537)
Issued pursuant to flow-through shares private placement (note 9)	27,500,000	1,698,842	-	-	-	1,698,842
Fair value attributed to share purchase warrants included in private placement	-	(493,075)	-	493,075	-	-
Shares to be issued (note 8)	16,172,673	646,907	(646,907)	-	-	-
Loss for the period	-	-	-	-	(1,383,156)	(1,383,156)
Balance, March 31, 2013	137,828,529	$ 27,789,397	-	$ 3,940,037	$ (18,414,105)	$ 13,315,329

See accompanying notes to consolidated financial statements.

TAMERLANE VENTURES INC.

Statement of Cash Flows (Unaudited)
(Expressed in Canadian dollars)

Three months ended March 31, 2013 and 2012

	Three months ended March 31,	
	2013	2012
Cash provided by (used in):		
Operations:		
Net loss for the period	$ (1,383,156)	$ (1,031,742)
Items not involving cash:		
Share-based compensation	-	142,916
Amortization	690	11,879
Accretion expense	639,161	214,313
Interest expense	354,586	313,468
Interest income	(1,970)	(4,329)
Flow-through share premium	-	(93,010)
Unrealized foreign exchange (gain) loss on cash	390	2,791
Unrealized foreign exchange (gain) loss on debt	(24,686)	(185,544)
(Gain)/loss on embedded derivatives	12,543	29,423
	(402,442)	(599,835)
Changes in non-cash working capital and other:		
Amounts receivable	26,463	(57,069)
Prepaid expenses and deposits	(5,026)	10,215
Amounts payable and accrued liabilities	(16,406)	(295,259)
Amounts (payable to) receivable from related and former related parties	9,919	(1,771)
Interest paid	(354,586)	(313,468)
Interest received	1,970	4,329
	(337,666)	(653,023)
Cash from (used in) operating activities	(740,108)	(1,252,858)
Investments:		
Expenditures on exploration and evaluation assets	(33,484)	(1,053,859)
Purchase of intangible assets	-	
Purchase of furniture and equipment	-	
Cash (used in) investing activities	(33,484)	(1,053,859)
Financing		
Proceeds from shares issued	1,698,842	
Share issuance costs	(14,937)	(1,620)
Cash provided by (used in) financing activities	1,683,905	(1,620)
Effect of exchange rates on cash and cash equivalents	(390)	(2,791)
Increase (decrease) in cash and cash equivalents	909,923	(2,311,128)
Cash and cash equivalents, beginning of the period	135,564	4,596,221
Cash and cash equivalents, end of the period	$ 1,045,487	$ 2,285,093
Supplementary information:		
Capitalization of share-based compensation in exploration and evaluation assets	$ 17,144	$ 8,567
Capitalization of shares issued in exploration and evaluation assets	$ 12,500	$ 52,500

See accompanying notes to consolidated financial statements.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements (Unaudited)
(Expressed in Canadian dollars)

Three months ended March 31, 2013

1. Nature of operations:

Tamerlane Ventures Inc. (the "Company" or "Tamerlane") was incorporated under the Corporations Act of the province of British Columbia on May 16, 2000. The Company was continued as a federal corporation under the Canada Business Corporations Act (CBCA) on July 26, 2010. The Company is a natural resource company engaged in the exploration and development of base metals projects in Canada and Peru.

The Company has not generated any revenue since its inception and is considered to be a development stage company. The Company is devoting its major efforts to the exploration and development of its Pine Point lead-zinc project in the Northwest Territories in Canada.

2. Going Concern:

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments as they are due. The Company has current liabilities of $11,499,104 and has current assets of $2,007,406 as of March 31, 2013. The Company's current liabilities include the carrying value of senior secured loans of US$10,000,000 that were repayable in full on October 16, 2012 but were extended to October 16, 2013 under an agreement with the lender, and including extension fees and capitalized interest the amount of the loans is now US$11,504,358 (see note 8).

Even though the Company's lender has agreed to a one-year extension of the senior secured bridge loans, the continuing operations of the Company are dependent on the Company's ability to obtain additional financing to pay interest and principal installments on the loans and to fund operating and development costs of its mineral properties. Because of the difficulty in raising additional financing, the Company has failed to make a US$1,500,000 required principal payment by March 31, 2013 under the terms of the extension and has failed to make the interest payment due by May 25, 2013. All feasible methods of raising funds, including equity issues, sale of the Los Pinos property, and sale of an interest in the Pine Point Project are being considered.

As of March 31, 2013, the uncertainty regarding Tamerlane's ability to obtain additional financing to repay its obligations when due and to fund ongoing costs casts significant doubt on the Company's ability to continue as a going concern. The Company is currently seeking up to $15 million to repay its existing lender and provide immediate working capital, and additional project financing for its Pine Point project of $125 million. The financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

3. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Details of the Company's subsidiaries at December 31, 2012 are as follows:

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements (Unaudited)
(Expressed in Canadian dollars)

Three months ended March 31, 2013

(b) Basis of consolidation (continued):

Name	Place of	Interest %	Principal Activity
Tamerlane Ventures USA Inc.	United States	100%	Management company and head office location
Tamerlane Ventures Peru SAC	Peru	100%	Peruvian management company
Minera Los Pinos de Cañete SAC	Peru	100%	Holds all Peruvian mining concessions
Pine Point Holding Corp.	Canada	100%	Holds the Pine Point assets including equipment and studies and mining leases

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

4. Intangible assets:

		Intangible assets
Cost at January 1, 2012	$	92,067
Additions		-
Disposals		-
Cost at March 31, 2012		92,067
Cost at January 1, 2013	$	78,172
Additions		-
Disposals		-
Cost at March, 2013	$	78,172
Accumulated amortization at January 1, 2012	$	68,170
Amortization		6,326
Disposals		-
Accumulated amortization at March 31, 2012	$	74,496
Accumulated amortization at January 1, 2013	$	54,770
Amortization		-
Disposals		-
Accumulated amortization at March 31, 2013	$	54,770
Net book value at March 31, 2012	$	17,571
Net book value at March 31, 2013	$	23,402

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements (Unaudited)
(Expressed in Canadian dollars)

Three months ended March 31, 2013

5. Equipment and furniture:

		Equipment and furniture
Cost at January 1, 2012	$	1,130,168
Additions		-
Disposals		-
Cost at March 31, 2012	$	1,130,168
Cost at January 1, 2013	$	216,542
Additions		-
Disposals		-
Cost at March 31, 2013	$	216,542
Accumulated amortization at January 1, 2012	$	171,722
Amortization		5,553
Disposals		-
Accumulated amortization at March 31, 2012	$	177,275
Accumulated amortization at January 1, 2013	$	180,801
Amortization		690
Disposals		-
Accumulated amortization at March 31, 2013	$	181,491
Net book value at March 31, 2012	$	952,893
Net book value at March 31, 2013	$	35,051

6. Equipment held for sale:

		Equipment held for sale
Cost at January 1, 2012	$	-
Additions		-
Disposals		-
Cost at March 31, 2012		-
Cost at January 1, 2013	$	918,100
Additions		-
Disposals		-
Cost at March 31, 2013	$	918,100
Net book value at March 31, 2012	$	-
Net book value at March 31, 2013	$	918,100

(Expressed in Canadian dollars)

6. Equipment held for sale (continued):

During 2012 the Company reclassified $918,100 related to the acquisition, transportation, insurance and storage of flotation cells originally intended for installation at the Pine Point property as "equipment held for sale". No amortization has been recorded with respect to these assets. Because of a commitment to the Company's senior secured lender (see Note 8 below) the Company has enlisted a representative to sell this equipment.

7. Exploration and evaluation assets:

	Pine Point property (a)	Los Pinos property (b)	Carolin Mine property (c)	Indian Mountain Lake property (d)	Total
Balance, January 1, 2012	$ 19,023,986	$ 1,310,198	$ 116,686	$ -	$ 20,450,870
Expenditures during the period:					
Acquisition and option costs, payments, and property maintenance	-		-	158,500	158,500
Engineering and geological services including share-based compensation	882,792	-	-	-	882,792
Mine site administration	73,638	-	-	-	73,638
	956,430	-	-	158,500	1,114,930
Balance, March 31, 2012	$ 19,980,416	$ 1,310,198	$ 116,686	$ 158,500	$ 21,565,800
Balance, January 1, 2013	$ 20,678,923	$ 1,314,936	$ 116,686	$ 514,901	$ 22,625,446
Expenditures during the period:					
Acquisition and option costs, payments, and property maintenance	-	-	-	12,500	12,500
Engineering and geological services	50,628	-	-	-	50,628
Mine site administration	-	-	-	-	-
	50,628	-	-	12,500	63,128
Balance, March 31, 2013	$ 20,729,551	$ 1,314,936	$ 116,686	$ 527,401	$ 22,688,574

(a) Pine Point property:

In 2004, the Company acquired an option and exclusive right to earn an undivided 60% interest in a lead-zinc property in the Northwest Territories south of Great Slave Lake ("Pine Point Property"). The Company commenced exploration in the fourth quarter of 2004 and in 2006 fulfilled all exploration requirements to earn the 60% interest in the property. In the second quarter of 2006, the Company increased its interest in the Pine Point Property to 100% by paying $1,000,000 and granting a 3% NSR royalty to Karst Investments LLC, a company owned by the family trusts of two officers and directors of the Company. The recoverability of the Pine Point mineral properties is dependent upon economically recoverable reserves.

(b) Los Pinos property:

In March 2007, the Company purchased the Los Pinos copper deposit in southern Peru. The Company paid the vendors a total of US$1,000,000 in four staged payments over 18 months to complete the acquisition. The Company also paid a finder's fee of US$50,000 and issued 50,000 shares of Tamerlane with an estimated fair value of $117,500 to the finder.

As at December 31, 2012, Tamerlane Ventures Peru SAC's ("Tamerlane Peru") share registry, which provides evidence of the ownership of the issued and outstanding shares of Tamerlane Peru, is in the possession of the former General Manager of Century Mining Peru SAC and Tamerlane Peru, Alexander Ernesto Vidaurre Otayza ("Mr. Vidaurre"). Management understands that the shares of Tamerlane Peru are listed in the share registry as owned by the former General Manager rather than the Company. This person has also registered himself as the General Manager of Tamerlane Ventures Peru SAC's subsidiary Minera Los Pinos Cañete SAC ("MLPC"). Tamerlane has won the appeal in the 7th civil court awarding the Company a preliminary injunction which resulted in the registrar's office "freezing" the title to the Los Pinos property. Mr. Vidaurre no longer has power to register, alter or transfer the title.

In 2011, as part of its efforts to regain control of the Los Pinos property the Company agreed to an exchange whereby the Company acquired directly the shares of MLPC in exchange for forgiveness of the debt of Tamerlane Peru to the Company, which was incurred for the original purchase of MLPC and the Los Pinos concessions in 2007.

In 2012, Tamerlane's lawyer in Peru was appointed the judicial administrator of MLPC, eliminating the power of Mr. Vidaurre to operate the company holding the mining concessions.

No exploration work was conducted on the Los Pinos property during the first three months of 2013.

(c) Carolin Mine property:

In 2004, the Company optioned the dormant Carolin gold mine and Ladner Creek properties, which are located in southern British Columbia, from Athabaska Gold Resources Ltd ("Athabaska"). In April 2006, the Company completed its purchase of 100% of the property from Athabaska.

Later in 2004, the Company sub-optioned its option in the Carolin Mine to Century Mining Corporation (Century), a company then with a common officer and director, and Century acquired an undivided 70% interest in the property in 2006. As a part of the consideration for the 70% interest, Century issued 300,000 common shares to the Company valued at $135,000. The Company currently holds a 30% interest and Century holds a 70% interest in the Carolin property. Century has an option to acquire the Company's remaining 30% interest in the property for $6,667 cash for each 1% interest held by the Company or in the equivalent value of common shares of Century at Century's option. The Company has received a letter from the court-appointed receiver for Century stating that the receiver intends to exercise the option on Century's behalf.

(d) Indian Mountain Lake property:

On February 9, 2012, the Company entered into an option agreement which allows the Company to acquire up to 100% of the Indian Mountain Lake property from Panarc Resources Ltd. ("Panarc"). The property consists of 8 claims comprising of approximately 6,298 hectares. The agreement also includes 2,926 hectares in the Susu Lake volcanic belt, located 7km southeast of the Indian Mountain Lake Property, and 2,885 hectares of the North Zinc zone, which is located on the south side of Tindale Lake in the area of the Indian Mountain Lake claims. Tamerlane issued 100,000 common shares to Panarc and paid $106,000 pursuant to the terms of the option

(Expressed in Canadian dollars)

(d) Indian Mountain Lake property (continued):

agreement. The Company also issued 250,000 shares to its existing creditor, Global Resource Fund, (see note 8) in order to satisfy conditions necessary for the Company to enter into this option agreement.

Because of the Company's limited availability of cash to fund the exploration program, the Company was not able to spend the required $500,000 work commitment during the twelve months ended January 31, 2013, and on February 9, 2013 the parties agreed to defer $300,000 of this work commitment until January 31, 2015 in exchange for the issuance of 150,000 shares of the Company to Panarc (in addition to the 100,000 shares required to extend the option, raising the total to be issued for 2013 to 250,000) which shares were issued on February 11, 2013. Based on the amended agreement, Tamerlane has the option to earn a 49% undivided interest in the property by making cash payments, delivering a number of its shares and completing the work commitments on the property set out below on or before the dates shown in the table below:

Time Period	Status	Work Commitment	Shares	Cash
January 31, 2013	Completed	$200,000	250,000	NIL
January 31, 2014	Future Option Requirement	$500,000	100,000	NIL
January 31, 2015	Future Option Requirement	$1,300,000	200,000	$500,000

Subject to the exercise of the initial 49% option, the Company will have the exclusive right to earn the remaining 51% undivided interest in the property by making cash payments, delivering a number of its shares and completing the work commitments on the property set out below on or before the dates shown in the table below:

Time Period	Work Commitment	Shares	Cash
January 31, 2016	$1,000,000	200,000	NIL
January 31, 2017	$1,000,000	200,000	$1,500,000

For the three months ended March 31, 2013, the Company did not spend any funds on engineering, geological and administrative costs at Indian Mountain Lake in order to conserve cash. On May 2, 2013 the Company received a default notice from Panarc with respect to non-payment of $65,000 of consulting fees and has until June 30, 2013 to cure the default. If the default is not cured the Company may lose the option for the Indian Mountain Lake property.

8. Bridge loans, convertible debentures and embedded derivatives:

On December 16, 2010, the Company obtained a $5,028,000 (US$5,000,000) senior secured bridge loan bearing interest at 12.5% per annum and maturing on June 16, 2012, with $1,257,000 (US$1,250,000) of the bridge loan being in the form of a convertible debenture with a conversion price of $0.40 per common share. The Company has the right to force conversion of the convertible debenture if and when the price per common share has traded at a minimum of $0.90 for 30 consecutive days on a volume-weighted average basis. The conversion feature is a derivative liability due to the currency of the loan being different from the functional currency of the Company. The bridge loan also contains various optional and mandatory Company prepayment options which are also embedded derivatives. The bridge and convertible loans are secured by all assets of the Company.

The Company paid an upfront fee on the US$5,000,000 bridge loan of $125,700 (US$125,000) in cash and issued 835,800 common shares of the Company with an estimated fair value of $192,233 to the lender and incurred legal and other costs of $177,058. The carrying value of the debt host at inception of $4,304,112 was determined by deducting from the face amount of the debt allocated fees and costs of $468,464 and also the fair value assigned to the embedded

8. Bridge loans, convertible debentures and embedded derivatives (continued):

derivatives of $255,423 at the issuance date. The carrying value of the debt at issuance is accreted up to its face value over the term of the debt using the effective interest method. Fees and costs of $30,669 were allocated to the derivatives at issuance and were recorded in the statement of operations.

The Company entered into an agreement dated June 30, 2011 to extend the maturity date of the bridge loan from June 16, 2012 to October 16, 2012 in exchange for US $150,000 cash. The cost of the amendment offset the carrying value of the debt as such extension was determined to be a modification rather than an extinguishment for accounting purposes. In addition to the bridge loan, the December 16, 2010 loan facility allowed the Company to borrow a further US$5,000,000 under a bridge loan standby facility, with the first US$1,250,000 being in the form of a convertible debenture, having the same terms as the December 16, 2010 advance discussed above. The Company was required to pay a fee of 0.25% per annum on any unused principal portion of the standby facility.

The standby facility expired on June 16, 2011 and was subsequently reinstated on July 29, 2011 through to November 30, 2011. Upon execution of the reinstatement of the standby facility, a further $2,384,500 (US$2,500,000) bridge loan was borrowed, with $1,192,250 (US$1,250,000) being in the form of a convertible debenture. A fee of US$50,000 was paid to have the facility reinstated. The Company also paid US$62,500 in cash and issued 417,900 common shares with an estimated fair value of $120,000 to the lender as drawdown fees. The carrying value of the debt host at inception of $1,967,166 was determined by deducting from the face amount of the debt allocated fees and costs of $182,699 and also the fair value assigned to the embedded derivatives of $234,635 at the issuance date.

The remaining US$2,500,000 of the standby facility was drawn down on November 30, 2011 and the Company paid $63,731 (US$62,500) in cash and issued 417,900 common shares with an estimated fair value of $58,500. The carrying value of the debt host at inception of $2,426,329 and was determined by deducting from the face amount of the debt allocated fees and costs of $122,921.

The Company failed to make the interest payment of $101,001 (US$102,740) due September 25, 2012 and also defaulted on its obligation to repay the US$10,000,000 principal amount of the loans on October 16, 2012. Despite these defaults, the lender did not take action with respect to the security interest. The Company and the lender entered into a Forbearance Agreement effective December 31, 2012 for an extension of the loans to October 16, 2013 and deferral of interest for the period of September 2012 through December 2012 which has been capitalized and added to the face value of the loans. As consideration, the Company has agreed to pay the lender a fee of $1,000,000 which has also been capitalized and added to the face value of the loans, for a total note amount of $11,504,358. The Company has also issued to the lender 16,172,673 Tamerlane common shares, in addition to the 5,096,154 common shares previously held by the lender. Beginning in January 2013, interest must be paid monthly in cash, and interim principal repayments will be required equal to 50% of new equity in excess of $2,000,000 raised by the Company subject to minimum repayments of $1,500,000 on or before each of March 31, 2013 and June 30, 2013. The Company has recognized the Forbearance Agreement for accounting purposes as a modification of the loans, and the Company is amortizing the US$1,000,000 fee and the fair value of the capitalized interest and legal fees over the term of the extension.

Additional terms of the Forbearance Agreement include the subordination of loans from management and deferral of certain payments to executives, approval by the lender of budgeted expenditures and approval by the lender of most agreements to be entered into by the Company. The lender also has the right to nominate one director and one observer to the Company's board of directors.

