

SETTLEMENT AGREEMENT

Made as of the 5th day of September, 2008

Between

**Andrew Stastny
Ronald Martin
André Vézina**

and

**Southwestern Resources Corp.
John G. Paterson
Margaret Joan Paterson**

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SETTLEMENT AGREEMENT

RECITALS

- A. The Parties intend to and hereby do finally resolve the Actions, subject to the approval of the Courts, without prejudice or admission of liability.
- B. The Plaintiffs assert that they are suitable representatives for the Class and will seek to be appointed as the representative plaintiffs.

FOR VALUE RECEIVED, the Parties agree as follows:

SECTION 1 – INTERPRETATION

1.1 Definitions

In this Settlement Agreement, including the recitals and schedules hereto:

- (1) **Actions** means the BC Action, the Ontario Action and the Québec Action.
- (2) **Administration Expenses** means all fees, disbursements, expenses, costs, taxes and any other amounts incurred or payable relating to approval, implementation and administration of the Settlement including the costs of publishing and delivering notices, the fees, disbursements and taxes paid to the Administrator, Referee, and any other expenses approved by the Courts which shall all be paid from the Settlement Amount. For greater certainty, Administration Expenses include the Non-Refundable Expenses for the purposes of the Settlement Agreement.
- (3) **Administrator** means the third-party firm selected at arm's length by Class Counsel and appointed by the Courts to administer the Settlement Agreement, and any employees of such firm.
- (4) **Affiliated Defendants** means: (i) Joan; and (ii) an affiliate of any of the Defendants under the definition of “affiliated body corporate” under subsection 1(4) of the Ontario *Business Corporations Act*, R.S.O. 1990, c. B-16, as at the date of the Settlement Agreement and includes Sugna Limited and Glengarry but excludes Global Gold.
- (5) **Approval Orders** means collectively or individually, as the case may be, the order(s) or judgment(s) issued by the Ontario Court, the BC Court and the Québec Court as a result of the Second Motion.

- (6) **Authorized Claimant** means any Class Member who has submitted a completed Claim Form which, pursuant to the terms of the Settlement Agreement, has been approved for compensation by the Administrator.
- (7) **BC Action** means the action titled *Martin v. Southwestern Resources Corp. and John Paterson* commenced in the BC Court under Court File No. S075049.
- (8) **BC Class** and **BC Class Members** means the class, to be certified by the BC Court for the purpose of implementing the Settlement, consisting of all Class Members resident in British Columbia and specifically excluding the Excluded Persons, Ontario Class Members and Québec Class Members.
- (9) **BCCPA** means the *Class Proceedings Act*, R.S.B.C. 1996, c. 50, as amended.
- (10) **BC Approval Hearing** means the hearing of the Second Motion by the BC Court.
- (11) **BC Court** means the Supreme Court of British Columbia.
- (12) **Claim Form** means the form which will be approved by the Courts and, which, when completed and submitted in a timely manner to the Administrator, enables a Class Member to apply for compensation pursuant to the Settlement.
- (13) **Claims Bar Deadline** means the date by which each Class Member must file a Claim Form and all required supporting documentation with the Administrator which shall be the date falling ninety days (90) days after the date on which the Second Notice is published.
- (14) **Class or Class Members** means all persons, other than Excluded Persons, who acquired securities of SWR during the Class Period, provided that if the person acquired SWR securities in the period from December 3, 2002 to June 19, 2007, the person held some or all of those securities at the close of trading on the TSX on June 19, 2007, and if the person acquired SWR securities in the period from June 20 to July 18, 2007, the person held some or all of those securities at the close of trading on the TSX on July 18, 2007.
- (15) **Class Counsel** means Sutts, Strosberg LLP, Siskinds LLP, Camp Fiorante Matthews and Siskinds Desmeules s.e.n.c.r.l..
- (16) **Class Counsel Fees** means the fees, disbursements, costs, GST and other applicable taxes or charges of Class Counsel including the fees of any expert and a *pro rata* share of all interest earned on the Settlement Amount to the date of payment, as approved by the Courts.

- (17) ***Class Period*** means the period from December 3, 2002 to and including July 18, 2007.
- (18) ***Collateral Agreement*** means the agreement which sets the Opt-Out Threshold, generally in the form of the agreement set out in schedule “D”, which will be signed, shown to the Courts, and approved by the Courts but not filed with the Courts.
- (19) ***Contributing Parties*** means the Defendants, the Insurers and Joan.
- (20) ***Courts*** means the Ontario Court, the BC Court and the Québec Court.
- (21) ***CPA*** means the *Class Proceedings Act, 1992*, S.O. 1992, c. 6, as amended.
- (22) ***C.p.c.*** means the *Code de Procédure Civile du Québec*, L.R.Q., c. C-25, as amended.
- (23) ***Defendants*** means the defendants in the Actions.
- (24) ***Effective Date*** means the earlier of: (i) the date upon which, under the laws and rules applicable in the Court in question, the ability to appeal from any of the Approval Orders, if an appeal lies therefrom, has expired without any appeal being taken, namely, thirty (30) days after the issuance of the Approval Orders; or (ii) if any appeals have been taken from any or all Approval Orders, the date upon which all such appeals are concluded by way of a final order or judgment.
- (25) ***Eligible Shares*** means the number of Shares held by each Opt-Out Party.
- (26) ***Escrow Account*** means the interest bearing trust account with one of the Canadian Schedule 1 banks in Ontario initially under the control of Siskinds LLP and then transferred to the control of the Administrator.
- (27) ***Escrow Settlement Amount*** means \$15,050,000 of the Settlement Amount plus (i) any interest accruing thereon, whether on account of late payment into the Escrow Account as provided in section 4.1(2), or as a result of investment thereof, (ii) any balance remaining in the Non-Refundable Expense Fund after payment of all Non-Refundable Expenses, and (iii) any amount paid by SWR to the Administrator pursuant to section 13.5(3).
- (28) ***Excluded Person*** means: (a) Paterson, Joan, Joan’s children and her sisters, and the heirs, executors, administrators, successors, and assigns of each of Paterson and Joan; (b) SWR, Affiliated Defendants and Insurers and their respective past and present directors, officers, subsidiaries, affiliates, employees, trustees, servants, consultants, underwriters, advisors, representatives, predecessors, successors and assigns; and (c) the entities in which Joan, each

Defendant or any subsidiaries or Affiliated Defendants of a corporate Defendant have an interest and includes, without limitation, Global Gold.

