

CORRECTION DEED OF NON-PARTICIPATING  
NET SMELTER RETURN ROYALTY

By a Deed of Non-Participating Net Smelter Return Royalty, effective as of 12:02 a.m., August 7, 1990, High Desert Mineral Resources of Nevada, Inc. (dba High Desert Mineral Resources, Inc.), a Nevada corporation, and the Bullion-Monarch Venture, aka the Bullion-Monarch Joint Venture, a joint venture among Westmont Gold Inc., a Delaware corporation, The Petrol Oil & Gas Corporation, a Delaware corporation, United El Dorado Corporation, a Nevada corporation, Camsell River Investments Ltd., a Canadian corporation, Lambert Management Ltd., a Canadian corporation, Lambert Holdings Ltd. (successor by corporate amalgamation to Eltel Holdings Ltd.), a Canadian corporation, and Lost Dutchman Construction, Inc., a Nevada corporation, set forth their agreement concerning a 1% net smelter return royalty pertaining to certain mining claims. A copy of the above-described Deed of Non-Participating Net Smelter Return Royalty is recorded as Document No. 133056 in Book 212 at Pages 315-326 of the records of Eureka County, Nevada. The Bullion-Monarch Venture divided the 1% royalty interest created by the above-described Deed of Non-Participating Net Smelter Return Royalty between its constituent venturers, assigning to Westmont Gold Inc., a Delaware corporation, 30% of the 1% royalty interest by a Deed of Non-Participating Net Smelter Return Royalty, effective November 16, 1990, a copy of which is recorded in Book 219 at Pages 503-510 of the records of Eureka County, Nevada. The Bullion-Monarch Venture was dissolved effective November 30, 1990, pursuant to an Agreement for Termination of Joint Venture, a copy of which is recorded in Book 219 at Pages 511-518 of the records of Eureka County, Nevada.

High Desert Mineral Resources of Nevada, Inc., a Nevada corporation ("Grantor") and Westmont Gold Inc., a Delaware corporation, whose address is 4949 South Syracuse Street, Suite 4200, Denver, Colorado 80237 ("Grantee") desire to correct the corporate name of the grantor and the names and descriptions of certain claims in the first above-described Deed of Non-Participating Net Smelter Return Royalty. It is the intent of the parties to this Correction Deed solely to correct those matters identified above and not to create any additional royalty interest or burden or to waive any right of the parties under the Deed being corrected. The royalty interest herein described is the same interest previously granted to the Bullion-Monarch Venture and thereafter divided and conveyed to the venturers of the Bullion-Monarch Venture pursuant to the two Deeds of Non-Participating Net Smelter Return Royalty described above. This Correction Deed of Non-Participating Net Smelter Return Royalty is made and entered into effective as of 12:02 a.m., August 7, 1990 (the "Effective Date").

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For and in consideration of certain conveyances of property from Grantee to Grantor, the receipt of which are hereby acknowledged by Grantor, and of the terms and conditions of this Deed, the Parties agree as set forth herein.

1. Definitions. For purposes of this Deed, the following terms shall have the following definitions:

A. "Affiliate" means any person, partnership, joint venture, corporation or other form of enterprise that directly or indirectly controls, is controlled by or is under common control with Grantor. For purposes of the preceding sentence, "control" means the ability to determine or direct the actions, decisions, or policies of the entity or person in question.

B. "Gold Production" means the quantity of refined gold outturned to Grantor's account by an independent third party refinery for gold produced from the Property during the calendar month on either a provisional or final settlement basis.

