
UNIVERSAL GAS (MONTANA) INC.,
Grantor

-to-

FIRST AMERICAN TITLE COMPANY
OF NEVADA,
Trustee

-for the use and benefit of-

THE ROYAL BANK OF CANADA,
Beneficiary

DEED OF TRUST,
SECURITY AGREEMENT
AND
ASSIGNMENT OF PROCEEDS

Dated: As of Feb 12, 1982

Location: Eureka County,
Nevada

DEED OF TRUST,
SECURITY AGREEMENT
AND

ASSIGNMENT OF PROCEEDS

(This Instrument Secures Future Advances)

THIS DEED OF TRUST, SECURITY AGREEMENT AND ASSIGNMENT OF PROCEEDS (hereinafter referred to as "this Deed of Trust"), made as of Feb 12, 1982 by UNIVERSAL GAS (MONTANA) INC., a MONTANA corporation having its principal place of business at ELKO, NEVADA (hereinafter referred to as "Grantor"), and FIRST AMERICAN TITLE COMPANY OF NEVADA, a Nevada corporation having an office at 201 West Liberty Street, Reno, Nevada 89504 (hereinafter referred to as "Trustee"), for the use and benefit of THE ROYAL BANK OF CANADA, one of the chartered banks of Canada, having its head office in Montreal, Quebec, Canada, and a branch office at 600A - 6th Avenue, S.W., Calgary, Alberta, Canada T2P 0S4 (hereinafter referred to as "Beneficiary"),

W I T N E S S E T H :

ARTICLE I
DEFINITIONS

Section 1.01. Defined Terms. For the purposes of this instrument:

(a) "Collateral" includes Fixture Collateral, Personalty Collateral and Realty Collateral.

(b) "Effective Date" means Feb 12, 1982.

(c) "Fixture Collateral" means all of Grantor's interest in and to all Operating Equipment which is or becomes so related to the Mining Properties, or any part of them, so that an interest in the Operating Equipment arises under the real property laws of Nevada.

(d) "Mill" shall mean the mill facilities located on the Mining Properties for the purposes of the milling, producing, treating and processing of the Metals, Minerals and Ores, together with all properties and equipment relating thereto and located on or utilized in connection with such mill facilities.

(e) "Mine" shall mean Grantor's mine presently known as the LITTLE DON MINE Mine in Eureka County, Nevada and future facilities or related groups of facilities relating

thereto, constructed and equipped for the prospecting and mining for and extraction and production of the Metals, Minerals and Ores, and any other mines now or hereafter located on the Mining Claims.

(f) "Metals, Minerals and Ores" means, collectively, all of the metals, minerals and ores of every kind and character whatsoever, precious and base, metallic and nonmetallic, which are now found or which hereafter may be found in or on, mined, extracted and produced from, milled, treated, processed, handled, transported, stored or marketed on or in, or otherwise attributable to or associated with, the Mining Properties, and which shall include all protore, waste, tailings and bullion associated therewith in any manner whatsoever.

(g) "Mining Claims" means, collectively, those patented and unpatented lode mining claims and mill site claims described and referred to in Exhibit A hereto and shall include any other form of mineral tenure hereafter acquired by Grantor in substitution therefor or in addition thereto.

(h) "Mining Properties" means, collectively, all real property interests of Grantor in and to the Mining Claims, the Mill and the Mine, together with all of Grantor's other real property interests of any nature whatsoever therein or incident or appurtenant thereto, including, but not limited to, any and all intraliminal and extralateral mining rights

of Grantor pertaining thereto, the Metals, Minerals and Ores to the extent the same constitute real property, leases, subleases, royalties, overriding royalties, net profits interests, production payments and similar interests, and all rights, rights-of-way and easements, affecting the foregoing interests of Grantor or useful or appropriate in prospecting and exploring for, mining, extracting or milling, producing, processing, treating, handling, storing, transporting, manufacturing or marketing the Metals, Minerals and Ores therefrom, together with (i) any and all right, title and interest hereafter acquired by Grantor or for the benefit of Grantor in and to the Mining Claims, the Mine, the Mill or the lands upon which the same are situated, whether under and by the notices of location pertaining thereto or any other notice of location or amended location or under and by any patent or otherwise, and (ii) all water and water rights, wells and well rights, ditches and ditch rights, reservoirs and reservoir rights, springs and rights to springs, headgates, flumes and pumping and irrigating equipment and facilities of Grantor with respect to the Mining Claims, the Mill and the Mine.

(i) "Obligations" means the aggregate of:

(i) All indebtedness represented by a promissory note (or notes) (the "Notes") executed by Universal Exploration, Ltd. and payable to the order of

Beneficiary on demand, up to an aggregate amount of Five Million Dollars (\$5,000,000), together with interest at a rate per annum equal at all times to the rate determined in accordance with the terms of the Notes;

(ii) Any and all other or additional indebtedness or liabilities for which Grantor is now or may hereafter become liable to Beneficiary in any manner, whether under this instrument, under Grantor's Guaranty of the obligations of Universal Exploration, Ltd. to Beneficiary, under the Notes, or otherwise, either primarily or secondarily, absolutely or contingently, directly or indirectly, jointly, severally, or jointly and severally, and whether matured or unmatured, regardless of how such additional indebtedness or liabilities may have been or may hereafter be acquired by Beneficiary, and whether or not created after payment in full of the other Obligations referred to herein, so long as this Deed of Trust shall not have been released of record previously by Beneficiary;

(iii) All sums advanced and costs and expenses incurred by Beneficiary, including, without limitation, all attorneys' and consultants' fees and expenses and court costs, made and incurred in connection with the Obligations described in clauses (i) and (ii) immediately above or any part thereof, any renewal, extension or

modification of, or substitution for, the foregoing Obligations or any part thereof, or the acquisition, perfection or maintenance and preservation of the security therefor, whether such advances, costs or expenses shall have been made and incurred at the request of Beneficiary (for purposes of this instrument, the term "consultants" shall include, without limitation, accountants, mining and other engineers, architects, geologists, geophysicists, assayers, building contractors, surveyors, appraisers, brokers, managers, operators, hydrologists, and any other specialists whose services are reasonably employed by Beneficiary in connection with the Collateral); and

(iv) Any and all extensions and renewals of, substitutions for, modifications of or amendments to any of the foregoing Obligations or any part thereof.

(j) "Operating Equipment" shall mean all surface or subsurface machinery, equipment, facilities or other property of any kind or nature whatsoever now or hereafter located at or on the Mining Properties, or any part of any of them, and which is useful for the exploration for, production, mining, milling, treatment, processing, handling, storage or transportation of the Metals, Minerals and Ores including, by way of illustration but not by way of limitation, all hoisting shafts, air shafts, engines, boilers, dynamos, generators,

other electrical and hydraulic apparatus, machinery and tipples, transport facilities, including rail and vehicular equipment, laboratory facilities, storehouses and other buildings of every name and kind, owned or used by Grantor in connection with the Mining Properties, or any part of them, the Mill, and all tools, supplies, chemicals, solvents, processes, equipment and personal property of every name, kind, sort or character, whether now owned or hereafter to be purchased, leased or acquired by Grantor for use in connection with the Mining Properties, or any part of any of them.

