

MEMORANDUM OF MINING VENTURE AGREEMENT  
(Carlin Gold Venture)

NOTICE IS HEREBY GIVEN that under that certain Mining Venture Agreement (the "Agreement") made on May 3, 1989 (the "effective date") between ST. GEORGE METALS, INC., a Nevada corporation ("Metals") and REYNOLDS METALS EXPLORATION, INC., a Delaware corporation ("Reynolds"), the Participants have agreed and do hereby agree, as prospective co-owners of the Properties described in Exhibit A attached hereto, to enter into the Agreement for the regulation of their mutual interests in the Properties or any other properties acquired pursuant to the Agreement, the orderly realization of any mineral deposits that may be found therein and for the further purposes hereinafter stated. Metals and Reynolds agree that all of their rights and all of the Operations on or in connection with the Properties, and their respective development, exploration, mining, transfer, sale, pledge or other use of any type of the Properties, shall be subject to and governed by the Agreement. The Agreement is entered into for the purposes stated above and the following purposes and for no others, and shall serve as the exclusive means by which the Participants, or either of them, accomplish such purposes:

- (a) to conduct Exploration of the Properties,
- (b) to evaluate the possible Development of the Properties,
- (c) to engage in Development and Mining Operations on the Properties,
- (d) to transport Products to a refiner, and
- (e) to perform any other activity necessary, appropriate, or incidental to any of the foregoing.

The Agreement shall continue for 30 years from the effective date and for so long thereafter as Products are produced or may reasonably be expected to be produced from the Properties, unless the Agreement is earlier terminated according to its terms.

This memorandum is executed for the purpose of affording notice of the existence of the Agreement and the terms and provisions thereof, which terms and provisions are incorporated herein by reference for all purposes. This memorandum is not intended to alter or vary the terms of the Agreement. All capitalized words in this memorandum have the same meaning as assigned to them in the Agreement. Some of the terms and provisions of the Agreement are hereby summarized as follows:

1. Metals, as its Initial Contribution, shall as soon as practicable after the effective date contribute the Properties to the Venture. Reynolds, as its Initial Contribution, shall

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contribute the first cash to the Venture which shall be used to fund Programs and Budgets.

2. Subject to the terms of the Agreement, until the Break-Even Point as defined in the Agreement, the Participants shall have the following Participating Interests:

Metals - 30%

Reynolds - 70%

After the Break-Even Point, subject to any change in Participating Interests as provided below, Metals and Reynolds shall each have a 50% Participating Interest.

3. A Participant's Participating Interest shall be changed as follows:

(a) As provided in Section 13.2 of the Agreement;  
or

(b) In the event of an election by Metals to invoke Section 12.2(b); or

(c) Transfer by a Participant of less than all of its Participating Interest in accordance with Article XV of the Agreement; or

(d) Acquisition of less than all of the Participating Interest of the other Participant, however arising; or

(e) Enforcement of any lien on a Participating Interest granted to a Participant under the Agreement.

4. Each Participant grants to the other a lien upon its interest in the Properties and a security interest in its rights under the Agreement (including its right to take Products in kind) and in its Participating Interest in other Assets, and the proceeds therefrom, to secure its performance of the Agreement, including reasonable attorneys' fees and all other reasonable costs and expenses incurred in enforcing such lien or security interest, or both. A non-defaulting Participant may elect the applicable remedy under Section 12.2 of the Agreement, or, to the extent a Participant has a lien or security interest under applicable law, it shall be entitled to its rights and remedies at law and in equity. All such remedies shall be cumulative. The election of one or more remedies shall not waive the election of any other remedies. Each participant hereby irrevocably appoints the other its attorney-in-fact to execute, file and record all instruments necessary to perfect or effectuate the provisions hereof.

5. If a Participant defaults in making a contribution, cash call or emergency expenditure, the nondefaulting Participant may advance the defaulted contribution on behalf of the defaulting Participant and treat the same, together with any accrued

interest, as a demand loan bearing interest from the date of the advance at an annual rate equal to two percentage points over the Prime Rate, not to exceed the maximum rate of interest permitted by law. In addition to the lien granted by paragraph 4 above, each Participant hereby grants to the other a lien upon its interest in the Properties and a security interest in its rights under the Agreement and in its Participating Interest in other Assets, and the proceeds therefrom, to secure any loan made as provided above, including interest thereon, reasonable attorneys' fees and all other reasonable costs and expenses incurred in recovering the loan with interest and enforcing such lien or security interest, or both.

