

171090

DEED AND ASSIGNMENT

THIS DEED AND ASSIGNMENT, made effective this first (1st) day of September, 1998 by and between Royal Gold, Inc., a Delaware corporation, Grantor, and Independence Mining Company Inc., a Delaware corporation, Grantee.

WITNESS, THAT Grantor, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, has remised, released, assigned, sold, conveyed, and transferred, and by these presents does remise, release, assign, sell, convey and transfer unto Grantee, its successors and assigns forever, all the right, title, interest, claim and demand that Grantor has in and to the real property, together with improvements, if any, 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.

RESERVING UNTO GRANTOR the royalties set forth in Exhibit B, attached hereto and by this reference incorporated herein.

TO HAVE AND TO HOLD the same, together with all and singular the appurtenances and privileges thereunto belonging, or in anywise thereunto appertaining, and all the estate, right, title, interest and claims whatsoever, of Grantor, either in law or at equity, to the only proper use, benefit and behalf of Grantee, its successors and assigns forever; and warrants title to the same against all those claiming by, through or under Grantor.

IN WITNESS WHEREOF, Grantor has executed this Deed and Assignment as of the date first hereinabove provided.

GRANTOR:

ROYAL GOLD, INC.

By: Peter B. Babin

Title: PRESIDENT

State of Colorado)

) ss.

County of Denver)

This DEED AND ASSIGNMENT was acknowledged before me on November 16, 1998 by Peter B. Babin as president of Royal Gold, Inc., on behalf of the corporation.

Courtney S. K. Jordan
Notary Public

My commission expires:

My Commission Expires 06/10/2000

BOOK 323 PAGE 262

Exhibit A

to Deed and Assignment (Royal Gold, Inc. to Independence Mining Company Inc.)

Description of the Subject Property

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

Exhibit B

to Deed and Assignment (Royal Gold, Inc. to Independence Mining Company Inc.)

Royalties

Fifteen percent (15%) of Net Profits, as defined in Exhibit B-1 as Royal's NPI, on production from the mining claims referred to as "Damele Property," as set forth in Exhibit A.

Fourteen percent (14%) of Net Profits, as defined in Exhibit B-1 as Royal's NPI, on production from the mining claims referred to as "Royal's Direct Claims," as set forth in Exhibit A.

Two and one half percent (2.5%) of Net Profits, as defined in Exhibit B-2 as Steininger's NPI, on production from the mining claims referred to as "Royal's Direct Claims," as set forth in Exhibit A.

Exhibit B-1

to Deed and Assignment (Royal Gold, Inc. to Independence Mining Company Inc.)

Royal's NPI

Net Profits Royalty

This Exhibit is extracted from that certain unrecorded Exploration Agreement between Royal Gold, Inc. (hereinafter sometimes referred to as "Royal") and Independence Mining Company Inc. (hereinafter sometimes referred to as "IMC") dated effective October 2, 1997 (hereinafter sometimes referred to as the "Exploration Agreement"). Certain additional defined terms pertaining to this Exhibit are provided in the Exploration Agreement.

2. Gross Revenues. "Gross Revenues" shall mean:

(a) for Precious Metals (which term is defined below) produced from the Properties (which term will be defined at the time a Net Profits Royalty is granted) and shipped in the form of doré, bullion or some other semi-refined or refined product, the Spot Price for Precious Metals multiplied by the contained ounces of Precious Metals in the doré, bullion or other semi-refined or refined product; or

(b) for Other Products (which term is defined below) produced from the Properties and shipped in the form of a crude, intermediate or final product, such as ore, concentrates, precipitates, or leach solutions, the gross revenues actually received by IMC from the purchaser from the sale or from the recipient from the other disposal of such Other Product; provided, however, if the crude or intermediate Other Product is shipped from the Properties for further refinement by or for the benefit of IMC under an arrangement whereby Precious Metals doré, bullion or any other semi-refined or refined Precious Metals are produced and IMC retains title to such product following refinement, Gross Revenues shall be determined by multiplying the Spot Price for Precious Metals by the contained ounces in the doré, bullion or other semi-refined or refined Precious Metals on the date such product is shipped from the point of further refinement.

(c) For the purposes hereof, the term "Precious Metals" shall mean gold, silver, platinum and palladium and "Other Products" shall mean all other metallic and non-metallic minerals of every kind, except Precious Metals and oil, gas, casinghead gas and associated liquid and gaseous hydrocarbon substances.

(d) In addition to the foregoing, Gross Revenues shall include all other revenues generated by IMC directly from the Properties, including, without limitation, interest in reclamation bonds, rental or toll charge revenues received by IMC for third parties' use of facilities constructed for the purpose of processing Ores and Minerals from the Properties, as well as the specific revenues described in Sections 8 and 9, below.

2. **Payout Threshold.** "Payout Threshold" shall be deemed to occur in the calendar quarter after the Effective Date that cumulative Gross Revenues equals or exceeds the sum of cumulative Capital Costs and cumulative Operating Costs expended on or for the benefit of the Properties as of the end of that calendar quarter. If at any time in the next three successive successive calendar quarters, cumulative Gross Revenues is less than the sum of cumulative Capital Costs and cumulative Operating Costs, Payout Threshold shall be deemed not to have occurred in the calendar quarter as previously determined. In such event, Payout Threshold will again be deemed to have been achieved in the calendar quarter that the parameters set forth in the first sentence of this Section 2 have been met, subject to the three successive calendar quarter maintenance requirement. Once Payout Threshold has been achieved in a calendar quarter and maintained for three successive subsequent calendar quarters, the determination that Payout Threshold has been achieved shall be final for all purposes hereunder.