(k) "Personalty Collateral" means, collectively all of Grantor's interest in and to (i) the Operating Equipment, the Metals, Minerals and Ores to the extent the same constitute personal property, the Production Sales Contracts and accounts, contract rights and general intangibles now existing or hereafter arising in connection with the exploration for, production, processing, treatment, storage, transportation, manufacture or sale of the Metals, Minerals and Ores; (ii) all awards or payments, including interest thereon, and the right to receive the same, which may be made with respect to the Collateral, whether from the exercise of the right of eminent domain (including any transfer made in lieu of the exercise of said right), or for any other injury to or decrease in the value of the Collateral; (iii) all proceeds of and any unearned premiums on any insurance

policies covering the Collateral, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments or settlements made in lieu thereof, for damage to the Collateral; (iv) the right, in the name and on behalf of Grantor, to appear in and defend any action or proceeding brought with respect to the Collateral, and to commence any action or proceeding to protect the interest of Trustee and Beneficiary in the Collateral; (v) all permits, licenses, contracts, agreements and warranties relating to the Mine, the Mill and the other properties constituting part of the Collateral; (vi) Grantor's inventories of raw materials, work-in-progress, supplies, spare parts and finished goods and products, wherever located, whether now owned or hereafter acquired; and (vii) personal property, moveable and immoveable, tangible or intangible, of whatever nature and kind, wherever located, including, without limitation, all accounts, contract rights, general intangibles, Operating Equipment, inventory, goods and chattel paper, now owned or existing or hereafter acquired or arising in connection with the conduct by Grantor of any activities other than the exploration for, production, extraction, mining, milling, processing, treatment, handling, storage, transportation, manufacture or sale of the Metals, Minerals and Ores.

(l) "Proceeds" includes whatever is received upon the sale, exchange, collection or other disposition of the Collateral and insurance payable by reason of loss or damage to the Collateral, and includes both cash and noncash proceeds.

(m) "Production Sales Contracts" means, collectively, all contracts, if any, now in effect, or hereafter entered into by Grantor, or Grantor's predecessors in interest, for the sale, purchase, exchange, processing, production, handling or transportation of the Metals, Minerals and Ores.

(n) "Realty Collateral" means, collectively, (i) all of Grantor's interest in and to the Mining Properties, including, but not limited to, the interests of Grantor described or specified in Exhibit A hereto, (ii) all easements, rights-of-way, gores of land, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, stock in water companies, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments, and appurtenances of any nature whatsoever, in any way belonging, relating or pertaining to the Collateral and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Mining Properties to the center line thereof; (iii) all leases, subleases and other agreements affecting the use or occupancy of the Collateral now or hereafter entered into and the right

to receive and apply the rents, royalties, issues and profits of the Collateral to the payment of the Debt; and (iv) all other real property interests of Grantor, whether now owned or hereafter acquired, relating to the real properties constituting the Collateral.

ARTICLE 2
CREATION OF SECURITY

Section 2.01. Grant. In consideration of Beneficiary's advancing or extending the funds or credit constituting the Obligations, and in consideration of the mutual covenants contained herein, and for the purpose of securing payment of the Obligations, Grantor hereby grants, bargains, sells and conveys the Realty Collateral to First American Title Company of Nevada as trustee in trust for the use and benefit of The Royal Bank of Canada, beneficiary.

Section 2.02. Creation of Security Interest. In addition to the grant contained in Section 2.01, and for the same consideration and purpose, Grantor hereby grants to Beneficiary a security interest in all Personalty Collateral and Fixture Collateral now owned or hereafter acquired by Grantor and in all Proceeds. Without limiting the foregoing provisions of this Section 2.02, Grantor stipulates that the grant made hereby includes a grant of a security interest in the Metals, Minerals

and Ores mined, extracted and produced from, milled, stored, treated, processed, handled, transported, manufactured or marketed on or in, or otherwise attributable to the Realty Collateral or any part thereof and in the Proceeds therefrom, such security interest to attach to the Metals, Minerals and Ores, to the Proceeds and to all accounts, contract rights and general intangibles resulting from such sales.

Section 2.03. Limited Implication of Security Interest in Proceeds. The security interest of Beneficiary hereunder in the Proceeds shall not be construed to mean that Beneficiary consents to the sale or other disposition of any part of the Collateral other than the Metals, Minerals and Ores, or any part thereof, and sold in the ordinary course of Grantor's business.

ARTICLE 3

COLLECTION OF PRODUCTION PROCEEDS

Section 3.01. Beneficiary's Receipt of Production Proceeds. Beneficiary will be entitled to receive all Metals, Minerals and Ores (and the Proceeds therefrom) beginning at 12:00 o'clock noon, local time, on the Effective Date. All parties producing, purchasing and receiving the Metals, Minerals and Ores or the Proceeds are authorized and directed to treat Beneficiary as the entity entitled in Grantor's place and stead to receive the same, and Grantor hereby irrevocably appoints Beneficiary to

serve as Grantor's attorney-in-fact while this Deed of Trust is in force and effect for such purpose and, further, those parties will be fully protected in so treating Beneficiary and will be under no obligation to see to the application by Beneficiary of any Proceeds received by it. In this connection, Grantor agrees to furnish to Beneficiary promptly the names and addresses of all parties presently purchasing the Metals, Minerals and Ores and the name and address of each new or additional party who hereafter becomes a purchaser of the Metals, Minerals and Ores; and Grantor further agrees that, if any Proceeds from the Metals, Minerals and Ores are hereafter paid to Grantor, they shall constitute trust funds in the hands of Grantor and shall be forthwith paid over by Grantor to Beneficiary. Grantor shall, if and when requested by Beneficiary, execute and file with any production purchaser appropriate documents and instruments in form and content reasonably satisfactory to Beneficiary declaring Beneficiary to be entitled to the Metals, Minerals and Ores and the Proceeds and instructing such purchaser to pay such Proceeds to Beneficiary.

Section 3.02. Application of Proceeds.

(a) All payments of Proceeds received by Beneficiary pursuant to Section 3.01 above shall be placed in a collateral collection account (hereinafter called "Cash Collateral Account") at such financial institution as Beneficiary may designate and at least monthly on the tenth day of each month applied as follows:

(i) First, to the payment of all costs and expenses incurred in connection with the collection and receipt of the Proceeds;

(ii) next, to the payment of all accrued interest then due and owing on the Notes as of the date that such application is made;

(iii) next, to the outstanding principal amount then due and owing on the Notes as of the date that such application is made; and

(iv) next, at Beneficiary's election, to the payment of any or all other Obligations then due and owing.

(b) If an Event of Default shall have occurred and be continuing, Beneficiary may at its option hold any surplus balances in the Cash Collateral Account for application to the indebtedness under the Notes as it becomes due or on the next monthly application date, as the case may be.

(c) If no Event of Default has occurred and be continuing, or if such Event of Default exists but Beneficiary has not elected to hold surplus balances as provided in the preceding paragraph, then any balance remaining in the Cash Collateral Account after the monthly or other application of funds by Beneficiary pursuant to the foregoing provisions of this Section 3.02 shall be transferred to any other deposit account of Grantor with such depository as may be designated by Grantor from time to time by instructions to Beneficiary.

