

APN: N/A (mining claims)  
**Recording requested by, and  
when recorded mail to:**

Lawson Lundell LLP  
Suite 1600 Cathedral Place  
925 West Georgia Street  
Vancouver, British Columbia V6C 3L2  
Attention: Gary Rose

EUREKA COUNTY, NV **2018-235028**  
Rec:\$35.00  
\$35.00 Pgs=118 **05/07/2018 11:47 AM**  
HOLLAND & HART LLP - RENO  
LISA HOEHNE, RECORDER

The undersigned hereby affirm(s) that this document,  
including any exhibits, submitted for recording does  
not contain the social security number of any person or  
persons. (Per NRS 239B.030)

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**DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT**

BULLION MONARCH MINING, INC.  
Trustor

FIRST CENTENNIAL TITLE CO. OF NEVADA  
Trustee

and

SPROTT PRIVATE RESOURCE LENDING (COLLECTOR), LP  
Beneficiary

Dated May 2, 2018

## **DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT**

THIS DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT ("Deed of Trust"), dated as of May 2, 2018 is made by BULLION MONARCH MINING, INC., a corporation organized and existing under the laws of the State of Utah ("Trustor"), to FIRST CENTENNIAL TITLE CO. OF NEVADA ("Trustee"), for the benefit of SPROTT PRIVATE RESOURCE LENDING (COLLECTOR), LP, a limited partnership organized and existing under the laws of the Province of Ontario ("Beneficiary").

Reference is made to the Credit Agreement dated May 2, 2018 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") among EMX Royalty Corporation, a corporation organized and existing under the laws of the Province of British Columbia ("Borrower"), EMX (USA) Services Corp., a corporation organized and existing under the laws of the State of Nevada, Trustor and Beneficiary, providing for the extension of the credit described therein in an aggregate principal amount not to exceed \$5,000,000. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Credit Agreement. Pursuant to the Credit Agreement, Beneficiary has required, among other things, all of the indebtedness, liabilities and other obligations of Borrower, Trustor and the other Credit Parties under the Credit Agreement, the Guarantees and the other Facility Documents now existing or hereafter arising including, without limitation, the performance by Borrower, Trustor and the other Credit Parties of their respective obligations thereunder (collectively, as any may hereafter be modified, extended, or renewed, the "Secured Obligations") shall be secured by this Deed of Trust. Trustor acknowledges and agrees that the extension of credit to Borrower as provided in the Credit Agreement will result in a substantial benefit to Trustor notwithstanding that Trustor is not the owner of the real property underlying this Deed of Trust.

THEREFORE, to induce Beneficiary to extend to Borrower the credit provided for under the Credit Agreement, and with the acknowledgement that Beneficiary would not extend such credit but for the representations, covenants, grants, and assignments of Trustor set forth herein, Trustor hereby covenants and agrees as follows:

### **SECTION 1 Grant of Security Interests**

1.01 Trustor irrevocably grants, bargains, sells, transfers and assigns to Trustee in trust, with power of sale, for the benefit of Beneficiary, all of Trustor's right, title and interest in and to the following, whether now owned or hereafter acquired by Trustor (collectively, the "Royalty Interests"): (i) all rights, remedies, title and interests of Trustor in that certain Agreement dated as of May 10, 1979 and made by and among Bullion Monarch Company, a Utah corporation, as predecessor-in-interest to Trustor, and the other parties thereto, as the same was recorded in the Official Records of Eureka County, Nevada as Document 68562 (as the same may have been amended, assigned, or modified from time to time, the "Royalty Agreement"), which Royalty Agreement relates to that certain real property set forth on Exhibit "A" attached hereto and incorporated herein by this reference (the "Property"); (ii) all of Trustor's right, title and interest in and to the one (1) percent gross smelter return royalty interest in the Property granted to

Trustor pursuant to the Royalty Agreement (the "Royalty"); (iii) all right, title and interest in and to any and all sums due to Trustor under the Royalty Agreement, including, without limitation, Trustor's right to receive and collect any sums pursuant to the Royalty Agreement; (iv) all Accounts, Documents, General Intangibles, Instruments, all cash or cash equivalents, and Commercial Tort Claims (as each such term is defined under the Uniform Commercial Code in effect in the State of Nevada) in connection with any of the foregoing; and (v) all accessions to, substitutions for and replacements, proceeds, insurance proceeds and products of the foregoing, together with all books and records, computer files, programs, printouts and other computer materials and records related thereto and any General Intangibles at any time evidencing or relating to any of the foregoing. A copy of the Royalty Agreement is attached hereto as Exhibit "B".