3. **Spot Price.** "Spot Price" in the case of gold shall mean the price of gold, in U.S. dollars per troy ounce, as quoted by and at the closing in London of the London Bullion Market Association P.M. Gold Fix (London P.M. Fix) on the day on which gold doré, bullion or other semi-refined or refined gold product is shipped from IMC's mill or refinery at the mine. The "Spot Price" in the case of silver shall mean the price of silver, in U.S. dollars per troy ounce, in New York as quoted by Handy and Harman noon silver fixing on the day on which any semi-refined or refined silver product is shipped from IMC's mill or refinery at the mine. The "Spot Price" for any Precious Metals other than gold and silver shall be the price of such metals for immediate delivery in an established market selected by IMC as published in "Metals Week" or a similar publication. If IMC produces Precious Metals doré or bullion or some other semi-refined or refined Precious Metals product at another facility, the Spot Price shall be determined on the day such doré, bullion or other semi-refined or refined product is shipped from such facility. In the event the price of gold or silver, as the case may be, is not quoted on the above-referenced exchanges for the shipment date, the price shall be the next price quoted on such exchange. If the referenced exchange price is no longer quoted for any reason, the Spot Price shall be determined from a source generally accepted in the industry as accurately reflecting the price of gold or silver on the open market on the date and at the place of shipment.

4. **Hedging Activities of IMC.** Royal acknowledges that IMC shall have the right to market and sell or refrain from selling Precious Metals or Other Products in any manner it may elect. Accordingly, Gross Revenues shall be determined as provided in Section 1 above irrespective of any actual selling arrangements entered into by IMC, specifically including, but not limited to, forward sales, futures trading or commodity options trading, and any other price hedging, price protection and speculative arrangements which may involve the possible delivery of Precious Metals or Other Products.

5. **Operations.** "Operations" shall mean IMC's activities in exploring for, developing, dewatering, mining, extracting, removing, transporting, processing, milling, refining, selling, marketing and delivering Precious Metals or Other Products, including, without limitation, direct

and indirect activities related to permitting, mitigation, reclamation and general administration directly related to the Properties, whether such activities are performed on or off of the Properties.

6. **Calculation of Net Profits.** "Net Profits" shall be calculated as of the end of each calendar year by deducting on a cumulative basis commencing at the Effective Date, the sum of cumulative Operating Costs and cumulative Capital Costs from cumulative Gross Revenues. In determining Net Profits for a calendar year, cumulative credits determined pursuant hereto shall be added to Gross Revenues or credited against Capital Costs or Operating Costs, as appropriate, in the calendar year in which they arise and cumulative debits determined pursuant hereto shall be deducted from Gross Revenues or debited against Capital Costs or Operating Costs, as appropriate, in the calendar year in which they arise. Notwithstanding the foregoing calculation on a calendar-year basis, estimated Net Profits will be calculated on a calendar-quarterly basis.

7. **Payment of Net Profits.** Net Profits from the Properties shall be carried forward, retained, or distributed as follows:

(a) If actual or estimated Net Profits are negative, there shall be no retention or distribution of Net Profits and the negative balance shall be carried forward to be included in the subsequent quarter's calculation; or

(b) If actual or estimated Net Profits are positive, Royal's share ("Net Profits Share") shall be determined by (i) multiplying the positive amount of Net Profits by fifteen percent (15%) or fourteen percent (14%), whichever is applicable as set forth in Section 1.06 of the Agreement, and (ii) deducting the cumulative amount of all Net Profits payments previously made to Royal with respect to the Properties (whether made before or after the Effective date) from the amount determined by (i) above in this Section 7; and

(c) Royal's Net Profits Share shall be distributed to Royal pursuant to Sections 17 and 18 hereof.

8. **Credit for Insurance Proceeds.** If IMC receives proceeds from insurance coverage, the cost of which was charged to Operations, such proceeds shall be credited as follows:

(a) if the proceeds result from the loss or theft of Precious Metals or Other Products, the amount of proceeds shall be added to Gross Revenues in the calendar quarter in which received; or

(b) if the proceeds result from the loss of an asset that has been charged to Operations as a Capital Cost or an Operating Cost, to the extent the proceeds are not used to repair or replace the asset, any excess (or the entire amount of such proceeds, if the asset is not repaired or replaced) shall be credited, in the calendar quarter in which received, to Capital Costs or

Operating Costs, as appropriate, at the net amount received to the extent such asset has been charged as an operating Cost or Capital Cost.

9. **Credit for Disposition of Assets.** Revenues received for assets sold or disposed of by IMC or returned to vendors for credit shall be credited, in the calendar quarter in which received, to Operating Costs or Capital Costs, as appropriate, at the net amount received to the extent such asset has been charged as an Operating Cost or Capital Cost.