(29) ***Exempt Québec Members*** means Class Members who are precluded from being a member of a group in a class action under Article 999 of the *C.p.c.*

(30) ***First Motion*** means a motion brought by the Plaintiffs before each of the Courts for orders:

- (i) setting the date for the hearing of the Second Motion;
- (ii) authorizing the publication of the First Notice;
- (iii) appointing Siskinds LLP to operate the Escrow Account; and
- (iv) appointing Howie & Partners to receive and report to the Courts on Class Members' objections to the Settlement, if any.

which shall generally be in accordance with the order set out in Schedule "A".

(31) ***First Notice*** means notice to the Class of the Second Motion in a form to be approved by the Courts.

(32) ***Freeze Order*** means the Third Amended Order to Freeze Property dated July 15, 2008, made by the British Columbia Securities Commission in proceedings under File No. COR #08-516 freezing the assets and undertakings of Paterson, Joan and others, and any amendments thereto.

(33) ***Glengarry*** means Glengarry Resource Management Inc..

(34) ***Global Gold*** means Global Gold Corporation.

(35) ***Global Gold Actions*** means the SWR Action and the Heathfield Action.

(36) ***Heathfield Action*** means the action titled *David Heathfield v. Global Gold Corp. and Glengarry Resource Management Inc.* commenced in the Ontario Court under Court File No. CV-08-00011189-0000.

(37) ***Insurers*** means Chubb Insurance Co. of Canada and Encon Inc..

(38) ***Joan*** means Margaret Joan Paterson.

(39) ***Mareva Injunction*** means the order made in the SWR Action on September 27, 2007, and varied by further orders made on February 6 and July 16, 2008, which grants injunctive relief in favour of SWR against Paterson and Glengarry.

- (40) **Newspapers** means the following newspaper publications in Canada: Globe and Mail (National Edition), Le Soleil, La Presse and The Vancouver Sun.
- (41) **Non-Refundable Expense Fund** means a \$450,000 portion of the Settlement Amount, and any interest that accrues thereon, paid to Siskinds LLP, in trust, by the Contributing Parties, to pay only for Non-Refundable Expenses in accordance with section 3.1(1) of the Settlement Agreement as approved by the Courts.
- (42) **Non-Refundable Expenses** means certain Administration Expenses stipulated in section 3.1(1) of the Settlement Agreement to be paid from the Non-Refundable Expense Fund.
- (43) **Ontario Action** means the action *Stastny v. Southwestern Resources Corp. et al.* brought in the Ontario Court under Court File No. 07-CV-009525 (Windsor).
- (44) **Ontario Class Counsel** means Sutts, Strosberg LLP and Siskinds LLP.
- (45) **Ontario Class and Ontario Class Members** means the class, to be certified by the Ontario Court for the purposes of implementing the Settlement, that consists of all Class Members, including the Exempt Québec Members, but specifically excludes the Excluded Persons, BC Class Members and Québec Class Members.
- (46) **Ontario Approval Hearing** means the hearing of the Second Motion by the Ontario Court.
- (47) **Ontario Court** means the Ontario Superior Court of Justice.
- (48) **Opt-Out Deadline** means the date falling sixty (60) days after the date on which the Second Notice is published.
- (49) **Opt-Out Form** means the form to be approved by the Courts which, when completed and submitted in a timely manner to the Administrator, or the clerk of the Québec Superior Court, as appropriate, excludes a Class Member from the Class.
- (50) **Opt-Out Party** means any Class Member who opts out of the Settlement or from any Action who would otherwise have been accorded a Nominal Entitlement as provided for in the Plan.
- (51) **Opt-Out Threshold** means the number of Eligible Shares particularized in the Collateral Agreement.
- (52) **Parties** means the Plaintiffs and the Defendants.

- (53) **Paterson** means John G. Paterson.
- (54) **Paterson Materials** means investigations, examinations, affidavits, transcripts and other documents relating to the assets of Paterson and Joan.
- (55) **Plaintiffs** means the plaintiffs in the Actions.
- (56) **Plan** means the distribution plan which shall generally be in accordance with the plan set out in Schedule “C” stipulating the proposed implementation and administration of the Settlement as approved by the Courts.
- (57) **Québec Action** means the petition styled *André Vézina c. Southwestern Resources Corp et John G. Paterson* brought in the Québec Court under Court File No. 200-06-000085-079 for authorization to institute a class action.
- (58) **Québec Approval Hearing** means the hearing of the Second Motion by the Québec Court.
- (59) **Québec Class and Québec Class Members** means the class, to be authorized by the Québec Court for the purposes of implementing the Settlement, consisting of all Class Members resident in Québec, and specifically excluding the Excluded Persons, Ontario Class Members, BC Class Members and Exempt Québec Members.
- (60) **Québec Court** means the Québec Superior Court.
- (61) **Referee** means Reva E. Devins or such other person or persons appointed by the Courts to serve in that capacity.
- (62) **Released Claims** (or **Released Claim** in the singular) means any and all manner of claims, demands, actions, suits, causes of action, whether class, individual or otherwise in nature, whether personal or subrogated, damages whenever incurred, and liabilities of any nature whatsoever, including interest, costs, expenses, Administration Expenses, penalties, Class Counsel Fees and lawyers’ fees, known or unknown, suspected or unsuspected, in law, under statute or in equity, that Releasors, or any of them, whether directly, indirectly, derivatively, or in any other capacity, ever had, now have, or hereafter can, shall, or may have as against the Releasees, relating in any way to the purchase, sale, pricing, marketing or distributing of Shares, or to any representations made to anyone concerning SWR, its operations or the Shares, or relating to any conduct alleged (or which could have been alleged) in the Action, including,

without limitation, any such claims which have been asserted, would have been asserted or could have been asserted, whether in Canada or elsewhere, as a result of the purchase of Shares.

(63) **Releasees** means Joan, Joan's children and her sisters, Paterson and SWR, Affiliated Defendants, and Insurers and their respective past and present directors, officers, employees, trustees, servants, consultants, underwriters, advisors, representatives, successors, assigns and the heirs, executors, administrators, successors and assigns of Paterson and Joan, provided however that Global Gold and its past and present officers, directors, successors and assigns, other than Paterson, are hereby expressly excluded as Releasees.