1.02 There is hereby assigned to Beneficiary the Trustor's interest in any and all leases, pledges, or assignments of the Royalty Interests, or any portion thereof, now or hereafter owned or entered into by Trustor or any other party claiming by, through, or under Trustor, as well as all rents, subrents, issues, profits, damages, royalties, income and other benefits now or hereafter derived from the Royalty Interests (collectively, the "Leases").

1.03 Trustor grants Beneficiary, pursuant to Nevada Revised Statutes Chapter 104 (the "Nevada Uniform Commercial Code"), a present and continuing security interest in and to all of the goods, equipment, fixtures, goods to become fixtures, building materials, books and records of Trustor, now or which may hereafter be located on or used in connection with the Royalty Interests, together with all contract rights, plans, specifications and other similar documents, rights to trademarks and names of Trustor and goodwill associated therewith, all permits, licenses, authorizations, variances, land use entitlements, approvals and consents issued by or obtained from any Governmental Authority in connection with the Royalty Interests, all accounts arising from the sale at the minehead of minerals or other substances of value attributable to the Royalty that may be extracted from the Property, and all proceeds thereof, all general intangibles, accounts, investment property, deposit accounts, chattel paper, documents, letter of credit rights, letters of credit, money and instruments with respect to the Royalty Interests, together with all additions to, substitutions for, proceeds of, changes in or replacements of the whole or any part of said personal property and this instrument shall constitute a security agreement with respect thereto.

THIS DEED OF TRUST CONSTITUTES A SECURITY AGREEMENT, AND, UPON RECORDATION IN THE ROYALTY RECORDS OF EUREKA COUNTY, NEVADA, SHALL CONSTITUTE AN EFFECTIVE FINANCING STATEMENT. FOR PURPOSES OF THE SECURITY INTEREST CREATED HEREBY, BENEFICIARY IS THE "SECURED PARTY" AND TRUSTOR IS THE "DEBTOR." TRUSTOR IS THE RECORD OWNER OF THE PROPERTY.

1.04 This Deed of Trust, and the grants and assignments made by Trustor in Sections 1.01, 1.02, and 1.03, are for the purpose of securing:

(a) Performance of each and every term, covenant and condition incorporated by reference or contained herein.

(b) Payment and performance of the Secured Obligations including, without limitation, full and timely payment of the indebtedness evidenced by the Facility Documents.

(c) Payment of such additional sums as may hereafter be advanced hereunder for the account of Trustor or Borrower or their assigns by Beneficiary, with interest thereon.

(d) Performance of each and every term, covenant and condition of Trustor or Borrower under the Credit Agreement and the other Facility Documents and each and every instrument and agreement securing payment of the Facility or executed in connection therewith, including, without limitation, the Secured Obligations.

(e) Performance of each and every term, covenant and condition of Trustor under the Guarantee.

## **SECTION 2**

### **Warranties and Covenants of Trustor**

2.01 Trustor represents and warrants that:

(a) Trustor has full, complete and marketable title to the Royalty, and is the record owner of the Royalty.

(b) This Deed of Trust is and will remain a valid and enforceable first lien on the Royalty Interests subject only to the Permitted Encumbrances under clauses (a) through (h) of such term as defined in the Credit Agreement.

(c) Trustor is in full compliance with all terms and conditions of the Royalty Agreement, and no other party to the Royalty Agreement has alleged that Trustor is in default or breach of any of the terms and conditions of the Royalty Agreement.