(d) If any date of application specified above (herein called a "regular application date") shall be a Saturday, Sunday or legal banking holiday under the laws of the jurisdiction in which such Proceeds shall be applied, the Proceeds to be applied by Beneficiary pursuant to this Section 3.02 shall be applied on the last business day next preceding such Saturday, Sunday or legal banking holiday, but the amount to be applied pursuant to subparagraph (a)(ii) of this Section 3.02 shall nevertheless be the amount accrued up to, but not including, such regular application date.

Section 3.03. Grantor's Payment Duties. Nothing contained herein will limit Grantor's duty to make payment on the Obligations when the Proceeds received by Beneficiary pursuant to this Article 3 are insufficient to pay the costs, interest and principal thereof then owing, and the receipt of Proceeds by Beneficiary will be in addition to all other security now or hereafter existing to secure payment of the Obligations.

Section 3.04. Liability of Beneficiary. Beneficiary has no obligation to enforce collection of any Proceeds and is hereby released from all responsibility in connection therewith except the responsibility to account for Proceeds actually received.

Section 3.05. Indemnification. Grantor agrees to indemnify Trustee and Beneficiary, or either of them, against all claims, actions, liabilities, losses, judgments, attorneys' and

consultants' fees, costs and expenses and other charges of any description whatsoever (all of which are hereinafter collectively referred to in this Section 3.05 as "Claims") made against or sustained or incurred by Trustee and Beneficiary, or either of them, as a consequence of the assertion, either before or after the payment in full of the Obligations, of any liability against either or both of them as a result of their being parties to this Deed of Trust. Trustee and Beneficiary will have the right to employ attorneys to defend against any Claims, and, unless furnished with satisfactory indemnity, Trustee and Beneficiary will have the right to pay or compromise and adjust all Claims in its sole discretion. Grantor shall indemnify and pay to Trustee or Beneficiary all amounts as may be paid by them in compromise or adjustment of any of the Claims or as may be adjusted against them in respect of any of the Claims. The liabilities of Grantor as set forth in this Section 3.05 will constitute Obligations and will survive the termination of this Deed of Trust.

ARTICLE 4

GRANTOR'S WARRANTIES AND COVENANTS

Section 4.01. Warranties and Covenants.

(a) Grantor warrants and covenants that:

(i) Grantor has good and marketable title to each property right or interest constituting the Collateral,

free of any adverse claim, burden, mortgage, lien, security interest, pledge, charge, encumbrance or interest of or in favor of any third party except as stated in Exhibit A or as previously disclosed to Beneficiary in writing; except for any financing statement in favor of Beneficiary, no financing statement covering any of the Collateral is on file in any public office; and Grantor has a good and legal right and full authority to grant and convey same to Beneficiary pursuant to this instrument;

(ii) The Mining Claims are valid and subsisting, all requirements and procedures to maintain the validity of each of them have been properly and timely observed and followed, and all conditions and obligations necessary to keep them in force have been fully satisfied and performed; all of the Mining Properties operated and maintained to conform with all applicable laws, rules, regulations and orders of all governmental authorities having jurisdiction, and the Mining Claims are subject to no penalties on account of past operation and maintenance;

(iii) Grantor warrants that it has the right under the Mining Claims to encumber the same as provided in this Deed of Trust;

(iv) No approval or consent of any regulatory or administrative commission or authority or of any other governmental body or any other party is necessary to authorize the execution and delivery of this Deed of Trust or of any other written instruments constituting or evidencing the Obligations, or to authorize the observance or performance by Grantor of the covenants contained in this instrument or in the other written instruments;

(v) Grantor is not obligated, by virtue of a prepayment arrangement under any of the Production Sales Contracts containing a "take or pay" clause or any other prepayment arrangement, to deliver the Metals, Minerals and Ores, or any portion thereof, at some future time without then or thereafter receiving full payment therefor; and Grantor, without Beneficiary's prior written consent, shall not hereafter make any such prepayment arrangements, other than by a customary "take or pay" clause contained in the Production Sales Contracts;

(vi) Grantor is a MONTANA corporation, remaining duly organized and existing as of the date of this Deed of Trust and Grantor is qualified to do business in each state where such is required by the conduct of its business and is in good standing in all of said states, and will maintain its corporate existence and form and main-

tain its status as qualified to do business in each of said states until the Obligations are fully discharged;

(vii) Grantor has taken all proper action to authorize the execution and delivery of this Deed of Trust and to make this Deed of Trust the legal, valid and binding obligation of Grantor; and

(viii) Grantor will not, so long as any portion of the Obligations remains unpaid, merge into or consolidate with any corporation, partnership, joint venture or other business enterprise, or sell, liquidate, lease or otherwise dispose of all or substantially all of its property without the prior written approval of Beneficiary.

(b) All of the warranties and representations of Grantor contained in this Deed of Trust are, and will be in all respects, true and correct, both as of the date of execution of this Deed of Trust and the Effective Date, and as of the date of each advance by Beneficiary under the Notes.

(c) Grantor warrants and shall forever defend the Collateral against every person whomsoever lawfully claiming the same or any part thereof, and Grantor shall maintain and preserve the lien and security interest herein created until this Deed of Trust has been terminated as provided herein.

Section 4.02. Operation, Maintenance, etc. of Collateral by Grantor. As long as this Deed of Trust has not

been terminated, and whether or not Grantor is the operator of all or any part of the Mining Properties, Grantor shall, at Grantor's own expense:

(a) Keep in full force and effect all Mining Claims and otherwise do all things necessary to keep Grantor's rights and Beneficiary's interest in the Collateral unimpaired, including, without limitation, observance of and compliance with all governmental, contractual and other requirements to keep the Mining Claims (including patented and unpatented mining claims and possessory rights to the extent the same constitute the Mining Claims) constantly and continually valid;

(b) Not abandon, forfeit, surrender, sell, assign or release any of the Collateral or any operating agreement or other instrument affecting Grantor's interests in the Collateral without Beneficiary's prior written consent;

(c) Cause the Collateral to be maintained, developed and protected against waste and continuously operated for the production of the Metals, Minerals and Ores in a good and workmanlike manner as a prudent mine and mill operator would in accordance with generally accepted mining and milling practices, applicable operating agreements and all applicable federal, state and local laws, rules, regulations and orders;

(d) Promptly pay or cause to be paid when due and owing all sums payable in respect of the Collateral; all expenses

incurred in or arising from the operation or development of the Collateral; and all taxes, assessments and governmental charges imposed upon the Collateral, Grantor, Trustee or Beneficiary;

(e) Cause the Operating Equipment to be kept in good and effective operating condition and cause to be made all repairs, renewals, replacements, additions and improvements thereof or thereto necessary for the production of the Metals, Minerals and Ores; and permit Beneficiary (through its agents and employees) to enter upon the Mining Properties for the purpose of investigating and inspecting the condition and operations of the Collateral;