C. "Gross Value" shall be determined on a calendar month basis and have the following meanings with respect to the following Minerals:

(1) Gold:

- (a) If Grantor sells unprocessed gold ores, or gold dore or gold concentrates produced from Minerals, then Gross Value shall be equal to the proceeds received by Grantor during the calendar month from such sales. Grantor shall have the right to sell such unprocessed gold ores, gold dore and gold concentrates to an Affiliate, provided that such sales shall be considered, solely for the purpose of determining Gross Value, to have been sold at prices and on terms no less favorable than those that would be obtained from a non-Affiliate in similar quantities and under similar circumstances.
- (b) If Grantor produces refined gold (meeting the specifications of the London Bullion Market Association) from Minerals and if subsection I.C(1)(a) above is not applicable, then for purposes of determining Gross Value, the refined gold shall be deemed to have been sold at the Monthly Average Gold Price for the month in which it was refined. The Gross Value shall be determined by multiplying Gold Production during the calendar month by the Monthly Average Gold Price.

(2) Silver:

- (a) If Grantor sells unprocessed silver ores, or silver dore or silver concentrates produced from Minerals, then Gross Value shall be equal to the proceeds received by Grantor during the calendar month from such sales. Grantor shall have the right to sell such unprocessed silver ores, silver dore and silver concentrates to an Affiliate, provided that such sales shall be considered, solely for the purpose of determining Gross Value, to have been sold at prices and on terms no less favorable than those that would be obtained from a non-Affiliate in similar quantities and under similar circumstances.
- (b) If Grantor produces refined silver (meeting the specifications for refined silver subject to the New York Silver Price published by Handy & Harmon) from Minerals, and if subsection 1.C(2)(a) above is not applicable, the refined silver shall be deemed to have been sold at the Monthly Average Silver Price for the month in which it was refined. The Gross Value shall be determined by multiplying Silver Production during the calendar month by the Monthly Average Silver Price.

(3) All Other Minerals:

- (a) If Grantor sells unprocessed ores, dore, or concentrates of any Minerals other than gold or silver, then the Gross Value shall be equal to the amount of proceeds received by Grantor during the calendar month from such unprocessed ores, dore or concentrates to an Affiliate, provided that such sales shall be considered, solely for the purpose of determining Gross Value, to have been sold at prices and on terms no less favorable than those that would be obtained from a non-Affiliate in similar quantities and under similar circumstances.
- (b) If Grantor produces refined or processed metals, from Minerals other than refined gold or refined silver, and if subsection 1.C(3)(a) above is not applicable, then Gross Value shall be equal to the amount of the proceeds received by Grantor during the

calendar month from the sale of such refined or processed metals. Grantor shall have the right to sell such refined or processed metals to an Affiliate, provided that such sales shall be considered, solely for purposes of determining Gross Value, to have been sold at prices and on terms no less favorable than those that would be obtained from a non-Affiliate in similar quantities and under similar circumstances.

D. "Minerals" means all metallic and non-metallic substances which Grantor, as owner of the Property is legally entitled to mine, remove, process and sell, including all such substances to which such Grantor is entitled pursuant to extralateral rights under the mining laws of the United States.

E. "Monthly Average Gold Price" means the average London Bullion Market Association Afternoon Gold Fix, calculated by dividing the sum of all such prices reported for the calendar month by the number of days for which such prices were reported during that month. In the event that the London Bullion Market Association Afternoon Gold Fix ceases to be published, all such references shall be replaced with references to prices of gold for immediate sale in another established market selected by Grantor, as such prices are published in Metals Week magazine.

F. "Monthly Average Silver Price" means the average New York Silver Price as published daily by Handy & Harmon, calculated by dividing the sum of all such prices reported for the calendar month by the number of days in such calendar month for which such prices were reported. In the event that the Handy & Harmon quotations cease to be published, all such references shall be replaced with references to prices of silver for immediate sale in another established market selected by Grantor as published in Metals Week magazine.