10. **Operating Costs.** "Operating Costs" shall mean those categories of cost amounts expended in conducting Operations on or for the benefit of the Properties set forth in subsections (a) through (n) of this Section 10, together with costs for Materials as defined and set forth in Section 12 which are not charged as Capital Costs pursuant to Section 12, but specifically excluding amortization, depreciation, depletion or other reduction in the cost of Capital Items.

(a) **Title, License and Permit Costs.** All holding costs for the Properties, including filing fees, license fees, costs of permits and assessment work, holding fees and all other payments made by IMC to acquire, maintain or improve title to the Properties including, without limitation, any rentals or royalties presently payable with respect to the Properties to any person or entity, or governmental agency and any rentals or royalties now or hereafter payable with respect to the Properties to any governmental agency.

(b) **Labor and Employee Benefits.**

(i) **Direct Salaries and Wages.** Salaries and wages of IMC's employees directly engaged in Operations, including salaries or wages, or the applicable portion thereof, of employees who are temporarily or partially assigned to and directly employed by IMC in Operations.

(ii) **Direct Holiday and Other Benefits.** IMC's actual cost of holiday, vacation, sickness, and disability benefits, and other customary allowances applicable to the salaries and wages chargeable hereunder.

(iii) **Direct Benefit Plans.** IMC's actual cost of plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus and other benefit plans of like nature applicable to salaries and wages chargeable hereunder.

(iv) **Governmental Assessments.** Cost of assessments imposed by governmental authorities which are applicable to salaries and wages chargeable hereunder, including all penalties except those resulting from the wilful misconduct or gross negligence of IMC.

(c) **Equipment and Facilities Furnished by IMC from Other Projects.** The cost of machinery, equipment, and facilities owned by IMC that are brought from other projects and

used temporarily in Operations or used to provide support or utility services to Operations shall be charged at rates commensurate with the actual costs of ownership and operation of such machinery, equipment, and facilities for the period of use in Operations. Such rates shall include costs of maintenance, repairs, other operating expenses, insurance, taxes, and depreciation applicable to the period of such temporary or other use in Operations. Such rates shall not exceed the average rates then prevailing in the vicinity of the Properties for similar machinery, equipment and facilities.

(d) **Transportation and Subsistence.** Reasonable transportation and subsistence costs actually incurred in connection with the transportation of employees and Materials necessary for Operations.

(e) **Contract Services and Utilities; Rentals and Operating Leases.** The cost of independent contractors who perform services at or for the benefit of the Properties, the cost of utilities, and the actual cost of Materials rented or leased under an operating lease for use in Operations. If contract services are performed by, or utilities or rentals are provided by, an Affiliate of IMC, the amount charged shall not exceed the charge for comparable, leased items, services, facilities, utilities and rentals available in the open market within the vicinity of the Properties.

(f) **Insurance Premiums.** Premiums paid for insurance carried for Operations. If IMC is self-insured for Worker's Compensation or Employer's Liability Insurance under state law, IMC may elect to include such risks in its self-insurance program and may deduct from Gross Revenues all of its actual costs of maintaining and administering self-insurance, including the dollar amount of claims paid under such programs.

(g) **Damages and Losses.** All costs in excess of insurance proceeds necessary to repair or replace damage or losses to any Materials, improvements, structures or other capital or noncapital assets used in Operations resulting from any cause other than the wilful misconduct or gross negligence of IMC.

(h) **Legal and Regulatory Expense.** All legal and regulatory costs and expenses incurred in or resulting from Operations or necessary to protect or recover the Properties, or Materials or other assets used in Operations, but excluding any legal cost or expense incurred in representing IMC adversely to Royal in any matter relating hereto.

(i) **Audit and Accounting.** Costs of annual audits and accounting services by outside accountants which are directly related to Operations.

(j) **Taxes.** All taxes, except income taxes and Nevada net proceeds taxes, but expressly including mining, property and severance taxes, of every kind and nature directly levied upon or in connection with (i) Operations, (ii) production from the Properties, or (iii)

Materials or other assets used in Operations. With respect to any tax for which each Party is separately responsible, including income tax and Nevada net proceeds tax, each Party shall separately pay its share of such taxes and such taxes shall not be deducted from Gross Revenues to determine Net Profits. Royal shall not object to, and shall cooperate with, any communication that IMC seeks to make to tax-collecting authorities, advising that Royal has a royalty interest for which there may be a tax liability.

(k) **District and Non-Site Expenses.** A pro rata portion, based upon that portion of direct time of an employee spent on the Properties or Operations as compared to all of that employee's time, of (i) the salaries and expenses of IMC's superintendents, other supervisory employees, officers and home office employees serving Operations who do not work full time on the Properties and whose time is not allocated directly to various aspects of Operations; (ii) all reasonable travel and subsistence costs of IMC's home office personnel incurred in connection with Operations; and (iii) the costs of maintaining and operating one or more local offices for various aspects of Operations. Provided, however, that no costs and expenses of any of IMC's offices not directly related to Operations may be deducted from Gross Revenues in determining Net Profits.

(l) **Interest on Project Financing.** Interest expense incurred in financing directly related to the Properties or the Operations, including financing by IMC or financing arranged with an Affiliate of IMC, at an interest rate of two percent (2%) above the rate charged by Chase Manhattan Bank in New York City to its best business customers ("Prime Rate") on the date such financing is provided or obtained by IMC.