(f) Cause the Collateral to be kept free and clear of liens, charges, security interests, encumbrances, adverse claims and title defects of every character other than (i) the lien and security interest created by this instrument, (ii) taxes constituting a lien but not due and payable, (iii) defects or irregularities in title which are not such as to interfere materially with the development, operation or value of the Collateral and not such as to materially affect title thereto, (iv) those being contested in good faith by Grantor and which do not, in the judgment of Beneficiary, jeopardize Beneficiary's rights in and to the Collateral, and (v) those consented to in writing by Beneficiary; provided, however, that Beneficiary may take such independent action in connec-

tion with any such matters affecting the Collateral as it deems advisable, and all costs and expenses thereof, including, without limitation, attorneys' and consultants' fees and expenses and court costs, incurred by Beneficiary in taking such action shall be part of the Obligations hereunder;

(g) Carry with the Nevada State Industrial Insurance System insurance against liability for injuries and occupational diseases for which Grantor's employees may be entitled to benefits under Chapter 616 and Chapter 617 of Nevada Revised Statutes, and the Federal Longshoremen's and Harbor Workers' Compensation Act, and in amounts satisfactory to Beneficiary, public liability and property damage insurance, in standard insurance companies authorized to do business in Nevada, satisfactory to Beneficiary, in respect of all activities in which Grantor might incur liability for death or injury or damage to or destruction of property and, to the extent insurance is carried by others engaged in similar undertakings in the same general areas in which the Collateral is located, insurance in respect of the Operating Equipment against loss or damage by fire, lightning, hail, tornado, explosion, theft and other similar risks; all policies of such insurance shall provide for not less than ten (10) days' prior written notice to Beneficiary of cancellation, and Beneficiary shall be named as a loss payee of

all insurance insuring any of the Operating Equipment against loss or damage; Beneficiary may apply any insurance payments which it receives toward part or full satisfaction of any or all of the Obligations whether or not they are then due; and

(h) Execute, acknowledge and deliver to Beneficiary such other and further instruments and do such other acts as in the opinion of Beneficiary are necessary or desirable to effect the intent of this Deed of Trust or otherwise protect and preserve the interests of Beneficiary hereunder, promptly upon request of Beneficiary.

Section 4.03. Recording and Filing. Grantor shall pay all costs of filing, registering and recording this Deed of Trust and every other instrument in addition or supplemental hereto, and all financing statements Beneficiary may require, in such offices and places and at such times and as often as may be, in the judgment of Beneficiary, necessary to preserve, protect and renew the lien and security interest herein created as a first lien and prior security interest on and in the Collateral, and otherwise do and perform all matters or things necessary or expedient to be done or observed by reason of any law or regulation of any State, or of the United States of America, or of any other competent authority for the purpose of effectively creating, maintaining and preserving the lien and security interest created herein and on the Collateral and the priority thereof. Grantor shall also pay the costs of obtaining reports

from appropriate filing officers concerning financing statements in respect of any of the Collateral in which a security interest is granted herein.

Section 4.04. Records, Statements and Reports.

(a) Grantor shall at all times keep complete and accurate business records in conformity with generally accepted accounting principles, practices and standards, consistently applied, and Beneficiary may from time to time have access to and examine and copy such records.

(b) When, and to the extent required by Beneficiary, Grantor shall furnish to Beneficiary the financial, production, engineering and other reports (including, without limitation, smelter returns) concerning any other matters related to the operation of the Mining Properties and the estimated income therefrom and expenses attributable thereto.

Section 4.05. Beneficiary's Right to Perform Grantor's Obligations. Grantor agrees that, if Grantor fails to perform any act which Grantor is required to perform under this instrument, Beneficiary may, but shall not be obligated to, perform or cause to be performed such act, and any expense incurred by Beneficiary in so doing shall be a demand obligation owing by Grantor to Beneficiary, shall bear interest at an annual rate equal to the rate of interest from time to time accruing under the Notes plus Two percent (2%) until paid and shall be a part of the Obligations, and Beneficiary shall be subrogated to all of

the rights of the party receiving the benefit of such performance. The undertaking of such performance by Beneficiary as aforesaid shall not obligate Beneficiary to continue such performance or to engage in such performance or performance of any other act in the future, shall not relieve Grantor from the observance or performance of any covenant, warranty or agreement contained in this Deed of Trust or constitute a waiver of default hereunder and shall not affect the right of Beneficiary to accelerate the payment of the Obligations or to resort to any other of its rights or remedies hereunder or under applicable law.

ARTICLE 5

DEFAULT

Section 5.01. Events of Default. The term "Event of Default" means the occurrence of any of the following events or the existence of any of the following conditions:

(a) Failure of any payment to be made when due under the terms of the Notes; or

(b) Failure of any payment (other than under (a) immediately above) to be made when due of any of the Obligations or other failure to keep, punctually perform or observe any of the covenants, obligations or prohibitions contained herein, in any written instrument evidencing any of the Obligations or in any other agreement with Beneficiary

(whether now existing or entered into hereafter) or the occurrence of any other event which is, or is deemed to be, an Event of Default under, and as that term is defined in, any such other written instrument or agreement; or

(c) Any warranty, information, representation or statement made or furnished to Beneficiary in connection with the Obligations, is reasonably determined by Beneficiary to be untrue or misleading in any material respect; or

(d) The assertion (except by the owner of an encumbrance expressly excepted from Grantor's warranty of title herein) of any claim of priority over this Deed of Trust, by title, lien, or otherwise (including, without limitation, any claim for labor or materials, or both, furnished, or for unpaid state or federal taxes, or any contest by or on behalf of the United States of America as to any patented or unpatented mining claims or possessory rights which constitute the Mining Claims) unless Grantor, within Thirty (30) days after such assertion, either causes the assertion to be withdrawn or provides Beneficiary with such security as Beneficiary may require to protect Beneficiary against all loss, damage or expense, including, without limitation, attorneys' and consultants' fees and expenses and court costs which Beneficiary may incur in the event such assertion is upheld; or

(e) The dissolution, termination or liquidation of Grantor or of any other person or entity directly or indirectly liable for the Obligations, or the making by any such person of any assignment for the benefit of creditors, or the appointment of a receiver, liquidator, or trustee of the property of any such person, of any assignment for the benefit of creditors, or the appointment of a receiver, liquidator, or trustee of the property of any such person, or the filing of any petition for the bankruptcy, reorganization, or arrangement of any such person pursuant to the Federal Bankruptcy Act or any similar state or federal statute, or the adjudication of any such person as bankrupt or insolvent; or

(f) If Beneficiary, in the reasonable exercise of its judgment, determines that Grantor will be unable to repay the Obligations in the manner and at the times contemplated by this instrument, or determines that the adequacy of the Collateral is insufficient to assure the repayment of the Obligations in any material respect, or both.

Section 5.02. Acceleration Upon Default. Upon the occurrence of any Event of Default, or at any time thereafter, Beneficiary may, at its option, declare the entire unpaid principal of and the interest accrued on the Obligations to be forthwith due and payable without any further notice, presentment or demand of any kind, all of which are hereby expressly waived.

