

171087

**CONVEYANCE AND GRANT OF OVERRIDING ROYALTY**

THIS CONVEYANCE AND GRANT OF OVERRIDING ROYALTY is made effective as of the first day of September, 1998 by Royal Gold, Inc., a Delaware corporation, Grantor, to Idaho Resources Corporation, a Nevada corporation, Grantee.

I

**CONVEYANCE OF ROYALTY**

1.1 For good and valuable consideration, the receipt and adequacy of which is acknowledged, Grantor hereby grants and conveys unto Grantee, its successors and assigns, a perpetual overriding royalty (the "Royalty") on production from certain properties situate, lying and being in the County of Eureka, State of Nevada, more particularly described in Exhibit A, attached hereto and by this reference incorporated herein (the "Property"). The Property shall include any relocations, amendments or any other claims located by Grantor on lands encompassed by the claims listed on Exhibit A, and shall also include any other mining claims or mining property (inclusive of properties leased to Grantor) which have been or may be acquired by Grantor prior to February 15, 2084, within an area of interest described as that portion of Township 26 North, Range 49 East, MDB&M (Eureka County, Nevada) which is situated east of 116° 30' West Longitude.

II

**ROYALTY RATE AND BASES**

2.1 Percentage of Royalty. Under and by virtue of the Royalty hereby conveyed to Grantee, Grantor shall pay to Grantee a Royalty with respect to all gold, silver, and other salable ores, metals, minerals, materials and other mine or mill product (referred to, collectively, as "Production") produced from the Property on or after September 1, 1998, in accordance with the provisions hereinafter set forth. The percentage rate of the Royalty shall be one percent (1.0%) and calculation of the Royalty shall be accomplished by multiplication of the aforementioned royalty percentage by the applicable royalty base (the "Royalty Base") all in the manner and in accordance with the

provisions set forth below.

2.1(a) Gold and/or Silver. The Royalty Base applicable to gold or silver produced from the Property, other than gold or silver contained in ores or concentrate which are subject to 2.1(b), below, shall be the "Gross Value", calculated as hereinbelow specified, whether produced by in situ or solution mining, by mining ores and the extraction of gold or silver by means of heap or vat leaching, by milling or other extraction method and by refining to produce "Bullion". The term Bullion, as used herein, means refined gold or silver meeting the generally accepted commercial standards for refined gold or refined silver, as the case may be, recovered from Production by refining by an independent third-party refinery or refineries. The number of ounces (wherever used herein "ounces" refers to Troy ounces) of gold or silver contained in Bullion recovered in each month from production shall be determined by the records pertaining thereto of the said refinery or refineries.

2.1(a) (1) Calculation of "Gross Value". "Gross value" as used in this section 2.1(a) shall be determined by multiplying the ounces of gold and of silver contained in Bullion recovered during any calendar month, by the respective average price for gold and silver Bullion for that month, as follows:

(i) The average monthly price of gold for the month of production shall be calculated by dividing the sum of all of the prices for gold reported for the month by the London Bullion Market Association in its P.M. Gold Fixes divided by the number of days for which such prices were reported.

(ii) The average monthly price for silver for the month of production shall be determined by the average New York Silver Price as published daily by Handy and Harman, calculated by dividing the sum of all such prices reported for the month by the number of days for which such prices were reported.

(iii) If either the London Bullion Market Association P.M. Gold Fix or the Handy & Harman silver quotations cease to be published, all such references shall be replaced with references to prices of gold or silver for immediate delivery in the most nearly comparable established market selected by Grantor as published in "Metals Week" or a similar publication.

2.1(a) (2) Gross Value Royalty Base. The product obtained by multiplying the number of ounces of gold contained in Bullion recovered during any month by the average monthly price for

gold Bullion for such month (as such average monthly price is determined as above provided), shall be added to the product obtained by multiplying the number of ounces of silver contained in silver Bullion recovered during that month by the average monthly price for silver for such month, (as such average monthly price is determined as above provided), and the sum of those amounts shall constitute the "Gross Value Royalty Base" for calculation of gold/silver Royalty applicable to this section 2.1(a) due for that month.

2.1(b) Ore or Concentrate Sold to Smelter. The Royalty Base for calculation of Royalty in respect to ore produced from the Property and/or concentrate derived from ores produced from the Property (other than ores principally valuable for the uranium and/or vanadium content thereof) which are sold in an arms-length sale to a third-party smelter by Grantor shall be the Net Smelter Returns received therefrom. The term "Net Smelter Returns" means the amount actually received by Grantor from the Smelter less, (i) the costs of surface transportation, inclusive of insurance, of the ores from the Property (in the case of ores sold in the crude state) or of the concentrates from the mill (in the case of the sale of concentrate derived from such ores) to the smelter, to the extent that such costs are paid by Grantor, (ii) the costs of smelting such ores or concentrates if paid by Grantor and (iii) any metallurgical penalties, surcharges or other charges made or imposed by the smelter to the extent the same are paid by Grantor.

