option on the property, as they would prefer to sell out and out. You state in your letter that any arrangement would have to be at a very much reduced price, but you do not state how much reduction would suit you. The price that was put in the option which you formerly held was $100,000, for all the properties mentioned therein if you took them all. Now the Dube Bros. if they sell at all wish to sell all the properties which were mentioned in that option. They say that they do not know exactly what price to put on such properties in a cash deal, but wish to know how that following proposition would suit you, namely, that you should buy all their right, title, and interest in the said properties for the sum of $37,500 cash, and also a royalty on the output of say 15 cents for each ton of ore raised from the properties, weighed at the mine's mouth. Of course, if this proposition should be accepted it would be necessary in the agreement concerning the royalty, that you should bind yourself to raise a certain limited number of tons per year. It might be added, however, in the agreement, that if you wish at any furture time to get rid of this royalty you might buy out their claims to the same for a further payment of say $25,000 cash."

On or about the 14th April, 1908, Joseph Dube had an interview with the defendant in Toronto. At this interview the defendant says that after some discussion, an agreement was arrived at "about rebonding the property," as he put it. He says that a part of the arrangement was that a royalty of 15 cents a ton on 65,000 tons a year was to be paid, provided he discovered ore lenzes of commercial ore, and that the royalty was dependent upon ore in commercial quantities being found. On that day apparently he sent to the plaintiffs a written memorandum of his understanding of the matter in the following terms: "With respect to the iron locations at Burwash lake, specified in the agreement made between us, dated October 2nd, 1907, I will be glad to sign an option for the purchase of these locations, including the following terms, total price $35,000 payable as follows: $20,000 down on the signing of papers, balance of $15,000 in two payments of $7,500, payable in six months and one year respectively from the date of the option. Royalty: For the first two years from the date of the option no royalty shall be payable. After that period, I am to pay you royalty of 15 cents per long ton of ore removed from the locations. I am to take out of the locations an aggregate