Section 5.03. Possession and Operation of the Collateral by Beneficiary. Upon the occurrence of an Event of Default, or at any time thereafter, and in addition to all other rights herein conferred on Beneficiary, Beneficiary (or any person, firm or corporation designated by Beneficiary) will have the right and power, but will not be obligated, to enter upon and take possession of all or any part of the Collateral, to exclude Grantor therefrom, and to hold, use, administer, manage and operate the same to the extent that Grantor could do so. Beneficiary (or any person, firm or corporation designated by Beneficiary) may operate and develop the Collateral (or any portion thereof) without any liability to Grantor in connection with such operations and development; and Beneficiary (or any person, firm or corporation designated by Beneficiary) will have the right to enter into Production Sales Contracts in the name of Grantor or of Beneficiary and to collect, receive and receipt for all of the Metals, Minerals and Ores produced, stored upon and sold from the Mining Properties (and Beneficiary is irrevocably appointed Grantor's attorney-in-fact in this regard pursuant to Section 3.01 above), to make repairs, to purchase machinery and equipment, to conduct workover operations, to conduct mining and milling operations, to employ labor, and to exercise every right, remedy, power and privilege of Grantor with respect to the Collateral (or any portion thereof). Providing there has been no foreclosure sale, when and if the expenses of the operation and

development of the Collateral have been paid and the Obligations paid in full, the Collateral shall be returned to Grantor.

Section 5.04. Receivership.

(a) Notwithstanding any other provision in this Deed of Trust, and in addition to any other remedy or remedies provided in this Deed of Trust or in any other instrument evidencing or securing the Obligations or provided by law, upon the occurrence of an Event of Default which shall be continuing, or at any time thereafter so long as an Event of Default is occurring, Beneficiary may from time to time apply to a court of competent jurisdiction for the ex parte appointment of a receiver(s) to take possession of and to operate the Collateral (or any portion thereof) and to collect the Proceeds, without notice to Grantor. Beneficiary shall be entitled to the appointment of such receiver(s) as a matter of right, without regard to the value of the Collateral as security for the Obligations or the solvency of Grantor or any person or legal entity liable for the payment of all or any part of the Obligations. Such receiver(s) shall serve without bond and shall have the following powers and authorities in addition to all other powers and authorities permitted by the law of the jurisdiction where the Collateral is situated:

(i) To make any and all arrangements necessary or appropriate to obtain clear and merchantable title to

the Collateral free and clear of all encumbrances, except this instrument, and to take, in the name of the receiver(s), any of the actions permitted to be taken by Beneficiary as set forth elsewhere in this Deed of Trust:

(ii) To take possession of the Collateral (or any portion thereof), to enter into Production Sales Contracts and to collect the Proceeds, and to enter into leases, subleases and other contracts or agreements for the Collateral (or any portion thereof) or pertaining thereto for such time and on such terms as said receiver(s) may see fit, and, with Beneficiary's consent or at Beneficiary's direction, to cancel any Production Sales Contract, lease, sublease or other contract or agreement of whatever nature affecting the Collateral (or any portion thereof), for any cause or on any ground which would entitle Grantor to cancel the same; after paying out of all the Proceeds from the Collateral (or any portion thereof), all expenses of holding, managing and operating the Collateral, including, without limitation, insurance premiums, attorneys' and consultants' fees and expenses, court costs, and the cost of such repairs, replacements, restoration, maintenance and alterations necessary to keep the Collateral (or any portion thereof) in good, salable and rentable condi-

tion, and all taxes and assessments upon the Collateral, said receiver(s) shall apply the residue of said Proceeds, if any, first, to any amounts due under any borrowing by the receiver(s) and, secondly, to the Obligations and, finally, said receiver(s) shall then pay the surplus, if any, to Grantor or to any other person or entity entitled thereto;

(iii) To make and enter into agreement(s) with one or more reliable and reputable operators and to enter into sales, purchase, management, operating, workover, repair, maintenance, brokerage, leasing, farmout, joint venture, insurance, labor and consulting contracts (at such compensations as the receiver(s) deem to be the prevailing rate for such services), to permit others to act as agent for the receiver(s) in (1) the negotiation of sales, purchase, management, operating, workover, repair, maintenance, brokerage, leasing, farmout, joint venture, insurance, labor and other agreements for the Collateral (or portions thereof) and advertising therefor, (2) the detailed operation of the Collateral (or portions thereof), (3) the entry into Production Sales Contracts and the collection of the Proceeds (or any portion thereof), and (4) the disbursement of funds coming into the hands of the receiver(s);

(iv) Insofar as the Proceeds (or any portion thereof) permit and/or any issued receiver(s)' certificate or any loan herein provided for allows, to (1) restore the Collateral (or any portion thereof) to a good, salable or rentable condition, and (2) bring the Collateral (or any portion thereof) into compliance with all applicable laws and ordinances by steps which may include, without limitation, entering into sales, purchase, management, operating, workover, repair, maintenance, brokerage, leasing, insurance, labor, and consulting contracts, obtaining required government permits, advertising the Collateral (or any portion thereof) for lease or sale and all other actions which the receiver(s) deem requisite to avoid losses occasioned by waste of the Collateral (or any portion thereof), or failure to restore and maintain the Collateral in good, salable and leaseable condition;

(v) To obtain from Grantor and/or the agents, servants, employees and officers of Grantor, and all other parties in interest, all contracts, leases, insurance agreements, maintenance contracts, employment records and all other documents, books and records necessary for, or incidental to, sales, purchase, management, operating, working over, repairing, maintaining, brokerage, leasing, farmingout, joint

venturing, insuring, employing and consulting for, holding, and improving the Collateral (or any portion thereof);

(vi) To obtain a court order that (1) directs and orders the Grantor and any and all obligors (such as tenants, contractors, suppliers, materialmen, servicers and managers of the Collateral) to honor the status of the receiver(s), as such, and to remit to the receiver(s) any security and any security deposits relating to the Collateral (or any portion thereof) and all Proceeds collected on or after the date the receiver(s) are appointed to take control of the Collateral (or any portion thereof), immediately upon notice of the appointment of said receiver(s), and to recognize, upon request, the receiver(s) as the appropriate successor(s) in interest to the Collateral, and/or (2) authorizes the issuance of receiver(s)' certificates for borrowing on a secured basis, which certificates shall constitute first and prior encumbrances, subject only to ad valorem taxes, and/or (3) authorizes the sales of portions of the Collateral (or any portion thereof) on terms and conditions which enable all rights, titles and interests therein to be transferred to the proceeds of such sales, free and clear of liens and encumbrances except ad valorem taxes; and

(vii) To enter into one or more loan agreements with Beneficiary, at its option, to borrow such funds in excess of the Proceeds in order to fulfill the duties imposed upon such receiver(s), including restoration of the Collateral (or any portion thereof) to a good and rentable or salable condition and to bring the Collateral into compliance with applicable laws and ordinances; any such funds borrowed from Beneficiary shall, upon advance, become part of the Obligations, and the lien of this instrument shall secure such advances automatically and without further act or deed; provided, however, that the existence of said lien shall in no way waive, diminish or prejudice any other rights and remedies which Beneficiary may have under the applicable laws in the collection of such funds as a loan(s) to the receiver(s).

