

BOOK 364 PAGE 172-176
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Richard W. Harris, Jr.
Harris & Thompson
6121 Lakeside Drive suite 260
Reno, Nevada 8951

EUREKA COUNTY NEVADA
M.N. REGISTRATION RECORDER
FEE \$ 21.00
182309

**ASSIGNMENT OF LEASES AND
QUITCLAIM DEED WITH RESERVED ROYALTY**

THIS ASSIGNMENT OF LEASES AND QUITCLAIM DEED WITH
RESERVED ROYALTY is made this 5th day of August, 2003 between KM
EXPLORATION L^t, a Nevada limited liability company, doing business as NEVADA
GOLD VENTURES ("Grantor"); and TONE RESOURCES (U.S.) INC., a Nevada
corporation, whose address is 2244 - 32nd Ave. W., Vancouver, British Columbia,
Canada V6L 2B2 ("Grantee").

WITNESSETH

1. Assignment of Leases. Grantor, in consideration of the sum of TEN
DOLLARS (\$10.00) and other valuable consideration paid to it by Grantee, does hereby
assign and convey to Grantee all of Grantor's right, title, and interest in the following
mining leases ("leases"):

a. "Mining Lease" dated October 15, 2002 between PETAN
COMPANY and PER JACKSON and KM EXPLORATION LTD. affecting Section
23, T.32N., R.53E., 3M, Elko County, Nevada.

b. "Mining Lease" dated February 12, 2003 between PETAN

COMPANY and PER Jackson and KM EXPLORATION LTD. affecting Section 15, T.32N., R53E., MD. Elko County, Nevada.

2. Conveyance of Unpatented Lode Mining Claims. Grantor, in consideration of them of TEN Dollars (\$10.00) and other valuable consideration paid to it by Grantee, donereby remise, release, and forever quitclaim unto Grantee all of Grantor's right, title and interest in and to the "FC" claim group in Lander County, Nevada; the "GBN" claim group in Eureka County, Nevada; the "BAS" claim group in Lander County, Nevada, and the "KS" claim group in Pershing County, Nevada, which are more particularly described on Exhibit A attached hereto (the Claims").

TOGETHER with all and singular tenements, hereditaments and appurtenances thereunto belonging in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof.

TOGETHER with all minerals and all veins and lodes of mineral-bearing rock therein and all dip, sturs and angles thereof.

TO HAVE AND TO HOLD all of the right, title and interest of Grantor in and to said premises, toger with the appurtenances, unto Grantee its successors and assigns forever.

3. Reserved Royalty Interest. Grantor reserves to itself a royalty on production equal to one percent (1%) of net smelter returns. The term "net smelter returns" as used her shall mean the net proceeds received by Grantee from the sale of minerals from the Lodes and Claims after deductions for all of the following:

a. Custom smelting costs, treatment charges and penalties including, but without being lited to, metal losses, penalties for impurities and charges or

deductions for refining, selling, and transportation from smelter to refinery and from refinery to market; provided, however, in the case of leaching operations, all processing and recovery costs incurred by (the producer) beyond the point at which the metal being treated is in solution shall be considered as treatment charges (it being agreed and understood, however, that such processing and recovery costs shall not include the cost of mining, crushing, ore preparation, distribution of leach solutions or other mining and preparation costs up to the point at which the metal goes into solution);

b. Cost of transporting mineral product from the concentrator to a smelter or other place of treatment; and

c. Production taxes, severance taxes and sales, privilege and other taxes measured by production or the value of production.

In the event melting or refining are carried out in facilities owned or controlled, in whole or in part, Grantee, charges, costs and penalties for such operations shall mean the amount Grantee would have incurred if such operations were carried out at facilities not owned or controlled by Grantee then offering comparable services for comparable production prevailing terms.

Payment of production royalties shall be made not later than thirty (30) days after the end of each calendar quarter. All payments shall be accompanied by a statement explaining the manner in which the payment was calculated.

4. Right of Inspection. Grantee agrees to keep accurate books of account reflecting the mining and processing operations with respect to the Claims and the computation of Grantor's royalty interest. Grantor shall have the right, either personally or through a qualified accountant of its choice, and at its cost, to examine and inspect the

books and records orantee pertaining to mining, milling and shipping operations of Grantee as they relax the Claims.

5. Notiof Non-responsibility. Immediately following execution of this agreement, Grantor record a notice of non-responsibility in the appropriate counties.

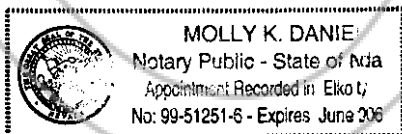
IN WITNESS WHEREOF, Grantor has hereunto set its hand the day and year first above written.

KM EXPLORATION LTD,
a Nevada limited liaty company

By: David C. Mathewson
David C. Mathewson

STATE OF NV)
COUNTY OF Elko) ss

On the 5th day August, 2003, before me, a Notary Public within and for said County and State, ponally appeared David C. Mathewson, Manager of KM EXPLORATION LTD a Nevada limited liability company, personally ~~known~~ (or proved) to be the per who executed the above instrument, and acknowledged to me that he executed the egoing ASSIGNMENT OF LEASES AND QUITCLAIM DEED WITH RESERVED YALTY for the purposes stated therein.



Molly K. Daniel
NOTARY PUBLIC

EXHIBIT A

Description of Leased Sections

Section 23, Township 2 North, Range 53 East, M.D.B.&M., Elko County, Nevada

Section 15, Township 2 North, Range 53 East, M.D.B.&M., Elko County, Nevada

Description of Claims

FC-1 through 77 in Elko County, Nevada (the "FC Claims") FC-1 through 52 (52 claims) have been filed: NMC #s 842935-842946 and 843134-843173; FC-53 through 77 (25 claims) have been filed: NMC #s 849218-849242. All claims are located in secs. 25, 26, 35, and 36, T30N42E, Mount Diablo Meridian, NV.

GBN-1 through 16 in Elko County, Nevada (the "GBN Claims"). GBN claims have been filed: NMC #s 849278-849293. All claims are located in sec. 5, T22N, R49E, and secs. 29, and 32 T23N49E, Mount Diablo Meridian, NV.

BAS -1 through 8 in Elko County, Nevada (the "BAS Claims"). BAS Claims have been filed: NMC #s 849301-849301. All claims are located in secs. 30 and 31, T22N, R41E, Mount Diablo Meridian, NV.

KS-1 through 10 in Elko County, Nevada (the "KS Claims"). The KS Claims have been filed: NMC #s 849311-849311. All claims are located in secs. 7, 8, 17, and 18, T32N, R40E, Mount Diablo Meridian, NV.