The Company has not met its obligation to pay US$1,500,000 by March 31, 2013, and the Company has also failed to make the interest payment due May 25, 2013.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements (Unaudited)
(Expressed in Canadian dollars)

Three months ended March 31, 2013

8. Bridge loans, convertible debentures and embedded derivatives (continued):

US Dollars	Bridge Loans			Convertible Debentures			Total		
	Face Value	Discount	Carrying Value	Face Value	Discount	Carrying Value	Face Value	Discount	Carrying Value
January 1, 2013	9,004,358	(1,295,183)	7,709,175	2,500,000	(431,728)	2,068,272	11,504,358	(1,726,911)	9,777,447
Accretion Expense	-	479,371	479,371	-	159,791	159,791		639,162	639,162
March 31, 2013	9,004,358	(815,812)	8,188,546	2,500,000	(271,937)	2,228,063	11,504,358	(1,087,749)	10,416,609

Canadian Dollars	Bridge Loans			Convertible Debentures			Total		
	Face Value	Discount	Carrying Value	Face Value	Discount	Carrying Value	Face Value	Discount	Carrying Value
January 1, 2013	8,956,791	(1,288,578)	7,668,213	2,485,596	(429,526)	2,056,070	11,442,387	(1,718,104)	9,724,283
Accretion Expense	-	370,537	370,537	-	268,624	268,624			639,161
March 31, 2013	8,956,791	(918,041)	8,038,750	2,485,596	(160,902)	2,324,694			10,363,444

The following table summarizes the continuity of the fair value of the derivatives, including the convertible debenture conversion feature and prepayment option:

Fair value at January 1, 2012	$ 19,323
(Decrease) Increase in fair value	29,427
Fair value at March 31, 2012	$ 48,750
Fair value at January 1, 2013	$ 18,664
(Decrease) Increase in fair value	(12,543)
Fair value March 31, 2013	$ 6,121

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements (Unaudited)
(Expressed in Canadian dollars)

Three months ended March 31, 2013

9. Share capital:

(a) Authorized: Unlimited common shares without par value:

	Number of shares		Amount
Balance, January 1, 2012	90,355,856		25,761,558
Issued pursuant to acquisition of Indian Mountain Lake property	350,000		52,500
Share issuance costs	-		(1,620)
Balance, March 31, 2012	90,705,856	$	25,812,438
Balance, January 1, 2013	93,905,856	$	25,938,760
Issued pursuant to private placement	27,500,000		1,698,842
Fair value attributed to share purchase warrants included in private placement	-		(493,075)
Issued for Forbearance Agreement on debt	16,172,673		646,907
Issued pursuant to acquisition of Indian Mountain Lake property	250,000		12,500
Share issuance costs	-		(14,537)
Balance, March 31, 2013	137,828,529	$	27,789,397

(b) Private placements:

On February 13, 2012 the Company issued 100,000 common shares to Panarc Resources Ltd. and 250,000 shares to Global Resource Fund in relation to the option agreement for the Indian Mountain Lake property (see note 7 (d)).

On December 28, 2012 the Company issued 3,200,000 common shares on a flow-through basis at $0.05 per share for proceeds of $160,000 of which $128,000 was allocated to share capital and $32,000 to flow-through share premium liability.

On January 21, 2013 the Company issued 16,172,673 common shares to its senior secured lender, Global Resource Fund, as a portion of the consideration to Global Resource Fund under the Forbearance Agreement as discussed in note 8.

On January 21, 2013 the Company issued 27,500,000 common shares and 13,750,000 warrants to purchase common shares to R. Christopher Charlwood pursuant to a private placement of $1,698,842 at a price of approximately $0.618 per unit, each unit consisting of one common share and one-half common share purchase warrant, each full warrant exercisable for twenty four months at $0.11.

On February 13, 2013 the Company issued 250,000 common shares to Panarc Ltd. in relation to the option agreement for the Indian Mountain Lake property (see note 7 (d)).

(Expressed in Canadian dollars)

10. Share purchase warrants:

The following table summarizes the continuity of the Company's share purchase warrants.

	Number of shares	Weighted Average Exercise Price
Balance, January 1, 2012	769,300	$ 0.13
Issued	-	-
Exercised	-	-
Expired	-	-
Balance, March 31, 2012	769,300	$ 0.13
Balance, January 1, 2013	-	-
Issued	13,750,000	$ 0.11
Exercised	-	-
Expired	-	-
Balance, March 31, 2013	13,750,000	$ 0.11

11. Stock options:

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted Average Exercise Price
Balance, January 1, 2012	5,610,000	$ 0.35
Granted	700,000	0.16
Forfeited	(20,000)	0.12
Expired	-	-
Balance, March 31, 2012	6,290,000	$ 0.30
Balance, January 1, 2013	5,000,000	$ 0.22
Granted	750,000	0.10
Forfeited	-	-
Expired	-	-
Balance, March 31, 2013	5,750,000	$ 0.21

The Company has a share-based compensation plan in effect which provides that up to ten percent of the number of common shares outstanding may be reserved for stock option grants to eligible optionees. Stock options granted under the plan prior to July 15, 2007 vested immediately, and stock options granted to persons other than directors subsequent to July 15, 2007 are subject to 33.3% vesting at 6, 18, and 30 months after the grant date.

At March 31, 2013, this plan provided for the grant of stock options to purchase a maximum of 13,782,853 common shares of which 5,750,000 have been granted and 8,032,853 options are available for future grants.

(Expressed in Canadian dollars)

11. Stock options (continued):

Additional information regarding stock options outstanding as of December 31, 2012 is as follows:

	Number of shares	Expiring in	Weighted average exercise price
	300,000	2013	0.70
	400,000	2014	0.17
	2,020,000	2015	0.15
	1,480,000	2016	0.29
	800,000	2017	0.15
	750,000	2018	0.10
Options outstanding	5,750,000		$ 0.21
Options exercisable	4,640,000		$ 0.22

There were 750,000 stock options granted during the three months ended March 31, 2013 (2012 – 700,000). The weighted average fair value for stock options granted during 2013 was $0.03 (2012 - $0.14) estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2013	2012
Expected dividends	Nil	Nil
Interest rate	2.0%	2.00%
Expected life (in years)	5.00	5.00
Expected forfeitures	20%	20%
Expected volatility	131%	139%

The expected volatility is based on the Company's historical common share prices. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. Expected forfeitures are based on the Company's past forfeiture rate and expectations of future experience. Total fair value of share-based compensation for the three months ended March 31, 2013 was $17,144 (2012 - $151,483) of which $Nil (2012 - $142,916) was expensed and $17,144 (2012 - $8,567) was capitalized.

12. Related party transactions:

Described below are the Company's related party transactions, all of which have been in the normal course of operations and, in Management's opinion, have been undertaken with the same terms and conditions as transactions with unrelated parties:

On December 24, 2012 the Company entered into a loan agreement with two officers and directors of the Company for a maximum amount of US$100,000, and on December 24, 2012 the Company drew down US$50,000 of this amount. The term of the loan is for twelve months from the date of the advance of funds, and the interest rate is 12%, with a 10% premium on the principal amount payable at maturity.

In September 2011, the Company entered into a head office rental agreement with Karst Investments LLC, a company owned by the family trusts of two officers and directors of Tamerlane. For the three months ended March 31, 2013, $11,375 (2012 – $11,341) was paid to Karst Investments LLC and at March 31, 2013 $Nil (2012 – $Nil) is owing.

(Expressed in Canadian dollars)

12. Related party transactions (continued):

In September 2011, the Company entered into a month to month storage facility rental agreement with Talus Investment LLC, a company controlled by two officers and directors of Tamerlane. For the three months ended March 31, 2013, $Nil (2012 – $Nil) was paid and at March 31, 2013 $Nil (2012 – $Nil) is owing. This agreement was terminated in September 2012.

For the three Months ended March 31, 2013, the Company incurred legal fees of $21,902 (2011 - $69,389) to McMillan LLP, a law firm in which a director of the Company is a partner. On March 31, 2013, $134,184 (2012 - $56,797) was owing to the law firm.

As at March 31, 2013, a total of $111,340 (2012 - $108,879) was owed to a company with a former common director. This amount is currently being disputed but is recognized in accounts payable and accrued liabilities.

Key Management Personnel Compensation

Three months ended March 31	2013	2012
Executive salaries and short-term benefits	**$ 89,329**	$ 103,246
Directors' fees	**11,200**	4,800
Stock based compensation	**17,144**	118,356
Total key management personnel compensation	**$ 117,673**	$ 226,402

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

13. Financial instruments and risk management:

For certain of the Company's financial instruments, including cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, flow-through share premiums, bridge loans and convertible debenture, the carrying amounts approximate fair value due to their short terms to maturity. The fair value of amounts due to or from related parties is not practical to determine due to their related party nature and absence of a secondary market for such instruments.

The Company is exposed to varying degrees to a variety of financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management procedures are established to identify, analyze and mitigate the risks faced by the Company.

The types of risk exposure and the way in which such exposure is managed are as follows:

(a) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at March 31, 2013, the Company had cash and cash equivalents of $1,045,487 and a working capital deficiency of $9,491,698. The Company has senior secured loans of US$11,504,358 including capitalized interest and fees that are repayable in full on October 16, 2013, subject to interim payments of at least US$1,500,000 on each of March 31, 2013 (which remains outstanding as of the date of these financial statements) and June 30, 2013 and interest payments of approximately US$120,000 per month. The Company's expected sources of cash flow in the upcoming year will be through debt and equity financings and the sale of assets. See note 2 for further disclosures on the Company's liquidity risk.

(Expressed in Canadian dollars)

13. Financial instruments and risk management (continued):

(b) Credit risk:

The Company is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. It arises principally from the Company's cash and cash equivalents and outstanding receivables.

(i) Cash and cash equivalents:

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties with strong credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

(ii) Amounts receivable:

The Company's receivables are due primarily from the Federal Government of Canada in respect of HST.

(iii) Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at March 31, 2013 was:

Description		Amount
Cash and cash equivalents	$	1,045,487
Amounts receivable	$	38,426

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return on capital.

(i) Currency risk:

The Company operates on an international basis and therefore foreign currency risk exposures arise from transactions denominated in currency other than the Canadian dollar functional currency. The foreign exchange risk arises primarily with respect to US dollars and Peruvian New Sols. The Company has not hedged its exposure to currency fluctuations.

The following is a breakdown of financial assets and liabilities denominated in foreign currencies as at March 31, 2013 to which the Company is exposed:

	USD	SOL
Cash and cash equivalents	$ 40,469	$ -
Amounts receivable	7,072	-
Accounts payable and accrued liabilities	(82,169)	-
Debt	(10,466,609)	-
Total	$ (10,501,237)	$ -
CAD foreign exchange rate	1.0171	0.3838
Balance sheet amounts subject to currency risk exposure in equivalent CAD	$ (10,680,808)	$ -

(Expressed in Canadian dollars)

(c) Market risk (continued):

(ii) Sensitivity analysis:

A 10 percent strengthening (weakening) in the Canadian dollar against the above currencies at March 31, 2013 would have increased (decreased) net loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant:

March 31, 2013	Change
USD	$ 1,068,081
SOL	-

(iii) Interest rate risk:

This is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents contain highly liquid investments that earn interest at market interest rates. Fluctuations in market interest rates do not have significant impact on the Company's results of operations due to minimal amounts kept in cash holdings and low interest rate earned, other than on its bridge loans and convertible debt. The accretion rate on the bridge loans and convertible debt is estimated to approximate market rates at March 31, 2013.

14. Capital management:

The Company considers cash and cash equivalents, debt issuances, common shares, stock options and warrants as capital. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level of risk.

The Company manages the capital structure and makes adjustments to it in light of the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire, or dispose of assets.

In order to facilitate the management of its capital requirements the Company prepares annual expenditure budgets that are updated as necessary, depending on various factors including successful capital deployment and general industry conditions.

The Company has not changed its approach to capital management during the current period. The Company has complied with all external capital restrictions, including those under the debt agreements.

The Company expects that it will be necessary to raise additional capital during 2013 to meet its budgeted exploration and development plans and scheduled US$11.5 million debt repayment and related interest payments (note 2).

(Expressed in Canadian dollars)

15. Commitments:

On September 1, 2011, the Company entered into a 5-year lease with Karst Investments LLC, a company owned by family trusts of two officers and directors of Tamerlane. This 5-year lease will require the Company to pay USD$45,500 per year from 2012 to 2015 and USD$30,333 in 2016.

16. Subsequent events:

The following events occurred between December 31, 2012 and the date these financial statements were authorized for issue:

(a) The following changes occurred in the outstanding stock options:

	Number of shares	Weighted Average Exercise Price
Balance, April 1, 2013	5,750,000	$ 0.21
Granted	100,000	0.10
Forfeited	20,000	0.18
Balance, May 29, 2013	5,830,000	$ 0.21

(b) On May 2, 2013 the Company received a default notice from Panarc with respect to non-payment of $65,000 of consulting fees and has until June 30, 2013 to cure the default. If the default is not cured the Company may lose the option for the Indian Mountain Lake property.

(c) The Company did not make the monthly interest payment of $135,923 to Global Resource Fund that was due on or before May 25, 2013 (see note 8).

Tab F

CREDIT AGREEMENT

Made as of December 16, 2010

Between

TAMERLANE VENTURES INC.
(as "**Borrower**")

- and -

GLOBAL RESOURCE FUND
(as "**Lender**")

THIS IS EXHIBIT F ATTACHED
TO THE AFFIDAVIT OF
Margaret M. Kent
SWORN August 22, 2013

A COMMISSIONER

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CREDIT AGREEMENT

THIS AGREEMENT is made as of December 16, 2010,

BETWEEN:

Tamerlane Resources Inc., a corporation continued under the federal laws of Canada (the "**Borrower**")

- and -

Global Resource Fund, domiciled in the Cayman Islands (the "**Lender**").

The Parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.1 Definitions

In this Agreement unless something in the subject matter or context is inconsistent therewith:

1.1.1 "**Acquisition**" means, with respect to any Person, any purchase or other acquisition, regardless of how accomplished or effected (including any purchase or other acquisition effected by way of amalgamation, merger, arrangement, business combination or other form of corporate reorganization, or by way of purchase, lease or other acquisition arrangements), of

(a) any other Person (including any purchase or acquisition of issued and outstanding securities of, or a portion of an equity interest in, another Person, with the effect of that other Person becoming a Subsidiary of the purchaser or of any of its Affiliates) or of all or substantially all of the Property of any other Person; or

(b) any division, business, operation or undertaking of any other Person or of all or substantially all of the Property of any division, business, operation or undertaking of any other Person;

1.1.2 "**Additional Compensation**" has the meaning ascribed to that term in Section 13.1(a);

1.1.3 "**Additional Financing**" means any transaction or series of transactions under which any Person or Persons acquire, purchase or otherwise effect any equity interest or investment in to any one or more of the Obligors, or any Subsidiary of any of the Obligors, or enters into or is granted any right, option or agreement with respect to any such transaction;

1.1.4 "**Advance**" means a borrowing by the Borrower hereunder;

1.1.5 "**Affiliate**" of a Person means any other Person which, directly or indirectly, Controls or is Controlled by or is under common Control with the first Person and for greater certainty includes a directly or indirectly held Subsidiary of any of the Obligors;

1.1.6 "**Agreement**" means this agreement, including all schedules hereto (as updated in accordance with the terms hereof), as amended, revised, replaced, supplemented or restated from time to time;

1.1.7 "**Annual Business Plan**" means the annual business plan of the Borrower, prepared in respect of the Obligors on a consolidated and unconsolidated basis, with detailed financial projections and budgets on a month to month basis for the following Fiscal Year, in each case consisting of a balance sheet, statement of income, statement of retained earnings, statement of changes in financial position and proposed Capital Expenditures for such year, which annual business plan shall be in compliance with the terms of this Agreement;

1.1.8 "**Applicable Accounting Standards**" means those accounting standards that the Borrower is required to comply with pursuant to the CICA Handbook which, prior to the obligation of the Borrower to comply with International Financial Reporting Standards, is GAAP, and following the obligation of the Borrower to comply with International Financial Reporting Standards shall be International Financial Reporting Standards.

1.1.9 "**Applicable Law**" means, in respect of a Person, property, transaction, event or other matter, as applicable, all present or future Law relating or applicable to that Person, property, transaction, event or other matter, including any interpretation of Law by any Governmental Authority;

1.1.10 "**Applicable Order**" means any applicable domestic or foreign order, judgment, award or decree of any Governmental Authority;

1.1.11 "**Arm's Length**" has the meaning ascribed to that term in the definition of "Non-Arm's Length";

1.1.12 "**Associate**" means an "associate" as defined in the *Business Corporations Act* (Ontario);

1.1.13 "**Borrower**" has the meaning ascribed to that term in the first paragraph of this Agreement;

1.1.14 "**Borrower's Counsel**" means the firm of Lang Michener LLP or such other firm of legal counsel as the Borrower may from time to time designate;

1.1.15 "**Bridge Loan Debenture**" means a convertible debenture to be issued by the Borrower to the Lender in the form attached hereto as Schedule 1.1.15 evidencing up to $1,250,000 of Advances under the Bridge Loan Facility;

1.1.16 "**Bridge Loan Facility**" has the meaning ascribed to that term in Section 2.1.1;

1.1.17 **"Business"** means the business as now carried on by the Obligors, namely that of an exploration and development mining company, and all business or activities related or ancillary thereto;

1.1.18 **"Business Day"** means any day excluding Saturday, Sunday and any other day which is a statutory holiday in Toronto, Ontario;

1.1.19 **"Canadian Dollars"**, and **"Cdn$"** mean the lawful money of Canada;

1.1.20 **"Capital Expenditures"** means, for any period, any expenditure made by any Person, on a consolidated basis, for the purchase, acquisition, license, erection, development, improvement, construction, repair or replacement of capital assets, and any expenditure related to a Capital Lease or an operating lease in respect of which such Person has furnished a residual value guarantee to the lessor, all as determined in accordance with Applicable Accounting Standards;

1.1.21 **"Capital Lease"** means any lease which should be treated as a capital lease under Applicable Accounting Standards;

1.1.22 **"Closing Date"** means the date of this Agreement or such other date as may be agreed to in writing by the Parties;

1.1.23 **"Computer Equipment"** means any electronic device that performs logical, arithmetic and memory functions by manipulating electronic or magnetic impulses, and includes all input, output, processing, storage, computer software and communication facilities that are connected or related to a computer in a computer system or computer network;

1.1.24 **"Contingent Obligation"** means, in respect of any Person, any obligation, whether secured or unsecured, of that Person guaranteeing or indemnifying, or in effect guaranteeing or indemnifying, any indebtedness, leases, dividends, letters of credit or other monetary obligations (the "primary obligations") of any other Person (a "primary obligor") by that Person in any manner, whether directly or indirectly;

1.1.25 **"Control"** (including with correlative meanings the terms "controlled by" and "under common control with") in respect of a corporation has the meaning given thereto in the *Business Corporations Act* (Ontario) and in respect of any other Person means the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of shares or voting interests or by contract or otherwise;

1.1.26 **"Control Person"** has the meaning given thereto in the *Securities Act* (Ontario);

1.1.27 **"Credit Documents"** means this Agreement, the Bridge Loan Debenture, the Stand-by Debenture, the Security, and all other documents, certificates and instruments executed or delivered or to be executed or delivered by an Obligor to the Lender pursuant hereto or thereto, as the same may be modified, amended, extended, restated or supplemented from time to time and **"Credit Document"** shall mean any one of the Credit Documents;

1.1.28 **"Credit Facilities"** means the Bridge Loan Facility and the Stand-by Facility and "Credit Facility" means any one of them;

1.1.29 **"Debenture Obligations"** means the Obligations evidenced by the Stand-by Debenture and the Bridge Loan Debenture;

1.1.30 **"Debt"** means, with respect to any Person, at any time:

(a) all items which would then be classified as liabilities on that Person's consolidated balance sheet, or the notes thereto, including, without limitation, the Credit Facilities; and

(b) without duplication, any item which is then to that Person:

(i) an obligation in respect of borrowed money, or for the deferred purchase price of Property or services, or an obligation which is evidenced by a note, bond, debenture or any other similar instrument;

(ii) a transfer with recourse or with an obligation to repurchase, to the extent of that Person's liability;

(iii) an obligation secured by any Encumbrance on any of that Person's Property to the extent attributable to that Person's respective interest in such Property, even though it has not assumed or become liable for its payment;

(iv) a Capital Lease obligation;

(v) an obligation arising in connection with an acceptance facility or letter of credit or letter of guarantee;

(vi) a Contingent Obligation to the extent that the primary obligation guaranteed is not otherwise classified as a liability on that Person's consolidated balance sheet;

(vii) the aggregate amount at which any shares in that Person's capital which are redeemable or retractable at the option of the holder of such shares (except where the holder is that Person) may be redeemed or retracted; or

(viii) any other obligation arising under arrangements or agreements that, in substance, provide financing;

provided, however, that there shall not be included for the purpose of this definition any item which is on account of:

(ix) subject to Section 1.1.30(b)(vii) above, issued share capital or surplus;

(x) reserves for deferred income taxes or general contingencies;

(xi) minority interests in Subsidiaries; or

(xii) trade accounts payable and accrued liabilities (including deferred revenues and income taxes payable) incurred in the ordinary course of business, except to the extent any of the trade accounts payable or accrued liabilities under this Section 1.1.30(b)(xii) remain unpaid and undisputed for more than 120 days after the date upon which they were incurred;

1.1.31 **"Disposition"** means any sale, assignment, transfer, conveyance, lease, license or other disposition of any nature or kind whatsoever of any Property or of any right, title or interest in or to any Property, and the verb "Dispose" shall have a correlative meaning;

1.1.32 **"Distribution"** means, with respect to any Person, any payment, directly or indirectly, by that Person:

(a) of any dividends on any equity units or shares of its capital;

(b) on account of, or for the purpose of setting apart any property for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of any shares of its capital or any warrants, options or rights to acquire any such shares;

(c) of any other distribution in respect of any shares of its capital;

(d) of any principal of or interest or premium on, or of any amount in respect of a sinking or analogous fund or defeasance fund for, Subordinated Debt or other indebtedness or liability of such Person ranking, at law or by contract, in right of payment subordinate to any liability of such Person under the Credit Documents or otherwise; or

(e) of any management, consulting or similar fee or any bonus payment or comparable payment, or by way of gift or other gratuity, to any Affiliate of such Person or to any director or officer of such Person or Affiliate of such Person, or to any Person not dealing at Arm's Length with such first Person or Affiliate, director or officer;

1.1.33 **"Drawdown"** means an Advance under any Credit Facility.