(64) **Releasors** means, jointly and severally, the Plaintiffs, the Class Members (excluding Opt-Out Parties), including any person having a legal and/or beneficial interest in the Shares purchased or acquired by these Class Members, and their respective past and present directors, officers, employees, agents, trustees, servants, consultants, underwriters, advisors, representatives, heirs, executors, attorneys, administrators, guardians, estate trustees, successors and assigns, as the case may be.

(65) **Second Motion** means a motion brought by the Plaintiffs before each of the Courts for orders:

- (i) certifying the Ontario Action and BC Action and granting authorization of the Québec Action, as the case may be, as class proceedings as contemplated by section 8.1(a);
- (ii) approving the Settlement, the Opt-Out Deadline and the Claims Bar Deadline;
- (iii) appointing the Administrator; and
- (iv) approving Class Counsel Fees as contemplated by section 16.1

which shall generally be in accordance with the order set out in Schedule "B".

(66) **Second Notice** means notice to the Class, in a form approved by the Courts, of the Approval Orders.

(67) **Settlement** means the settlement provided for in the Settlement Agreement.

(68) **Settlement Agreement** means this agreement, including the recitals and schedules hereto.

(69) **Settlement Amount** means \$15,500,000, inclusive of the Administration Expenses.

(70) **Shares** means securities of SWR.

(71) **SWR** means Southwestern Resources Corp.

(72) **SWR Action** means the action titled *Southwestern Resources Corp. v. Paterson, Global Gold Corporation, Glengarry Resource Management Inc.* commenced in the BC Court under Court File No. S075749.

(73) **Third Motion** means a motion brought by the Plaintiffs before each of the Courts as soon as reasonably practical after the last date upon which any right to terminate the Settlement Agreement has expired for an order dismissing each Action without costs, with prejudice and by consent as contemplated by the Settlement Agreement.

(74) **TSX** means the Toronto Stock Exchange.

SECTION 2 – MOTIONS AND CONDITION PRECEDENT

(1) The Plaintiffs shall, as soon as reasonably possible following the execution of this Settlement Agreement, bring the First Motion before each of the Courts. The Defendants shall consent to the orders sought in the First Motion.

(2) Following the hearing and determination of the last of the First Motions, the First Notice shall be published in accordance with the directions of the Courts and section 9.1.

(3) The Plaintiffs shall thereafter bring the Second Motion before each of the Courts in accordance with the directions of the Courts, and the Defendants shall consent to the orders sought in the Second Motion, unless prior to any hearing of the Second Motion this Settlement Agreement is terminated pursuant to its terms. The Second Motion shall be brought and heard first in the Ontario Court.

(4) Except as hereinafter provided, the Settlement Agreement shall be immediately terminated if any of the Courts do not approve the Settlement Agreement as a result of the Second Motions.

(5) Following the hearing and determination of the last of the Second Motions, the Second Notice shall be published in accordance with the directions of the Courts and section 9.2.

(6) The Plaintiffs shall bring the Third Motions before each of the Courts as soon as reasonably practicable following the date upon which any right to terminate the Settlement Agreement has expired.

SECTION 3 – NON-REFUNDABLE EXPENSES

3.1 Payments

- (1) On or before September 12, 2008, the Contributing Parties shall fund the Non-Refundable Expense Fund solely to permit Siskinds LLP to pay the following Non-Refundable Expenses:
- (a) the costs of Siskinds LLP in connection with establishing and operating the Escrow Account and the translation of Settlement documents into the French language.
 - (b) the costs of Siskinds LLP for publishing the First Notice to a maximum of \$160,000;
 - (c) the costs of Howie & Partners in connection with receiving objections and reporting to the Courts and the costs of the proposed Administrator for performing all other required services until the Courts approve or decline to approve the Settlement Agreement, to a maximum of \$10,000 for fees, disbursements and taxes;
 - (d) the costs of Siskinds LLP for publishing and distributing the Second Notice to a maximum of \$160,000;
 - (e) if necessary, the costs of Siskinds LLP for publishing notice to the Class that the Settlement Agreement has been terminated by SWR and/or Paterson pursuant to section 11.1 to a maximum of \$30,000; and
 - (f) if the Courts appoint the Administrator and thereafter the Settlement Agreement is terminated by SWR and/or Paterson pursuant to section 11.1, the costs of the Administrator for performing the services required to prepare to implement the Settlement, which amount will be paid to the Administrator immediately after its appointment, fixed in the amount of \$90,000 for fees, disbursements and taxes.
- (2) Within ten (10) days of the Settlement becoming final as contemplated in section 12, Siskinds LLP shall pay to the Administrator for deposit in the Escrow Account any portion of the Non-Refundable Expense Fund that remains after payment of all Non-Refundable Expenses and

the amount so paid shall thereafter immediately constitute part of the Escrow Settlement Amount.

(3) Siskinds LLP shall account to the Courts and the Parties for all payments it makes from the Non-Refundable Expense Fund. In the event that the Settlement Agreement is terminated pursuant to section 2(4) or 11.1, this accounting shall be delivered no later than (10) days after such termination.

3.2 Payment of Non-Refundable Expense Fund Following Termination

If the Settlement Agreement is not approved and is therefore terminated pursuant to section 2(4) or if it is terminated pursuant to section 11.1, SWR shall within twenty (20) days after termination apply to each of the Courts, on notice to the Parties and to the Administrator, for orders authorizing Siskinds LLP's payment of the balance of the Non-Refundable Expense Fund to the Contributing Parties, on the same basis as set out in section 11.3, after payment of all Non-Refundable Expenses.

3.3 Disputes Concerning Non-Refundable Expenses

Any dispute concerning Non-Refundable Expenses shall be dealt with by a motion to the Ontario Court on notice to the Parties.

SECTION 4 – THE SETTLEMENT AMOUNT

4.1 Payment of Escrow Settlement Amount

(1) The Contributing Parties will pay into the Escrow Account \$15,050,000 calculated as \$15,500,000 less the \$450,000 paid to Siskinds LLP as Non-Refundable Expenses, in accordance with the following schedule:

- (a) \$6,000,000 on or before September 26, 2008; and
- (b) the balance of the Settlement Amount, being \$9,050,000, on or before four (4) days before the date of the hearing of the Second Motion in Ontario as published in the First Notice.

(2) The Contributing Parties shall pay interest at the rate of 5.0% per year on any portion of the funds not deposited by the dates set forth in section 4.1(1) until the funds are deposited.