(b) Grantor will pay to Beneficiary, upon demand, all expenses, including, without limitation, receiver(s)' fees, reasonable attorneys' and consultants' fees and expenses and agents' compensation, advanced by Beneficiary and incurred pursuant to the provisions contained in this Section 5.04, and all such unpaid expenses shall be (1) a lien against the Collateral, (2) added to the Obligations, and (3) payable on demand, with interest, at the highest rate specified under the Obligations accruing after maturity from and including

the date each such advance is made; provided, however, that the existence of said lien shall in no way waive, diminish or prejudice any other rights, remedies, powers and privileges which Beneficiary may have under the applicable laws in the collection of such funds as a loan(s) to the receiver(s).

(c) A court of competent jurisdiction may, from time to time, authorize any receiver to apply the net income from the Collateral in his hands in payment in whole or in part to:

(i) The Obligations or the indebtedness secured by any decree foreclosing this instrument, or any tax or other lien which may be or become superior to the lien hereof or of such decree, provided such application is made prior to the foreclosure sale; or

(ii) The deficiency under the Obligations in case of a sale of the Collateral and a deficiency.

ARTICLE 6

BENEFICIARY'S FORECLOSURE RIGHTS AS TO REALTY COLLATERAL UPON DEFAULT

Section 6.01. Power of Sale. The following covenants, numbers 6, 7, 8 and 9, of N.R.S. 107.030 are hereby adopted and made a part of this Deed of Trust.

(a) Trustee shall have all of the powers therein set forth and, in addition, those powers set forth in N.R.S.

107.080, providing that where any transfer in trust of any estate of real property is made after March 29, 1927 to secure the performance of an obligation of the payment of a deed, a power of sale is thereby conferred upon Trustee to be exercised after a breach of the obligation for which such transfer is security. Such power of sale must not be exercised, however, until Grantor has, for a period of thirty-five (35) days, computed as hereinafter set forth, failed to make good its deficiency in performance of payment.

(b) Beneficiary, the successor in interest of Beneficiary or Trustee shall first execute and cause to be recorded in the office of the County Recorder of the county wherein the Collateral, or some part thereof, is situated, a notice of such breach and of his election to sell or cause to be sold such property to satisfy the obligation, and not less than three (3) months have elapsed after the recording of such notice.

(c) The thirty-five (35) day period referred to above commences on the first day following the day upon which the notice of default and election to sell is recorded in the office of the County Recorder of the county in which the property is located and a copy of the notice of default and election to sell is mailed, by certified mail postage prepaid, to Grantor or its successor in interest at the address of Grantor or its successor in interest, if known, otherwise,

to the address of the Collateral. Such notice of default and election to sell must describe the deficiency in performance or payment and may contain a notice of intent to declare the entire unpaid balance due and payable if acceleration is permitted by the Obligations secured by the Deed of Trust, but acceleration must not occur if the deficiency in performance or payment is made good and any costs, fees and expenses incident to the preparation or recordation of such notice and incident to the making good of the deficiency in performance or payment are paid within the said thirty-five (35) days.

(d) Trustee, or other person authorized to make the sale under the terms of the Deed of Trust or transfer in trust, shall, after expiration of the three (3) month period following the recording of notice of breach and election to sell, and prior to the making of such sale, give notice of the time and place thereof in the manner and for a time not less than that required by law for the sale or sales of real property upon execution. The sale itself may be made at the office of Trustee, if the notice so provided, whether the property so conveyed in trust is located within the same county as the office of Trustee or not.

ARTICLE 7

BENEFICIARY'S RIGHTS AS TO PERSONALTY
AND FIXTURE COLLATERAL UPON DEFAULT

Section 7.01. Sale with Realty Collateral. In the event of foreclosure, at Beneficiary's option, it may proceed under the Uniform Commercial Code as to the Personalty Collateral (or any portion thereof), or it may proceed as to both Realty Collateral and Personalty Collateral (or any portion thereof), in accordance with its rights and remedies available in respect of the Realty Collateral.

Section 7.02. Fixture Collateral. Upon the occurrence of an Event of Default, or at any time thereafter, Beneficiary may elect to treat the Fixture Collateral (or any portion thereof) as either Realty Collateral or as Personalty Collateral and proceed to exercise such rights as apply to the type of Collateral selected.

Section 7.03. Private Sale. If Beneficiary in good faith believes that the Securities Act of 1933 or any other state or federal law prohibits or restricts the customary manner of sale or distribution of any of the Personalty Collateral, or if Beneficiary determines that there is any other restraint or restriction limiting the timely sale or distribution of any such property in accordance with the customary manner of sale or distribution, Beneficiary may sell such property privately or in any other manner it deems advisable, at such price or prices as it determines in its sole discretion and without any liability what-

soever to Grantor in connection therewith. Grantor recognizes and agrees that such prohibition or restriction may cause such property to have less value than it otherwise would have and that, consequently, such sale or disposition by Beneficiary may result in a lower sales price than if the sale were otherwise held.

Section 7.04. Possession and Delivery of Personalty Collateral. It shall not be necessary for Beneficiary to have physically present or constructively in its possession any of the Personalty Collateral at any foreclosure sale, and Grantor shall deliver to the purchasers at such sale on the date of sale the Personalty Collateral purchased by such purchasers at such sale, and if it should be impossible or impracticable for any of such purchasers to take actual delivery of the Personalty Collateral, then the title and right of possession to the Personalty Collateral shall pass to the purchaser at such sale as completely as if the same had been actually present and delivered.

ARTICLE 8

OTHER PROVISIONS CONCERNING FORECLOSURE

Section 8.01. Beneficiary as Purchaser. Beneficiary will have the right to become the purchaser at any foreclosure sale of the Collateral, or any part thereof, and to bid all or any portion of the Obligations, and Beneficiary will have the

right to credit upon the amount of the bid the amount payable to it out of the net proceeds of sale.

Section 8.02. Recitals Conclusive; Warranty Deed;

Ratification. Recitals contained in any conveyance to any purchaser at any sale made hereunder will conclusively establish the truth and accuracy of the matters therein stated, including, without limiting the generality of the foregoing, nonpayment of the unpaid principal sum of, and the interest accrued on, the written instruments constituting part or all of the Obligations after the same have become due and payable, nonpayment of any other of the Obligations or advertisement and conduct of the sale in the manner provided herein. Grantor ratifies and confirms all legal acts that Beneficiary may do in carrying out the provisions of this Deed of Trust.

ARTICLE 9

MISCELLANEOUS

Section 9.01. Application of Proceeds. The proceeds of any sale of the Collateral, or any part thereof, will be applied as follows:

(a) First, to the payment of all expenses incurred by Beneficiary in connection therewith, including, without limiting the generality of the foregoing, court costs, fees and expenses of attorneys, consultants and receivers,

receiver(s)' certificates and expenses of any entry or taking of possession, holding, preparing for sale, advertising, selling and conveying;

(b) Second, to the payment of the Obligations; and

(c) Third, any surplus thereafter remaining to Grantor or Grantor's successors or assigns or to such other claimant thereto as a court of competent jurisdiction shall decide, as their interests may appear.

Section 9.02. Deficiency. Subject to the laws of the State of Nevada, Grantor will remain liable for any deficiency owing to Beneficiary after application of the net proceeds of any foreclosure sale.