1.1.34 **"Drawdown Date"** means the Business Day on which a Drawdown is made by the Borrower pursuant to the provisions of this Agreement;

1.1.35 **"Encumbrance"** means, in respect of any Person, any mortgage, debenture, pledge, hypothec, lien, charge, encumbrance, assignment by way of security, hypothecation or security interest granted or permitted by that Person or arising by operation of law, in respect of any of that Person's Property, or any consignment or Capital Lease of Property by that Person as consignee or lessee or any other security agreement, trust or arrangement having the effect of security for the payment of any debt, liability or obligation, and **"Encumbrances"**, **"Encumbrancer"**, **"Encumber"** and **"Encumbered"** shall have corresponding meanings;

1.1.36 **"Environmental Bond Facility"** means the Cdn$60,000 letter of credit facility provided by HSBC to the Borrower in order to post a letter of credit in the amount of Cdn$60,000 with the Ministry of Indian and Northern Affairs regarding land use permit GTENVC2009101;

1.1.37 **"Event of Default"** has the meaning ascribed to that term in Section 11.1;

1.1.38 **"Financial Assistance"** means, without duplication and with respect to any Person, all loans granted by that Person and guarantees or Contingent Obligations incurred by that Person for the purpose of, or having the effect of, providing financial assistance to another Person or Persons, including, without limitation, letters of guarantee, letters of credit, legally binding comfort letters or indemnities issued in connection with them, endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business), obligations to purchase assets regardless of the delivery or non-delivery of those assets and obligations to make advances or otherwise provide financial assistance to any other entity, and for greater certainty "Financial Assistance" shall include any guarantee of any third party lease obligations;

1.1.39 **"Fiscal Quarter"** means each quarterly accounting period of the Borrower ending respectively on March 31, June 30, September 30 or December 31 in each Fiscal Year;

1.1.40 **"Fiscal Year"** means the fiscal year of the Borrower ending on December 31st in each calendar year;

1.1.41 **"GAAP"** means generally accepted accounting principles in effect from time to time in Canada, applicable to the relevant Person, applied in a consistent manner from period to period;

1.1.42 **"Governmental Authority"** means the government of Canada or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including any supra-national bodies such as the European Union or the European Central Bank and including a Minister of the Crown, Superintendent of Financial Institutions or other comparable authority or agency.

1.1.43 **"Hazardous Substance"** means any substance, product, waste, pollutant, material, chemical, contaminant, dangerous good, ozone-depleting substance, or other material, including any constituent of any of them, which is or becomes listed, regulated, or addressed under any Requirements of Environmental Law, including, without limitation, asbestos, petroleum and polychlorinated biphenyls;

1.1.44 **"Information"** has the meaning ascribed to that term in Section 15.1(b);

1.1.45 **"Insolvency Legislation"** means the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada), the United States Bankruptcy

Code or the *Winding-Up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws.

1.1.46 **"Intellectual Property"** means, in whatever format, all registered and unregistered domestic and foreign patents, patent applications, inventions upon which patent applications have not yet been filed, service marks, trade names, trade marks, trade mark registrations and applications, logos, copyright works, copyright registrations and applications, trade secrets, formulae, technology, designs, processes, software, software applications, inventions, franchises, know-how, domain names, uniform resource locators (URLs) and other intellectual property rights;

1.1.47 **"Inter-Corporate Debt"** means all Debt owed by any Obligor to another Obligor;

1.1.48 **"Inter-Corporate Security"** means all security held from time to time by an Obligor securing or intended to secure directly or indirectly repayment of Inter-Corporate Debt owed to such Obligor;

1.1.49 **"Interest Payment Date"** means, with respect to each Advance, the 25^{th} of each calendar month;

1.1.50 **"International Financial Reporting Standards"** means the rules and guidelines established by the International Accounting Standards Board for standardizing the preparation of financial statements.

1.1.51 **"Investment"** in any Person means any direct or indirect:

(a) acquisition of any shares of capital stock or other equity securities of such Person; or

(b) acquisition, by purchase or otherwise, of all or substantially all of the business, assets or stock or other evidence of beneficial ownership of that Person;

and the amount of any Investment shall be its original cost, plus the cost of all additions to that Investment, minus the amount of any portion of that Investment repaid to that Person in cash as a return of capital, but without any other adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to that Investment. In determining the amount of any Investment involving a transfer of any Property other than cash, that Property shall be valued at its fair market value at the time of its transfer. For greater certainty, an Acquisition shall not be treated as an Investment;

1.1.52 **"Issued Shares"** means those common shares of the Borrower issued to the Lender from time to time pursuant hereto or pursuant to the Stand-by Debenture or the Bridge Loan Debenture;

1.1.53 **"ITA"** means the *Income Tax Act* (Canada) and the regulations promulgated thereunder;

1.1.54 **"Karst Agreement"** means the agreement between the Borrower and Karst Investments LLC pursuant to which the Borrower purchased the remaining 40% interest in Pine Point;

1.1.55 **"Karst NSR"** means the net smelter royalty as described in Schedule B of the Karst Agreement;

1.1.56 **"Law"** means all laws, (including the common law), by-laws, ordinances, rules, statutes, regulations, treaties, orders, rules, judgments and decrees, and all official directives, rules, guidelines, notices, approvals, orders, policies and other requirements of any Governmental Authority whether or not they have force of law;

1.1.57 **"Leases"** has the meaning ascribed to that term in Section 8.1.12;

1.1.58 **"Lender"** has the meaning ascribed to that term on the first page of this Agreement;

1.1.59 **"Lender's Counsel"** means the firm of Cassels Brock & Blackwell LLP or any other firm of legal counsel that the Lender may from time to time designate;

1.1.60 **"Los Pinos"** means the mining property described in Schedule 8.1.12;

1.1.61 **"Los Pinos Issue"** means the issue with respect to the Borrower's direct and/or indirect interest in and with respect to Los Pinos, substantially as disclosed in the Borrower's interim consolidated financial statements and related management's discussion and analysis for the nine months ended September 30, 2010;

1.1.62 **"Material Adverse Effect"** means:

(a) a material adverse effect on the business (including the Business), operations, properties, assets, condition (financial or otherwise) or prospects of the Obligors, taken as a whole;

(b) an adverse effect on the legality, validity or enforceability of any of the Credit Documents which could reasonably be considered material having regard to the Credit Documents considered as a whole, including the validity, enforceability, perfection or priority of any Encumbrance created or intended to be created under any of the Security which could reasonably be considered material having regard to the Security considered as a whole;

(c) an adverse effect on the right, entitlement or ability of any Obligor to pay or perform any of its Obligations under any of the Credit Documents which could reasonably be considered material having regard to the Obligors as a whole; or

(d) an adverse effect on the right, entitlement or ability of the Lender to enforce any of the Obligations of any Obligor which could reasonably be considered material having regard to the Obligors, or any one of them, or to exercise or enforce any of its rights, entitlements, benefits or remedies under any of the Credit Documents;

1.1.63 "**Material Contract**" means any agreement, arrangement or understanding, whether written or oral, which:

(a) materially affects the business, operations, assets or prospects, financial or otherwise, of an Obligor, including without limitation, the Business;

(b) involves or may involve annual expenditures or annual receipts by that Obligor of an amount greater than Cdn$75,000 and which has a term of more than one year or has a lesser term with rights of renewal that, if renewed, would result in a term of more than one year; or

(c) is from time to time designated by the Lender in its sole discretion, as a Material Contract, provided notice of such designation is delivered to the Borrower by the Lender (and, for greater certainty, the contracts listed in Schedule 1.1.63(c) are deemed to be so designated);

1.1.64 "**Material Licence**" means any licence, franchise, permit or approval issued by any Governmental Authority to an Obligor, and which is at any time on or after the date of this Agreement:

(a) necessary or material to the business and operations of an Obligor, including without limitation, the Business or the breach, default or revocation of which would result in a Material Adverse Effect; or

(b) is from time to time designated by the Lender in its sole discretion, as a Material Licence, provided notice of such designation is delivered to the Borrower by the Lender;

1.1.65 "**Maturity Date**" means June 16, 2012;

1.1.66 "[redacted] DEFINITION

1.1.67 "**Net Proceeds**" means, with respect to any Disposition, the aggregate fair market value of proceeds of that Disposition (whether such proceeds are in the form of cash or other Property or part cash and part other Property) net of reasonable, bona fide direct transaction costs and expenses incurred in connection with that Disposition;

1.1.68 "**Non-Arm's Length**" and similar phrases have the meaning attributed thereto for the purposes of the ITA, and "**Arm's Length**" shall have the opposite meaning;

1.1.69 "**Notice of Request for Advance**" means a notice substantially in the form of the notice attached at Schedule 1.1.69 to be given to the Lender by the Borrower in connection with an Advance pursuant to Section 2.4;

1.1.70 "**Obligations**" means, with respect to an Obligor, all of that Obligor's present and future indebtedness, liabilities and obligations of any and every kind, nature or description whatsoever (whether direct or indirect, joint or several or joint and several, absolute or contingent, matured or unmatured, in any currency and whether as principal debtor, guarantor, surety or otherwise, including without limitation any interest that accrues thereon or would accrue thereon but for the commencement of any case, proceeding or other action, whether voluntary or involuntary, relating to the bankruptcy, insolvency or reorganization whether or not allowed or allowable as a claim in any such case, proceeding or other action) to the Lender under, in connection with, relating to or with respect to each of the Credit Documents, and any unpaid balance thereof;

1.1.71 **"Obligors"** means, collectively, the Borrower and its Subsidiaries, being Tamerlane Ventures USA Inc. Tamerlane Ventures Peru S.A.C. and Minera Los Pinos de Canete S.A.C. and their respective successors and assigns and "Obligor" means any one of them;

1.1.72 **"Organizational Documents"** means, with respect to any Person, that Person's articles or other charter documents, by-laws, unanimous shareholder agreement, partnership agreement, joint venture agreement, operating agreement or trust agreement, as applicable, and any and all other similar agreements, documents and instruments relative to that Person;

1.1.73 **"Parties"** means the Borrower, the Lender and any other Person that may become a party to this Agreement;

1.1.74 **"Pending Event of Default"** means an event which, but for the requirement for the giving of notice, lapse of time, or both, or but for the satisfaction of any other condition subsequent to that event, would constitute an **"Event of Default"**;

1.1.75 **"Pension Plan"** means:

(a) a **"pension plan"** or **"plan"** which is subject to the *Pension Benefits Act* (Ontario), the ITA, or applicable pension benefits legislation in any other Canadian jurisdiction which is applicable to an Obligor's employees resident in Canada; or

(b) any foreign pension or employee benefit plan or similar arrangement applicable to an Obligor's employees in countries other than Canada;

1.1.76 **"Permitted Capital Expenditures"** means the Capital Expenditures of the Obligors contemplated in Schedule 1.1.76;

1.1.77 **"Permitted Debt"** means:

(a) Debt under this Agreement;

(b) Debt secured by PMSIs created, incurred or assumed after the date hereof to finance Permitted Capital Expenditures provided the Obligors have complied with their obligations in Section 10.3 at the time the Property to be acquired in connection with such expenditure is acquired;

(c) Environmental Bond Facility not to exceed CDN $60,000 plus any related interest thereto;

(d) the Permitted Inter-Corporate Debt; and

(e) Debt consented to in writing by the Lender from time to time;

1.1.78 "**Permitted Distributions**" means:

(a) all cash amounts and dividends paid by an Obligor to another Obligor;

(b) salaries, fees and bonuses for senior management Margaret Kent and Michael Willett as provided for in Schedule 1.1.78 and employee bonuses in the ordinary course of business which in the aggregate will not exceed U.S. $150,000 without the prior written consent of the Lender;

(c) routine employee benefits;

(d) reasonable director fees consistent with comparable industry levels; and

(e) fees, determined on an Arm's Length basis, for services provided by one Obligor to another Obligor in the ordinary course of business where such services would otherwise have been performed by a third party;

1.1.79 "**Permitted Encumbrances**" means, with respect to any Person:

(a) liens for taxes, rates, assessments or other governmental charges or levies not yet due, or for which instalments have been paid based on reasonable estimates pending final assessments, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person;

(b) undetermined or inchoate liens, rights of distress, and charges incidental to current operations which have not at such time been filed or exercised and of which the Lender has not been given notice, or which relate to obligations not due or payable, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person;

(c) reservations, limitations, provisos and conditions expressed in any original grants from the Crown or other grants of real or immovable property, or interests therein, which do not materially affect the use of the affected land for the purpose for which it is used by that Person;

(d) licences, easements, rights-of-way and rights in the nature of easements (including, without limitation, licences, easements, rights-of-way and rights in the nature of easements for railways, sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraph conduits, poles, wires and cables) which do not materially impair the use of the affected land for the purpose for which it is used by that Person;

(e) title defects, or irregularities or other matters relating to title which are of a minor nature and which in the aggregate do not materially impair the use of the affected property for the purpose for which it is used by that Person;

(f) the right reserved to, or vested in, any Governmental Authority under the terms of any lease, licence, franchise, grant or permit acquired by that Person, or under any statutory provision, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance of such right;

(g) Encumbrances resulting from the deposit of cash or securities in connection with contracts, tenders or expropriation proceedings, or to secure workmen's compensation, unemployment insurance, surety or appeal bonds, or costs of litigation when required by law, not to exceed $100,000 in aggregate outstanding at any time;

(h) security given to a public utility or any Governmental Authority when required by that utility or Governmental Authority in connection with the operations of that Person in the ordinary course of its business;

(i) an Encumbrance created by a judgment of a court of competent jurisdiction, as long as that judgment is being contested diligently and in good faith by appropriate proceedings by that Person, and does not result in an Event of Default;

(j) the Security;

(k) the Karst NSR

(l) the Inter-Corporate Security provided the same has been assigned on a first priority basis to the Lender pursuant to the Security;

(m) PMSIs that secure Permitted Debt used to finance Permitted Capital Expenditures;

(n) the Encumbrances described in Schedule 1.1.79(n) to this Agreement; and

(o) any other Encumbrances as agreed to in writing by the Lender;

1.1.80 **"Permitted Financings"** means any equity financing of the Borrower involving the issuance of "flow-through shares";

1.1.81 **"Permitted Inter-Corporate Debt"** means the Inter-Corporate Debt owed between the Obligors as of the date of this Agreement, as set out in Schedule 1.1.80, together with any additional Inter-Corporate Debt as may be incurred from time to time on and after the Closing Date, provided that in all cases such Debt constitutes Subordinated Debt and has been assigned to the Lender as Security;

1.1.82 **"Person"** is to be broadly interpreted and includes an individual, a corporation, an incorporated association, an incorporated syndicate, any other incorporated organization; a partnership, a trust, an unincorporated association, an unincorporated syndicate, an unincorporated organization, a trustee, an executor, an administrator, any other legal representative, a joint venture, the government of a country or any political subdivision of a country, or an agency or department of any such government, and any other Governmental Authority;

1.1.83 **"Pine Point"** means the mining property described in Schedule 8.1.12;

1.1.84 **"Priority Encumbrances"** means the following:

(a) Security provided in respect of the Karst NSR;

(b) PMSIs that secure Permitted Debt used to finance Permitted Capital Expenditures; and

(c) Cash collateral security over Cdn$60,000 and any interest related thereto of cash in support of the Environmental Bond Facility.

1.1.85 **"Property"** means, with respect to any Person, all or any portion of that Person's undertaking, property and assets, both real and personal, including, for greater certainty, any share in the capital of a corporation or ownership interest in any other Person, and any interest in mining leases or mineral rights;

1.1.86 **"PMSI"** means an Encumbrance created by the Borrower securing Debt incurred to finance the acquisition of fixed assets, provided that:

(a) it is created substantially simultaneously with the acquisition of such fixed assets;

(b) it does not at any time encumber any Property other than the Property financed by such Debt and proceeds thereof;

(c) the amount of Debt secured by it is not increased subsequent to that acquisition; and

(d) the principal amount of Debt secured by it at no time exceeds 100% of the original purchase price of that Property at the time it was acquired, and for the purposes of this definition the term **"acquisition"** shall include a capital lease, and the term **"acquire"** shall have a corresponding meaning;

1.1.87 **"Relevant Jurisdiction"** means, from time to time, with respect to any Person that is granting Security under this Agreement, any province or territory of Canada, any state of the United States or any other country or political subdivision thereof, in which such Person is incorporated or formed, has its chief executive office or chief place of business, or has Property;

1.1.88 **"Repayment Notice"** means a notice substantially in the form attached as Schedule 1.1.88;

1.1.89 **"Requirements of Environmental Law"** means all Applicable Laws in any jurisdiction in which any Obligor has operations or assets, which relate to environmental or occupational health and safety matters relevant to the assets and undertaking of any Obligor and the intended uses thereof, including, without limitation, all Law relating to:

(a) the protection, preservation or remediation of the natural environment (the air, land, surface water or groundwater);

(b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation;

(c) consumer, occupational or public safety and health; and

(d) hazardous substances or conditions which are prohibited, controlled or otherwise regulated, such as contaminants, pollutants, toxic substances, dangerous goods, wastes, hazardous wastes, liquid industrial wastes, hazardous materials, petroleum and other materials such as urea formaldehyde and polyurethane foam insulation, asbestos or asbestos-containing materials, polychlorinated biphenyls (PCBs) or PCB contaminated fluids or equipment, lead based paint, explosives, radioactive substances, petroleum and associated products, ozone-depleting substances, above-ground and underground storage tanks or surface impoundments;

1.1.90 "**STA**" means the *Securities Transfer Act, 2006* (Ontario).