(3) The Settlement Amount will be paid by the Contributing Parties as follows:

- (a) SWR shall pay \$15,500,000 of which SWR's insurers shall pay \$1,000,000; and
- (b) SWR shall receive:
 - (i) from Paterson approximately \$4,200,000 in cash, securities and assets; and
 - (ii) from Joan \$3,000,000, or Joan shall pay same directly into the Escrow Account, by the date referred to in section 4.1(1)(a), which will reduce SWR's contribution under section 4.1(3)(a) by the corresponding amount.
- (4) SWR shall advise Class Counsel when Paterson and Joan make the payments specified in section 4.1(3)(b).
- (5) SWR, Paterson and Joan will produce to Class Counsel on a strictly confidential basis and by no later than ten (10) days after the execution of the Settlement Agreement, the Paterson Materials to allow Class Counsel to satisfy themselves and recommend to the Courts that the contributions to the Settlement Amount by Paterson and Joan are reasonable. If Class Counsel are not satisfied by their review of the Paterson Materials that:
 - (a) the contributions by Paterson and Joan to the Settlement Amount as provided for herein are reasonable; and
 - (b) this Settlement Agreement should be approved by the Courtsthey must so advise counsel for Paterson and Joan as soon as practicable and no later than forty (40) days after the date of executing the Settlement Agreement.
- (6) Class Counsel shall not retain copies or notes of the Paterson Materials and shall use reasonable efforts not to disclose the Paterson Materials to any person other than:
 - (a) to the Courts, if requested by the Courts or Class Counsel determines it is necessary, in which case Paterson and Joan may request that the Paterson Materials be reviewed by such Court(s), *in camera*, and remain sealed in the Court file or returned to counsel. Unless directed to do so by the Courts, the Plaintiffs will not make any submissions relating to such requests; or
 - (b) to the named Plaintiffs in the Actions, and then only at the offices of Class Counsel and following the written agreement of any Plaintiff who wishes to review the Paterson Materials not to make or retain copies or notes of them and

not to disclose them to or discuss them with anyone other than the named Plaintiff's counsel in one of the Actions.

Following review of the Paterson Materials as provided for herein, the Paterson Materials shall be returned by Class Counsel to counsel for the party that provided it, without retaining any copies thereof.

4.2 Interim Investment of Escrow Account

Siskinds, and then the Administrator after the Settlement becomes final, shall hold the Escrow Settlement Amount in the Escrow Account and shall invest the Escrow Settlement Amount in a liquid money market account or equivalent security with a rating equivalent to, or better than that of an interest bearing account in a Canadian Schedule 1 bank and shall not pay out any amount from the Escrow Account, except in accordance with the terms of the Settlement Agreement, without an order of the Courts, made on notice to the Parties.

4.3 Taxes on Interest

(1) Except as provided in section 4.3(2), all taxes payable on any interest which accrues in relation to the Settlement Amount, shall be the Class' responsibility and shall be paid by Siskinds LLP or the Administrator, as appropriate, from the Escrow Settlement Amount, or by the Class as the Administrator considers appropriate.

(2) If the Administrator or Siskinds LLP returns any portion of the Settlement Amount plus accrued interest to the Contributing Parties, pursuant to this Settlement Agreement, the taxes payable on the interest portion of the returned amount shall be the responsibility of the Contributing Parties to be allocated by agreement among themselves.

SECTION 5 – NO REVERSION

Unless the Settlement Agreement is terminated as provided herein, the Contributing Parties shall not, under any circumstance, be entitled to the repayment of any portion of the Settlement Amount.

SECTION 6 - DISTRIBUTION OF THE SETTLEMENT AMOUNT

- (1) If and when the Settlement becomes final as contemplated by section 12, the Administrator shall distribute the Escrow Settlement Amount in the manner set out in the Settlement Agreement and in the Plan.
- (2) If and when the Settlement becomes final as contemplated by section 12, the Escrow Settlement Amount shall be applied and distributed in accordance with the following priorities:
 - (a) to pay Class Counsel Fees;
 - (b) to pay all of the costs and expenses reasonably and actually incurred in connection with the provision of notices, locating Class Members for the sole purpose of providing notice to them, soliciting Class Members to submit a Claim Form, including the notice expenses reasonably and actually incurred by Broadridge Financial Solutions Inc. in connection with the provision of notice of this Settlement to Class Members. The Defendants are specifically excluded from eligibility for any payment of notice expenses under this subsection;
 - (c) to pay all of the costs and expenses reasonably and actually incurred by the Administrator and the Referee, relating to determining eligibility, the filing of Claim Forms and Opt-Out Forms, processing Claim Forms and Opt-Out Forms, resolving disputes arising from the processing of Claim Forms and Opt-Out Forms; administering and distributing the Settlement Amount;
 - (d) to pay any taxes required by law to be paid to any governmental authority; and
 - (e) to pay a *pro rata* share of the balance of the Escrow Settlement Amount to each Authorized Claimant in proportion to his/her/its claim as recognized in accordance with the Plan.

SECTION 7 – EFFECT OF SETTLEMENT

7.1 No Admission of Liability

Neither the Settlement Agreement nor anything contained herein, shall be interpreted as a concession or admission of wrongdoing or liability by the Releasees, or as a concession or

admission by the Releasees of the truthfulness of any claim or allegation asserted in the Actions. Neither the Settlement Agreement nor anything contained herein shall be used or construed as an admission by the Releasees of any fault, omission, liability or wrongdoing in any statement, release or written document or financial report.

7.2 Agreement Not Evidence

Neither the Settlement Agreement, nor anything contained herein, nor any of the negotiations or proceedings connected with it, nor any related document, nor any other action taken to carry out the Settlement Agreement shall be referred to, offered as evidence or received in evidence in any pending or future civil, criminal or administrative action or proceeding, except in a proceeding to enforce the Settlement Agreement, or to defend against the assertion of Released Claims, or as otherwise required by law.

7.3 Best Efforts

The Parties shall use their best efforts to implement the terms of the Settlement Agreement and to secure the Courts' prompt, complete and final dismissal with prejudice of the Actions. The Parties agree to hold in abeyance all proceedings in the Actions, including all discovery, other than proceedings provided for in the Settlement Agreement until the Effective Date or the termination of the Settlement Agreement, whichever occurs first.