Section 9.03. Grantor's Waiver of Marshalling, etc. Subject to the laws of the State of Nevada, Grantor agrees (i) that Grantor, for Grantor and all who may claim through or under Grantor, to the extent that Grantor may lawfully do so under applicable Nevada law, hereby waives any and all right to have the Collateral marshalled upon any foreclosure of the lien hereof or sold in inverse order of alienation, and (ii) that Grantor agrees that Beneficiary may sell the Collateral as an entirety or in separate parts.

Section 9.04. Discharge of Purchaser. Upon any sale made under the powers of sale herein granted and conferred, the receipt of Beneficiary will be sufficient discharge to the purchaser or purchasers at any sale for the purchase money, and such

purchaser or purchasers and the heirs, devisees, personal representatives, successors and assigns thereof will not, after paying such purchase money and receiving such receipt of Beneficiary, be obliged to see to the application thereof or be in anywise answerable for any loss, misapplication or nonapplication thereof.

Section 9.05. Indebtedness of Obligations Absolute.

Nothing herein contained shall be construed as limiting Beneficiary to the collection of any of the Obligations by Beneficiary only out of the income, revenue, rents, issues and profits from the Collateral or the Proceeds or as obligating Beneficiary to delay or withhold action upon any default which may be occasioned by failure of such income or revenue to be sufficient to retire the principal or interest when due on the Obligations. It is expressly understood between Beneficiary and Grantor that any of the Obligations shall constitute an absolute and unconditional obligation of Grantor to pay as provided herein or therein, in accordance with the terms of any instrument evidencing any of such Obligations, in the amount therein specified, at the maturity date or at the respective maturity dates of the installments thereof, whether by acceleration or otherwise.

Section 9.06. Defense of Claims. Grantor shall promptly notify Beneficiary in writing of the commencement of any legal proceedings affecting Beneficiary's interest in the Collateral, or any part thereof, and shall take such action,

employing attorneys and consultants acceptable to Beneficiary, as may be necessary to preserve Grantor's, Trustee's and Beneficiary's rights and interests affected thereby; and should Grantor fail or refuse to take any such action, Beneficiary may take the action on behalf of and in the name of Grantor and at Grantor's expense. Moreover, Beneficiary may take independent action in connection therewith as it may in its discretion deem proper, and Grantor hereby agrees to make reimbursement for all sums advanced and all expenses incurred in such actions, including, without limitation, reasonable attorneys' and consultants' fees and expenses and court costs, plus interest at an annual rate equal to the highest rate of interest from time to time accruing under the Obligations plus Two percent (2%).

Section 9.07. Concerning the Trustee. Trustee shall be under no duty to take any action hereunder except as expressly required hereunder or by law, or to perform any act which would involve Trustee in any expense or liability or to institute or defend any suit in respect hereof, unless properly indemnified to Trustee's reasonable satisfaction. Trustee, by acceptance of this Deed of Trust, covenants to perform and fulfill the trusts herein created, being liable, however, only for willful negligence or misconduct. Trustee may resign at any time upon giving thirty (30) days' notice to Grantor and to Beneficiary. Beneficiary may remove Trustee at any time or from time to time and select a successor trustee. In the event of the death,

removal, resignation, refusal to act, or inability to act of Trustee, or in its sole discretion for any reason whatsoever Beneficiary may, without notice and without specifying any reason therefor and without applying to any court, select and appoint a successor trustee, by an instrument recorded wherever this Deed of Trust is recorded and all powers, rights, duties and authority of Trustee, as aforesaid, shall thereupon become vested in such successor. Such substitute trustee shall not be required to give bond for the faithful performance of its duties of Trustee hereunder unless required by Beneficiary.

Section 9.08. Trustee's Fees. Grantor shall pay all costs, fees and expenses incurred by Trustee and Trustee's agents and counsel in connection with the performance by Trustee of Trustee's duties hereunder and all such costs, fees and expenses shall be secured by this Deed of Trust.

Section 9.09. Termination. If all the Obligations are paid in full and the covenants herein contained are well and truly performed, and if Grantor and Beneficiary intend at such time that this Deed of Trust not secure any obligations of Grantor thereafter arising, then Beneficiary shall, upon the request of Grantor and at Grantor's cost and expense, deliver to Grantor proper instruments executed by Beneficiary evidencing the release of this Deed of Trust. Until such delivery, this Deed of Trust shall remain and continue in full force and effect.

Section 9.10. Renewals, Amendments and Other Security. Renewals and extensions of any or all of the Obligations may be given at any time, amendments may be made to the agreements relating to any part of the Obligations or the Collateral, and Beneficiary may take or hold other security for the Obligations without notice to or consent of Grantor.

Section 9.11. Effect of this Deed of Trust. This Deed of Trust shall be deemed and construed to be, and may be enforced as, an assignment, chattel mortgage or security agreement, contract, deed of trust, financing statement, financing statement filed as a fixture filing, and real estate mortgage, and as any one or more of them if appropriate under applicable state law.

Section 9.12. Unenforceable or Inapplicable Provisions. If any provision hereof or of any of the written instruments constituting part or all of the Obligations is invalid or unenforceable in any jurisdiction, the other provisions hereof and of the written instruments will remain in full force and effect in that jurisdiction, and the remaining provisions hereof will be liberally construed in favor of Beneficiary in order to carry out the provisions hereof. The invalidity of any provision of this Deed of Trust in any jurisdiction will not affect the validity or enforceability of any provision in any other jurisdiction.

Section 9.13. Rights Cumulative. Subject to the laws of the State of Nevada, (i) each and every right, remedy, power

and privilege given to Beneficiary herein or any other written instrument relating to the Obligations, or any of them, will be cumulative and not exclusive, (ii) each and every right, remedy, power and privilege, whether specifically given herein or otherwise existing, may be exercised from time to time and as often and in such order as may be deemed expedient by Beneficiary, and the exercise, or the beginning of the exercise, of any such right, remedy, power or privilege will not be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, remedy, power or privilege, (iii) a waiver by Beneficiary of any right, remedy, power or privilege hereunder or under applicable law on any occasion will not be a bar to the exercise of any right, remedy, power or privilege on any subsequent occasion, (iv) no act, delay, omission or course of dealing between Beneficiary and Grantor will be a waiver of any of Beneficiary's rights, remedies, powers or privileges hereunder or under applicable law, and (v) no waiver, change or modification in whole or in part of this Deed of Trust or any other written instrument will be effective unless in a writing signed by Beneficiary.

Section 9.14. Trustee's and Beneficiary's Expenses.

Grantor agrees that all expenses, including, without limitation, reasonable attorneys' and consultants' fees and expenses and court costs incurred by Trustee and Beneficiary, or either of them, which may have been or may be incurred by Trustee and

Beneficiary, or either of them, in connection with the collection of the Obligations and the enforcement of any of Grantor's obligations hereunder are secured hereby.

Section 9.15. Indemnification. Grantor shall indemnify Trustee and Beneficiary and hold them harmless against, and Trustee and Beneficiary shall not be liable for, any loss, cost or damage, including, without limitation, attorneys' and consultants' fees and expenses and court costs, resulting from exercise by Trustee and Beneficiary, or either of them, of any right, remedy, power or privilege conferred upon them by this Deed of Trust or any other instrument pertaining hereto, or from the attempt or failure of Trustee and Beneficiary, or either of them, to exercise any such right, remedy, power or privilege; and notwithstanding any provision hereof to the contrary, the foregoing indemnity shall in all respects continue and remain in full force and effect even though all Obligations may be fully paid and the lien of this Deed of Trust released.