G. "Net Smelter Returns" means the Gross Value of all Minerals, less all costs, charges and expenses paid or incurred by Grantor with respect to the transportation, processing, treatment and upgrading of such Minerals, including without limitation:

(1) Charges for treatment in the smelting and refining processes (including handling, processing, interest and provisional settlement fees, sampling, assaying and representation costs, penalties and other processor deductions);

(2) Actual costs of transportation (including freight, insurance, security, transaction taxes, handling, port, demurrage, delay and forwarding expenses incurred by reason of or in the course of such transportation) of Minerals to the place of



treatment, including any costs incurred by Grantor for transportation of such Minerals from the Property to the place of sale;

(3) Actual sales and brokerage costs on Minerals for which the Net Smelter Returns royalty is payable and an allowance for reasonable sales and brokerage costs for refined metals, the gross value of which is determined pursuant to subsections 1.C(1)(b), 1.C(2)(b) or 1.C(3)(b) above;

(4) Sales, use, severance, net proceeds of mine, ad valorem taxes applicable under local, state and federal law and any other tax or governmental levy or fee relating to the Minerals on which the Net Smelter Returns Royalty is payable (other than taxes based upon income); and

(5) The costs of governmental or other royalties when and if applicable.

H. "Property" means the unpatented mining claims described in Exhibit A hereto, as well as any unpatented mining claims owned, leased or otherwise controlled by the Bullion-Monarch Venture on April 26, 1990 that overlap or conflict with any of the unpatented mining claims described in Exhibit A. If Grantor, its successors or assigns amends, relocates or patents any of the unpatented mining claims described in said Exhibit A, or if Grantor converts any of such claims into leases or other types of property rights or interests pursuant to any amendment of the United States Mining Law of 1872, such claims, rights and interests shall be deemed to be included within the Property, it being understood that Grantor's Net Smelter Returns royalty is to apply to all ore mined from lands currently subject to said Exhibit A, regardless of the means by which rights to those lands have been acquired.

I. "Silver Production" means the quantity of refined silver outturned to Grantor's account by a non-Affiliate third-party refinery for silver produced from the Property during the calendar month on either a provisional or final settlement basis.

2. Conveyance of Royalty. Grantor hereby conveys and agrees to pay to Grantor its successors and assigns, a non-participating royalty of 30% of 1% of Net Smelter Returns; PROVIDED, HOWEVER, that said royalty shall be subject to the following conditions, limitations, and exceptions:

A. If royalties in excess of the equivalent of 2% of Net Smelter Returns burden any of the Property (other than: (i) the 5% royalty on the Joe and Don claims described in paragraph 1(c) of Exhibit A hereto; and (ii) the 1% Net Smelter Return royalty reserved in the Warranty Deed dated September 28, 1988,

described more specifically in paragraph 2 of Exhibit A hereto; and (iii) the royalty obligation arising under the Agreement dated May 10, 1979, between Bullion Monarch Company, Polar Resources Co., et al.), Grantor shall have the right to set off, as and when production occurs from the lands subject to such excess royalty, the amount of that excess against the Net Smelter Return royalty granted to Grantee by this Deed, and thereby reduce the total amount payable from such lands pursuant thereto;

B. the Net Smelter Return royalty granted by this Deed shall cease at such time as a total of \$600,000 (which sum shall not be reduced by the offset and reduction described in Section 2.A above) has been paid pursuant to such royalty; and

C. with respect to the patented mining claims described in paragraph 2 of Exhibit A, the royalty shall be 775/1000 of 0.30% Net Smelter Returns (i.e., a royalty of 0.2325% of Net Smelter Returns).

3. Patenting, Relocation or Conversion of Unpatented Claims. If Grantor applies for and is granted a mineral patent to any unpatented mining claims included in the Property or any portion thereof, or if any such unpatented mining claims are relocated or converted as described in Section 1.H above, then within ninety (90) days after such patent, relocation or conversion occurs, Grantor shall execute, acknowledge and deliver to Grantee such conveyances as may be reasonably necessary or desirable to confirm, preserve, or protect the royalty granted in Section 2 above.

4. Accrual of Obligation. Grantor's obligation to pay the Net Smelter Returns royalty shall accrue upon the sale of unrefined metals, dore, concentrates, ores or other Minerals products or, if refined metals are produced, upon the outturn of refined metals meeting the requirements of the specified published price to Grantor's account.