(d) All information and financial statements furnished or to be furnished Beneficiary by or on behalf of Trustor in connection herewith, the Credit Agreement or any other Facility Document or any other instrument or obligation secured hereby are, in all material respect, true and correct and not misleading.

(e) Trustor has not performed any act and is not bound by any instrument which would prevent Beneficiary from enforcing this Deed of Trust.

(f) Trustor has not received any notice, nor is it aware after a reasonable, prudent and diligent inquiry, that it is in non-compliance with any requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the regulations thereunder and there exist no "reportable events," as that term is defined in Section 4043 of ERISA, with respect to Trustor.

(g) None of the transactions in connection with which this Deed of Trust is given will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as



amended, or any regulations issued pursuant thereto, including, without limitation, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System.

(h) Trustor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code of 1986, as amended, or the regulations thereunder); Trustor understands that the certification in this clause (j) may be disclosed to the Internal Revenue Service by Beneficiary and that any false statement contained herein could be punished by fine, imprisonment, or both. The person or persons executing this Deed of Trust each declares under penalties of perjury that he had examined this certification and to the best of his knowledge and belief it is true, correct and complete, and further declares that he has authority to sign this certification on behalf of Trustor.

(i) Trustor is a corporation duly organized, validly existing and in good standing in the State of Utah and duly qualified to conduct business in each jurisdiction in which the nature of its business requires such qualification.

(j) Trustor has the corporate power and authority to execute, deliver and perform all of its obligations under this Deed of Trust and each of the other documents contemplated by, or required in connection with, the transactions pursuant hereto and has taken all corporate action required in connection with such execution, delivery and performance.

2.02 Trustor shall at all times perform all acts and obligations required of Trustor under the Royalty Agreement.

2.03 Trustor agrees to pay and discharge all costs, fees and expenses in connection with this Deed of Trust, including, but not limited to, Beneficiary's and Trustee's costs and expenses, including attorneys' fees, in any litigation with respect hereto, in connection herewith, any transactions related hereto, the Royalty Interests or any interest therein and the cost of evidence of title and trustee's fees in connection with sale, whether completed or not, which amounts shall become due upon demand by either Beneficiary or Trustee.

2.04 Trustor immediately upon obtaining knowledge of the institution of any proceedings for the condemnation of the Royalty Interests, any part thereof, or any interest therein, will notify Beneficiary of the pendency of such proceedings. Beneficiary may, but shall not be required to, participate in any such proceedings and Trustor from time to time will deliver to Beneficiary all instruments requested by it to permit such participation. Trustor shall pay all of Beneficiary's costs and expenses, including, but not limited to, attorneys' fees, incurred in any such proceedings. In the event of such condemnation proceedings, any award or compensation shall be paid to Beneficiary and shall be applied, after payment of all costs and expenses of Beneficiary and/or Trustee incurred in collecting the same, in such manner as Beneficiary elects in its sole and absolute discretion (including, without limitation, toward satisfaction of outstanding sums due under the Secured Obligations), without regard to whether or not its security hereunder has been impaired. For the purposes hereof, any proceeding to acquire any interest in or affecting the value of the Royalty Interests, or seeking damages therefor, including, but not limited to, severance or change of grade, whether by court action or purchase in lieu

thereof, shall be deemed a proceeding for condemnation and any award for inverse condemnation shall be deemed condemnation proceeds.

2.05 Trustor shall pay when due, before delinquency, all taxes, assessments, levies, utility fees and all other fees and charges of every kind and nature, whether of a like or different nature, imposed upon or assessed against or which may become a lien on the Royalty, or any part thereof, or arising from, by reason of or in connection therewith, the use thereof or this Deed of Trust. In addition, Trustor shall file all required tax forms with the appropriate governmental authorities on or before the day they become due. Trustor will, within thirty (30) days after the due date therefor, deliver to Beneficiary receipts evidencing payment of taxes, assessments, levies, fees and charges as required in this Section 2.05. Beneficiary may require Trustor to obtain and pay for a tax service satisfactory to Beneficiary in order to assure Beneficiary such taxes are paid.