6. Except as expressly provided in the Agreement and in the Agreement Regarding Certain Activities dated as of January 18, 1989 between the Participants (the "Ancillary Agreement"), each Participant shall have the right independently to engage in and receive full benefits from business activities, whether or not competitive with Operations, without consulting the other. The doctrines of "corporate opportunity" or "business opportunity" shall not be applied to any other activity, venture or operation of either Participant, and, except as otherwise provided in Section 14.2 and the Ancillary Agreement, neither Participant shall have any obligation to the other with respect to any opportunity to acquire any property at any time.

7. Except as otherwise provided by the laws of the State of Nevada with regard to mining partnerships, nothing contained in the Agreement shall be deemed to constitute either Participant the partner of the other, nor, except as otherwise therein expressly provided, to constitute either Participant the agent or legal representative of the other, nor to create any fiduciary relationship between them. It is not the intention of the Participants to create, nor shall the Agreement be construed to create, any partnership under the Uniform Partnership Act. Neither Participant shall have any authority to act for or to assume any obligation or responsibility on behalf of the other Participant, except as otherwise expressly provided in the Agreement. The rights, duties, obligations and liabilities of the Participants shall be several and not joint or collective. Each Participant shall be responsible only for its obligation as set out in the Agreement and shall be liable only for its share of the costs and expenses as provided therein, it being the express purpose and intention of the Participants that their ownership of Assets and the rights acquired under the Agreement shall be as tenants in common.

8. Each of the Participants hereby waives and releases all rights of partition, or of sale in lieu thereof, or other division of Assets, including any such rights provided by statute, for the term of the Agreement. During the continuation of the Agreement, neither Participant shall at any time commence any action at law or in equity to partition the real or personal property held for the purposes of the Agreement.

9. Except as otherwise provided in the Agreement, neither Participant shall Transfer all or any part of its interest in the Assets or the Agreement or otherwise permit or cause such interests to terminate.

10. The Participants shall own as tenants in common in proportion to their Participating Interests or as otherwise provided by the Agreement all Products of the Venture until taken in kind. Each Participant shall take in kind at the refiner in the first readily saleable condition and separately dispose of its share of all Products in accordance with its ownership interest as a tenant in common.

11. If, after good faith negotiations, the Management Committee cannot resolve any matter required to be resolved by unanimous vote, the Continuing Participant will have the option to purchase the Participating Interest of the other Participant for a period of 30 days at the Agreed Value as determined pursuant to Section 9.6 of the Agreement.

12. If any Properties are abandoned or surrendered pursuant to Article 14 of the Agreement, then, unless the Agreement is earlier terminated, neither Participant nor any Affiliate thereof shall acquire any interest in such Properties or a right to acquire such Properties for a period of three years following the date of such abandonment or surrender. If a Participant reacquires any Properties in violation of Section 14.2, the other Participant may elect by notice to the reacquiring Participant, within 45 days after it has actual notice of such reacquisition, to have such properties made subject to the terms of the Agreement. In the event such an election is made, the reacquired properties shall thereafter be treated as Properties.

13. A Participant shall not have the right to Transfer to any third party all or any part of its interest in or to the Agreement, its Participating Interest, or the Assets except as provided in Article XV of the Agreement.

(a) No transferee of all or any part of the interest of a Participant in the Agreement, any Participating Interest, or the Assets shall have the rights of a Participant unless and until the transferring Participant has provided to the other Participant notice of the Transfer, and the transferee, as of the effective date of the Transfer, has committed in writing to be bound by the Agreement and the Ancillary Agreement to the same extent as the transferring Participant;

(b) No Transfer permitted by Article XV of the Agreement shall relieve the transferring Participant of its share of any liability, whether accruing before or after such Transfer, which arises out of Operations conducted prior to such Transfer;

(c) In the event of a Transfer of less than all of a Participating Interest, the transferring Participant and its transferee shall act and be treated as one Participant;



(d) No Participant shall Transfer any interest in the Agreement or the Assets except by Transfer of part or all of its Participating Interest;

(e) A Participant shall not effect a Transfer by grant of a security interest by mortgage, deed of trust, pledge, lien or other encumbrance of any interest in the Agreement, any Participating Interest or the Assets except for the sole purpose of funding its participation in the Venture or its obligations to make payments under the Agreement. Any such security interest shall be subordinate to the terms of the Agreement and the rights and interests of the other Participant thereunder. Upon any foreclosure or other enforcement of rights in the security interest, the acquiring third party shall be deemed to have assumed the position of the encumbering Participant with respect to the Agreement and the other Participant, and it shall comply with and be bound by the terms and conditions of the Agreement;

(f) If a sale or other commitment or disposition of Products or proceeds from the sale of Products by a Participant upon distribution to it pursuant to Article XI creates in a third party a security interest in Products or proceeds therefrom prior to such distribution, such sale, commitment or disposition shall be subject to the terms and conditions of Article XV of the Agreement;

(g) Only United States currency shall be used for consideration for transfers.