(m) **Environmental and Reclamation Costs.** Environmental mitigation, and reclamation costs, including specifically all costs of permitting, incurred in connection with Operations, such costs to be calculated and allocated on the basis of recoverable ounces of Precious Metals or other Products or otherwise in accordance with IMC's usual practice so long as such calculation and allocation is in accordance with generally accepted accounting principles customarily employed by IMC.

(n) **Other Operating Costs.** Other operating costs not specifically identified in this Section 10 or Section 12 which are not specifically excluded by Sections 11, 12 or 13, and which are not included in Capital Costs. Subject to Section 9 and in the event any such costs include property acquisition costs necessary for Operations which are not included in Capital Costs, any income or other consideration received from the use of such property shall be included as a credit against Operating Costs in determining Net Profits to the extent that deductions were taken for such property acquisition costs.

11. **Capital Costs.** "Capital Costs" shall mean those categories of cost amounts expended in conducting Operations on or for the benefit of the Properties set forth in subsections (a) through (e) of this Section 11 ("Capital Items"), together with costs for Materials set forth in Section 12

below, which are not charged as Operating Costs. Capital Costs shall not include (i) rentals or royalties of any kind whatsoever paid or payable or (ii) amortization, depreciation, depletion or other reduction in cost of Capital Items.

(a) **Mining, Dewatering and Engineering Services Capital Costs.** The actual cost of all shop, maintenance and warehouse facilities; mining equipment; dewatering equipment and deferred costs; deferred development and reclamation costs, and shop and warehouse tools and equipment.

(b) **Processing Costs.**

(i) **Oxide Processing Costs:** mill facility; equipment; deferred preproduction costs; and tailings dam construction costs.

(ii) **Sulfide Processing Costs:** mill, autoclave, roaster, or other processing facility; equipment; deferred pre-production costs; and tailings dam construction costs.

(iii) **Leach Processing Costs:** carbon, electrowin or other processing facility; crushing and agglomerating equipment and facilities; leach systems and leach pad construction costs; equipment and tools.

(iv) **Common Processing:** lab; technical; general processing equipment and tools; and power distribution.

(c) **General Costs.** All deferred development costs; impact mitigation; administration and other buildings on site; general site assets; transportation, scientific, safety, office, communication, and security equipment; capitalized on-site administration costs.

(d) **Exploration and Condemnation Costs.** Costs and expenses related to geological, geochemical and geophysical studies, feasibility studies, drilling, sampling and assaying, mine design and development, the cost of any mining equipment or machinery purchased prior to commencing commercial production, mine overhead directly associated with the exploration or condemnation of the Properties and direct salaries not included in Operating Costs.

(e) **Other Capital Costs.** Other capital costs not specifically identified in this Section 11 or Section 12 which are not specifically excluded by Sections 10, 12 or 13, and which are not included in Operating Costs. If any such costs include property acquisition costs necessary for Operations which are not included in Operating Costs, any income or other consideration received from the use of such property shall be included as a credit against Capital Costs in determining Net Profits to the extent that deductions were taken for such property acquisition costs.

12. Capital and Non-Capital Materials, Equipment, and Supplies. In addition to those expenditures identified as Operating Costs or Capital Costs in Sections 10 and 11 above, the cost of materials, equipment, and supplies used in Operations (hereinafter called "Materials") purchased from unaffiliated third parties or furnished by IMC shall be included in Capital Costs or Operating Costs, as appropriate, using generally accepted accounting principles customarily employed by IMC. If Materials are purchased by IMC from IMC's inventory, the cost of such Materials shall only be included in Operating Costs or Capital Costs at the time the Materials are removed from inventory for use in Operations.

(a) **Purchases.** Materials purchased and services procured from third parties shall be charged by IMC at invoiced cost, including applicable taxes, less all discounts of whatsoever nature and kind taken.

(b) **Materials Transferred from Affiliates.** Any Materials transferred to IMC from an Affiliate of IMC shall be priced on the basis of market value.

(c) **Premium Prices.** Whenever Materials are not readily obtainable at published or listed prices, IMC may charge prices actually paid to third parties for the required Materials on the basis of IMC's direct cost and expenses incurred in procuring such Materials and making them suitable for use.

(d) **Warranty on Materials.** IMC does not warrant the Materials furnished beyond any vendor's or manufacturer's warranty and no credit against Operating Costs or Capital Costs shall be given for defective Materials until adjustments are received by IMC from the vendor or manufacturer.

(e) **Capital Leases.** If IMC leases any Materials under a capital lease, such Materials shall be treated for all purposes hereunder as though they had been purchased outright by IMC.

13. Allocation of Capital and Operating Costs. Capital Costs and Operating Costs incurred solely for the benefit of the Properties shall be deducted from Gross Revenues from the Properties in determining Net Profits from the Properties. All Capital Costs and Operating Costs incurred for the benefit of the Properties and other operations or activities of IMC on adjacent lands owned or controlled by IMC in the area and from which IMC is developing or mining minerals for its own account ("Other Lands"), shall be allocated between the Properties and the Other Lands on the bases set forth in this Section 13 and in Section 14. As used in this Section 13 and Section 14, "Known Reserves" shall mean proven and probable tons of ore reserves on the Properties and the Other Lands as determined by IMC from time to time. Initial allocations shall be adjusted when Known Reserves are updated, on the basis of the total tons of production to the last adjustment date together with the revised Known Reserves.