SECTION 8 – CERTIFICATION AND SETTLEMENT APPROVAL

8.1 Certification and Settlement Approval

- (1) Subject to the Courts' approvals, and for purposes of the Settlement only, the Defendants will consent to:
 - (a) the certification of the Ontario Action pursuant to sections 2, 5 and 6 of the *CPA*;
 - (b) the certification of the BC Action pursuant to sections 2, 4 and 7 of the *BCCPA*;
 - and
 - (c) authorizing the Québec Action pursuant to articles 1002 to 1006 of the *C.p.c.*
- (2) In support of the Second Motion, SWR shall submit an affidavit that discloses to the Courts the gross limits of its insurance coverage potentially applicable to the Actions.

(3) Subsection 8.1(2) is not an acknowledgment that the Class or Class Counsel is entitled to make any submissions to the Courts about insurance coverage, whether such insurance coverage is available or that the existence or extent of insurance coverage is relevant to the Second Motion.

(4) To the extent required by law or any of the Courts, the Settlement Agreement, the Plan, the First Notice and the Second Notice shall be translated into the French language for submission to the Courts and for the issuance of orders from the Québec Court. The costs of such translations shall be paid from the Non-Refundable Expense Fund as a Non-Refundable Expense.

8.2 Certification Without Prejudice

In the event the Settlement Agreement is terminated in accordance with section 11.1, the Parties agree that the certification of the Actions as class proceedings shall be without prejudice to any position that any of the Parties may later take on any issue in the Actions.

SECTION 9 – NOTICE TO THE CLASS

9.1 First Notice

Siskinds LLP shall cause the First Notice to be published in the Newspapers as the Courts direct and the costs of so doing shall be paid as a Non-Refundable Expense as provided in section 3.1(1)(b).

9.2 Second Notice

Siskinds LLP shall cause the Second Notice to be published in the Newspapers and distributed as the Courts direct and the costs of so doing shall be paid as a Non-Refundable Expense as provided in section 3.1(1)(d).

9.3 Notice of Termination

If the Settlement Agreement is terminated after the Second Notice has been published and distributed, a notice of the termination shall be given to the Class. Siskinds LLP shall cause this notice, in a form approved by the Courts, to be published as the Courts direct and the costs of so doing shall be paid as a Non-Refundable Expense as provided in section 3.1(1)(e).

9.4 Report to the Court

After publication and distribution of each of the notices required by this section, Siskinds LLP shall file with the Courts an affidavit confirming publication and distribution of the notices.

SECTION 10 – OPTING OUT

10.1 The Defendants are Unaware of any Potential Opt-Outs

The Defendants represent and warrant that:

- (a) they are unaware of any Class Member who has expressed an intention to opt out of the Actions; and
- (b) they will not encourage or solicit any Class Member to opt out of the Actions.

10.2 Opt-Out Procedure

- (1) Each Class Member who wishes to opt out must submit a properly completed Opt-Out Form along with all required supporting documents:
 - (a) in the case of persons resident outside of Québec and the Exempt Québec Members, to the Administrator on or before the Opt-Out Deadline; and
 - (b) in the case of persons resident in Québec, other than the Exempt Québec Members, to the Clerk of the Québec Court by registered or certified mail, and to the Administrator, in both cases, on or before the Opt-Out Deadline.
- (2) In order to remedy any deficiency in the completion of the Opt-Out Form, the Administrator may require and request that additional information be submitted by a Class Member who submits an Opt-Out Form, and that such Class Members shall have until the Opt-Out Deadline to remedy the deficiency.
- (3) If a Class Member fails to submit a properly completed Opt-Out Form and/or all required supporting documents to the Administrator or fails to remedy any deficiency by the Opt-Out Deadline, the Class Member shall not have opted out of the Actions, subject to any order of the Courts to the contrary, but will in all other respects be subject to, and bound by, the provisions of the Settlement Agreement and the releases contained herein.
- (4) The Opt-Out Deadline shall not be extended unless the Courts order otherwise.

(5) For clarity, the Parties agree that Global Gold is not a Class Member and therefore cannot opt out of the Actions.

(6) Opt-Out Parties shall be excluded from any and all rights and obligations arising from the Settlement. Except as provided in section 10.2 (7) Class Members who do not opt out have elected to participate in the Settlement regardless of whether the Class Member files a Claim Form.

(7) Québec Class Members who have commenced proceedings against any Releasee regarding the Released Claims and who fail to discontinue such proceedings by the Opt-Out Deadline shall be deemed to have opted out.

10.3 Notification of Number of Opt-Outs

Within two weeks after the Opt-Out Deadline, the Administrator shall report to the Courts, the Defendants, Joan and Class Counsel the names of the Opt-Out Parties (if any), the number of Eligible Shares held by each Opt-Out Party, and a summary of the information delivered by each Opt-Out Party.

SECTION 11 – TERMINATION OF SETTLEMENT AGREEMENT

11.1 Effect of Exceeding the Opt-Out Threshold, Conditions Precedent and Right to Terminate

(1) Notwithstanding any other provision in the Settlement Agreement, SWR or Paterson, in its or his sole discretion, may elect to terminate the Settlement Agreement if the Opt-Out Threshold is exceeded provided their election is made within ten (10) days of the Administrator notifying them of the number of Opt-Outs pursuant to section 10.3 after which date their right to terminate the Settlement Agreement will have expired.

(2) If the Opt-Out Threshold is not exceeded, their right to terminate the Settlement Agreement is inoperative and of no force and effect.

(3) The Opt-Out Threshold shall be stated in the Collateral Agreement signed prior to, or contemporaneously with, the execution of the Settlement Agreement. The Collateral Agreement will state the Opt-Out Threshold, shall be kept confidential by the Parties and their counsel, shall

be shown to the Courts but shall not be otherwise disclosed, unless disclosure is ordered by one of the Courts.

(4) The Settlement Agreement will terminate if on or before thirty (30) days prior to the Ontario Approval Hearing:

- (a) SWR and Paterson do not obtain a lifting and vacating of the Freeze Order in respect of assets of Paterson and others to the extent necessary to allow for the payments particularized in section 4.1(3)(b); or
- (b) SWR and Paterson do not obtain a release of the assets of Paterson and others held pursuant to the Mareva Injunction to the extent necessary to allow for the payments particularized in section 4.1(3)(b).

(5) SWR and Paterson covenant and agree to execute all such further instruments and to make commercially reasonable efforts to satisfy the conditions in section 11.1(4) on or before thirty (30) days prior to the Ontario Approval Hearing.