5. Futures or Forward Sales, Etc. Except as provided in subsections 1.C(1)(a), 1.C(2)(a) and 1.C(3)(a) above (with respect to sales of unprocessed gold and silver and sales of Minerals other than gold and silver), Gross Value shall be determined irrespective of any actual arrangements for the sale or other disposition of any Minerals by Grantor, specifically including but not limited to forward sales, futures trading or commodities options trading, and any other price hedging, price protection, and speculative arrangements that may involve the possible delivery of gold, silver or other metals produced from Minerals.

6. Sampling and Commingling. All Minerals for which a Net Smelter Returns royalty is payable shall be weighed or measured, sampled and analyzed in accordance with sound mining and

metallurgical practices. After such measurement, Grantor may mix or commingle Minerals with ores from properties other than the Property.

7. Monthly Calculations and Payments. Net Smelter Returns royalties shall be determined on a calendar month basis. Net Smelter Return royalties shall be paid on or before the last business day of the calendar month immediately following the last day of the calendar month in which same accrued.

8. Statements. At the time of payment of the Net Smelter Returns royalty, Grantor shall accompany such payment with a statement showing in reasonable detail the quantities and grades of refined gold, silver or other metals or dore, concentrates or ores produced and sold or deemed sold by Grantor in the preceding calendar month; the Monthly Average Gold Price and Monthly Average Silver Price, as applicable; costs and other deductions, and other pertinent information in reasonable detail to explain the calculation of the Net Smelter Returns royalty payment with respect to such calendar month. Payment shall be made as provided in Section 13 below.

9. Inventories and Stockpiles. Grantor shall include in all monthly statements a description of the quantity and quality of any gold or silver dore that has been retained as inventory for more than ninety (90) days. Grantee shall have thirty (30) calendar days after receipt of the statement to either (a) elect that the dore be deemed sold, with Gross Value to be determined as provided in subsections 1.C(1)(a), with respect to gold, and 1.C(2)(a), with respect to silver, as of such thirtieth day utilizing the mine weights and assays for such dore and utilizing a reasonable recovery rate for refined metal and reasonable deemed charges for all deductions specified in Section 1.F above, or (b) elect to wait until such time as royalties otherwise would become payable pursuant to subsections 1.C(1)(b) and 1.C(2)(b) hereof. The failure of Grantee to respond within such time shall be deemed to be an election to use the methods set forth in (b) above. No Net Smelter Returns royalty shall be due with respect to stockpiles of ores or concentrates unless and until such ores or concentrates are actually sold.

10. Final Settlement. All Net Smelter Returns royalty payments shall be considered final and in full satisfaction of Grantor's obligations with respect thereto, unless Grantee gives Grantor written notice describing and setting forth a specific objection to the calculation thereof within one year after receipt by Grantee of the monthly statement provided for in Section 8 above. If Grantee objects to a particular monthly statement, it shall have the right, for a period of thirty (30) days after Grantor's receipt of such objection, upon reasonable notice and at a reasonable time, to have Grantor's accounts and records relating to the calculation of the Net Smelter Returns

royalty payment with respect to the calendar month in question audited by an independent Certified public accountant. If such audit determines that there has been a deficiency or an excess in the payment made to Grantee, such deficiency or excess shall be resolved by adjusting the next monthly Net Smelter Returns royalty payment due Grantee. Grantee shall pay all costs of such audit unless a deficiency of five percent (5%) or more of the Net Smelter Returns royalty due for the calendar month in question is determined to exist. Grantor shall pay the costs of such audit if a deficiency of five percent (5%) or more of the amount due for the calendar month in question is determined to exist. All books and records used by Grantor to calculate the Net Smelter Returns royalties due hereunder shall be kept in accordance with accounting principles generally utilized in the mining industry.

11. Transfer or Encumbrance of Royalty. Grantee may transfer, pledge, mortgage, charge or otherwise encumber all or any part of its right, title and interest in and to the Net Smelter Returns royalty; provided, however, that Grantor shall be under no obligation to make its payments to such assignee, transferee, pledgee or other third party until Grantor's receipt of written notice concerning the assignment, transfer or pledge.

