

129154

UNIFORM COMMERCIAL CODE - SECURITY AGREEMENT

Debtor:

Name: Norse Minerals, Inc., a Texas corporation.

Address: 550 Westlake Park Blvd., Suite 220
Houston, Texas 77079

Secured Party:

Name: Windfall Venture, a Colorado general partnership.

Address: P. O. Box 2183, Grand Junction, Colorado, 81502.

Debtor for consideration, hereby grants to Secured Party a security interest in the following property and any and all additions, accessions and substitutions thereto or therefor (hereinafter called the "COLLATERAL"):

The improvements, buildings, fixtures, machinery, equipment and supplies situated at the Windfall Mine approximately four miles South of Eureka, Nevada, and utilized in the milling operations conducted at such mine including all ore, broken ore, stockpiled ore, ore on heaps, minerals in solution and in milling circuits, dore produced therefrom and including the items described on Schedule II hereto attached.

The Collateral shall include any other or additional items of personal property acquired by Debtor for use at or in connection with the Windfall Mine, the leaching and extraction operations conducted at such Mine.

To secure payment of the indebtedness evidenced by a certain Promissory Note dated August 27th, 1986 (the "Note"), which Note is payable to the Secured Party, or order, as follows:

Face amount of Note: \$820,000.00

Interest Rate: At the Prime Rate which shall be determined by "the prime rate charged by banks on short term business loans" as published under "Money and interest rates" in the Survey of Current Business published monthly by the U.S.

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Department of Commerce, Bureau of Economic Analysis. Calculation of interest shall be made utilizing the latest published prime rate at the time an interest payment becomes payable.

Payable:

The balance of \$920,000.00 together with interest thereon at the Prime Rate from August 27th, 1986 is required to be paid in 16 quarterly payments of \$51,250.00 each plus interest commencing November 27th, 1986 and continuing until finally paid.

DEBTOR EXPRESSLY WARRANTS AND COVENANTS THAT:

1. That except for the security interest granted hereby, Debtor is, or to the extent that this Agreement states that the Collateral is to be acquired after the date hereof, will be the owner of the Collateral free from any adverse lien, security interest or encumbrances; and that Debtor will defend the Collateral against all claims and demands of all persons at any time claiming same or any interest therein.
2. The Collateral is used or bought primarily for use in business.
3. That Debtor's address is as stated above, and the Collateral will be kept at the Windfall Mine situated approximately 4 Miles south of Eureka, Nevada.
4. The Collateral concerns the real property situate in the County of Eureka and State of Nevada as more particularly described in the Special Warranty Deed between the parties of even date herewith, which description in such recorded instrument is incorporated herein by this reference.
5. Promptly to notify Secured Party of any change in the location of the Collateral.
6. To pay all taxes and assessments of every nature which may be levied or assessed against the Collateral; provided that nothing herein shall prohibit Debtor from contesting the amount of any such taxes or assessments.
7. Not to permit or allow any adverse lien, security interest or encumbrance whatsoever upon the Collateral and not to permit the same to be attached or replevined.
8. Debtor will maintain the Collateral in as good a state of repair as the current state thereof, normal wear and tear

excepted, and will, at its own expense, keep the same in as good a condition and from time to time, forthwith, replace and repair all such parts of the Collateral as may be broken, worn out, or damaged without allowing any lien to be created upon the Collateral on account of such replacement or repairs and that the Secured Party may examine and inspect the Collateral at any time, wherever located.

9. Debtor will not use the Collateral in violation of any applicable statutes, regulations or ordinances.

UNTIL DEFAULT, as defined herein, Debtor may have possession of the Collateral and use it in any lawful manner, and upon default Secured Party shall have the immediate right to the possession of the Collateral.

DEBTOR SHALL BE IN DEFAULT under this agreement upon the happening of any of the following events or conditions, if following written notice thereof from the Secured Party, Debtor fails to cure its breach of its obligations within 35 days:

(a) Default in the payment or performance of any obligation, covenant or liability contained or referred to herein or in the Note evidencing the indebtedness secured hereby, upon the giving of notice as specified in the Note;

(b) Dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws of, by or against Debtor or any guarantor or surety for Debtor.

UPON SUCH DEFAULT and at any time thereafter, Secured Party may declare all Obligations secured hereby immediately due and payable and shall have the remedies of a secured party under Article 9 of the Nevada Uniform Commercial Code. Secured Party may require Debtor to assemble the Collateral and deliver or make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties. Expenses of retaking, holding, preparing for sale, selling or the like shall include Secured Party's reasonable attorney's fees and legal expenses.

Notwithstanding any provision to the contrary herein contained, if default should occur under the Note, under this Security Agreement or under the Deed of Trust which also secures the Note, and if Grantor should, at such time, pay to the Secured Party an amount equal to fifty percent (50%) of the unpaid principal and accrued interest then remaining on the Note, the Secured Party shall not have the right to pursue any remedy as a

result of such default other than foreclosure of this Security Agreement and the sale of the property covered thereby and/or foreclosure of the Deed of Trust which also secures the Note. Upon the payment specified above, Debtor shall have no further liability for the payment of any remaining amounts on the Note and the Secured Party shall look only to the real property encumbered by said Deed of Trust and/or the personal property encumbered by this Security Agreement without any recourse available against Debtor for any deficiency in the Note or costs incurred in connection with such foreclosure, the sole remedies of the Secured Party being limited to the in rem remedies of foreclosure and sale of the encumbered property as provided under the laws of the State of Nevada.