(a) **Allocation of Capital Costs.** Capital Costs shall be allocated over the entire processing or other use, and altered or modified use, of a capital asset. Capital Costs shall be allocated solely for the purpose of establishing Capital Costs associated with Operations and not for purposes of amortizing Capital Costs in calculation of Net Profits. Allocation shall be made as follows:

(i) **Mining, Dewatering and Engineering Services Costs:** allocated in proportion to the number of total tons of ore and waste to be moved to extract Known Reserves.

(ii) **Oxide Mill Processing Costs:** allocated in proportion to the number of oxide ore tons of Known Reserves.

(iii) **Sulfide Mill Processing Costs:** allocated in proportion to the number of sulfide ore tons of Known Reserves.

(iv) **Leach Processing Costs:** allocated in proportion to the number of leach ore tons of Known Reserves.

(v) **Common Processing Costs:** allocated in proportion to the number of total ore tons of Known Reserves.

(vi) **General and Other Costs:** allocated in proportion to the number of total tons of ore and waste to be moved to extract Known Reserves.

(vii) **Exploration and Condemnation Costs:** allocated on a direct basis.

(b) **Allocation of Operating Costs.** Operating Costs shall be allocated as follows:

(i) **Mining, Dewatering and Engineering Services Costs:** allocated in proportion to the number of total tons of ore and waste mined.

(ii) **Oxide Mill Processing Costs:** allocated in proportion to the number of oxide ore tons milled and in accordance with any commingling agreement, as applicable.

(iii) **Sulfide Mill Processing Costs:** allocated in proportion to the number of sulfide ore tons milled and in accordance with any commingling agreement, as applicable.

(iv) **Leach Processing Costs:** allocated in proportion to the number of leach ore tons actually placed on leach heaps and in accordance with any commingling agreement, as applicable.

(v) **General Costs:** allocated in proportion to the number of total tons of ore and waste mined.

(vi) **Environmental and Reclamation Costs:** allocated in proportion to the cumulative number of ore and waste tons mined and to be mined.

(vii) **Exploration and Condemnation Costs:** allocated on a direct basis.

(viii) **Refining and Freight Charges:** allocated in proportion to the ounces shipped in each shipment.

(ix) **Interest:** allocated in proportion to the number of total tons of ore and waste to be moved to extract Known Reserves.

14. Allocation of Costs Related to Converted Facilities.

(a) **Processing Facilities.** If a processing facility, such as an oxide mill, is converted from one use to another, the Capital Cost of such facility shall be allocated using the following formulae:

$$\begin{aligned} \text{CC(A)} &= \text{CC(F)} \times \text{TONS(A)} / (\text{TONS(A)} + \text{TONS(B)}) \\ \text{CC(B)} &= \text{CC(C)} + [\text{CC(F)} \times \text{TONS(B)} / (\text{TONS(A)} + \text{TONS(B)})] \end{aligned}$$

where CC(A) = Capital Cost allocated to use A
 CC(B) = Capital Cost allocated to use B
 CC(F) = Capital Cost of facility plus capital additions during period of use for use A
 CC(C) = Capital Cost of Conversion of facility to use B plus capital additions during period of use for use B
 Tons(A) = Tons of type A Known Reserves
 Tons(B) = Tons of type B Known Reserves

(b) **Other Facilities and Equipment.** If any other facility or equipment, such as a piece of mining equipment, is converted from one use to another use, the Capital Cost of such facility or equipment shall be apportioned on an equitable basis, taking into account the initial basis for allocation of costs between uses, if any, and the nature and duration of use in each operation.

15. Cross-Mining Costs. Except as expressly provided herein, no cross-mining costs, which are costs incurred on the Properties for exploration, development, mining, or other activities on, and processing of minerals from, property not part of the Properties, shall be deducted from Gross Revenues in determining Net Profits. All costs incurred in mining or other use of lands outside of the Properties which IMC incurs in connection with Operations may be deducted from

Gross Revenues in determining Net Profits; provided that if IMC receives reimbursement for such costs, it shall credit such reimbursed amounts to Operating Costs or Capital Costs, as appropriate.

16. **Accrual Basis.** Net Profits shall be determined in accordance with the accrual basis method of accounting.

17. **Payment of Net Profits.** (a) Net Profits shall be estimated on a calendar quarter basis and adjusted annually. Payment shall be made no later than 45 days following the end of the quarter for which the payment is due. Adjustments from estimated to actual Net Profits shall be calculated and made in the payment for the fourth quarter of each calendar year. All payments shall be made by company check. There shall be no right to receive payment in bullion or in kind unless Royal has timely elected to take payment in kind, as provided in Section 26, below. (b) If IMC fails to make a payment of Net Profits within the time set forth in Section 17(a), above, except in those cases where IMC, in good faith, makes an estimated payment as provided in Section 17(a), above, the payment owed shall bear interest at the prime rate, as published in *The Wall Street Journal*, from the date payment is due until the date the payment is made. The payment of interest shall not apply to Royal or to IMC for overpayments or under payments received or made which are discovered as part of a review or audit of an otherwise timely estimated or final payment, except in the event of gross negligence or wilful misconduct on the part of IMC. In the event the retroactive recalculation of Net Profits for each calendar quarter since the Effective Date shall determine that Royal is entitled to a payment of Net Profits, such payment shall not begin to accrue interest until sixty (60) days after such recalculation.