1.1.91 "**Security**" means all security held from time to time by or on behalf of the Lender, securing or intended to secure directly or indirectly repayment of the Obligations and includes all security described in Article 10;

1.1.92 "**Senior Officer**" means, in respect of any Person, the chairperson, the chief executive officer, the chief operating officer, the chief financial officer, the president, or any senior vice-president of such Person or any person holding a similar office;

1.1.93 "**Stand-by Debenture**" means a convertible debenture to be issued by the Borrower to the Lender in the form attached hereto as Schedule 1.1.93 evidencing up to $1,250,000 of Advances under the Stand-by Facility;

1.1.94 "**Stand-by Facility**" has the meaning ascribed to that term in Section 2.1.2;

1.1.95 "**Stand-by Fee**" has the meaning ascribed to that term in Section 5.4;

1.1.96 "**Stand-by Fee Rate**" means 0.25% per month;

1.1.97 "**Subordinated Debt**" means indebtedness owing by any Obligor to any Person, which indebtedness (including the payment of principal and interest) and any security granted in respect of that indebtedness is fully and absolutely postponed and subordinated to the full, final and indefeasible repayment of the Obligations pursuant to a written agreement in form and substance satisfactory to the Lender in its sole discretion;

1.1.98 "**Subsidiary**" means, with respect to a corporation, a subsidiary body corporate as defined in the *Business Corporations Act* (Ontario) as in effect on the date hereof, and any partnership, joint venture or other organization which is Controlled by the corporation or any Subsidiary of the corporation;

1.1.99 **"Tax"** or **"Taxes"** means all taxes, charges, fees, levies, imposts and other assessments or reassessments, including all income, sales, use, goods and services, harmonized sales, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, assessments, royalties, duties, deductions, compulsory loans or similar charges in the nature of a tax, including Canada Pension Plan and provincial pension plan contributions, employment insurance payments and workers compensation premiums, together with any instalments, and any interest, fines and penalties, additions to tax or other additional amounts, imposed, assessed, reassessed or collected by any Governmental Authority, whether disputed or not;

1.1.100 **"Tax Returns"** means all returns, declarations, reports, elections, notices, filings, forms, statements, information and other documents (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required to be made, prepared or filed with any Governmental Authority by Applicable Law in respect of Taxes;

1.1.101 **"Triggering Disposition"** means a singular disposition by an Obligor that exceeds Cdn$100,000, or a disposition by an Obligor that, together with all other Dispositions by the Obligors taken as a whole in any 120 day period exceeds $200,000;

1.1.102 **"TSXV"** means the TSX Venture Exchange;

1.1.103 **"U.S. Dollars"** and **"U.S. $"** means the lawful money of the United States of America; and

1.1.104 **"Welfare Plan"** means any supplemental pension or retirement plan applicable to employees of an Obligor.

1.2 Headings

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The term **"this Agreement"**, refers to this Agreement in its entirety and not to any particular Article, Section or other portion of this Agreement and includes any agreement supplemental to this Agreement. Unless otherwise indicated, references in this Agreement to Articles, Sections or Schedules are to Articles, Sections and Schedules of this Agreement.

1.3 Number

Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa.

1.4 Accounting Principles

Where the character or amount of any asset or liability, or item of revenue or expense, is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of any Credit Document, that determination or calculation shall, to the extent applicable and except as otherwise specified in this Agreement or as otherwise agreed in writing by the Parties, be made in accordance with Applicable Accounting Standards.

1.5 Best Knowledge

All provisions contained herein or under any other Credit Document requiring any Obligor to make a determination or assessment of any event or circumstance or other matter to the best of its knowledge shall be deemed to require such Obligor to make all due inquiries and investigations as may be reasonably necessary or prudent in the circumstances before making any such determination or assessment.

1.6 Permitted Encumbrances

The inclusion of reference to Permitted Encumbrances in any Credit Document is not intended to subordinate, and shall not subordinate, any Encumbrance created by any of the Security to any Permitted Encumbrance.

1.7 Currency

Unless otherwise specified in this Agreement, all references to dollar amounts (without further description) shall mean U.S. Dollars and all payments shall be made in U.S. Dollars.

1.8 Conflicts

In the event of a conflict or inconsistency between the application of any of the provisions of this Agreement and the application of any of the provisions of any of the other Credit Documents, the provisions giving the Lender greater rights or remedies shall govern (to the maximum extent permitted by Applicable Law), it being understood that the purpose of this Agreement and any other Credit Document is to add to, and not detract from, the rights granted to the Lender under the Credit Documents.

1.9 Non-Business Days

Unless otherwise expressly provided for in this Agreement, if under this Agreement any payment or calculation is to be made, or any other action is to be taken, on or as of a day which is not a Business Day, that payment or calculation is to be made, and that other action is to be taken, as applicable, on or as of the immediately preceding Business Day without deduction or credit for early payment.

1.10 Statutory References

Any reference in this Agreement to any Law, or to any section of or any definition in any Law, shall be deemed to be a reference to such Law or section or definition as amended, supplemented, substituted, replaced or re-enacted from time to time.

1.11 Schedules

The following are the Schedules annexed hereto and incorporated by reference and deemed to be part hereof:

Schedule 1.1.15	-	Bridge Loan Debenture
Schedule 1.1.63(c)	-	Material Contracts
Schedule 1.1.69	-	Notice of Request for Advance
Schedule 1.1.76	-	Permitted Capital Expenditures
Schedule 1.1.76	-	Permitted Distributions
Schedule 1.1.76	-	Encumbrances
Schedule 1.1.76	-	Permitted Inter-Corporate Debt
Schedule 1.1.88	-	Repayment Notice
Schedule 1.1.93	-	Stand-by Debenture
Schedule 3.1(j)	-	Undertaking
Schedule 7.1	-	Wire Instructions
Schedule 8.1.11	-	Debt and Non-Arm's Length Transactions
Schedule 8.1.12	-	Ownership
Schedule 8.1.13	-	Insurance
Schedule 8.1.14	-	Employee Disputes
Schedule 8.1.17	-	Corporate Structure
Schedule 8.1.18	-	Relevant Jurisdictions
Schedule 8.1.20	-	Intellectual Property
Schedule 8.1.21	-	Contracts and Licences
Schedule 9.3.20	-	Accounts

ARTICLE 2- THE CREDIT FACILITIES

2.1 Credit Facilities

Subject to the terms and conditions, and during the term, of this Agreement:

2.1.1 Bridge Loan

The Lender establishes in favour of the Borrower a non-revolving bridge loan facility (the "**Bridge Loan Facility**") in the principal amount of $5,000,000, which Credit Facility will be made available on the Closing Date and at no other time. The maximum principal amount of the Bridge Loan Facility will be automatically and permanently reduced by an amount equal to any portion of the Bridge Loan Facility that is not utilized on the Closing Date.

2.1.2 Stand-By Facility

The Lender establishes in favour of the Borrower a non-revolving stand-by facility (the "**Stand By Facility**") in a maximum principal amount of up to $5,000,000 which Credit Facility will be made available to the Borrower upon written confirmation from the Lender that it is satisfied in its sole discretion that the funding conditions set out Section 3.2 have all been satisfied. The Borrower's ability to draw under the Stand-by Facility will expire on the 183rd day following the Closing Date. The Borrower may cancel the Stand-by Facility at any time by providing ten (10) Business Days prior written notice to the Lender.

2.2 Purpose of Credit Facilities

Advances under the Stand-by Facility shall only be used to acquire [redacted]. The Advance under the Bridge Loan Facility shall only be used for the following purposes:

(a) To fund definitive engineering expenditures for Pine Point;

(b) To fund cash deposits on long lead-time orders;

(c) An amount not to exceed $100,000 to secure permits for, to complete drilling at, and to attain clear title to, Los Pinos;

(d) An amount not to exceed $150,000 for drilling at Los Pinos; and

(e) General corporate working capital.

2.3 Non-Revolving Nature of the Credit Facilities

The Credit Facilities are both non-revolving and, accordingly, no amounts repaid under either Credit Facility may be reborrowed and the limit of a Credit Facility will be automatically and permanently reduced by the amount of any repayment under that Credit Facility.

2.4 Drawdowns

(a) Subject to the terms and conditions of this Agreement, the Borrower may make Drawdowns by giving the Lender a Notice of Request for Advance requesting a Drawdown.

(b) Other than with respect to the Advance of the Bridge Loan Facility, which shall occur on the Closing Date, the Borrower shall give the Lender a Notice of Request for Advance in respect of a Drawdown five (5) Business Days prior to the proposed Drawdown Date.

(c) Each Notice of Request for Advance in respect of a Drawdown shall be delivered by the Borrower to the Lender on a Business Day on or prior to 1:00 p.m EST.

(d) Each Drawdown under the Stand-by Facility shall be in a minimum principal amount of $1,000,000.

2.5 Lender's Obligations with Respect to Advances

Subject to the terms and conditions of this Agreement, prior to 1:00 p.m. EST on the Drawdown Date specified by the Borrower in a Notice of Request for Advance, the Lender shall make available to the Borrower the full amount so specified in that notice.

2.6 Irrevocability

A Notice of Request for Advance given by the Borrower in respect of a Drawdown shall be irrevocable and shall oblige the Borrower to complete the Drawdown on the date specified in that Notice.

ARTICLE 3- DISBURSEMENT CONDITIONS

3.1 Conditions Precedent to the First Advance under the Bridge Loan Facility

The obligations of the Lender under this Agreement (including without limitation, the obligation to make the first Advance under the Bridge Loan Facility) are subject to, and conditional upon, all of the following conditions precedent being satisfied as at the Closing Date:

(a) receipt by the Lender of duly executed copies of this Agreement;

(b) receipt by the Lender of timely Notice of Request for Advance as required under Section 2.4(b) and the statements made therein being true;

(c) receipt by the Lender of certified true copies of the Organizational Documents of each Obligor, the resolutions authorizing the execution, delivery and performance of each Obligor's respective obligations under the Credit Documents and the transactions contemplated in this Agreement, as well as certificates of the incumbency of the officers of the Obligors, and any other documents to be provided under the terms and conditions of this Agreement;

(d) receipt by the Lender of certificates of status or good standing, as applicable, for each Obligor in such Obligor's jurisdiction of incorporation or formation;

(e) compliance by each Obligor in all material respects with all Material Contracts and Material Licenses to the satisfaction of the Lender in its sole discretion;

(f) receipt by the Lender of copies, if any, of all required shareholder, regulatory, governmental, and other approvals, necessary or desirable in connection with the execution and delivery of the Credit Documents and the consummation of the transactions contemplated by the Credit Documents, and delivery to the Lender of copies of all such approvals, certified by a Senior Officer of each of the Obligors to be true and correct and in full force and effect;

(g) receipt by the Lender of any releases, discharges, subordinations and postponements (in registerable form where appropriate) of all Encumbrances affecting the collateral encumbered by the Security which are not Permitted Encumbrances;

(h) receipt by the Lender of subordination or non-sheltering agreements in form satisfactory to the Lender;

(i) receipt by the Lender of landlord consents, warehouse and bailee waivers obtained from each landlord of the Borrower;

(j) undertaking from the Borrower regarding matters relating to the Subsidiaries and Los Pinos in substantially the form as set out on Schedule 3.1(j);

(k) receipt by the Lender of duly executed copies of the Security (along with certificates representing all shares or other securities pledged, together with an endorsement on the certificates or separate stock powers duly executed in blank in accordance with the requirements of the STA), and the due registration, filing and recording of the Security in all applicable offices or places of registration in all Relevant Jurisdictions;

(l) receipt by the Lender of currently-dated letters of opinion of applicable counsel to the Borrower that, collectively, encompass all Obligors, in form and substance satisfactory to the Lender and the Lender's Counsel;

(m) receipt by the Lender of copies of certificates of insurance of the Obligors evidencing insurance, all in accordance with Section 9.1.4;

(n) receipt by the Lender of the Bridge Loan Debenture duly issued, executed and delivered, and receipt of acceptance from TSXV in respect thereof;

(o) payment in full of all amounts of fees and expenses required, under this Agreement, to be paid on or prior to the initial Advance;

(p) receipt by the Lender of executed copies of all other Credit Documents not specifically referenced in this Section 3.1; and

(q) receipt by the Lender of such additional evidence, documents or undertakings as the Lender shall reasonably request to establish the consummation of the transactions contemplated by this Agreement;

provided that all documents delivered pursuant to this Section 3.1 shall be in full force and effect, and in form and substance satisfactory to the Lender.

3.2 Conditions Precedent to the Advances under the Stand-by Facility

Advances under the Stand-by Facility are subject to approval by the Lender in its sole discretion. Prior to considering any such approval, the Lender will require:

(a) receipt by the Lender of timely Notice of Request for Advance as required under Section 2.4;

(b) the satisfaction of all conditions set out in section 3.1;

(c) the Lender having consented to the acquisition by the Borrower of [redacted] and being satisfied, in its sole discretion, that it has a first priority Encumbrance against [redacted]; and

(d) receipt by the Lender of one or more Stand-by Facility Debentures evidencing the first $1,250,000 of Advances under the Stand-by Facility, duly issued, executed, and delivered, and receipt of acceptance from the TSXV in connection therewith.

3.3 Waiver

The conditions set forth in Sections 3.1 and 3.2 are inserted for the sole benefit of the Lender and may be waived by the Lender, in whole or in part (with or without terms or conditions) in respect of any Drawdown, without prejudicing the right of the Lender at any time to assert such conditions in respect of any subsequent Drawdown.

ARTICLE 4 - EVIDENCE OF DRAWDOWNS

4.1 Account of Record

The Lender shall open and maintain books of account evidencing all Advances and all other amounts owing by the Borrower to the Lender under this Agreement. The Lender shall enter in those books details of all amounts from time to time owing, paid or repaid by the Borrower, and this information shall constitute prima facie evidence of the Obligations of the Borrower to the Lender under this Agreement with respect to all Advances and all other amounts owing by the Borrower to the Lender under this Agreement. After a request by the Borrower, the Lender shall promptly advise the Borrower of any entries made in the Lender's books of account.

ARTICLE 5- PAYMENTS OF INTEREST AND STAND-BY FEES

5.1 Interest on Advances

(a) The Borrower shall pay interest in U.S. Dollars at a rate per annum equal to 12.5%

(b) Interest shall be payable in arrears on each Interest Payment Date. All interest shall accrue from day to day for the actual number of days elapsed for the period from and including the Drawdown Date to and including the day preceding that Interest Payment Date, and shall be calculated on the principal amount of the Advances outstanding during that period. Interest shall be calculated monthly and on the basis of the actual number of days elapsed in a year of 365 days or 366 days, as the case may be.

5.2 General Interest Rules

All interest payments to be made under this Agreement shall be paid both before and after maturity and before and after default and/or judgment, if any, until payment, and interest shall accrue on overdue interest, if any, compounded on each Interest Payment Date.

5.3 Maximum Interest Rate

(a) In the event that any provision of this Agreement or any other Credit Document would oblige an Obligor to make any payment of interest or any other payment which is construed by a court of competent jurisdiction to be interest in an amount or calculated at a rate which would be prohibited by Law or would result in a receipt by the Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada) or if Applicable Law), then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted *nunc pro tunc* to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Law or so result in a receipt by the Lender of interest at a criminal rate, such adjustment to be effected, to the extent necessary as follows:

(i) firstly, by reducing the amount or rate of interest required to be paid under Section 5.1 of this Agreement; and

(ii) thereafter by reducing any fees, commissions, premiums and other amounts which would constitute interest for the purposes of Section 347 of the *Criminal Code* (Canada) or other Applicable Law in such order as the Lender may decide.

(b) If, notwithstanding the provisions of clause (a) of this Section and after giving effect to all adjustments contemplated thereby, the Lender shall have received an amount in excess of the maximum permitted by such clause, then such excess shall be applied by the Lender to the reduction of the principal balance of the outstanding Advances and not to the payment of interest, or if such excessive interest exceeds such principal balance, such excess shall be refunded to the Borrower.

5.4 Stand-by Fees

From the Closing Date until such time as the Stand-By Faciltiy is no longer available in accoredance with the terms of Section 2.1.2. the Borrower shall pay to the Lender a standby fee (the "**Stand-by Fee**"), calculated at the Stand-by Fee Rate, on the amount by which the daily average of the aggregate of all Advances outstanding under the Stand-by Facility during the applicable month is less than the maximum amount available under the Stand-by Facility. The Stand-by Fee shall be determined monthly beginning on the date of this Agreement, and shall be payable by the Borrower monthly in arrears on the 25th of each calendar month beginning with the first of such dates to occur on the 25th day of the calendar month immediately following the month of the Closing. Payments in respect of partial months shall be prorated based on the actual number of days in the applicable monthly period.

5.5 Overdue Principal and Interest

If all or part of any of the Obligations is not paid when due and payable (whether at its stated maturity, by acceleration or otherwise), the overdue amount shall bear interest (before as well as after judgment), payable on demand, at a rate per annum equal to 18% calculated from the date of non-payment until it is paid in full.

5.6 Upfront Fees

(a) On the Closing Date, the Borrower will pay to the Lender fees as follows:

(i) USD$125,000 in immediately available funds, and

(ii) by issuing to the Lender 500,000 common shares in the capital of the Borrower.

(b) On each Drawdown Date under the Stand-by Facility, the Borrower will pay to the Lender a fee as follows:

(i) an amount in U.S. Dollars equal to 2.5% of the Advance, and

(ii) by issuing to the Lender that number of Issued Shares equal to 500,000, multiplied by a fraction, the numerator of which is the amount of the Advance to be made, and the denominator of which is $5,000,000.

ARTICLE 6- REPAYMENTS

6.1 Mandatory Repayment of Principal

Unless the Obligations are required to be repaid at an earlier date pursuant to the terms hereof, the Borrower agrees to repay all Obligations on the Maturity Date.

6.2 Voluntary Repayments

Upon the Lender receiving from the Borrower an irrevocable Repayment Notice not less than five (5) Business Days prior to the proposed repayment date, the Borrower may from time to time repay or prepay Advances other than the Debenture Obligations provided that each such repayment or prepayment shall be in a minimum aggregate amount of $500,000 and if such repayment or prepayment is made prior to the 183rd day following the initial Drawdown Date, the Borrower shall pay as a genuine pre-estimate of damages and not as a penalty, in addition to all other Obligations, an amount equal to ninety (90) days of interest in respect of the principal amount to be prepaid.

6.3 Mandatory Repayments from Proceeds of Debt Issues

If any Obligor incurs any Subordinated Debt, which Subordinated Debt in each case shall not be incurred unless it also constitutes Permitted Debt, an amount equal to 25% of the proceeds of such Debt (net of reasonable, bona fide direct transaction costs and expenses incurred in connection with incurring such Debt, including reasonable legal fees and disbursements) shall be paid by or on behalf of the Borrower to the Lender, immediately upon the closing of the transaction under which such Debt is incurred, and shall be applied in permanent repayment of all outstanding Obligations other than the Debenture Obligations.

6.4 Mandatory Repayments on Additional Financings

If any Additional Financing other than a Permitted Financing occurs at any time, an amount equal to 25% of the proceeds of such Additional Financing (net of reasonable, bona fide direct transaction costs and expenses incurred in connection with effecting such Additional Financing including reasonable legal fees and disbursements and underwriting fees in connection with such Additional Financing) shall be paid forthwith upon receipt of those proceeds and shall be applied in permanent repayment of all outstanding Obligations other than the Debenture Obligations.

6.5 Mandatory Repayment on Dispositions

Subject to Section 9.3.1, on the closing date of any permitted Triggering Disposition by any Obligor an amount equal to the Net Proceeds of such Disposition shall be paid by or on behalf of the Borrower to the Lender and shall be applied in permanent repayment of all outstanding Obligations other than the Debenture Obligations.

ARTICLE 7- PLACE OF PAYMENTS

7.1 Place of Payment

All payments by the Borrower under any Credit Document, unless otherwise expressly provided, shall be made to the Lender by wire transfer to such account as set out in Schedule 7.1 not later than 12:00 noon EST for value on the date when due, and shall be made in immediately available funds without any right of the Borrower to set-off or counterclaim.

ARTICLE 8- REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties

Subject to Section 8.3, the Borrower makes the following representations and warranties to the Lender, and acknowledges and confirms that the Lender is relying upon such representations and warranties:

8.1.1 Existence and Qualification

Each Obligor:

(a) has been duly incorporated, amalgamated, merged or continued, as the case may be, and is validly subsisting under the laws of its jurisdiction of formation, amalgamation, merger or continuance, as the case may be (or in the case of the Obligor which is not a corporation, has been duly created or established as a partnership or other applicable entity and validly exists under and is governed by the laws of the jurisdiction in which it has been created or established); and

(b) is duly qualified and has all required Material Licenses to carry on its business in each jurisdiction in which the nature of its business requires qualification.