(6) Within ten (10) days after any application(s) to satisfy section 11.1(4) is denied or any of the relief referred to therein is determined by SWR or Paterson, acting reasonably, to be unavailable within the time limit referred to in that section, SWR or Paterson, or both, may give notice of termination to the Parties if he and/or it elect to terminate the Settlement Agreement.

11.2 Effect of Termination Generally

If the Settlement Agreement is not approved and is therefore terminated, or if it is terminated as contemplated by section 11.1, the Settlement Agreement shall have no further force and effect, shall not be binding on the Parties and shall not be used as evidence or otherwise in any litigation, provided however that sections 1, 3, 4.2, 4.3, 7, 8.2, 9, 11, 17.1, 17.2, 17.4(1), 17.5, 17.8 and 17.12 shall survive and shall continue in full force and effect.

11.3 Allocation of Monies in the Escrow Account Following Termination

(1) The Administrator and Siskinds LLP shall account to the Courts and the Parties for the amounts maintained in the Escrow Account. If the Settlement Agreement is not approved and is therefore terminated, or if it is terminated pursuant to section 11.1, this accounting shall be delivered no later than ten (10) days after such termination.

(2) If the Settlement Agreement is not approved and is therefore terminated or if it is terminated pursuant to section 11.1, SWR, Paterson and/or Joan shall, within twenty (20) days after termination, apply to the Courts, on notice to the Parties, Joan and the Administrator, for an order:

- (a) declaring this Settlement Agreement null and void and of no force or effect except for the provisions of those sections listed in section 11.2;
- (b) determining whether a notice of termination shall be sent out to the Class Members and, if so, the form and method of disseminating such a notice;
- (c) requesting an order setting aside, *nunc pro tunc*, all prior orders or judgments entered by the Courts in accordance with the terms of this Settlement Agreement; and
- (d) authorizing the payment of:
 - (i) all funds received by SWR from any of the Contributing Parties and not yet paid into the Escrow Account pursuant to section 4.1; and
 - (ii) all funds in the Escrow Account, including accrued interest, to the Contributing Parties and/or SWR apportioned *pro rata*, based on their respective contributions, directly or indirectly, to the Escrow Account, as the case may be, minus any amounts paid out of the Escrow Account in accordance with this Settlement Agreement,

and, subject to section 11.4, the Parties shall consent to such orders.

11.4 Disputes Relating to Termination

If there is any dispute about the termination of this Settlement Agreement, the Ontario Court shall determine any dispute by motion on notice to the Parties.

SECTION 12 – DETERMINATION THAT THE SETTLEMENT IS FINAL AND BINDING

(1) Prior to any payment to the Class Members, the Settlement must become final. The approval of the Settlement shall be considered final for the purposes of the Settlement Agreement when the Approval Orders have been made and the Effective Date has been reached.

(2) Within ten (10) days after the Effective Date, Siskinds LLP shall transfer the Escrow Account to the Administrator.

SECTION 13 – RELEASES AND DISMISSALS

13.1 Release of Releasees

Upon the Effective Date and provided that the Settlement Amount has been deposited into the Escrow Account, the Releasors forever and absolutely release the Releasees from the Released Claims.

13.2 No Further Claims

Upon the Effective Date, the Releasors and Class Counsel shall not now or hereafter institute, continue, maintain or assert, either directly or indirectly, whether in Canada or elsewhere, on their own behalf or on behalf of any class or any other person, any action, suit, cause of action, claim or demand against any Releasee or any other person who may claim contribution or indemnity from any Releasee in respect of any Released Claim or any matter related thereto, provided however that any action against Global Gold is excepted and excluded from this section.

13.3 Settlement Does Not Affect Rights as Among Defendants or with Respect to Certain Class Members

Nothing in this Settlement Agreement shall affect the rights or obligations of the Defendants and Joan among themselves or shall constitute or be deemed to constitute a waiver by the Defendants and Joan of any defences available to them with respect to any Class Member who:

- (a) opts out of the Settlement or any Action; or,
- (b) in the event the Settlement Agreement is not approved and is therefore terminated or is terminated pursuant to section 11.1, brings or continues the Actions or any action against the Defendants and Joan.

13.4 Dismissal of the Actions

Except as otherwise provided in this Settlement Agreement, the Actions shall be dismissed without costs and with prejudice upon the Effective Date.

13.5 The Global Gold Actions

- (1) SWR will use commercially reasonable efforts to prosecute the SWR Action as against Global Gold and such other defendants as it may add other than Paterson, Joan and Glengarry until judgment or until settlement thereof with the approval of Ontario Class Counsel acting reasonably or the approval of the supervising judge in the BC Action.
- (2) SWR will keep Ontario Class Counsel reasonably advised of the progress of the SWR Action.
- (3) SWR will pay to the Administrator, for inclusion as a supplement to the Escrow Settlement Amount, 50% of the net after tax proceeds of monies (including shares or assets that are converted into money by sale or disposition) which it actually recovers in the SWR Action (after deduction and payment of SWR's legal fees on a solicitor-client basis, applicable taxes and reasonable out-of-pocket costs and expenses in connection therewith) as part of the consideration it is paying under the Settlement Agreement provided that, for greater certainty:
 - (a) this section 13.5(3) shall exclude for all purposes Paterson's approximately 8% shareholding in Global Gold and his *pro rata* interest (being 600,744 Shares) in Global Gold's ownership of Shares, which is being contributed by Paterson to SWR pursuant to section 4.1(3)(b)(i) hereof; and
 - (b) the payment under this section shall be made in addition to the payment stipulated in 4.1(3)(a).
- (4) SWR and Ontario Class Counsel acknowledge and agree that:
 - (a) Ontario Class Counsel will discontinue the Heathfield Action with prejudice as against Glengarry but may continue as against Global Gold and any other defendant other than Paterson, Joan and Glengarry;
 - (b) Ontario Class Counsel shall keep SWR reasonably advised of the progress of the Heathfield Action; and
 - (c) 50% of any monies, shares or other assets recovered therein shall be paid to SWR.

SECTION 14 – ADMINISTRATION AND IMPLEMENTATION

14.1 Appointment of the Administrator

- (1) The Courts shall appoint the Administrator to serve until further order of the Courts, to implement the Settlement Agreement and the Plan, on the terms and conditions and with the powers, rights, duties and responsibilities set out in the Settlement Agreement and in the Plan.
- (2) If the Settlement Agreement is terminated by SWR and/or Paterson in accordance with section 11.1, the Administrator's fees, disbursements and taxes are fixed as set out in section 3.1(1)(f).
- (3) If the approval of the Settlement becomes final as contemplated by section 12 the Courts will fix the Administrator's compensation and payment schedule.