12. Control of Operations. Grantor shall have the sole and exclusive option to determine the timing and the manner of any production from the Property and all related exploration, development and mining activities on or for the benefit of the Property. Nothing under this Deed shall require Grantor to explore, develop or mine or continue operations on the Property.

13. Notices. All notices, statements, payments, or other communications between the Parties required, permitted, or made necessary by the terms of this Deed shall be written and shall be addressed to the Party to receive the communication at the address for that Party specified in the initial paragraph of this Deed. Except as otherwise specifically provided to the contrary herein, communications mailed in the manner provided in this Section 13 shall be deemed made and given on the date of mailing. Either of the Parties may change its address or addressee or notice from time to time by giving notice of such change to the other Party in the manner specified in this Section 13.

14. Inurement: Royalty to Run with the Land. The royalty granted by this Deed shall burden and run with the Property, including any patents, relocations and conversions of unpatented claims, as described in Section 3 above, and shall be binding upon and inure to the benefit of the Parties' respective successors and assigns.



WHEREFORE, Grantor has executed this Deed as of the time and date first written.

HIGH DESERT MINERAL RESOURCES  
OF NEVADA, INC.

Ronald T. Halavais  
Ronald T. Halavais,  
Chief Operating Officer

P. Lee Halavais  
P. Lee Halavais  
Vice-President

[SEAL]

STATE OF Colorado )  
COUNTY OF Denver ) ss.

On the 23<sup>rd</sup> day of December, 1991, before me personally appeared Ronald T. Halavais and P. Lee Halavais, known to me or proved to me to be the Chief Operating Officer and Vice-President of High Desert Mineral Resources of Nevada, Inc., a Nevada corporation, who, being first duly sworn, acknowledged that they executed the foregoing instrument in the name of said entity, that they had the authority to execute the same, and that they executed the same as the act and deed of said entity for the uses and purposes therein stated.

Witness my hand and official seal.

My commission expires: October 18, 1993

Jillene M. Thomsen  
Notary Public



Exhibit A  
To  
Correction Deed  
of Non-Participating Net Smelter Returns Royalty  
From  
High Desert Mineral Resources of Nevada, Inc.  
to  
Westmont Gold Inc.

The following unpatented mining claims subject to a Lease and Option, dated August 13, 1969, by and between R.D. Rubright and Mary Jo Rubright, his wife, and Fred Kurtz and Bullion Monarch Company recorded in Book 71 at Page 433 of the Eureka County, Nevada records:

<u>Claim</u>	<u>Location Certificate Recording Data</u>		<u>BLM Serial Number(s)</u>
	<u>Book</u>	<u>Page</u>	
Badger	G	422	
Badger (Amended and Additional Location)	H	259	N-MC-11243
Badger No. 1	G	423	
Badger No. 1 (Amended and Additional Location)	H	260	N-MC-11244
Unity No. 1	H	247	N-MC-11240
Unity No. 2	H	248	N-MC-11241
Junction	H	330	N-MC-11445
Compromise No. 4	C	260	
Compromise No. 4 (Amended and Additional Location)	H	261	N-MC-11245
Compromise No. 5	C	218	
Compromise No. 5 (Amended and Additional Location)	H	262	N-MC-11442
Compromise No. 6	C	219	
Compromise No. 6 (Amended and Additional Location)	H	262	N-MC-11443
Compromise No. 7	C	220	
Compromise No. 7 (Amended and Additional Location)	H	263	N-MC-11444
Lamira	D	393	
Lamira (Amended and Additional Location)	H	259	N-MC-11242

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139264

EUREKA COUNTY, NEVADA  
M. REBALEATI, RECORDER  
FILE NO. 14-

BOOK 230 PAGE 410  
OFFICIAL RECORDS  
RECORDED AT THE REQUEST OF  
Westmont Gold Co  
92 JAN -9 PM 1:10