8.1.2 Power and Authority

Each Obligor has the power and authority,

(a) to enter into, and to exercise its rights and perform its obligations under, the Credit Documents to which it is a party and all other instruments and agreements delivered by it pursuant to any of the Credit Documents; and

(b) to own its Property and carry on its business as currently conducted and as currently proposed to be conducted by it.

8.1.3 Execution, Delivery

The execution, delivery and performance of each of the Credit Documents to which each Obligor is a party, and every other instrument or agreement delivered by an Obligor pursuant to any Credit Document has been duly authorized, and each of such documents has been duly executed and delivered.

8.1.4 Credit Documents Comply with Applicable Law, Organizational Documents and Contractual Obligations

None of the execution or delivery of, the consummation of the transactions contemplated in, or compliance with the terms, conditions and provisions of any of, the Credit Documents, by any Obligor, conflicts with or will conflict with, or results or will result in any breach of, or constitutes a default under or contravention of, any Applicable Law, Organizational Documents or any Material Contract or Material License, or results or will result in the creation or imposition of any Encumbrance upon any of its Property.

8.1.5 Consent Respecting Credit Documents

Each Obligor has obtained, made, or taken all consents, approvals, authorizations, declarations, registrations, filings, notices and other actions whatsoever required in connection with the execution and delivery by it of each of the Credit Documents to which it is a party, and the consummation of the transactions contemplated in the Credit Documents.

8.1.6 Enforceable Obligations

The Credit Documents have been duly executed and delivered and constitute legal, valid and binding obligations of each Obligor (with regard to each agreement or instrument to which it is a party) enforceable in accordance with their respective terms, except as may be limited by bankruptcy, reorganization, moratorium or insolvency laws or similar laws affecting creditors' rights generally and by general equitable principles.

8.1.7 Taxes and Tax Returns

The Borrower has duly and timely filed, or caused to be duly and timely filed, all material Tax Returns in respect of Taxes required to be filed by it with the appropriate Governmental Authority. The Borrower has duly and timely paid all Taxes that are due and payable by it, except for Taxes which are not material in amount or which are being contested diligently and in good faith through appropriate proceedings, and has made adequate provision in its financial statements or its books and records, as applicable, for the payment of all material Taxes owing by it. There is no material inquiry, action, suit, dispute, objection, appeal, investigation, audit, claim or other proceeding either in progress, pending, or to the best of the knowledge of the Borrower threatened by any Governmental Authority regarding any Taxes or Tax Returns, nor have any of the Obligors requested, offered to enter into, or entered into, any agreement or arrangement, or executed any waiver providing for any extension of time within which an Obligor is required to pay, remit or collect any Taxes, file any Tax Returns or any Governmental Authority may assess, reassess or collect Taxes for which an Obligor is or may be liable.

8.1.8 Securities Accounts

Other than the securities account of the Borrower at Wolverton Securities (USA) Ltd. which amount shall not at any time hold assets greater than $500, none of the Obligors have established or maintain any securities account or have any securities entitlement (as those terms are defined in the STA) and none of them have granted to any Person a security interest in any of their Collateral which has been perfected by control (as such term is defined in the STA).

8.1.9 Judgments, Etc.

No Obligor is subject to any judgment, order, writ, injunction, decree or award, or to any restriction, rule or regulation (other than customary or ordinary course restrictions, rules and regulations consistent or similar with those imposed on other Persons engaged in similar businesses) which has not been stayed, or of which enforcement has not been suspended, which has a Material Adverse Effect on the Obligors, their Property or their Business.

8.1.10 Absence of Litigation

There are no actions, suits or proceedings pending or, to the best of each Obligor's knowledge and belief, after due inquiry and all reasonable investigation, threatened against or affecting any Obligor or the Property of any Obligor.

8.1.11 Debt and Non Arm's Length Transactions

(a) None of the Obligors has any Debt.

(b) No agreement, arrangement or transactions between any Obligor, on the one hand, and any Associate of, Affiliate of or other Person not dealing at Arm's Length with the Borrower (other than Obligors), on the other hand, is in existence at the date hereof except as set forth in Schedule 8.1.11.

8.1.12 Ownership

(a) Each Obligor has:

(i) good and marketable title to, or valid leasehold interests in, all of its real property, mining claims, mining leases, surface leases, and mineral rights (all such property and rights and the nature of such Obligor's interest therein is disclosed in Schedule 8.1.12); and

(ii) good and marketable title to all of its other material Property, in each case subject to no Encumbrances other than Permitted Encumbrances.

(b) Each Obligor enjoys peaceful and undisturbed possession of all its real property and there is no pending or, to the knowledge of any of the Obligors, threatened condemnation or expropriation proceeding relating to any such real property. The leases (including mining leases) with respect to the leased property, together with any leases (including mining leases) of real property entered into by any Obligor after the Closing Date, are referred to collectively as the "**Leases**". All of the real property and the structures thereon and other tangible assets owned, leased or used by any Obligor in the conduct of its business (including without limitation the Business) are:

(i) insured to the extent, and in a manner customary, in the industry in which the Obligors are engaged;

(ii) structurally sound with no known material defects;

(iii) in good operating condition and repair, subject to ordinary wear and tear and casualty;

(iv) not in need of maintenance or repair except for ordinary, routine maintenance and repair the cost of which would not be material or as a result of casualty;

(v) sufficient for the operation of the business of such Obligor as presently conducted thereon; and

(vi) in conformity with all Applicable Law and other requirements (including applicable zoning, environmental, motor vehicle safety, occupational safety and health laws and regulations) relating thereto, except where the failure to comply or conform with any of the foregoing could not reasonably be expected to have a Material Adverse Effect.

(c) No Person has any agreement or right to acquire an interest in any Property of any Obligor other than in the ordinary course of business. Schedule 8.1.12 contains a description of:

(i) all real property owned by each Obligor (including municipal addresses, legal description, the name of the Person which owns such property and a brief description of such property and its use);

(ii) all real property leased by each Obligor (including municipal addresses, legal description, the name of the Person which leases such property, the name of the landlord, the term and any renewal rights under the applicable lease and a brief description of such property and its use); and

(iii) all property not owned or leased by an Obligor but used by an Obligor in the course of its business.

8.1.13 Insurance

Each Obligor maintains insurance which is in full force and effect and which complies with all of the requirements of this Agreement. The details of all existing insurance policies maintained by the Obligors as of the date of this Agreement are outlined as to carrier, policy number, expiration date, type and amount in Schedule 8.1.13.

8.1.14 No Employee Disputes

Except as disclosed in Schedule 8.1.14, there are no claims or applications before any legislative body or administrative tribunal pending or, to the best of the knowledge of the Borrower, threatened, with respect to any breach of the Obligors' obligation to their respective employees.

8.1.15 Compliance with Law

None of the Obligors has violated or failed to comply with any Applicable Law, or any Applicable Order of any self regulatory organization, or any judgment, decree or order of any court, applicable to its business (including the Business) except where the aggregate of all such violations or failures to comply could not reasonably be expected to have a Material Adverse Effect. The conduct of the business of each of the Obligors is in conformity with all securities, commodities, energy, public utility, zoning, building code, health, occupational health and safety and environmental requirements and all other foreign, federal, state, provincial and local governmental and regulatory requirements and requirements of any self regulatory organizations. None of the Obligors has received any notice to the effect that, or otherwise been advised that, it is not in compliance with any Applicable Law, and none of the Obligors knows of any currently existing circumstances that are likely to result in the violation of any Applicable Law.

8.1.16 No Event of Default or Pending Event of Default

No Event of Default or Pending Event of Default has occurred and no event has occurred that (with the giving of notice, the lapse of time or both) would constitute an Event of Default or Pending Event of Default. No Obligor is in default under any agreement, guarantee, indenture or instrument to which it is a party or by which it is bound, the breach of which could reasonably be expected to cause a Material Adverse Effect or affect its ability to perform any of its obligations under any Credit Document to which it is a party.

8.1.17 Corporate Structure

(a) The outstanding capital stock or other ownership interests, as applicable, of each of the Obligors is validly issued, fully paid and non-assessable and is owned (other than in the case of the Borrower) as set forth in Schedule 8.1.17, free and clear of all Encumbrances (other than those arising under or contemplated in connection with the Security). Except as disclosed in Schedule 8.1.17, no Obligor has outstanding any securities convertible into or exchangeable for its capital stock nor does any such Person have outstanding any rights to subscribe for or to purchase or any options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to its capital stock. The organizational structure of the Obligors is as set out in Schedule 8.1.17, which Schedule contains:

(i) a complete and accurate list of:

(A) each such Person's full and correct name (including any French and English forms of name) and the jurisdiction in which each such Person exists;

(B) the full address (including postal code or zip code) of each such Person's registered office, chief executive office and all places of business and, if different, the address at which the books and records of such Person are located, and

(C) details of the authorized and issued share capital, partnership interests, membership interest or other similar interest of each of the Obligors and, except in the case of the Borrower, the name of the registered and beneficial owner of all of the issued and outstanding securities of each such Obligor.

8.1.18 Relevant Jurisdictions

(a) The Relevant Jurisdictions for each Obligor are set out in Schedule 8.1.18

(b) All other locations where the Obligors keep, store or maintain any Property are set out in Schedule 8.1.18. Also, set out in Schedule 8.1.18 is a true, correct and complete list in all material respects of the names and addresses of each warehouseman, processor, packer, or other place at which Property of the Obligors is stored;

8.1.19 Computer Software

Each Obligor owns or has licensed for use all of the material software necessary to conduct its businesses. All Computer Equipment owned or used by an Obligor has been properly maintained and is in good working order for the purposes of on-going operation, subject to ordinary wear and tear for Computer Equipment of comparable age.

8.1.20 Intellectual Property Rights

(a) Each Obligor owns, or has the legal right to use, all Intellectual Property necessary for each of them to conduct its business as currently conducted (including without limitation the Business) except for those that the failure to own or have such legal right to use could not reasonably be expected to have a Material Adverse Effect. Set out on Schedule 8.1.20 is a list of all material Intellectual Property owned by each Obligor, or that any Obligor has the right to use.

(b) Except as provided on Schedule 8.1.20, no claim has been asserted or is pending by any Person challenging or questioning the use of any such Intellectual Property, or the validity or effectiveness of any such Intellectual Property, nor does any Obligor know of any such claim, and to the best of the knowledge of the Borrower, the use of such Intellectual Property by any Obligor does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

8.1.21 Contracts and Licences

(a) Schedule 8.1.21 accurately sets out all Material Contracts and all licences, franchises, permits, or approval issued by any Governmental Authority issued to any Obligor.

(b) A true and complete copy of each Material Contract and Material Licence has been delivered to the Lender and each Material Contract and Material Licence is in full force and effect, unamended except as disclosed in Schedule 8.1.21.

(c) No event has occurred and is continuing which would constitute a breach of, or a default under, any Material Contract or Material Licence.

(d) Each Material Contract to which an Obligor is a party is binding upon that Obligor and, to its knowledge, is a binding agreement of each other Person who is a party to the Material Contract.

(e) Each of the Obligors has obtained all necessary consents, including consents of landlords, to the granting of a security interest in each Material Contract and Material Licence.

8.1.22 Fiscal Year

The Fiscal Year end of each Obligor is December 31.

8.1.23 Financial Information

All financial statements which have been furnished to the Lender in connection with this Agreement are complete in all material respects and such financial statements fairly present the financial position of the Obligors, as applicable as of the dates referred to therein and have been prepared in accordance with Applicable Accounting Standards. All other financial information (including, without limitation, budgets and projections) provided to the Lender is complete in all material respects and based on reasonable assumptions and expectations.

8.1.24 No Material Adverse Effect

Since the date of the most recent annual consolidated financial statements of the Borrower which have been furnished to the Lender in connection with this Agreement, there has been no development or event relating to or affecting any Obligor or the Business which has had or could reasonably be expected to have a Material Adverse Effect.

8.1.25 Environmental

(a) No Obligor is subject to any civil or criminal proceeding or investigation relating to Requirements of Environmental Law and to the best of knowledge of the Borrower, there is no threatened proceeding or investigation.

(b) Each Obligor has all approvals, permits, licenses, registrations and other authorizations required by the Requirements of Environmental Law.

(c) Each Obligor currently operates the Business and its Properties (whether owned, leased or otherwise occupied) in compliance with the Requirements of Environmental Law.

(d) Each Obligor is actively and diligently using all commercially reasonable efforts to plan for future compliance with all Requirements of Environmental Law and all such steps are being completed in a manner consistent with a prudent and responsible operator engaged in a business of a similar nature.

(e) No Hazardous Substances are or have been stored, disposed of or otherwise used by any Obligor in violation of any applicable Requirements of Environmental Law.

(f) All aboveground and underground storage tanks now or previously located in, on or under any real property now or hereafter owned or leased by any Obligor have been or will be operated, maintained and decommissioned or closed, as applicable, in compliance with applicable Requirements of Environmental Law.

(g) No real property or groundwater in, on or under any property now or previously owned or leased by any Obligor is or has been contaminated by any Hazardous Substance, or is named in any list of hazardous waste or contaminated sites maintained under any Requirements of Environmental Law.

8.1.26 Employee Welfare and Pension Plans

No Obligor has adopted any Pension Plans or Welfare Plans.

8.1.27 Full Disclosure

All information furnished by or on behalf of the Obligors to the Lender for purposes of, or in connection with any Credit Document, or any other transaction contemplated by this Agreement, including any information furnished in the future, is or will be true and accurate in all material respects on the date as of which such information is dated or certified, and not incomplete by omitting to state any material fact necessary to make such information not misleading at such time in light of then-current circumstances. There is no fact now known to any of the Obligors which has had, or could reasonably be expected to have, a Material Adverse Effect.

8.1.28 Issued Shares

With respect to the Issued Shares,

(a) all consents, approvals, permits, authorizations or filings as may be required under applicable securities laws, including the acceptance of the TSXV, necessary for the issuance and sale of the Issued Shares have been made or obtained or will be obtained prior to the date any Issued Shares are to be issued to the Lender, as applicable;

(b) the currently issued and outstanding common shares of the Borrower are listed and posted for trading on the TSXV and no order ceasing or suspending trading in any securities of the Borrower or prohibiting the trading of any of the Borrower's issued securities has been issued and no proceedings for such purpose are pending or, to the knowledge of the Borrower, threatened;

(c) the Borrower shall have received the acceptance of the TSXV for the listing of Issued Shares on the TSXV on or before the date any such shares are to be issued pursuant to the terms hereof;

(d) the definitive form of certificate representing any Issued Shares will be in proper form under the *Canada Business Corporations Act* when delivered and will comply with the requirements of the TSXV and will not conflict with the constating documents of the Borrower;

(e) to the knowledge of the Borrower, no agreement is in force or effect which in any manner affects the voting or control of the common shares of the Borrower;

(f) prior to the Closing Date, all necessary corporate action will have been taken by the Borrower to allot, reserve and authorize the issuance of all Issued Shares that may be issued pursuant to the terms hereof as fully paid and non-assessable shares in the capital of the Borrower;

(g) none of the Issued Shares shall be subject to a hold period in Canada of longer than four months and one day after the date of issuance; and

(h) the Borrower shall take all steps necessary to comply with the applicable provisions of National Instrument 45-106, including the filing of a Form 45-106F1 within the prescribed time period in connection with the issuance of all Issued Shares, as applicable.

8.2 Survival and Repetition of Representations and Warranties

The representations and warranties set out in Section 8.1 will be deemed to be repeated by the Obligor as of the date of each request for new Advance by the Borrower except to the extent that on or prior to such date:

(a) the Borrower has advised the Lender in writing of a variation in any such representation or warranty; and

(b) if such variation in the opinion of the Lender, in its sole discretion, is material to the Property, liabilities, affairs, business, operations, prospects or condition (financial or otherwise) of the Obligors considered as a whole or could have, or be reasonably likely to result in, a Material Adverse Effect, the Lender has approved such variation.

8.3 Qualification of Representations and Warranties

The Parties acknowledge and agree that the Los Pinos Issue precludes the Borrower from making certain representations and warranties with respect to Subsidiaries and their respective rights title or interests in any assets or property affected by the Los Pinos Issue. Accordingly, the Parties further acknowledge and agree that the representations and warranties set-out in Section 8.1 or elsewhere in this Agreement relating to Subsidiaries or any of their respective property or assets affected by the Los Pinos Issue, shall have to the extent as they relate to such Subsidiaries no force or effect (collectively, the "**Excluded Representations**"), and the Lender specifically acknowledges that it is not relying upon the Excluded Representations in entering into this Agreement. The Borrower covenants and agrees that at such time as the Los Pinos Issue is resolved, the Excluded Representations shall have effect and be in force as at the time of such resolution.

8.4 Representations and Warranties of the Lender

The Lender represents and warrants to the Borrower, and acknowledges and confirms that the Borrower is relying upon such representations and warranties:

8.4.1 Accredited Investor

The Lender is purchasing both the Bridge Loan Debenture and the common shares of the Borrower issuable pursuant to Section 5.6(a)(ii) as principal, it is subject to the applicable securities laws of Ontario, it is an "accredited investor" as defined in National Instrument 45-106 entitled *Prospectus and Registration Exemptions* promulgated under the *Securities Act* (Ontario) and has concurrently executed and delivered to the Borrower an 'Accredited Investor Status Certificate' indicating that the Lender fits within one of the categories of "accredited investor" set forth in such certificate.

ARTICLE 9- COVENANTS

9.1 Positive Covenants

Until the Obligations have been paid in full, the Borrower makes and shall maintain, or cause the other Obligors to maintain, as applicable, the following covenants:

9.1.1 Conduct of Business, Maintenance of Existence, Compliance with Law

Each Obligor shall engage in business of the same general type as the Business; carry on and conduct its business and operations in a proper, efficient and businesslike manner, in accordance with good business practice; preserve, renew and keep in full force and effect its existence; and take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business and comply in all material respects with all Material Contracts, Material Licenses, Organizational Documents and Applicable Law. For greater certainty, each Obligor will take all reasonable action to maintain all rights and privileges necessary or desirable to keep all mining leases and mineral rights of such Obligor in full force and effect, including such actions as are required to cause all representation work to be performed and to file all statements and other filings with the appropriate Mining Recorder's office at such times as required by Applicable Law.

9.1.2 Access to Information

Each Obligor shall promptly provide the Lender with all information requested by the Lender from time to time concerning its financial condition and Property, and during normal business hours and from time to time upon reasonable notice, permit representatives of the Lender to inspect any of its Property and to examine and take extracts from its financial books, accounts and records including but not limited to accounts and records stored in computer data banks and computer software systems, and to discuss its financial condition with its Senior Officers and (in the presence of such of its representatives as it may designate) its auditors.

9.1.3 Obligations and Taxes

(a) Each Obligor shall pay or discharge, or cause to be paid or discharged, before they become delinquent all Taxes that are due payable by it.

(b) Each Obligor shall prepare and file, or cause to be prepared and filed, all Tax Returns that are required to be prepared and filed by it with the appropriate Governmental Authority on a timely basis all in accordance with Applicable Law.

9.1.4 Insurance

The Borrower shall maintain or cause to be maintained with reputable insurers satisfactory to the Lender insurance, in such amounts and otherwise covering such risks as are required by the Lender in its sole discretion and provide to the Lender, on an annual basis, evidence of such coverage. The Borrower shall, on an annual basis prior to the expiry or replacement of any insurance policy, send copies of all renewed or replacement policies to the Lender and shall permit an insurance consultant satisfactory to the Lender, to complete a review of, and comment on the adequacy of, such coverage, and the Borrower shall remedy any inadequacies that consultant may raise. Without limiting the generality of the foregoing, the Borrower shall maintain or cause to be maintained in good standing all insurance coverages reasonable and prudent for a business analogous to the business of the Obligors (including the Business). The Lender shall be indicated in all insurance policies as a loss payee or additional insured, as applicable, and all policies shall contain such clauses as the Lender requires for the Lender's protection.