14.2 Appointment of the Referee

- (1) The Courts shall appoint the Referee with the powers, duties and responsibilities set out in the Settlement Agreement and the Plan.
- (2) The fees, disbursements and taxes of the Referee shall be fixed by the Courts and shall not exceed \$25,000. When directed by the Ontario Court, the Administrator shall pay the Referee from the Escrow Settlement Amount.

14.3 Information and Assistance from the Defendants

- (1) Within thirty (30) days of the approval of the Settlement in Ontario, SWR shall, in writing, authorize and direct Computershare Limited to deliver a computerized list of the names and addresses of registered holders of the Shares in its possession to Class Counsel and the Administrator. SWR will also assist Class Counsel in contacting Broadridge Financial Solutions Inc. regarding obtaining information about Class Members who hold or held beneficial interests in the Shares.
- (2) SWR will provide a person to whom Class Counsel and/or the Administrator may address any requests for information. SWR agrees to make reasonable efforts to answer any reasonable inquiry from the Class Counsel and/ or the Administrator in order to facilitate the administration and implementation of the Settlement Agreement and the Plan.

(3) Class Counsel and/or the Administrator may use the information obtained in accordance with sections 14.3(1) and (2) for the purpose of delivering the Second Notice and for the purposes of administering and implementing the Settlement Agreement and the Plan.

(4) Any information obtained or created in the administration of this Settlement Agreement is confidential and, except as required by law, shall be used and disclosed only for the purpose of distributing notices and the administration of the Settlement Agreement and Plan.

14.4 Claims Submission Process

(1) In order to seek payment from the Settlement Amount, a Class Member must submit a completed Claim Form to the Administrator, in accordance with the provisions of the Plan, on or before the Claims Bar Deadline and, any Class Member who fails to do so, shall not share in any distribution made in accordance with the Plan unless the Courts order otherwise.

(2) In order to remedy any deficiency in the completion of a Claim Form, the Administrator may require and request that additional information be submitted by a Class Member who submits a Claim Form. Such Class Members shall have until the later of thirty (30) days from the date of the communication or correspondence or the Claims Bar Deadline to rectify the deficiency. Any person who does not respond to such a request for information within the thirty (30) day period shall be forever barred from receiving any payments pursuant to the Settlement, subject to any order of the Courts to the contrary, but will in all other respects be subject to, and bound by, the provisions of the Settlement Agreement and the releases contained herein.

14.5 Disputes Concerning the Decisions of the Claims Administrator

(1) In the event that a Class Member disputes the Administrator's decision, whether in whole or in part, the Class Member may appeal the decision to the Referee in accordance with the Plan. The decision of the Referee will be final.

(2) No action shall lie against Class Counsel, the Administrator or the Referee for any decision made in the administration of the Settlement Agreement and Plan without an order from the Courts authorizing such an action.

14.6 Conclusion of Administration

(1) Following the Claims Bar Deadline, and in accordance with the terms of the Settlement Agreement, the Plan, and such further approval(s) or order(s) of the Courts as may be necessary,

or as circumstances may require, the Administrator shall distribute the Escrow Settlement Amount to Authorized Claimants.

(2) No claims or appeals shall lie against Class Counsel or the Administrator based on distributions made substantially in accordance with the Settlement Agreement, the Plan, or with any other order(s) or judgments(s) of the Courts.

(3) If the Escrow Settlement Account is in a positive balance after one hundred eighty (180) days from the date of distribution of the Escrow Settlement Amount (whether by reason of tax refunds, un-cashed cheques or otherwise), the Administrator shall, if feasible, reallocate such balance among Authorized Claimants in an equitable and economic fashion. Any balance below CAN\$40,000.00 which still remains thereafter shall be donated as follows: 76% to the Small Investor Protection Association and 24% to the *Fonds d'Aide*.

(4) Upon the conclusion of the administration, or at such other time as the Courts direct, the Administrator shall report to the Courts on the administration and shall account for all monies it has received, administered and disbursed and may obtain orders from the Courts discharging it as Administrator.

SECTION 15 – THE PLAN

(1) The Defendants shall have no obligation to consent to but shall not oppose the Courts' approval of the Plan.

(2) Unless directed to do so by the Courts, the Defendants will not make any submissions to the Courts relating to the Plan.

(3) Sections 15(1) and (2) are not an acknowledgement by the Class or Class Counsel that the Defendants have standing to make any submissions to the Courts about the Plan.

SECTION 16 – THE FEE AGREEMENT AND CLASS COUNSEL FEES

16.1 Motion for Approval of Class Counsel Fees

(1) Class Counsel will submit fee applications for consideration by the Courts. The determination of the amount of Class Counsel Fees will be made by the Courts. Class Counsel

are not precluded from making additional applications for expenses incurred as a result of implementing the terms of the Settlement Agreement.

(2) The Defendants will neither consent to nor oppose approval of Class Counsel Fees. The Defendants will not make any submissions relating to Class Counsel Fees.

(3) Section 16.1(2) is not an acknowledgement by the Class or Class Counsel that the Defendants have standing to make any submissions to the Court about the fee agreements or Class Counsel Fees.

(4) The procedure for, and the allowance or disallowance by the Courts of any requests for, Class Counsel Fees to be paid out of the Settlement Amount are not part of the Settlement provided for herein, except as expressly provided in section 6.2(a), and are to be considered by the Courts separately from their consideration of the fairness, reasonableness, and adequacy of the settlement provided for herein. Any order or proceeding relating to Class Counsel Fees, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel the Settlement Agreement or affect or delay the finality of the Approval Orders and the Settlement of the Actions provided herein.

16.2 Payment of Class Counsel Fees

Forthwith after the Settlement becomes final, as contemplated in section 12, the Administrator shall pay to Siskinds LLP in trust the Class Counsel Fees from the Escrow Account.

SECTION 17 – MISCELLANEOUS

17.1 Motions for Directions

(1) Any one or more of the Parties, Class Counsel, the Administrator or the Referee may apply to the Courts for directions in respect of any matter in relation to the Settlement Agreement and Plan.

(2) All motions contemplated by the Settlement Agreement shall be on notice to the Parties provided however that once the Settlement becomes final as contemplated in section 12, the Defendants shall have no standing relating to any issue.