2.1(c) Uranium and/or Vanadium Ore: The Royalty Base for calculation of Royalty in respect to ore principally valuable for uranium and/or vanadium which is mined and sold from the Property, if such ore is sold in the crude state in an arms-length sale, shall be the Net sales Price received therefor. "Net Sales Price" shall mean the proceeds received from the sale of such ore less the costs of surface transportation, including insurance, of the ore from the Property to the point of sale. If such ore is concentrated by Grantor, either in its own facilities or by means of tolling arrangements, or if such ores are sold other than as a result of an arms-length transaction, then the

term "Net Sales Price" shall mean the prevailing price paid at the time such ore is mined for ores of like grade and metallurgical characteristics f.o.b. the Property by other purchasers of uranium and/or vanadium ores.

2.1(d) Other Mineral Substances and Ores. If Grantor should produce and sell any minerals, substances or ores from the Property, other than those encompassed within the provisions of subparagraphs (a) through (c), above, the Royalty Base for calculation of the Royalty applicable thereto shall be the net proceeds received for such substances after deducting the cost of the transportation thereof from the Property to the point of sale.

2.2 Effect of Imposition of Federal Royalty, Net Proceeds of Mines Taxes. If, in the future, a royalty is imposed on, and required to be paid upon production from, mining claims by the United States of America, the amount of such royalty actually paid to the United States by Grantor may be deducted by Grantor from the applicable Royalty Base before calculation of the Royalty payable in respect to Production from claims burdened by such United States royalty. Grantee shall be responsible for payment of any Net Proceeds of Mines taxes imposed by the State of Nevada in respect to Royalty paid under this Conveyance and Grant of Overriding Royalty.

2.3 Commingling of Ores. At no time shall ores, minerals or materials produced from the Property be commingled with production derived from other sources, except and unless all such commingled ores, minerals and materials comprising Production from each source have first been weighed or measured, sampled, assayed and metallurgically analyzed in accordance with sound mining and metallurgical practice in order that the Royalty due Grantee hereunder can be reasonably and accurately determined. Upon request to Grantor, Grantee shall have the right to have a representative present at the time all such samples and measurements are taken. Grantee shall have the right to obtain sample splits for separate assaying in order to determine the accuracy of the assays of Grantor. Grantor shall make available to Grantee pertinent technical data and records within its

possession reasonably required to determine the accuracy of calculation made by Grantor of Royalty payable upon commingled ores, minerals or materials.

2.4 Furnishing Marketing Information. Grantee shall have the right to be supplied monthly with duplicate settlement sheets from any refinery, mill, smelter or other purchaser or processor of Production derived from the Property, whether or not the mine products have been sold, and shall be supplied with Grantor's monthly reports of mining, milling and leaching activities and sufficient information as to the amounts of the gold and silver contained in dore and Bullion or other mineral products recovered during the month so that Grantee will be able to determine the amount of Production on which Royalty is due Grantee.

2.5 Payment of Royalty. Payments of Royalty shall be made by check or wire transfer, at the election of Grantee at the time specified below.

2.5 (a) Due Dates for Gross Value Royalty. Royalty subject to Sections 2.1(a), 2.1(a) (1), and 2.1(a) (2) above, being Production subject to the Gross Value Royalty Base, shall be payable monthly by the last day of the month following the month in which Bullion was recovered. Grantee acknowledges that Grantor shall have the right to market and sell or refrain from selling ores or minerals subject to the Gross Value Royalty Base in any manner it may elect. Accordingly Gross Value Royalty shall be calculated in the manner and shall be payable at the times as provided hereinabove irrespective of any actual selling arrangements for Bullion entered into by Grantor, specifically including but not limited to, forward sales, futures trading or commodity options trading, and any other price hedging, price protection and arrangements concerning the Bullion.

2.5 (b) Due Dates For Other Royalty. Royalty calculated pursuant to sections 2.1(b), 2.1(c) and 2.1 (d) shall be due and payable by the end of the month following the month in which payment was made for mine products subject to any of those sections.

2.5 (c) Supplying of Supporting Data. Grantor shall accompany each Royalty payment with

copies of sufficiently detailed data showing quantities of Bullion refined from mine production, in respect to gold or silver, or sold, in respect to other types of mine product, in order that Grantee may verify the accuracy of each Royalty calculation and payment.

2.5 (d) Depository Agent. The Grand Valley National Bank, P.O. Box 4090, Grand Junction, CO 81502, (the "Depository Agent") is hereby designated by Grantee as its agent to receive Royalty payments which become due Grantee. Payments of Royalty by Grantor to the Depository Agent shall constitute full payment to Grantee. The Depository Agent may be changed, from time to time, by written notice from Grantee to Grantor.