14. Except as otherwise provided in paragraph 15 below, if a Participant desires to Transfer all or any part of its interest in the Agreement, any Participating Interest, or the Assets or in the event of a foreclosure sale or other exercise of possessory rights by the holder of a security interest, the other Participant shall have a preemptive right to acquire such interests by notifying the transferring Participant within 60 days after receiving notice of the intended Transfer that it elects to acquire the offered interest at the same price and on the same terms and conditions as set forth in the notice. If the other Participant fails to so elect within such period, the transferring Participant shall have 60 days thereafter to consummate the Transfer to a third party at a price and on terms no less favorable to the other Participant than those offered by the transferring Participant in the notice. If the transferring Participant fails to consummate the Transfer to a third party within the period allowed, the preemptive right of the other Participant in such offered interest shall be deemed to be revived.

15. Paragraph 14 above shall not apply to the following:

(a) A Transfer by a Participant of all or any part of its interest in the Agreement, any Participating Interest, or the Assets to an Affiliate;

(b) Incorporation of a Participant, or corporate merger, consolidation, amalgamation or reorganization of a Participant not involving a Change of Control by which the surviving entity shall possess substantially all of the stock, or all of the property rights and interests, and be subject to substantially all of the liabilities and obligations of that Participant;

(c) To the extent permitted by Section 15.1(e) of the Agreement, the grant by a Participant of a security interest in any interest in the Agreement, any Participating Interest or the Assets by mortgage, deed of trust, pledge, lien or other encumbrance;

(d) A sale or other commitment or disposition of Products or proceeds from sale of Products by a Participant upon distribution to it pursuant to Article XI of the Agreement; or

(e) A sale pursuant to Section 12.2 of the Agreement or pursuant to an enforcement of any lien granted to a Participant upon distribution to it pursuant to the Agreement.

16. The Venture shall terminate:

(i) at the option of Reynolds if certain conditions to assignment of the Properties to Metals and Reynolds have not been satisfied or waived by June 30, 1989; such option to be exercised, if at all, by written notice from Reynolds to Metals effective on or before September 30, 1989;

(ii) upon the expiration of the term of the Venture provided above;

(iii) if there is only one Participant;

(iv) by unanimous consent of the Management Committee;

(v) pursuant to the provisions of paragraph 11 above.

17. A copy of the Agreement is on file with the Manager whose address is:

St. George Metals, Inc.  
P.O. Box 548  
Battle Mountain, Nevada 89820

EXECUTED effective as of the date first above written.

ST. GEORGE METALS, INC.

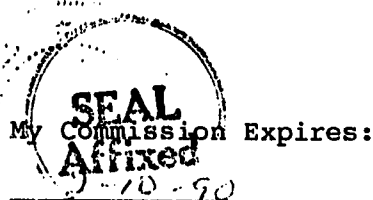
By: W. Wade Jr. RGP

REYNOLDS METALS EXPLORATION,  
INC.

By: [Signature]

STATE OF TEXAS )  
County of Harris ) ss.

The foregoing instrument was acknowledged before me this 9th day of June, 1989, by Wade O. Wade Jr., President of ST. GEORGE METALS, INC., a Nevada corporation, on behalf of the corporation.



Lawrence Person  
Notary Public

STATE OF Virginia )  
County of Henrico ) ss.

The foregoing instrument was acknowledged before me this 6th day of June, 1989, by Douglas D. Jinks, Vice President of REYNOLDS METALS EXPLORATION, INC., a Delaware corporation, on behalf of the corporation.

Cecile L. Johnson  
Notary Public



My Commission Expires:  
My Commission Expires August 25, 1989

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# EXHIBIT A

All of those certain unpatented lode mining claims located within Sections 2, 10 and 12, Township 35 North, Range 49 East, M.D.B.&M., Eureka County, Nevada, and more particularly described as follows:

<u>Claim Name</u>	<u>Eureka County Recorder Book</u>	<u>Page</u>	<u>Bureau of Land Management Serial Number</u>
Rod Nos. 7-60	111	269-322	273084-273137
Rod Nos. 61-78	111	350-367	273214-273231

RECORDED AT THE REQUEST OF

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*Evans, Kitchel, & Jenckes.*

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DEPT. OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
M.N. DEPARTMENT OF THE INTERIOR

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