17.2 Defendants Have No Responsibility or Liability for Administration

Except for the obligation to pay the Settlement Amount, the Defendants and Joan have no responsibility for and no liability whatsoever with respect to the administration or implementation of the Settlement Agreement and Plan, including, without limitation, the processing and payment of claims by the Administrator.

17.3 Headings, etc.

- (1) In the Settlement Agreement:
 - (a) the division of the Settlement Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the Settlement Agreement;
 - (b) the terms “the Settlement Agreement”, “herein”, “hereto” and similar expressions refer to the Settlement Agreement and not to any particular section or other portion of the Settlement Agreement;
 - (c) all amounts referred to are in lawful money of Canada; and
 - (d) “person” means any legal entity including, but not limited to, individuals, corporations, sole proprietorships, general or limited partnerships, limited liability partnerships or limited liability companies.
- (2) In the computation of time in this Settlement Agreement, except where a contrary intention appears:
 - (a) where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar days; and
 - (b) only in the case where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

17.4 Governing Law

- (1) The Settlement Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario.
- (2) The Ontario Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Settlement Agreement, and the Parties submit to the jurisdiction

of the Ontario Court for purposes of implementing and enforcing the Settlement provided herein and it will be unnecessary to obtain orders from the other Courts relating to implementation and enforcement of the terms of the Settlement.

17.5 Entire Agreement

The Settlement Agreement constitutes the entire agreement among the Parties and Joan and supersedes all prior and contemporaneous understandings, undertakings, negotiations, representations, promises, agreements, agreements in principle and memoranda of understanding in connection herewith. None of the Parties will be bound by any prior obligations, conditions or representations with respect to the subject matter of the Settlement Agreement, unless expressly incorporated herein. The Settlement Agreement may not be modified or amended except in writing and on consent of all Parties and any such modification or amendment must be approved by the Courts.

17.6 Binding Effect

If approved by the Courts and if the Settlement becomes final as contemplated in section 12, the Settlement Agreement shall be binding upon, and enure to the benefit of, the Plaintiffs, the Class Members, the Defendants, the Releasees, the Releasers, the Contributing Parties, the Insurers and all of their respective heirs, executors, predecessors, successors and assigns. Without limiting the generality of the foregoing, each and every covenant and agreement made herein by the Plaintiffs shall be binding upon all Releasers and each and every covenant and agreement made herein by the Defendants shall be binding upon all of the Releasees.

17.7 Survival

The representations and warranties contained in the Settlement Agreement shall survive its execution and implementation.

17.8 Negotiated Agreement

The Settlement Agreement has been the subject of negotiations and many discussions among the undersigned, each of whom has been represented and advised by competent counsel, so that any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafters of the Settlement Agreement shall have no force and effect. The Parties further agree that the language contained in or not contained in

previous drafts of the Settlement Agreement, or any agreement in principle, shall have no bearing upon the proper interpretation of the Settlement Agreement.

17.9 Recitals

The recitals to the Settlement Agreement are true and form part of the Settlement Agreement.

17.10 Schedules

The Recitals and Schedules to the Settlement Agreement are material and integral parts hereof and are fully incorporated into, and form part of, the Settlement Agreement.

17.11 Acknowledgements

Each of the Parties and Joan hereby affirms and acknowledges that:

- (a) he, she or its representative has the authority to bind the Party with respect to the matters set forth herein has read and understood the Settlement Agreement;
- (b) the terms of the Settlement Agreement and the effects thereof have been fully explained to him, her or its representative by his, her or its counsel;
- (c) he, she or its representative fully understands each term of the Settlement Agreement and its effect.

17.12 Authorized Signatures

Each of the undersigned represents that he or she is fully authorized to enter into the terms and conditions of, and to execute, the Settlement Agreement on behalf of the Party for whom he or she is signing.

17.13 Counterparts

The Settlement Agreement may be executed in counterparts, all of which taken together will be deemed to constitute one and the same agreement, and a facsimile signature shall be deemed an original signature for purposes of executing the Settlement Agreement.

17.14 Confidentiality and Communications

(1) In any public discussion of, comment on, press release or other communication of any kind (with the media or otherwise) about the Settlement Agreement and Plan, the Parties, Joan and their respective counsel agree and undertake to describe the Settlement and the terms of this

Settlement Agreement as fair, reasonable and in the best interests of the Class, and to refrain from:

- (a) contradicting the Settlement Agreement, including the Recitals, or making statements which are inconsistent with the terms thereof or this Settlement Agreement;
 - (b) disparaging the other Parties and Joan or their counsel; or
 - (c) referring in any way to the Insurers, other than in communications directed to the Courts in accordance with the Settlement Agreement.
- (2) The Parties' and Joan's obligations under this section shall not however prevent them, or any of them, from reporting to their clients, from complying with any order from any one of the Courts, or from making any disclosure or comment required by the Settlement Agreement, or from making any necessary disclosure or comment for the purposes of any applicable securities or tax legislation or from making any disclosure or comment to Class Members or the Courts or for the purposes of any proceedings as between the Defendants.

17.15 Notice

Where the Settlement Agreement requires a notice or any other communication or document to be given to the Parties and Joan, such notice, communication or document shall be provided by email, facsimile or letter by overnight delivery to the representative of the person to whom notice is being provided, as identified below:

For Plaintiffs and for Class Counsel:

Harvey T. Strosberg, Q.C.
Sutts, Strosberg LLP
Barristers and Solicitors
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 Facsimile: 519.561.6203
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For Southwestern Resources Corp.

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For John G. Paterson:

Laura Fric
Osler, Hoskin & Harcourt LLP
Barristers and Solicitors
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Telephone: 416.862.5899
Facsimile: 416.862.6666

and to:

H. Roderick Anderson
Harper Grey LLP
3200 Vancouver Centre
650 West Georgia Street
Vancouver, B.C. V6B 4P7

Telephone: 604.687.0411
Facsimile: 604.669.9385
Email: randerson@harpergrey.com

The Parties have executed this Settlement Agreement as of the date on the cover page.

Andrew Stastny

Southwestern Resources Corp.

By: _____

Name
Title

Ronald Martin

John G. Paterson

André Vézina

Margaret Joan Paterson

Siskinds LLP has executed the Settlement Agreement as of the date on the cover page to signify its consent to hold the Non-Refundable Expense Fund and the Escrow Account on the terms provided in the Settlement Agreement and to be bound by the terms of the Settlement Agreement.

Siskinds LLP

By:

A. Dimitri Lascaris
Partner