18. **Account for Payment.** Payments shall be made in accordance with the written instructions of Royal, which may be changed from time to time by written notice to IMC; except, however, that IMC shall in no event be required to pay Net Profits to more than one person or entity.

19. **Books and Records.** IMC shall maintain detailed and comprehensive cost accounting records and other records pertaining to Operations, including, without limitation, general ledgers, supporting and subsidiary journals, invoices, checks, and other customary documentation sufficient to provide a record of revenues and expenditures, and the results of Operations for reporting purposes, and such additional books and records, if any, as may be necessary to verify any allocations of costs made by IMC. Such records shall be retained for the duration of the period allowed Royal for audit or the period necessary to comply with tax or other regulatory requirements. Books and records, as well as all accounting, shall be in accordance with generally accepted accounting principles customarily employed by IMC.

20. **Audits.** Not more frequently than annually and within 18 months after the date of receipt of the quarterly statement required by Section 21(b) below, Royal may, through its representatives and agents and at Royal's sole expense, perform an audit or other examination

of such of IMC's books and records as are necessary to verify IMC's calculation of Net Profits. The right to audit shall specifically include any information received or obtained by IMC from third parties with respect to costs and revenues. All financial information shall conclusively be deemed correct for purposes hereof unless Royal has given timely notice that it desires to audit or examine IMC's books and records in the manner and within such 18-month period. Royal shall promptly commence any such audits and shall diligently prosecute the same to conclusion. Audits shall be conducted so as not to interfere unreasonably with Operations and activities of IMC.

21. Reports and Statements. IMC shall provide to Royal the following reports and statements:

(a) **Annual Report:** Not later than April 1 of each year IMC shall provide to Royal an annual report of calculations and payments hereunder during the preceding calendar year.

(b) **Quarterly Statement:** Within 45 days following the end of each quarter (or at the time a Net Profits payment is made pursuant to Section 17, if a payment is due), IMC shall provide to Royal a detailed statement explaining the manner in which Net Profits were calculated for the preceding quarter. Such statements shall clearly differentiate which portion of Capital Costs and Operating Costs are allocated to the Properties. Each statement shall be deemed conclusively correct unless Royal notifies IMC in writing within 18 months of the date of receipt by Royal of a statement of any objections to or errors in such statement.

22. Ownership of Tailings. All tailings or other residues from the processing of ores ("Tailings") resulting from Operations on the Properties shall be the sole property of IMC, but shall remain subject hereto should the Tailings be processed or reprocessed, as the case may be, by IMC in the future and result in the production of Precious Metals or Other Products. Notwithstanding the foregoing, IMC shall have the right to dispose of Tailings from the Properties on or off of the Properties and to commingle the same with Tailings from other lands. If Tailings are commingled and are processed or reprocessed, as the case may be, Net Profits payable thereon shall be determined on a pro rata basis by using the best engineering and technical practices then available.

23. Measurement of Products. All Precious Metals and Other Products for which Net Profits is payable shall be weighed or measured, sampled and analyzed in accordance with sound mining and metallurgical practices, after which IMC may mix or commingle the same with ores from properties other than the Properties.

24. No Duty to Mine. IMC shall have the sole and exclusive right to determine the timing and the manner of any production from the Properties and all related Exploration, Development and Mining activities. IMC shall not be required to explore, develop, mine or continue operations on the Properties or to process Ores and Minerals from the Properties. In particular, the Mining

of ores from any properties not subject to the Net Profits Royalty to the exclusion of Ores and Minerals that are subject to the Net Profits Royalty shall not violate any express or implied covenant or duty of IMC or any of its Affiliates.

25. Conflicts. In the event of any conflict between the terms and provisions of this Exhibit B-1 and the Exploration Agreement or any other exhibit thereto, the terms and provisions of the Exploration Agreement shall control.

26. Payment in Gold. Subject to the conditions set forth in this Section 26, Royal shall have the election to receive payment of Net Profits in the form of a credit of gold bullion to an account established by Royal with IMC's refiner or, if Royal is unable to establish an account at such refiner for any reason, to an account established with a member of the London Bullion Market Association that is reasonably acceptable to IMC. Notice of election to take payment in gold bullion shall be provided to IMC not less than 45 days prior to the date payment is due for Net Profits hereunder (the "Payment Date"). Such notices shall be in writing and shall identify the bullion account to be credited by account number and location. Such election shall be irrevocable for the payment identified in the notice and IMC shall continue to make payments of Net Proceeds in gold bullion as they become due until IMC has received written notice from Royal to return to payment in dollars, such notice to be provided to IMC in writing not less than 45 days prior to the next Payment Date. IMC shall cause to be credited to Royal's designated account an amount of gold (in ounces) equal to the amount of Net Profits payable in dollars divided by the Spot Price for gold (in ounces) on the Payment Date. The Spot Price shall be calculated to four decimal places and rounded to three (decimals of .0005 or less shall be rounded down; decimals of more than .0005 shall be rounded up). Delivery in settlement shall occur on or before the second business day following the Payment Date. Any and all costs and liabilities associated with payment as set forth in this Section 26, including, without limitation, costs associated with conversion of the dollar amount payable to Royal into gold bullion and costs to open and maintain a bullion account, shall be borne by Royal. Royal shall be solely responsible for all handling, transportation, insurance, marketing and sales costs and expenses attributable to its share of gold bullion, following credit to Royal's bullion account.