Section 9.16. Partial Releases. No release from the lien of this instrument of any part of the Collateral by Trustee and Beneficiary, or either of them, shall in any way alter, vary or diminish the force, effect or lien of this Deed of Trust on the balance or remainder of the Collateral.

Section 9.17. Subrogation. This Deed of Trust is made with full substitution and subrogation of Beneficiary in and to all covenants and warranties by others heretofore given or made in respect of the Collateral or any part thereof.

Section 9.18. Notices. Any notice required or permitted to be given under or in connection with this Deed of Trust shall be in writing and shall be mailed by first class or express mail, postage prepaid, or sent by telex, telegram, telecopy or other similar form of rapid transmission confirmed by mailing (by first class or express mail, postage prepaid) such written confirmation at substantially the same time as such rapid transmission, or personally delivered to an officer of the receiving party. All such communications shall be mailed, sent or delivered,

(a) if to Grantor, to its address shown at the beginning of this instrument, or to such other address or to such individual's or department's attention as it may have previously furnished Beneficiary in writing; or

(b) if to Beneficiary, to its Calgary, Alberta address shown at the beginning of this Deed of Trust or to such other address or to such individual's or department's attention as it may have furnished Grantor in writing.

Any communications so addressed and mailed shall be deemed to be given when so mailed; and any notice so sent by rapid transmission shall be deemed to be given when receipt of such transmission is acknowledged, and any communication so delivered in person shall be deemed to be given when receipted for by, or actually received by, an authorized officer of the Grantor or the Beneficiary, as the case may be.

Section 9.19. Successors. This Deed of Trust shall bind and inure to the benefit of the respective successors and assigns of the parties.

Section 9.20. Governing Law. This Deed of Trust shall be construed in accordance with and governed by the laws of the United States of America and the State of Nevada.

Section 9.21 Interpretation.

(a) Article and section headings used in this Deed of Trust are intended for convenience only and shall be given no significance whatsoever in interpreting and construing the provisions of this Deed of Trust.

(b) As used in this instrument, "Beneficiary" and "Grantor" include their respective successors and assigns. Unless context otherwise requires, words in the singular number include the plural and in the plural number include the singular. Words of the masculine gender include the feminine and neuter gender and words of the neuter gender may refer to any gender.

Section 9.22. Counterparts. This Deed of Trust may be executed in any number of counterparts, each of which will for all purposes be deemed to be an original, and all of which are identical, except that, to facilitate recordation, in any particular counterpart portions of Exhibit A hereto

which describe properties situated in counties other than the county in which the counterpart is to be recorded may have been omitted.


Executed as of the Effective Date.

GRANTOR:

SEAL
Affixed

ATTEST:

UNIVERSAL GAS (MONTANA) INC.
a MONTANA corporation


Name: DONALD J. BUCHANAN
Title: SECRETARY-TREASURER

By 
Name: JOSEPH A. MERCIER
Title: PRESIDENT

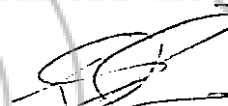
ACKNOWLEDGEMENT

STATE OF _____)
COUNTY OF _____) ss.

BEFORE THE UNDERSIGNED, DONALD J. BUCHANAN, Notary Public, duly commissioned or appointed and qualified, this day personally appeared at the place above named JOSEPH A. MERCIER and _____ known to me to be the President and _____ of UNIVERSAL GAS (MONTANA) INC., a MONTANA corporation, who declared that they knew the contents of the foregoing instrument and acknowledged the same to be an official act of UNIVERSAL GAS (MONTANA) INC.

SEAL
Affixed

WITNESS MY HAND AND OFFICIAL SEAL this 12TH day of FEBRUARY, 1982.


Notary Public
in and for the Province of Alberta

[SEAL]
DONALD J. BUCHANAN

EXHIBIT A

SUBJECT PROPERTY

The following described unpatented and patented mining claims generally located in Sections 1, 2, 10, 11 and 12 of Township 35 North, Range 50 East, M.D.B. & M., Lynn Mining District, Eureka County, Nevada:

<u>Unpatented Claims</u>	<u>Polar</u>	<u>Bullion</u>
Big Jim	100%	Royalty
Big Jim 1 to 31, inclusive	"	"
Cracker Jack	"	"
Cracker Jack 1 to 5, inclusive	"	"
Yellow Rose 6 to 21, inclusive	"	"
Polar 1 to 20, inclusive	"	"
Hill Top	"	"
Hill Top 1 to 2, inclusive	"	"
Hill Top Fractional	"	"
Hill Top 1 to 4 Fractional	"	"
RJV	"	"
Unity 1	"	"
Unity 2	"	"
Badger	"	"
Badger 1	"	"
Compromise 4 to 7, inclusive	"	"
Lamira	"	"
Junction	"	"
Paragon	"	"
Paragon 2	"	"
Paragon 4	"	"
Paragon Fractional	"	"

Patented Claims (Poulsen Lease and Option)

	<u>U.S. Patent No.</u>	<u>U.S. Survey No.</u>	<u>Polar</u>	<u>Bullion</u>
Big Six No. 3	783757	4332	77½%	Royalty
Holt	881735	4422	"	"
July	935874	4528	"	"
Great Divide	945439	4393	"	"
Bald Eagle	046758	4527	"	"

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HOY & MILLER, CHARTERED
ATTORNEYS AT LAW

EXHIBIT A
Page 1 of 2

AREA OF INTEREST

All those lands contained in the Sections and Townships listed below approximately encompassing the area EIGHT (8) miles in a northerly direction, EIGHT (8) miles in a southerly direction, EIGHT (8) miles in an easterly direction and EIGHT (8) miles in a westerly direction from Section 10, Township 35 North, Range 50 East, M.D.B. & M., Eureka County, Nevada.

Township 34 North, Range 49 East
Sections: 1-5, 8-17 and 20-24

Township 35 North, Range 49 East
Sections: 1-5, 8-17, 20-29 and 32-36

Township 36 North, Range 49 East
Sections: 1-5, 8-17, 20-29 and 32-36

Township 37 North, Range 49 East
Sections: 32-36

Township 34 North, Range 50 East
Sections: 1-24

Township 35 North, Range 50 East
Sections: All

Township 36 North, Range 50 East
Sections: All

Township 37 North, Range 50 East
Sections: 31-36

Township 34 North, Range 51 East
Sections: 3-10 and 15-22

Township 35 North, Range 51 East RECORDED AT REQUEST OF
Sections: 3-10, 15-22 and 27-34 *George A. Vargas*
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Township 36 North, Range 51 East
Sections: 3-10, 15-22 and 27-34

Township 37 North, Range 51 East
Sections: 31-34

82 MAR 1 P 2: 19

OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
WILLIS A. DEPAULI - RECORDER
FILE NO. 83364
FEE \$ 54.00

HOY & MILLER, CHARTERED
ATTORNEYS AT LAW
RENO AND ELKO, NEVADA

EXHIBIT A
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