9.1.5 Notices

The Borrower shall promptly give notice to the Lender of:

(a) any violation of any Applicable Law;

(b) any entering into, termination of, amendment of, or default under a Material Contract;

(c) any damage to or destruction of any property, real or personal, of an Obligor having a replacement cost in excess of Cdn$50,000;

(d) any Encumbrance registered against any property or assets of an Obligor, other than a Permitted Encumbrance;

(e) details of any Permitted Inter-Corporate Debt incurred subsequent to the Closing Date;

(f) any Event of Default or Pending Event of Default;

(g) any Material Adverse Effect that would apply to it, or any other Obligor, or any event or circumstance that is likely to give rise to a Material Adverse Effect; or

(h) the occurrence or threatened occurrence of any litigation, dispute, arbitration, proceeding or other circumstance the result of which, if determined adversely, would be a judgment or award against any Obligor:

    (i) in excess of Cdn$50,000 or with respect to the Los Pinos Issue in excess of Cdn$200,000; or

    (ii) would result in a Material Adverse Effect to any Obligor;

and from time to time provide the Lender with all information requested by the Lender concerning any such proceeding.

9.1.6 Environmental Compliance

Each Obligor shall operate its business in compliance with applicable Requirements of Environmental Law and operate all Property owned, leased or otherwise used by it such that no obligation, including a clean-up or remedial obligation, shall arise under any Requirements of Environmental Law, provided however, that if any such claim is made or any such obligation arises, the applicable Obligor shall immediately satisfy or contest such claim or obligation at its own cost and expense. The Borrower shall promptly notify the Lender of:

(a) the existence of Hazardous Substance located on, above or below the surface of any land which any Obligor owns, leases, operates, occupies or controls (except those being stored, used or otherwise handled in substantial compliance with applicable Requirements of Environmental Law), or contained in the soil or water constituting such land; or

(b) the occurrence of any reportable release, spill, leak, emission, discharge, leaching, dumping or disposal of Hazardous Substances that has occurred on or from such land.

9.1.7 Security

With respect to the Security, each Obligor shall:

(a) provide and cause each of its Subsidiaries to provide, as applicable, to the Lender the Security required from time to time pursuant to Article 10 in accordance with the provisions of that Article, accompanied by supporting resolutions, certificates and opinions in form and substances satisfactory to the Lender and Lender's Counsel in their sole discretion; and

(b) do, execute and deliver all such things, documents, security, agreements and assurances as may from time to time be requested by the Lender to ensure that the Lender holds at all times valid, enforceable, perfected first priority Encumbrances (subject only to the Priority Encumbrances) from the Obligors meeting the requirements of Article 10.

9.1.8 Maintenance of Property

Each Obligor shall keep all Property useful and necessary in its business in good working order and condition, normal wear and tear excepted, and do and cause to be done all things necessary to preserve and keep in full force all Intellectual Property and registrations thereof necessary to carry on its business.

9.1.9 Landlord Consents and Non-Disturbance Agreements

In respect of such property as the Lender may request in writing, each Obligor shall:

(a) obtain a consent agreement from each landlord of property (including the lessor under mining leases) or property that are leased by such landlord at any time and from time to time to any Obligor, in form and content satisfactory to the Lender acting reasonably;

(b) obtain a non-disturbance agreement from each mortgagee of any such leased premises and an acknowledgement by each such mortgagee of any applicable landlord's consent in respect of such premises; and

(c) register notice of each lease relating to leased premises or property and any applicable landlord's consent and non-disturbance agreement against title to the applicable real or leasehold property or in the applicable mining recorder's office.

9.1.10 Material Contracts

At the request of the Lender acting reasonably, each Obligor shall use reasonable commercial efforts to obtain the consent of each Person (other than another Obligor) which is party to a Material Contract to the assignment of any applicable Obligor's interest therein to the Lender pursuant to the Security, such form to be satisfactory in content to the Lender.

9.1.11 Expenses

The Borrower shall pay promptly all reasonable fees and disbursements (including Taxes related thereto) incurred or paid by the Lender in connection with the preparation, negotiation, execution, delivery, maintenance, amendment and enforcement (including any workouts in connection with or in lieu of any enforcement) of the Credit Documents, and in connection with the consummation of the transactions contemplated by the Credit Documents, and including, without limitation, all court costs and all reasonable fees and disbursements of lawyers, auditors, consultants and accountants.

9.1.12 Pension Plans and Welfare Plans

No Obligor will adopt, or become obligated to contribute to, maintain, or contribute to any Pension Plan or multiemployer Pension Plan subject to applicable pension and tax Law, without the prior written consent of the Lender.

9.1.13 Revision or Update of Schedules

The Borrower shall, if any of the information or disclosures provided in any of the Schedules attached to this Agreement becomes outdated or incorrect in any material respect, deliver to the Lender at such time (or upon the request of the Lender) any revisions or updates to such Schedule(s) as may be necessary or appropriate to update or correct the outdated Schedule(s), which revisions shall be effective from the date accepted in writing by the Lender, such acceptance not to be unreasonably withheld; provided, that no revisions or updates to any Schedule(s) shall be deemed to have cured any breach of warranty or misrepresentation occurring prior to the delivery of that revision or update by reason of the inaccuracy or incompleteness of the relevant Schedule(s) at the time that warranty or representation previously was made or deemed to have been made.

9.1.14 Quarterly Reports

The Borrower shall deliver to the Lender as soon as available, and in any event within 60 days of the end of each of its Fiscal Quarters (excluding the fourth quarter) (subject to any extension with respect to the filing deadline of the Borrower's financial statements as may be granted by applicable securities regulatory authorities), as at the end of such Fiscal Quarter, the interim unaudited financial statements of the Borrower prepared on a consolidated basis including, without limitation, balance sheet, statement of income and retained earnings, statement of changes in financial position and a comparison to the budget set forth in the Annual Business Plan, which shall be prepared in accordance with Applicable Accounting Standards.

9.1.15 Annual Reports

The Borrower shall deliver to the Lender as soon as available, and in any event within 120 days after the end of each Fiscal Year (subject to any extension with respect to the filing deadline of the Borrower's financial statements as may be granted by applicable securities regulatory authorities), the annual audited financial statements of the Borrower prepared on a consolidated basis including, without limitation, balance sheet, statement of income and retained earnings, statement of changes in financial position for such Fiscal Year and a comparison to the budget set forth in the Annual Business Plan, which financial statements (but not the Annual Business Plan) shall be audited by an internationally recognized accounting firm, and shall be prepared in accordance with Applicable Accounting Standards.

9.1.16 Annual Business Plan

The Borrower shall deliver to the Lender, as soon as available and in any event within 45 days prior to each Fiscal Year end, a final Annual Business Plan. The Parties acknowledge and agree that the Borrower has delivered to the Lender a "Sources and Use of Proceeds" with respect to the Bridge Loan Facility, and that such document constitutes the Annual Business Plan for 2011.

9.1.17 Shares to be Listed

The common shares in the capital of the Borrower shall at all times be listed and posted for trading on the TSXV or the Toronto Stock Exchange.

9.2 Other Information

The Borrower shall promptly provide the Lender with such other information as it may reasonably request respecting the Obligors.

9.3 Negative Covenants

So long as this Agreement is in effect, and until the Obligations have been paid in full, and except as otherwise permitted by the prior written consent of the Lender, the Borrower shall maintain, and cause each other Obligor to maintain, the following covenants:

9.3.1 Disposition of Property

No Obligor shall dispose of Property in any Fiscal Year except for:

(a) Dispositions in the ordinary course of business of obsolete Property or of any inventory or other assets that are customarily sold by the Obligor on an on-going basis as part of the normal operation of its business;

(b) Dispositions of Property between the Obligors, where in each case, the receiving Obligor has granted Security to the Lender over or in respect of such Property subject only to Permitted Encumbrances;

(c) Dispositions of Property on Arm's Length terms and for fair market value if, after giving effect to all such Dispositions in any Fiscal Year, the aggregate Net Proceeds of Disposition realized in respect of such Dispositions would not exceed in the aggregate in such Fiscal Year, Cdn$250,000; and

(d) Dispositions of Property on Arm's Length terms and for fair market value which are not otherwise permitted under subparagraphs 9.3.1(a) to 9.3.1(c) above, provided that the Disposition does not relate to all or substantially all of the assets of any Obligor, and provided further that the Net Proceeds are used by the Borrower to repay Advances outstanding under the Credit Facilities in accordance with Section 6.5.

9.3.2 Capital Expenditures

No Obligor shall make any Capital Expenditures, or enter into any agreement which would require any Capital Expenditures, other than Permitted Capital Expenditures.

9.3.3 No Consolidation, Amalgamation, etc.

No Obligor shall consolidate, amalgamate or merge with any other Person, enter into any corporate reorganization or other transaction intended to effect or otherwise permit a change in its existing corporate or capital structure, liquidate, wind-up or dissolve itself, or permit any liquidation, winding-up or dissolution.

9.3.4 No Change of Name

No Obligor shall change its name without providing the Lender with thirty (30) days prior written notice thereof.

9.3.5 No Debt

No Obligor shall create, incur, assume or permit any Debt to remain outstanding, other than Permitted Debt.

9.3.6 No Investments

No Obligor shall make, directly or indirectly, any Investment.

9.3.7 No Financial Assistance

No Obligor shall give any Financial Assistance other than guarantees made by the Obligors in favour of the Lender as contemplated hereunder.

9.3.8 No Distributions

No Obligor shall make any Distribution except Permitted Distributions.

9.3.9 No Encumbrances

No Obligor shall create, incur, assume or permit to exist any Encumbrance upon any of its Property, except Permitted Encumbrances.

9.3.10 Acquisitions

No Obligor shall make any Acquisition save and except for: (i) the staking of any mineral claims; (ii) acquiring an interest in additional mineral properties, including by way of option or joint venture, provided the amount expended in respect of all such Acquisitions does not exceed $250,000 during the term of the Credit Facility, and (iii) any extension to the existing Pine Point mineral property, provided, in each case the Obligors have complied with their obligations in Section 10.3 at the time of the Acquisition.

9.3.11 No Change to Year End

No Obligor shall make any change to its Fiscal Year.

9.3.12 No Continuance

No Obligor shall continue into any other jurisdiction.

9.3.13 Location of Assets in Other Jurisdictions

No Obligor shall, except in the case of Property being delivered to a customer in the ordinary course of business as part of the performance of its obligations, or the provision of its services, under a contract entered into with that customer, (1) move any Property from a jurisdiction in which the Encumbrance of the Security over such Property is perfected to a jurisdiction where that Encumbrance is not perfected or where, after a temporary period allowing for registration in such other jurisdiction, that Encumbrance could become unperfected, or (2) suffer or permit in any other manner any of its Property to not be subject to that Encumbrance or to be or become located in a jurisdiction in which that Encumbrance is not perfected, unless:

(a) the Obligor has first given thirty (30) days prior written notice thereof to the Lender; and

(b) the applicable Obligor has first executed and delivered to the Lender all Security and all financing or registration statements deemed necessary or admissible by, and in form and substance satisfactory to the Lender or Lender's Counsel, to ensure that the Security at all times constitutes a perfected first priority Encumbrance (subject only to the Priority Encumbrances) over such Property in such jurisdiction, together with any supporting certificates, resolutions, opinions and other documents as the Lender or Lender's Counsel may deem necessary or desirable.

9.3.14 Restrictions on Business Activities

No Obligor shall carry on business other than the Business. No Obligor shall permit any drilling at or on Los Pinos without the prior consent of the Lender.

9.3.15 No Share Issuance

No Obligor other than the Borrower shall issue any securities, except to another Obligor, and then only if the issued securities are concurrently and validly pledged to the Lender under the Security.

9.3.16 Ownership of Subsidiaries

No Obligor shall sell, transfer or otherwise dispose of, any shares of capital stock of any other Obligor, or permit any Obligor (other than the Borrower) to issue securities.

9.3.17 Amendments to Organizational Documents

No Obligor shall amend any of its Organizational Documents in a manner that would be prejudicial to the interests of the Lender under the Credit Documents.

9.3.18 Amendments to other Material Contracts and Material Licences

No Obligor shall amend, vary or alter in any material way, consent to any assignment or transfer of, or waive or surrender any of its rights or entitlements which could be considered material under, any Material Contracts or Material Licences.

9.3.19 No New Subsidiaries

No Obligor shall create any Subsidiary after the date of this Agreement without Lender's prior written consent.

9.3.20 Accounts

(a) No Obligor shall open, maintain or otherwise have any accounts at any bank, or any other account where money is or may be deposited or maintained with any Person, other than the accounts set out in Schedule 9.3.20 on the Closing Date.

(b) Other than as disclosed herein, no Obligor shall open, maintain or otherwise have a securities account or have any securities entitlement (as those terms are defined in the STA) without the prior written consent of the Lender.

9.3.21 Non-Arm's Length Transactions

No Obligor shall enter into any transaction or series of transactions, whether or not in the ordinary course of business, with any officer, director, shareholder or Affiliate of any member of the Obligor other than upon terms and conditions that are not worse for the Borrower than would be obtainable in a comparable Arm's Length transaction and which are approved by the board of directors (or managers, as applicable) of the applicable Obligor and fully disclosed in writing to the Lender and approved by Lender if outside the ordinary course of the business of the Obligor.

ARTICLE 10- SECURITY

10.1 Form of Security

(a) As general and continuing security for the due payment and performance of the Obligations of the Obligors to the Lender under the Credit Documents, the following Security shall be granted to the Lender:

(i) a general security agreement from the Borrower in favour of the Lender, constituting a first priority Encumbrance (subject only to the Priority Encumbrances) on all of the present and future Property of the Borrower;

(ii) a securities pledge agreement from the Borrower in favour of the Lender constituting a first priority Encumbrance (subject only to the Priority Encumbrances) over all shares in the capital stock of all its present and future direct Subsidiaries;

(iii) an unlimited guarantee and a postponement of claim from each of the Subsidiaries, guaranteeing the due payment and performance to the Lender of the all present and future Obligations of the Borrower;

(iv) a general security agreement from each of the Subsidiaries of the Borrower in favour of the Lender, as security for its Obligations, constituting a first priority Encumbrance (subject only to the Priority

Encumbrances) on all of the present and future Property of each such Subsidiary;

(v) securities pledge agreements from each Subsidiary of the Borrower in favour of the Lender constituting a first priority Encumbrance (subject only to the Priority Encumbrances) over all of the shares in the capital stock of each of its present and future direct Subsidiaries;

(vi) a general and specific assignment to the Lender of the rights, entitlements and benefits of any Obligor under any Material Contract, duly acknowledged by each counterparty thereto;

(vii) assignments by each Obligor to the Lender, with appropriate mortgagee clauses, of all insurance held by such Obligor;

(viii) an assignment by each Obligor in favour of the Lender of the Inter-Corporate Debt and the Inter-Corporate Security;

(ix) such further security agreements, deeds or other instruments of conveyance, assignment, transfer, mortgage, pledge or charge as the Lender may reasonably request to effectively secure the undertaking, property and assets of the Obligors in the manner contemplated by the security referred to in (i) through (viii) above.

(b) The documents referred to above shall be in form satisfactory to the Lender and Lender's Counsel.

10.2 Insurance Assignment

Each Obligor, or the appropriate Obligor if blanket insurance policies are held, will cause the Lender to be shown as a loss payee, as its interest may appear, with respect to all insurance on the Property of each Obligor. All the proceeds of such insurance shall be paid directly to the Lender and held as further security.

10.3 After Acquired Property and Further Assurances

The Borrower shall from time to time execute and deliver, and shall cause each of the other Obligors from time to time execute and deliver, all such deeds or other instruments of conveyance, assignment, transfer, mortgage, pledge or charge in connection with all assets acquired by any Obligor after the date hereof and intended to be subject to the Security, including any insurance on those assets as may be requested by the Lender from time to time.

The Borrower shall take, and cause each of the other Obligors to take, such actions as are necessary or as the Lender may reasonably request from time to time to ensure that the Obligations of each Obligor under the Credit Documents are secured by a first priority Encumbrance (subject only to Priority Encumbrances) in favour of the Lender over all of the Property of the Obligors, in each case as the Lender may determine, including (a) the execution and delivery of guarantees, security agreements, pledge agreements, mortgages, deeds of trust, financing statements and other documents, and the filing or recording of any of the foregoing and

(b) the delivery of certificated securities and other collateral with respect to which perfection is obtained by possession and (c) entering into such agreements and taking such actions as are necessary so that the Lender has control (for purposes of the STA) of any collateral over which a security interest may be perfected by control.

10.4 Registration

The Borrower shall, at its expense, cause to be registered, filed or recorded the Security in all offices in each Relevant Jurisdiction where such registration, filing or recording is necessary or of advantage to the creation, perfection and preserving of the Security applicable to it and/or any other Obligor. Upon the written request of the Lender, the Borrower shall renew such registrations, filings and recordings from time to time as and when required to keep them in full force and effect and shall, from time to time as reasonably required, provide to the Lender an opinion of counsel acceptable to the Lender that all such registrations, filings and recordings have been made and perfect the security interests created by the Security.

10.5 Release of Security

At such time as the Borrower has satisfied all of its respective indebtedness, liabilities and obligations in relation to the Agreement in full and shall have terminated the same, the Lender shall, at the expense and request of the Borrower, without any representations, warranties or recourse of any kind whatsoever, enter into such agreements and other instruments as may be necessary to release, reassign, reconvey and discharge the Security; provided that any asset which is disposed of by any other Obligor in accordance with the terms of this Agreement shall be released from the Security by the Lender following a written request by, and at the expense of, the Borrower.

ARTICLE 11 - DEFAULT

11.1 Events of Default

The occurrence of any one or more of the following events (each an "**Event of Default**") shall constitute a default under this Agreement:

(a) the failure of an Obligor to pay any amount of principal of any Advance, or to pay interest, fees or other Obligations when due and payable;

(b) the failure of an Obligor to observe or perform any covenant or obligation applicable to it under any Credit Document (other than a covenant or condition whose breach or default in performance is specifically dealt with elsewhere in this Section 11.1), or the occurrence of a Material Adverse Effect, if that Obligor fails to remedy such default within the earlier of five (5) days from the date:

  (i) *it becomes aware of the default; and*

  (ii) the Lender delivers written notice of the default to the Borrower;

(c) any representation or warranty made by any Obligor in any Credit Document or in any certificate or other document at any time delivered hereunder to the Lender was incorrect or misleading or becomes incorrect or misleading in any material respect and the Obligor shall have failed to cure that breach or alleged breach within ten (10) Business Days after the Obligor's receipt of that specific written notice from the Lender;

(d) the cessation or threatened cessation by an Obligor of its business generally or the admission by an Obligor of its inability to, or, its actual failure to, pay its debts generally;

(e) the failure of an Obligor to observe or perform any agreement or condition in relation to any Debt to any Person which in the aggregate principal amount then outstanding is in excess of Cdn$25,000, or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other condition is to cause, or to permit the holder of such Debt to cause such Debt to become due prior to its stated maturity date and the Obligor shall have failed to cure that breach or alleged breach within ten (10) Business Days after the Obligor's receipt of that specific written notice from the Lender;;

(f) the denial by any Obligor of its obligations under any Credit Document, or the claim by any Obligor that any of the Credit Documents is invalid or has been withdrawn in whole or in part;

(g) a decree or order has been entered by a court of competent jurisdiction adjudging an Obligor bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of any of them under any Insolvency Legislation or insolvency or appointing a receiver and/or a receiver and manager or decreeing or ordering a winding-up or liquidation of the affairs of any of them; or

(h) an Obligor files a proposal pursuant to Insolvency Legislation or shall institute proceedings to be adjudicated a bankrupt or insolvent or shall consent to the institution of bankrupty, or insolvency proceedings against it or shall file a petition or answer or consent seeking reorganization or relief under any applicable laws relating to bankruptcy or insolvency, or shall consent to the filing of any such petition or shall consent to the appointment of a receiver and/or a receiver and manager or shall have made an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due;

(i) the taking of possession by an Encumbrancer, by appointment of a receiver, receiver and manager, or otherwise, of any material portion of the Property of any Obligor;

(j) the entering or obtaining of a final judgment or decree for the payment of money due against an Obligor in an amount in excess of Cdn$100,000 if that judgment or decree is not vacated, discharged or stayed pending appeal within the applicable appeal period;

(k) the occurrence of an event of default under any Material Contract or Material Licence of an Obligor (other than an event of default specifically dealt with in this section), if that event of default is not remedied within fifteen (15) days after an Obligor becomes aware of it; or

(l) a Person who is not, on the date hereof, a Control Person in respect of the Borrower, becomes a Control Person in respect of the Borrower.