27. Definitions. All capitalized terms in this exhibit shall have the meanings set forth herein and, if a capitalized term is not defined herein, it shall have the meaning set forth in the Exploration Agreement to which this exhibit is attached.

Exhibit B-2

to Deed and Assignment (Royal Gold, Inc. to Independence Mining Company Inc.)

Steininger's NPI

Steininger Net Profits Royalty

This Exhibit B-2 is extracted from that certain Consulting Agreement effective July 1, 1994 by and between Royal Gold, Inc. and Roger C. Steininger. Certain additional defined terms pertaining to this Exhibit only are as follows: "Contractor" shall mean Roger C. Steininger, and "Affiliate" shall mean Royal, or any business entity the majority of the equity of which is owned or controlled directly or indirectly by Royal.

Contractor is entitled to a production royalty equal to 2.5% of the Net Profits, calculated as provided herein, attributable to all mineral products produced and sold (or deemed sold, as set forth herein--hereinafter, "Products") by Royal (or by any successor in interest to Royal, with Royal and any such successor being hereinafter referred to, collectively, as "Royal") from the property to which such production royalty relates (hereinafter, the "Property").

All capitalized words and phrases used in this Exhibit shall have the meanings assigned to them herein, as follows:

A. "Cash Flow" shall mean the extent to which, on a cumulative basis, Proceeds exceeds the sum of Operating Costs and those certain Production Costs other than Operating Costs.

B. "Net Profits" shall mean, on a cumulative basis, the extent to which Cash Flow exceeds Payback.

C. "Operating Costs" shall mean and include the total of the following items (1), (2) and (3):

(1) All direct costs of operation and all general and administrative on-site and off-site expenses of Royal that are paid, incurred or accrued, as a result of or in connection with all operations and activities conducted on or for the benefit of the Property, including but not limited to the following:

(a) Rentals, Royalties and Other Payments. The sum of all Property acquisition, holding and maintenance costs, including filing fees, license fees, costs of permits and assessment work, delay rentals, production royalties owing to any third parties, any tax, royalty or other payments or obligations of any kind or character whatsoever that are imposed by any federal, state or local government, and all other payments made by, or expenses incurred or accrued by, Royal that are necessary or desirable to acquire or maintain title to the Property and to construct or maintain facilities and improvements used on or for the benefit of the Property.

(b) Labor and Employee Benefits.

(i) All salaries and wages of Royal employees that are directly engaged in operations on or for the benefit of the Property, including salaries or wages of employees who are temporarily assigned to work on or for the benefit of the Property.

(ii) Royal's costs of holiday, vacation, sickness and disability benefits, and other customary allowances applicable to the salaries and wages chargeable under paragraph (1) (b) (i) above and paragraph (1) (j) below. Such costs may be charged on a "when and as paid basis," or by "percentage assessment" on the applicable amount of salaries and wages. If percentage assessment is used, the rate that is employed shall be applied to salaries or wages only, excluding any overtime or bonus payments.

(iii) Royal's actual cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, or bonus plans (except, in the latter instance, production or incentive bonus plans under a union contract based on actual rates of production, cost savings or other production factors, and similar non-union bonus plans customary in the industry or necessary to attract competent employees, any and all of which bonus payments shall be considered salaries and wages under paragraph (1) (b) (i) above or paragraph (1) (j) below, rather than costs attributable to employees' benefit plans), and Royal's actual cost of other benefit plans of a like nature applicable to salaries and wages chargeable under said paragraphs (1) (b) (i) or (1) (j), provided that the benefits chargeable under such plans shall be limited to those incorporated within Royal's usual and customary plans.

(iv) The cost to Royal of any and all assessments imposed by any governmental authority which are applicable to salaries, wages and benefits chargeable under paragraphs (1) (b) (i), (1) (b) (ii), (1) (b) (iii) and (1) (j) hereof, including all penalties.

(c) Improvements, Materials, Equipment and Supplies. The cost of improvements, materials, equipment and supplies (herein called "Material") purchased from unaffiliated third parties, or furnished by Royal, and used for operations on or for the benefit of the Property. As used herein, the cost of Material shall also include all applicable amortization or depreciation expense allocable to such Material.

(d) Transportation. Reasonable transportation costs paid, incurred or accrued by Royal in connection with the transportation of employees and Material necessary for operations on or for the benefit of the Property.

(e) Contract Services and Utilities. The cost to Royal of contract services and utilities procured from outside sources, other than services described in paragraph (1) (h) below, for the benefit of the Property. If contract services are performed by Royal or an Affiliate of Royal,

the cost charged or accrued for such services shall not be greater than the cost for which comparable services and utilities are available in the open market within the vicinity of the Property.

(f) Insurance Premiums. Net premiums paid or accrued by Royal for insurance carried for operations on or for the benefit of the Property. If Royal self-insures for Worker's Compensation and/or Employer's Liability under state law, it may elect to include such risks in its self-insurance program, and shall charge its costs of self-insuring such risks.