No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion. The taking of this Security Agreement shall not waive or impair any other security said Secured Party may have or hereafter acquire for the payment of the above indebtedness, nor shall the taking of any such additional security waive or impair this security agreement; but said Secured Party may resort to any security it may have in the order it may deem proper, and notwithstanding any collateral security, Secured Party shall retain its rights of set-off against Debtor.

All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all promises and duties of Debtor shall bind his heirs, executors or administrators or his or its successors or assigns. If there be more than one Debtor, their liabilities hereunder shall be joint and several.

Dated this 27th day of August, 1986.

DEBTOR:

NORSE MINERALS, INC.

BY: [Signature]

, President

SECURED PARTY:

WINDFALL VENTURE

BY: [Signature]

William L. Wilson, Managing Partner

SCHEDULE II
TO
UCC SECURITY AGREEMENT

QTY	DESCRIPTION	BRAND	MODEL	SERIAL #
1	Compressor	Wayne	5 HP	
1	Trailer 10x45	Lancer	Liberty	
1	Bullion Balance	Toledo	8135-8132	
1	Scale	Sybron	Digametric	F267606
1	Gold Balance	CANN	25	C56476
1	Atomic Absorption	Varian	AA275BD	1468
1	Hot Plate	Thernolyne	2200	
1	Scale	New weigh	FMS	42022
1	Pulverizer and motor	Bico		63390
1	Braun Chipmonk VB87 crusher	Bico		63862
2	Assay furnaces	Johnson	C142	3-81-PA
2	Carbon Absorption columns			
2	Drip samplers	Clarkson		
1	Electrolytic cell- Plumbing			
1	AC-DC Rectifier		6RC120F13	
1	Caustic tank			
1	Chipmunk crusher - Braun	Bico	VD67	62659
1	Carbon Strip reactor	NTC	NE39070	2182154
2	Preg tanks 30' x 10'			
2	Barren tanks 30' x10'			
1	Motor 40HP	Marathon		1237621
1	Motor 40 HP	Energy series		0V006
1	Submersible pump 13 HP	Flyget	B2125	2125-010-27
1	Sveco Screen	Sveco	5300-007-07	
1	Mercury Retort	Shop Made		
1	Bullion Furnace - Gas Fired			
1	12,000 Gal. Water Tank	Railroad Tank		
1	1,000 Gal. Water Tank	Buried		
1	8,000 Gal. Gas Tank	Buried		
1	1,000 Gal. Gas Tank	on Stand		
1	20 Keylock Gas Pump - Dispenser			382710
1	500 Gal. Gas Tank	On stand		
1	40'x75' Shop Building	Garco		
	1 Mill Building	Garco		
1	Sample Prep Building	Garco		
1	Warehouse 32 x 48	Garco		
1	Office Building 36 x 48	Mobile Off		
1	72"x42' Drafting Table w/Paraliner	Hamilton	43J4	
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1	Paraliner		1101-72	
2	Metal Five drawer map files	Hon	802-4332	
1	Four drawer file with lock (tan)	Hon		Legal 314CP
1	Four drawer file with lock (yellow)	Hon		Legal
1	Four drawer file with lock (tan)	Hon		Legal

QTY	DESCRIPTION	BRAND	MODEL	SERIAL #
1	Wood desk 48"x30"x 30"			
1	IBM Seletic III	IBM	Selectric 3	
1	Secretarial Desk Wood		ALJG 3005-422	
1	Copier	Savin	840	270117895
1	4 drawer legal fireproof file cabinet		Schwab	
1	4 drawer filing cabinet with lock			
1	4 drawer filing cabinet with lock			
1	Desk 30"x60" Metal green			
1	Desk 30"x60" Metal Green			
1	Desk 30"x60" Secretarial			
1	Carbon Reactivator - Custom Equipment			
1	Vacuum pump			
1	Arsenic - Mercury Gas Generator for A.A. Unit	Varian		
1	Strip Chart Recorder for A.A. unit	Varian		
1	1971 Diplomat House Trailer		SN# 6RDS4412F258197	
1	Oakland Safe	Oakland Safe & Lock		
1	Stadia Rod			
1	Level-David White Instrument (Red Case)			
1	Jackson Journeyman Cart w/Oxygen & Acetylin			
1	K & E Transit w/tripod			

STATE OF COLORADO)
) ss.
COUNTY OF MESA)

The undersigned, W. L. Wilson, being first duly sworn, states that the attached and foregoing Uniform Commercial Code - Security Agreement dated August 27, 1986, between Norse Minerals, Inc., as Debtor and Windfall Venture as Secured Party is the original executed copy of such document, and that he executed such document on behalf of Windfall Venture.

W. L. Wilson
W. L. Wilson

Subscribed and sworn to before me, a Notary Public in and for Mesa County, Colorado, this 21st day of August, 1989.

Kathy R. Heppard
Notary Public

My commission expires 09-16-92.



RECORDED AT THE REQUEST OF
William - Wilson
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'89 AUG 25 P4:21
OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
M.N. REBALEATI, RECORDER
FILE NO. FEE \$
129154 11.00

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