11.2 Acceleration and Termination of Rights

If any Event of Default occurs, all Obligations shall, at the option of the Lender, become immediately due and payable with interest, at the rate or rates determined as provided in this Agreement, to the date of their actual payment, all without notice, presentment, protest, demand, notice of dishonour or any other demand or notice whatsoever, all of which are hereby expressly waived by each Obligor. In that event, the Security shall become immediately enforceable and the Lender may, in its sole discretion, exercise any right or recourse and/or proceed by any action, suit, remedy or proceeding against any Obligor authorized or permitted by law for the recovery of all the Obligations of the Obligors to the Lender, and proceed to exercise any and all rights hereunder and under the Security, and no such remedy for the enforcement of the rights of the Lender shall be exclusive of, or dependent on, any other remedy, but any one or more of such remedies may from time to time be exercised independently or in combination. Upon acceleration pursuant hereto prior to the 183rd day following the Closing Date, the Borrower shall pay as a genuine pre-estimate of damages and not as a penalty in addition to all other Obligations, an amount equal to ninety (90) days of interest in respect of the amount so accelerated.

11.3 Remedies Cumulative

For greater certainty, the rights and remedies of the Lender under any Credit Document are cumulative and are in addition to, and not in substitution for, any rights or remedies provided by Law or by equity; and any single or partial exercise by the Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in any Credit Document shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Lender may be lawfully entitled for such default or breach.

11.4 Termination of Lender's Obligations

The occurrence of an Event of Default shall relieve the Lender of all obligations to provide any further Advances.

11.5 Saving

The Lender shall have no obligation to the Obligors or any other Person to realize any collateral or enforce the Security or any part thereof or to allow any of the collateral to be sold, dealt with or otherwise disposed of. The Lender shall not be responsible or liable to the Obligors or any other Person for any loss or damage upon the realization or enforcement of, the failure to realize or enforce the collateral or any part thereof or the failure to allow any of the collateral to be sold, dealt with or otherwise disposed of or for any act or omission on their respective parts or on the part of any director, officer, agent, servant or adviser in connection with any of the foregoing, except that the Lender may be responsible or liable for any loss or damage arising from the wilful misconduct or gross negligence of the Lender.

11.6 Perform Obligations

If an Event of Default has occurred and is continuing, and if any Obligor has failed to perform any of its covenants or agreements in the Credit Documents, the Lender may, but shall be under no obligation to, perform any such covenants or agreements in any manner deemed fit by the Lender without thereby waiving any rights to enforce the Credit Documents. The reasonable expenses (including any legal costs on a full indemnity basis) incurred by the Lender in respect of the foregoing shall be an Obligation and shall be secured by the Security.

11.7 Third Parties

No Person dealing with the Lender or any agent of the Lender shall be concerned to inquire whether the Security has become enforceable, or whether the powers which the Lender is or purporting to exercise have been exercisable, or whether any Obligations remain outstanding upon the Security thereof, or as to the necessity or expediency of the stipulations and conditions subject to which any sale shall be made, or otherwise as to the propriety or regularity of any sale or other Disposition or any other dealing with the collateral charged by such Security or any part thereof.

11.8 Set-Off or Compensation

In addition to, and not in limitation of, any rights now or hereafter granted under Applicable Law, if repayment is accelerated pursuant to Section 11.2, the Lender may, at any time without notice to any Obligor or any other Person, the right to receive any notice being expressly waived by each Obligor, set-off and compensate and apply any and all indebtedness or obligation of any kind at any time owing by the Lender to or for the credit of or the account of an Obligor, against and on account of the Obligations, notwithstanding that any of them are contingent or unmatured.

11.9 Application of Payments

Notwithstanding any other provisions of this Agreement, after the occurrence and during the continuance of an Event of Default, all payments made by an Obligor under this Agreement, or from the proceeds of realization of any Security, or otherwise collected or received by the Lender on account of amounts outstanding with respect to any of the Obligations, shall be paid over or delivered to make the following payments (as the same become due at maturity, by acceleration or otherwise):

(a) first, to payment of any fees owed to the Lender hereunder or under any other Credit Document;

(b) second, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable legal fees) of the Lender in connection with enforcing the rights of the Lender under the Credit Documents;

(c) third, to the payment of all Obligations consisting of interest payable to the Lender hereunder;

(d) fourth, to all other Obligations other than the Debenture Obligations;

(e) fifth, to all Debenture Obligations; and

(f) sixth, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

ARTICLE 12 - COSTS, EXPENSES AND INDEMNIFICATION

12.1 Costs and Expenses

The Borrower shall pay promptly upon receipt of written notice from the Lender all reasonable costs and expenses in connection with the preparation, execution and delivery of the Credit Documents, including, without limitation, all expenses relating to the preparation, execution and delivery of Credit Documents required for the Stand-by Facility, and the other instruments, certificates and documents to be delivered thereunder, whether or not a closing has occurred or any Drawdown has been made under this Agreement, including, without limitation, the reasonable fees and out-of-pocket expenses of Lender's Counsel with respect thereto and with respect to advising the Lender as to its rights and responsibilities under this Agreement and the other Credit Documents to be delivered under this Agreement. The Borrower further agrees to pay all reasonable costs and expenses in connection with the preparation or review of waivers, consents and amendments requested by the Borrower, questions of interpretation of this Agreement, and in connection with the establishment of the validity and enforceability of this Agreement and the preservation or enforcement of rights of the Lender under this Agreement, and other documents to be delivered under this Agreement, including, without limitation, all reasonable costs and expenses sustained by the Lender as a result of any failure by any of the Obligors to perform or observe any of their respective obligations under this Agreement, together with interest at 12.5% per annum from and after the 10th Business Day of having been given notice from the Lender, if payment is not made by that time. Such costs and expenses shall be payable whether or not an Advance is made under this Agreement.

12.2 Specific Environmental Indemnification

In addition to any liability of the Borrower to the Lender under any other provision of this Agreement, the Borrower covenants to defend and indemnify and hold harmless the Lender and its directors, officers, employees and representatives (collectively the "**Indemnified Parties**" and individually an "**Indemnified Party**") at all times from and against any and all losses, damages and costs (including reasonable legal fees and expenses) resulting from any legal action commenced or claim made by a third party, or administrative order issued by a Governmental Authority against the Lender, related to or as a result of actions on the part of any Obligor related to, or as a consequence of, environmental matters or a failure to comply with Requirements of Environmental Law. The Borrower shall have the sole right, at its expense, to control any such legal action or claim and to settle on terms and conditions approved by the Borrower and approved by the party named in such legal action or claim acting reasonably provided that if, in the opinion of the Lender the interests of the Lender are different from those of the Borrower in connection with such legal action or claim, the Lender shall have the right, at the Borrower's expense, to defend its own interests provided that any settlement of such legal action or claim shall be on terms and conditions approved by the Borrower, acting reasonably. If the Borrower does not defend the legal action or claim, the Lender shall have the right to do so on its own behalf and on behalf of the Borrower, as the case may be, at the expense of the Borrower. The defence and indemnity obligations contained throughout this Agreement shall survive the termination of this Agreement and repayment of the Obligations.

12.3 Specific Third Party Claim Indemnification

In addition to any liability of the Borrower to the Lender under any other provision of this Agreement, the Borrower covenants to indemnify and hold harmless the Indemnified Parties from and against any and all actions, proceedings, claims, assessments in respect of required withholding losses, damages, liabilities, expenses and obligations of any kind that may be incurred by, or asserted against, any of them by any third party, including any Governmental Authority, as a result of, or in connection with, the entering into of the Credit Documents or the transactions therein contemplated, other than any claim arising from the gross negligence or wilful misconduct of an Indemnified Party. Whenever any such claim arises, an Indemnified Party (if not the Lender) shall promptly notify the Lender, and the Lender shall in turn promptly notify the Borrower, of the claim and, when known, the facts constituting the basis for the claim, and if known, the amount or an estimate of the amount of the claim. The failure of an Indemnified Party to promptly give notice of a claim shall not adversely affect the Indemnified Party's rights to indemnity, except to the extent such failure adversely affects the right of the Borrower to assert any reasonable defence to the claim. An Indemnified Party shall not settle or compromise any claim by a third party for which it is entitled to indemnification under this Section 12.3 without the prior written consent of the Borrower (which consent shall not be unreasonably withheld). The Borrower, at its sole cost and expense, may, upon written notice to the applicable Indemnified Parties, assume the defence of any such claim or any legal proceeding resulting therefrom, with counsel satisfactory to the applicable Indemnified Parties in their sole discretion but shall not settle or compromise any such claim or any legal proceeding resulting therefrom without the prior written consent of the applicable Indemnified Parties (which consent shall not be unreasonably withheld). The applicable Indemnified Parties shall be entitled to participate in (but not control) the defence of any action, with their own counsel and at their own expense. If the Borrower does not assume the defence of any claim or litigation resulting therefrom, the applicable Indemnified Parties may defend against that claim or litigation using one set of counsel for those Indemnified Parties, in the manner as it deems appropriate and at the expense of Borrower, including, but not limited to, settling the claim or litigation, after giving notice of the proposed settlement to, and receiving the consent of, the Borrower (which consent shall not be unreasonably withheld). In that case the Borrower shall be entitled to participate in (but not control) the defence of the action, with its own counsel and at its own expense. The defense and indemnity obligations contained throughout this Agreement shall survive the termination of this Agreement and repayment of the Obligations.

ARTICLE 13- TAXES, CHANGE OF CIRCUMSTANCES

13.1 Change in Law

(a) In the event of any change after the date of this Agreement in any Applicable Law or in the interpretation or application thereof by any court or by any Governmental Authority which now or hereafter:

(i) subjects the Lender to any Tax or changes the basis of taxation, or increases any existing Tax, on payments of principal, interest, fees or other amounts payable by any Obligor to the Lender under any Credit Document (except for Taxes on the overall net income of the Lender);

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirements against assets held by, or deposits in or for the account of or loans by or any other acquisition of funds by, an office of the Lender; or

(iii) imposes on the Lender or requires there to be maintained by the Lender any capital adequacy or additional capital requirements in respect of any Advances hereunder or any other condition with respect to any Credit Document;

with the result of an increase in the cost to, or a reduction in the amount of principal, interest or other amount received or receivable by, or the effective return of, the Lender under this Agreement in respect of making, maintaining or funding such Advance under the Credit Facilities, the Lender shall determine that amount of money which shall compensate the Lender for such increase in cost or reduction in income (in this Agreement referred to as "**Additional Compensation**").

(b) Upon the Lender having determined that it is entitled to Additional Compensation the Lender shall promptly notify the Borrower. The Lender shall provide to the Borrower a photocopy of the relevant Applicable Law, and a certificate of a duly authorized officer of the Lender setting forth the Additional Compensation and the basis of calculation therefor, which shall be conclusive evidence of such Additional Compensation in the absence of manifest error. The Borrower shall pay or shall cause the applicable Obligor to pay to the Lender within ten (10) Business Days of the giving of such notice the Lender's Additional Compensation calculated to the date of such notification. The Lender shall be entitled to be paid such Additional Compensation from time to time to the extent that the provisions of this Section 13.1 are then applicable, notwithstanding that the Lender has previously been paid Additional Compensation. The Lender shall endeavour to limit the incidence of any Additional Compensation, including seeking recovery for the account of the applicable Obligor, by appealing any assessment at the expense of the applicable Obligor upon the request of the Borrower and will not seek Additional Compensation from the applicable Obligor except to the extent it seeks Additional Compensation from other obligors, if any, similarly affected.

13.2 Illegality

If, after the date of this Agreement, the adoption of or change to any Applicable Law, or any change in the interpretation or application thereof by any court or by any Governmental Authority, now or hereafter makes it unlawful or impossible for the Lender to make, fund or maintain an Advance under the Credit Facilities or to give effect to obligations it may have, if any, in respect of such an Advance, the Lender may, by written notice to the Borrower, declare obligations it may have, if any, under this Agreement to be terminated, whereupon the same shall forthwith terminate, and the Borrower shall repay within the time required by such Law (or at the end of such longer period as the Lender at its discretion has agreed) the principal of such Advance together with accrued interest, any Additional Compensation that may be applicable to the date of such payment and all costs, losses and expenses incurred by the Lender by reason of the liquidation or re-employment of deposits or other funds or for any other reason whatsoever resulting from the repayment of such Advance or any part thereof on other than the day it would otherwise be due. If any such change shall only affect a portion of the Lender's obligations, if any, under this Agreement which is, in the opinion of the Lender and the Lender's Counsel, acting reasonably, severable from the remainder of this Agreement, so that the remainder of this Agreement may be continued in full force and effect without otherwise affecting any of the obligations of the Lender, if any, or the Obligors under this Agreement, the Lender shall only declare its obligations, if any, under that portion so terminated.

13.3 Taxes

All payments required to be made to the Lender pursuant to the Credit Documents shall be made free and clear of, and without deduction or withholding for, or on account of, any present or future Taxes unless such deduction or withholding is required by Applicable Law. If any Taxes are required to be deducted or withheld by Applicable Law from any amounts payable under the Credit Documents, the Obligor shall promptly pay an additional amount ("**Additional Amount**") to the Lender as may be necessary so that after making all required Tax deductions or withholdings (including deductions or withholdings applicable to all Taxes on, or arising by reason of, the payment of Additional Amounts), the Lender receives an amount equal to the amount that it would have received had no such deductions or withholdings been required. The Obligor shall pay the full amount of all Taxes deducted or withheld under this Section 13.3 to the relevant Governmental Authority on a timely basis all in accordance with Applicable Law. Each Obligor shall be fully liable and responsible for and shall, promptly following receipt of a request from the Lender, pay to the Lender on its behalf or on behalf of the other Obligors, any and all Taxes in the nature of sales, use, and goods and services, and harmonized sales Taxes payable under the laws of Canada or any Province of Canada, or payable under the laws of any other country or jurisdiction, with respect to any and all goods and services made available under the Credit Documents to any Obligor by the Lender. Whenever any Taxes are required to be paid by an Obligor to a Governmental Authority under this Section 13.3, the Obligor shall send or cause to be sent to the Lender, as promptly as possible thereafter, a certified copy of an original official receipt showing payment of such Taxes. If an Obligor fails to pay any Taxes deducted or withheld as required under this Section 13.3 when due or if an Obligor fails to remit to the Lender the required documentary evidence of such payment, the Borrower shall indemnify and save harmless the Lender from any Taxes or other liabilities that may become payable by the Lender or to which the Lender may be subjected as a result of any such failure. A certificate of the Lender as to the amount of any such Taxes and containing reasonable details of the calculation of such Taxes shall be, absent manifest error, prima facie evidence of the amount of such Taxes.

ARTICLE 14- SUCCESSORS AND ASSIGNS AND ADDITIONAL LENDERS

14.1 Successors and Assigns

(a) The Credit Documents shall be binding upon and enure to the benefit of the Lender, the Obligors and their successors and assigns, except that no Obligor may assign any rights or obligations with respect to this Agreement or any of the other Credit Documents without the prior written consent of the Lender.

(b) The rights and obligations of the Lender under this Agreement are assignable and/or saleable and the Lender shall be entitled to assign or sell its rights and obligations hereunder or to permit any other Person to participate in the Credit Facilities. The Borrower hereby consents to the disclosure of any Information to any potential lender or participant provided that the potential lender or participant agrees in writing to keep the Information confidential.

14.2 Participations

The Lender may sell participation to one or more Persons in or to all or a portion of its rights and obligations under this Agreement but the participant shall not become a Lender and:

(a) the Obligors shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement;

(b) no participant shall have any right to approve any amendment or waiver of any provision of this Agreement, or any consent to any departure by any Person therefrom; and

(c) a participation by the Lender of its interest (or a part thereof) hereunder or a payment by a participant to the Lender as a result of the participation will not constitute a payment under this Agreement to the Lender or an Advance to the Borrower.

ARTICLE 15- GENERAL

15.1 Exchange and Confidentiality of Information

(a) The Borrower agrees that the Lender may provide any assignee or participant pursuant to Article 14 with any information concerning the financial condition of the Obligors.

(b) Subject to Section 15.1(a), the Lender acknowledges the confidential nature of the financial, operational and other information and data provided and to be provided to it by the Obligors, or any one of them pursuant to this Agreement (the "**Information**") and agrees to use all reasonable efforts to prevent its disclosure provided, however, that:

(i) it may disclose all or any part of the Information if, in its opinion, such disclosure is required in connection with any actual or threatened judicial, administrative or governmental proceeding; and

(ii) it shall incur no liability in respect of any disclosure of Information to any, or pursuant to the requirements of any, judicial authority, law enforcement agency or taxation authority.

15.2 Notices

(a) All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier or email to the addresses or telecopier numbers specified below:

(i) if to the Lender

Global Resource Fund c/o Renvest Mercantile Bancorp Inc.
80 Richmond Street West, Suite 1700
Toronto, Ontario M5H 2A4

Attention: David Lewis
Fax No.: 416-866-8793

(ii) if to the Borrower:

Tamerlane Ventures Inc.
1609 Broadway St., Suite 203
Bellingham, WA 98225

Attention: Margaret Kent
Fax No.: 360-752-9463
Email: mkent@tamerlaneventures.com

with a courtesy copy, which does not constitute notice, to:

Lang Michener LLP
Brookfield Place
181 Bay Street Suite 2500
P.O. Box 747
Toronto, Ontario M5J 2T7

Attention: William J.V. Sheridan
Fax No.: 416-304-3766
Email: wsheridan@langmichener.ca

(b) Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier or e-mail shall be deemed to have been given when sent (except that, if not given on a Business Day between 9:00 a.m. and 5:00 p.m. local time where the recipient is located, shall be deemed to have been given at 9:00 a.m. on the next Business Day for the recipient).

(c) Any party may change its address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

15.3 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without prejudice to or limitation of any other rights or remedies available under the laws of any jurisdiction where Property or assets of any of the Obligors may be found.

15.4 Judgment Currency

(a) If, for the purpose of obtaining or enforcing judgment against any party in any court in any jurisdiction, it becomes necessary to convert into a particular currency (the "**Judgment Currency**") an amount due in another currency (the "**Indebtedness Currency**") under any Credit Document, the conversion will be made at the Rate of Exchange (in this clause, "**Rate of Exchange**" means the noon spot rate of exchange for Canadian interbank transactions applied in converting the Indebtedness Currency into the Judgment Currency published by the Bank of Canada for the relevant date) prevailing on the Business Day immediately preceding the date on which judgment is given.

(b) If, as a result of a change in the rate of exchange between the date of judgment and the date of actual payment, the conversion of the Judgment Currency into the Indebtedness Currency results in the Lender receiving less than the full amount of Indebtedness Currency dollars payable to the Lender, the Borrower agrees to pay the Lender any additional amount (and in any event not a lesser amount) as may be necessary to ensure that the amount received is not less than the full amount of Indebtedness Currency dollars payable by the Borrower on the date of judgment. Any additional amount due under this section will be due as a separate debt, gives rise to a separate cause of action, and will not be affected by judgment obtained for any other sums due under any Credit Document.

15.5 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

15.6 Entire Agreement

This Agreement, including all its attached Schedules, together with the Credit Documents, constitutes the entire agreement between the Parties with respect to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral, including the term sheet executed by the Parties on November 8, 2010.