(g) Damage and Losses. All costs incurred or accrued by Royal, in excess of insurance proceeds, in connection with the repair or replacement of any damage or loss, resulting from any cause, affecting any portion of the Property, or any improvements thereon.

(h) Legal and Regulatory Expenses. All legal and regulatory costs and expenses incurred or accrued by Royal in connection with or resulting from operations on or for the benefit of the Property, or as may be necessary to protect title to the Property, or to protect, replace or recover the facilities or improvements used on or for the benefit of the Property.

(i) Taxes. All taxes (except taxes calculated upon income and the Nevada net proceeds of mines tax), of every kind and nature assessed or assessed or levied upon or in connection with the Property or in connection with operations conducted on or for the benefit of the Property. Royal and Contractor shall be separately responsible for income taxes and for Nevada net proceeds of mines taxes that are attributable to their respective interests in the Property.

(j) District and Camp Expense. The allocable portion of (i) the salaries and expenses of Royal's superintendent and other employees serving the Property whose time is allocated directly to the Property, and (ii) the costs of maintaining and operating an office and any necessary suboffice for the benefit of the Property, and (iii) all necessary camps, including housing facilities for employees, used for the benefit of the Property.

(k) Other Expenditures. Any reasonable direct expenditures, other than expenditures which are covered by the foregoing provisions, incurred or accrued by Royal for the necessary and proper conduct of operations on or for the benefit of the Property.

(l) Allocations of Costs. Any of the foregoing Operating Costs that are incurred or accrued for the benefit of both the Property and other lands shall be allocated on a calendar year's basis between the Property and such other lands and such allocation shall be made in the same proportion as the tonnage of ore that is mined from such other lands and fed to process during that year relates to the tonnage of ore that is mined from the Property and fed to process during such year. In the alternative, as to capital items, Royal may, in its sole discretion, elect to charge to the Operating Costs of the Property an amount equal to a market rental value for such items, based upon the amount of use of such items on or for the benefit of the Property.

(m) Reclamation Costs. Reclamation costs, which shall be charged if and to the extent that Royal actually pays, sets aside, or accrues such amounts for the Property.

(n) Management Fee. A management fee payable to Royal in the amount of five percent (5%) of the Operating Costs described in paragraphs (1) (a) through (1) (m) above.

(2) Any and all prior excesses of Operating Costs over Proceeds; and

(3) A reasonable sum for working capital reserves, it being understood that such reserves shall be not less than three months' worth of cumulative Operating Costs that are paid, incurred or accrued when the Property is in full production.

D. "Payback" shall mean the point in time at which cumulative Cash Flow has equaled the sum of (1) all cumulative Production Costs, plus (2) interest on all such Production Costs at a rate equal to the Prime Rate, plus 2%, with interest to be calculated on the first business day of each calendar quarter during which any of those Production Costs are paid, incurred or accrued, and with such interest to begin accruing from the first day that Royal pays, incurs or accrues any such Production Costs.

E. "Production Costs" shall mean all costs and expenses paid, incurred or accrued by Royal on or for the benefit of the Property, including but not limited to exploration, development and mining activities, title work, environmental studies and reports, construction and installation of mining and processing improvements and (to the extent not included in the foregoing), all Operating Costs.

F. "Prime Rate" means that certain interest rate that is published, from time to time, by First Interstate Bank as its prime rate, which rate may not necessarily be the rate at which such institution lends money to any of its customers.

G. "Proceeds" means all sums received (or deemed to have been received) by Royal resulting from the sale of any Products mined or produced from the Property.

The Production Royalty on Net Profits shall be paid to Contractor on a quarterly basis, and Royal shall transmit to Contractor, along with each such payment, a summary report describing the results of activities and operations undertaken upon the Property during the previous quarter, along with copies of all non-interpretive data collected from, on or about the Property during such quarter.

Contractor shall have the right, at any time during the existence of this Net Profits Production Royalty, such right to be exercised on Contractor's own behalf or through an agent, and such right to be exercised at Contractor's own cost and risk and only upon reasonable prior notice to Royal, to enter upon the Property at all reasonable times and intervals to observe the mining, weighing, hauling, milling, assaying, stockpiling and other operations on the Property, and to obtain ore

samples for reasonable assaying purposes, and to inspect the non-interpretive geological records, all for the purpose of determining whether the provisions set forth herein are being observed; provided, however, any such observation and inspection shall be conducted in such a manner so as to not unreasonably interfere with Royal's operations. Royal agrees to keep full, true and accurate accounts showing the tonnages and all shipments and sales of all Products from the Property, which books, records and accounts may be inspected by Contractor at his own expense, at any reasonable time during normal business hours, and upon reasonable prior notice to Royal.

Contractor agrees to treat all information acquired hereunder as confidential, and the parties agree that neither shall use the other's name in any manner, without first having obtained the written approval of the other party, except as may be required by law. In the event of any anticipated disclosure that a party believes is required by law, the disclosing party shall notify the non-disclosing party prior to such disclosure, so that the non-disclosing party can take appropriate action to limit or prohibit such disclosure through a protective order or otherwise.

BOOK 323 PAGE 262
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BOOK 323 PAGE 282