### III

### MISCELLANEOUS

3.1 Duty to Inform. Grantor shall be under no obligation to provide Grantee with any ore reserve calculations (including, but not limited to, any information that would be required to be included in documents filed with the Securities and Exchange Commission regarding ore reserve calculations), mine plans, forecasts or other information relating to its operations other than as expressly set forth herein; provided, however, that upon request, Grantor will supply Grantee with information pertinent to the determination of the value of the royalty for purposes of preparation of State and Federal Gift Tax, Estate and Inheritance Tax returns, which information shall include but not be limited to ore reserve calculations, and, if Grantee should elect to make a public offering of its shares, upon request by Grantee, Grantor shall furnish the aforesaid information to Grantee in order for it to comply with the disclosure requirements of applicable state and/or federal securities laws, rules and regulations. Any information furnished pursuant to this paragraph 3.1 shall be accurate to the best of Grantor's knowledge, but Grantor shall not be liable to Grantee for any inadvertent inaccuracies, errors or incorrect information supplied.

4.1 Finality. All Royalty payments hereunder shall be considered final and in full satisfaction of all obligations of Grantor 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 statement herein provided for, unless such objections result from an act or acts of fraud or deliberate miscalculations of the Royalty granted to Grantee, in which case, the one-year period shall not begin to run until Grantee receives actual knowledge of said acts.

5.1 No Duty to Mine. Grantor shall have the sole and exclusive right to determine the timing and the manner of any mining or production from the Property and all related exploration, development and mining activities. Nothing herein shall require Grantor to explore, develop, mine or continue operations on the Property or to process ores, minerals or materials from the Property.

This Conveyance and Grant shall be binding upon and inure to the benefit of the parties hereto, their respective successors and assigns and shall be a covenant which runs with the Property. IN WITNESS WHEREOF, Grantor has executed this instrument effective on the day and year first hereinabove mentioned.

Grantor: ROYAL GOLD, INC.

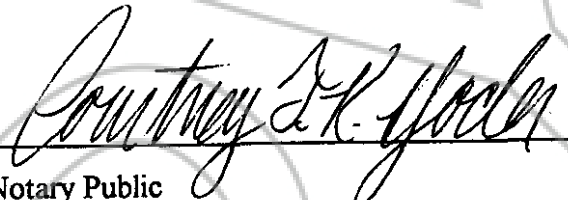
By: Peter B. Babin  
Peter B. Babin, President

State of Colorado )

)ss.

County of Denver )

This CONVEYANCE AND GRANT OF OVERRIDING ROYALTY was acknowledged before me on Nov. 16, 1998, by Peter B. Babin as President of Royal Gold, Inc., on behalf of the corporation.



Notary Public

My commission expires: \_\_\_\_\_

My Commission Expires 06/10/2000



Exhibit A

to Conveyance and Grant of Overriding Royalty

Description of the Property Subject to the Overriding Royalty

Damele Claims

1. The below listed unpatented lode mining claims (the "Damele Claims") in Eureka County, Nevada, which were the subject of the Mining Lease with Option to Purchase dated February 15, 1993, between Ronald and Arlene Damele, husband and wife; Charles and Patricia Damele, husband and wife; Stephen and Pauline Damele, husband and wife; and Yvonne Hager, a widow, Lessors, and Placer Dome U. S. Inc., Lessee, as evidenced by Memorandum recorded in Book 248 at Page 15, and assigned by Placer Dome U. S. Inc., to Idaho Resources Corporation by Assignment recorded in Book 264 at Pages 552-572, and assigned by Idaho Resources Corporation to Royal Gold, Inc. by Assignment Agreement dated February 15, 1994, recorded in Book 265 at Pages 332-337. All recording information contained in this Exhibit A refers to the Official Records in the office of the Recorder of Eureka County, Nevada.

The Damele Claims were conveyed by the Lessors of the above referenced Mining Lease to Royal Gold, Inc., by DEED AND ASSIGNMENT, effective as of July 1, 1998, which document is recorded in Book 320 at Page 467, et seq.

<u>Claim Name</u>	<u>Book</u>	<u>Pages</u>	<u>BLM Serial Nos.</u>
Zeke 1-18	77	374-391	NMC 140112-140129
Zeke 21-23	77	392-394	NMC 140130-140132
Zeke 25, 26	77	395-396	NMC 140133-140134
Zeke 29-78	122	230-279	NMC 303126-303175
Zeke 80-90	122	281-291	NMC 303177-303187
Zeke 103-136	155	427-460	NMC 400781-400814
Zeke 139	159	93	NMC 419628
Zeke 140-142	159	90-92	NMC 419629-419631
Zeke 143-148	159	94-99	NMC 419632-419637
Zeke 15A, 17A, 18A	199	464-466	NMC 563812-563814

Royal's Direct Claims

2. The following unpatented lode mining claims in Eureka County, Nevada, located and owned by Royal Gold, Inc.:

<u>Claim Name</u>	<u>Book</u>	<u>Pages</u>	<u>BLM Serial Nos.</u>
Zeke 301-345	267	360-404	NMC 697311-697355
Zeke 346-374	270	210-238	NMC 702340-702368
Zeke 375-434	283	40-99	NMC 717212-717271

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OFFICIAL RECORDS  
RECORDED AT THE REQUEST OF  
*Royal Gold Inc*  
98 NOV 18 PM 1:07

EUREKA COUNTY NEVADA  
M.N. REBALEATI, RECORDER  
FILE NO. FEES 15.00