15.7 Further Assurances

Each of the Obligors and the Lender shall promptly cure any default by it in the execution and delivery of any of the Credit Documents or any other agreements provided for in this Agreement to which it is a party. The Borrower, at its own expense, shall or shall cause the other Obligors, as applicable, to promptly execute and deliver to the Lender, upon request by the Lender, all further documents, agreements, opinions, certificates and instruments in compliance with, or accomplishment of the covenants and agreements of the Obligors under any of the other Credit Documents, or more fully to state the obligations of such Obligor as set forth in this Agreement or any of the Credit Documents or to make any recording, file any notice or obtain any consent, all as may be reasonably necessary or appropriate in connection with this Agreement or any of the Credit Documents from time to time.

15.8 Consent to Jurisdiction

(a) The parties hereto irrevocably submit to the non-exclusive jurisdiction of the courts of the Province of Ontario and hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such court. The Obligors hereby irrevocably waive, to the fullest extent it may effectively do so, the defence of an inconvenient forum to the maintenance of such action or proceeding.

(b) The parties hereto hereby irrevocably consent to the service of any and all process in such action or proceeding by the delivery of such process to either Obligor at the Borrower's address provided in accordance with Section 15.2.

15.9 Non-Merger

The representations, warranties and covenants contained in any Credit Document shall not merge on closing or at the time of the first Advance hereunder and shall, subject to Section 8.2 hereto, continue in full force and effect.

15.10 Time of the Essence

Time shall be of the essence of this Agreement.

15.11 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

15.12 Delivery by Facsimile or Email Transmission

This Agreement may be executed and delivered by facsimile or email transmission and each of the Parties may rely on such facsimile or email signature as though that facsimile or email signature were an original hand-written signature.

15.13 Amendments and Waivers

No amendment or modification of any provision of any Credit Document, or consent by the Lender to any departure from any provision of any Credit Document, is in any way effective unless it is in writing and signed by the Lender and the Borrower. Any waiver by the Lender of the strict observance, performance or compliance with any term, covenant, condition or other matter contained in any Credit Document, and any indulgence granted by the Lender, shall be effective only if in writing and in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any rights and remedies of the Lender under any Credit Document or instrument executed pursuant to this Agreement as a result of any other default or breach under any Credit Document.

[Remainder of page has been intentionally left blank.]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

TAMERLANE VENTURES INC.

Per: ______________________
Name:
Title:

GLOBAL RESOURCE FUND by its Manager RENVEST MERCANTILE BANCORP INC.

Per: ______________________
Name:
Title:

Per: ______________________
Name:
Title:

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

TAMERLANE VENTURES INC.

Per: ____________________________
Name:
Title:

GLOBAL RESOURCE FUND by its Manager RENVEST MERCANTILE BANCORP INC.

Per: ____________________________
Name: David Lewis
Title: Director

Per: ____________________________
Name: JOHN CALLENDO
Title: DIRECTOR

SCHEDULE 1.1.15

BRIDGE LOAN DEBENTURE

See attached.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE ● **[NTD: INSERT 4 MONTHS AND ONE DAY AFTER ISSUE DATE.]**.

CONVERTIBLE DEBENTURE

USD $1,250,000.00 **December ___, 2010**

1. PROMISE TO PAY

In accordance with the terms of the Credit Agreement, TAMERLANE VENTURES INC. (the "**Debtor**") hereby promises to pay to the order of GLOBAL RESOURCE FUND (together with its successors and assigns, the "**Debentureholder**"), at such place as set out in the Credit Agreement or as the Debentureholder may designate, the principal amount of ONE MILLION, TWO HUNDRED AND FIFTY THOUSAND dollars ($1,250,000.00) in lawful money of the United States of America, in the manner hereinafter provided, together with interest and other monies in the same currency which may from time to time be owing hereunder or pursuant hereto. This Debenture evidences Advances made under the Credit Agreement. All capitalized terms not defined in the body of this Debenture have the meaning as set out in the Credit Agreement between the Debentureholder and the Debtor dated ●, 2010 (as may be amended, restated or otherwise modified from time to time, the "**Credit Agreement**").

2. INTEREST

Interest on the principal amount shall be computed at the rate of **TWELVE AND A HALF per cent (12.5%)** per annum, calculated and payable as set out in the Credit Agreement.

3. CONVERSION

3.1 Conversion Privileges

(a) The Debentureholder shall have the right, at any time up to and including the close of business one (1) Business Day prior to the Maturity Date, to convert the Canadian Dollar equivalent (determined using the Rate of Exchange on the Closing Date) of the principal amount outstanding under this Debenture, or any portion thereof, into common shares in the capital of the Debtor (the "**Common Shares**") at a price of CDN $0.40 per Common Share (the "**Conversion Price**"), subject to adjustment as provided in Section 3.3. "**Rate of Exchange**" means the noon spot rate of exchange for Canadian interbank transactions applied in converting US Dollars into Canadian Dollars published by the Bank of Canada for the relevant date.

(b) Provided,

(x) there are no Obligations other than the Debenture Obligations, and

(y) the volume weighted average trading price ("**VWAP**") of the Common Shares on the TSX Venture Exchange (the "**TSXV**") for thirty (30) consecutive trading days is equal to or greater than CDN $0.90, the Debtor shall have the option, upon five (5) Business Days' prior written notice to the Debentureholder (the "**Debtor's Conversion Notice**"), to convert the Canadian Dollar equivalent (determined using the Rate of Exchange on the Closing Date) of the principal amount outstanding under this Debenture at such time, or a portion thereof, into Common Shares at the Conversion Price. The Debtor's option to convert in this Section 3.1(b) commences on the Closing Date and expires at the close of business one (1) Business Day prior to the Maturity Date.

3.2 Manner of Exercise of Right to Convert

(a) If the Debentureholder wishes to convert this Debenture, in whole or in part, into Common Shares pursuant to Subsection 3.1(a), it shall surrender this Debenture to the Debtor, together with the Conversion Form set forth in Schedule "A" hereto (the "**Conversion Form**"), duly executed by the Debentureholder, irrevocably exercising its right to convert the principal amount, or such portion thereof, in accordance with the provisions hereof. If the Debtor has exercised its option to convert all or a portion of the principal amount of this Debenture into Common Shares and has delivered to the Debentureholder the Debtor's Conversion Notice pursuant to Subsection 3.1(b), the Debentureholder shall have five (5) Business Days from its receipt of the Debtor's Conversion Notice to surrender this Debenture to the Debtor. Upon surrender of this Debenture (together with the Conversion Form in the event of the exercise of a conversion right by the Debentureholder), the Debentureholder or its nominee or assignee shall be entitled to be entered in the books of the Debtor as at the Date of Conversion (as defined below) as the holder of the number of Common Shares into which this Debenture, or portion thereof, is convertible in accordance with the provisions hereof and, as soon as practicable thereafter and in any event no later than three (3) Business Days thereafter, the Debtor shall deliver or cause to be delivered to the Debentureholder or, subject as aforesaid, its nominee, participant or assignee, a certificate for such Common Shares.

(b) For the purposes hereof, the date of conversion of this Debenture (the "**Date of Conversion**") shall be deemed to be the date on which it is surrendered in accordance with the provisions hereof and, if this Debenture is surrendered by mail or other means of delivery, the date on which it is received by the Debtor during regular business hours on a Business Day. Notwithstanding the foregoing, if the Debentureholder has failed to surrender this Debenture within the prescribed time set forth in Subsection 3.2(a) following the exercise by the Debtor of its option to convert this Debenture pursuant to Subsection 3.1(b), the Debentureholder shall be deemed to have surrendered this Debenture to the Debtor on the fifth Business Day following the Debentureholder's receipt of the Debtor's Conversion Notice and the applicable Date of Conversion shall be such deemed date of surrender.

(c) If only part of the principal amount outstanding is converted in accordance with this Section 3, upon surrender of this Debenture to the Debtor, the Debtor shall cancel the same and shall, without charge, forthwith certify and deliver to the Debentureholder a new Debenture in the aggregate principal amount equal to the unconverted part of the principal amount of this Debenture.

(d) Upon surrender of this Debenture for conversion in accordance with this Section 3, the Debentureholder will be entitled to receive that number of Common Shares equal to the quotient obtained when the aggregate of the Canadian Dollar equivalent of the principal amount to be converted determined in accordance with this Section 3.1 is divided by the Conversion Price.

(e) Common Shares issued upon conversion of this Debenture in accordance with the terms hereof shall be entitled to all rights and privileges accorded to holders of record of Common Shares on and after the Date of Conversion, from which date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

3.3 Adjustment Provisions

The Conversion Price will be subject to adjustment from time to time in the events and in the manner following:

(a) If and whenever at any time after the date hereof, and prior to the Maturity Date, the Debtor:

(i) subdivides or redivides any outstanding Common Shares into a greater number of Common Shares;

(ii) reduces, combines or consolidates any outstanding Common Shares into a smaller number of Common Shares; or

(iii) issues Common Shares or any securities convertible into or exchangeable for Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a stock dividend or other distribution;

(any of such events in paragraphs 3.3(a)(i), (ii) or (iii) being called a "**Share Reorganization**"), the Conversion Price will be adjusted by multiplying the Conversion Price by a fraction, the numerator of which is the number of Common Shares outstanding on the record date or effective date of such Share Reorganization and the denominator of which is the total number of Common Shares outstanding immediately after such record date or effective date (including, in the case where securities convertible into or exchangeable for Common Shares are distributed pursuant to paragraph 3.3(a)(iii), the number of Common Shares that would have been outstanding had all such securities been converted into or exchanged for Common Shares on such record date or effective date).

(b) If and whenever at any time after the date hereof, and prior to the Maturity Date, the Debtor fixes a record date for the issuance or distribution to the holders of all or substantially all of the outstanding Common Shares of (i) securities of the Debtor, including rights, options or warrants to acquire securities of the Debtor or any of its property or assets and including evidences of indebtedness or (ii) any property, money or other assets of the Debtor, including evidences of indebtedness, and if such issuance or distribution does not constitute a Share Reorganization (any such non-excluded issuance or distribution, a "**Special Distribution**"), the Conversion Price shall, subject to the approval of the TSXV, be adjusted effective immediately after such record date to a price determined by multiplying the Conversion Price in effect on such record date by a fraction:

(i) the numerator of which shall be the product of the number of Common Shares outstanding on such record date and the VWAP of the Common Shares for the twenty (20) consecutive trading days ending immediately prior to such record date, less the fair market value on a per share basis, as determined by the Board of Directors of the Debtor, of such securities, property or assets comprising the Special Distribution; and

(ii) the denominator of which shall be the product of the number of Common Shares outstanding on such record date and the VWAP of the Common Shares for the twenty (20) consecutive trading days ending immediately prior to such record date.

To the extent that any Special Distribution is not so made, the Conversion Price will be readjusted effective immediately to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the securities, property or assets actually distributed.

(c) If and whenever at any time after the date hereof, and prior to the Maturity Date, the Debtor fixes a record date for the issue of rights, options or warrants to all or substantially all the holders of Common Shares (the "**Rights**") under which such holders are entitled, during a period expiring not more than forty-five (45) days after the date of such issue (the "**Rights Period**"), to subscribe for or purchase Common Shares (the "**Common Rights**") or securities exchangeable for or convertible into Common Shares (the "**Convertible Rights**") at a price per share to the holder (or at an exchange or conversion price per share during the Rights Period to the holder in the case of Convertible Rights) of less than 95% of the VWAP of the Common Shares for the twenty (20) consecutive trading days ending three (3) trading days prior to such record date (any of such events being called a "**Rights Offering**"), then the Conversion Price will be adjusted effective immediately after the record date for the Rights Offering to a price determined by multiplying the Conversion Price in effect immediately prior to the end of the Rights Period by a fraction:

(i) the numerator of which shall be the sum of the number of Common Shares outstanding on such record date and a number obtained by dividing (a) either the product of the total number of Common Shares so offered for subscription or purchase and the price at which such shares are so offered, or the product of the maximum number of Common Shares into or for which the convertible or exchangeable securities so offered for subscription or purchase may be converted or exchanged and the conversion or exchange price of such securities, as the case may be, by (b) the VWAP of the Common Shares for the twenty (20) consecutive trading days ending three trading days prior to such record date; and

(ii) the denominator of which shall be the sum of the number of Common Shares outstanding on such record date and the number of Common Shares so offered for subscription or purchase (or, in the case of securities convertible into or exchangeable for Common Shares, the maximum number of Common Shares into or for which the securities so offered for subscription or purchase may be converted or exchanged).

To the extent that any such rights, options or warrants are not so exercised on or before the expiry thereof, the Conversion Price will be readjusted to the Conversion Price which would then be in effect based on the number of Common Shares (or the securities convertible into or exchangeable for Common Shares) actually delivered on the exercise of such rights, options or warrants.

(d) If and whenever at any time after the date hereof, and prior to the Maturity Date, there is a reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares or into other securities or other capital reorganization (other than a Share Reorganization), or a consolidation, amalgamation, arrangement or merger of the Debtor with or into any other company or other entity (other than a consolidation, amalgamation, arrangement or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or a transfer of the undertaking or assets of the Debtor as an entirety or substantially as an entirety to another company or other entity in which the holders of Common Shares are entitled to receive shares, other securities or other property (any of such events being called a "**Capital Reorganization**"), if the Debentureholder exercises the right to convert this Debenture into Common Shares after the effective date of such Capital Reorganization the Debentureholder will be entitled to receive, and will accept for the same aggregate consideration in lieu of the number of Common Shares to which the Debentureholder was previously entitled upon such conversion, the aggregate number and kind of shares, other securities or other property which such holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the holder had been the registered holder of the number of Common Shares to which such holder was previously entitled upon conversion. The Debtor will take all steps necessary to ensure that, on a Capital Reorganization, the Debentureholder will receive the aggregate number of shares, other securities or other property to which it is entitled as a result of the Capital Reorganization. Appropriate adjustments will be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 3 with respect to the rights and interests thereafter of the Debentureholder to the end that the provisions set forth in this Section 3 will thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or other property thereafter deliverable upon the conversion of this Debenture.

(e) If the purchase price provided for in any rights, options or warrants (the "**Rights Offering Price**") referred to in Subsection 3.3 is decreased, subject to TSXV approval, the Conversion Price will forthwith be changed so as to decrease the Conversion Price to the Conversion Price that would have been obtained if the adjustment to the Conversion Price made under Subsection 3.3 with respect to such rights, options or warrants had been made on the basis of the Rights Offering Price as so decreased, provided that the terms of this subsection will not apply to any decrease in the Rights Offering Price resulting from terms in any such rights, options or warrants designed to prevent dilution except to the extent that the resulting decrease in the Conversion Price under this subsection would be greater than the decrease, if any, in the Conversion Price to be made under the terms of this subsection by virtue of the occurrence of the event giving rise to such decrease in the Rights Offering Price.

(f) In any case in which the provisions hereof requires that an adjustment shall become effective immediately after a record date for an event referred to herein, the Debtor may defer, until the occurrence of such event, issuing to the Debentureholder converting after such record date and before the occurrence of such event, the additional securities issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment, provided, however, that the Debtor will deliver to the

Debentureholder an appropriate instrument evidencing the Debentureholder's right to receive such additional securities upon the occurrence of the event requiring such adjustment and, subject to completion of such event, the right to receive any distributions made on such additional securities on and after such date as the Debentureholder would, but for the provisions of this Subsection 3.3(f), have become the holder of record of such additional securities hereunder. A certificate for such additional Common Shares will be delivered to the Debentureholder within five (5) Business Days following the completion of the applicable event.

(g) In the event of any question arising with respect to the adjustments provided herein, such question will be conclusively determined by the Debtor's auditors who shall have access to all necessary records of the Debtor and such determination will be binding upon the Debtor and the Debentureholder.

3.4 Adjustments to be Cumulative and Successive

The adjustments provided for in Subsection 3.3 are cumulative and will apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of Subsection 3.3, provided that, notwithstanding any other provision hereof, no adjustment of the Conversion Price will be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the Conversion Price then in effect. The adjustments shall be made successively whenever any event referred to therein shall occur.

3.5 No Requirement to Issue Fractional Shares

The Debtor shall not issue fractional Common Shares upon the conversion of this Debenture. If any fractional interest in a Common Share would, except for the provisions of this Section 3.5, be deliverable upon the conversion of any principal amount of this Debenture, any such fractional interest shall be rounded up to the nearest whole number of Common Shares.

3.6 Taxes and Charges on Conversion

The Debtor will from time to time promptly pay or make provision for the payment of all Taxes which may be imposed by applicable laws (except income tax or security transfer tax, if any) which shall be payable with respect to the issuance or delivery of Common Shares to the Debentureholder upon the exercise of its right of conversion pursuant to the terms of this Debenture.

3.7 Certificate as to Adjustment

The Debtor shall from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 3.3, deliver a certificate to the Debentureholder, executed by the Chief Executive Officer or the Chief Financial Officer of the Debtor, specifying the nature of the event requiring the same and the amount of the adjustment or readjustment necessitated thereby including the resulting Conversion Price and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Such certificate and the amount of the adjustment specified therein shall, subject to the provisions of Sections 3.5 and 3.6 and absent manifest error, be conclusive and binding on all interested parties; provided that, if requested in writing by the Debentureholder, the Debtor shall submit the certificate to a firm of chartered accountants selected by the Debtor and acceptable to the Debentureholder for review and confirmation of the calculation and, to the extent required, the facts upon which the calculation was based, and the results of such review shall be conclusive and binding on all interested parties. The fees and expenses incurred by the chartered accountants in connection with the services contemplated in this Section 3.7 shall be borne by the Debtor.

3.8 Notice of Special Matters

The Debtor covenants that, so long as this Debenture remains outstanding, it will give notice to the Debentureholder of its intention to fix a record date for any event referred to in Section 3.3 which may give rise to an adjustment in the Conversion Price, and such notice shall specify the particulars of such event and the record date or the effective date, as applicable, for such event. Except where the Debentureholder otherwise consents to in writing, such notice shall be given not less than twenty (20) days prior to the applicable record date.

3.9 Debtor to Reserve Shares

The Debtor covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited) solely for the purpose of issue upon conversion of this Debenture such number of Common Shares as shall then be issuable upon the conversion of this Debenture. All Common Shares which shall so be issuable shall be duly and validly issued, fully paid and non-assessable.

3.10 Legended Share Certificates

Notwithstanding anything herein contained, Common Shares issuable upon conversion of this Debenture will only be issued in compliance with the securities laws of any applicable jurisdiction, and the certificates representing the Common Shares thereby issued may bear such legend(s) as may, in the opinion of counsel to the Debtor, acting reasonably, be necessary in order to avoid a violation of any securities laws of any province in Canada or of the United States or to comply with the requirements of any stock exchange on which the Common Shares are listed, provided that if, at any time, in the opinion of counsel to the Debtor, such legends are no longer necessary in order to avoid a violation of any such laws, or the holder of any such legended certificate, at the holder's expense, provides the Debtor with evidence satisfactory in form and substance to the Debtor (which may include an opinion of counsel satisfactory to the Debtor) to the effect that such holder is entitled to sell or otherwise transfer such Common Shares in a transaction in which such legends are not required, such legended certificate may thereafter be surrendered to the Debtor in exchange for a certificate which does not bear such legend.

4. PRINCIPAL PAYMENTS AND MATURITY

(a) The principal amount of this Debenture together with all accrued and unpaid interest and all other monies owing hereunder, shall become due and payable on the Maturity Date.

(b) All instalments of principal and interest hereunder received by the Debentureholder shall be applied in accordance with the terms of the Credit Agreement.

5. PREPAYMENT

(a) The Debtor shall have the right to prepay this Debenture by providing no less than twenty (20) Business Days written notice to the Debentureholder setting out its intention to repay an amount (the "**Repayment Amount**") that is greater than CDN $500,000.00 (the "**Repayment Notice Period**"). The Repayment Notice Period must end prior to the Maturity Date.