2.06 If any action or proceeding shall be instituted for any purpose affecting the Royalty Interests, any part thereof, any interest therein, title thereto or this Deed of Trust, or should Trustor receive any notice from any governmental agency relating to the structure, use or occupancy of the Property, Trustor will immediately upon service thereof on or by Trustor, deliver to Beneficiary true copies of each notice, petition, summons, complaint, notice of motion, order to show cause, and all other process, pleadings and papers, however designated, served in any action or proceeding. Immediately upon becoming aware of any development or other information which may materially and adversely affect the property, business, prospects, profits or condition (financial or otherwise) of Trustor or Borrower, or the Royalty Interests or the ability of Trustor and/ Borrower to perform the obligations secured hereby, Trustor shall notify Beneficiary of the nature of such development or information and such anticipated effect.

2.07 Trustor promises and agrees that if during the existence of this Deed of Trust there be commenced or pending any suit, action, arbitration, or other proceeding affecting the Royalty Interests, insofar as the Royalty Agreement pertains to the Property, any part thereof, or in relation thereto, the title thereto or this Deed of Trust, or if any adverse claim for or against said Royalty Interests, or any part thereof, be made or asserted, it will appear in and defend any such matter and will pay all costs and damages arising because of such proceeding. Beneficiary may elect to appear in any such proceeding. Beneficiary shall have the option to control such action or defense, whether or not Beneficiary elects to appear. If Beneficiary elects to appear in any such action or proceeding, Beneficiary shall have the right to retain counsel of its choice. Trustor shall be solely responsible for any and all expenses and costs, including, but not limited to, the fees of counsel retained by Beneficiary, which are incurred pursuant to this section. If Beneficiary elects to appear in or control any action or proceeding, Trustor agrees to indemnify Beneficiary against, release Beneficiary from, and hold Beneficiary harmless from any damages, liability, costs, expenses, litigation, or claims incurred in or in connection with such action or appearance or in the exercise of such control, except as a result of Beneficiary's gross negligence or willful misconduct.

2.08 Trustor will not permit or suffer the filing of any mechanics', materialmen's, or other liens against the Royalty, any part thereof, any interest therein, or the revenue, rents, issues,

income and profits arising therefrom. If any lien shall be filed against the Royalty, any part thereof, or any interest therein, Trustor agrees to discharge the same of record within ten (10) days after the same shall have been filed.

2.09 Trustor shall take any and all such action as may be necessary to prevent any third parties from acquiring any rights whatsoever to or against the Royalty by virtue of adverse possession.

2.10 The sale, agreement to sell, transfer, assignment, mortgage, pledge, hypothecation or encumbrance, including, but not limited to, the granting of any option to do any of the foregoing, whether voluntary or involuntary, by agreement, operation of law or otherwise, of the whole or any portion of Trustor's right, title or interest in and to the Royalty Interests or any portion thereof without the prior written consent of Beneficiary shall constitute a default hereunder and shall entitle Beneficiary to accelerate the indebtedness secured hereby in the same manner as in the case of any other default.

2.11 Reserved.

2.12 Immediately upon becoming aware of the occurrence of any (i) "reportable event," as such term is defined in Section 4043 of ERISA, or (ii) "prohibited transaction," as such term is defined in Section 4975 of the Internal Revenue Code of 1986, as amended, in connection with any pension plan or any trust created thereunder, a written notice specifying the nature thereof, what action Trustor is taking or proposes to take with respect thereto, and, when known, any action taken or proposed to be taken by the Internal Revenue Service and/or the Department of Labor with respect thereto shall be delivered to Beneficiary. Trustor will not at any time permit any pension plan maintained by it or to which Trustor is a contributing employer to (a) engage in any "prohibited transaction," as such term is defined in Section 4975 of the Internal Revenue Code of 1986, as amended; (b) incur any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA, whether or not waived; or (c) terminate any such pension plan in a manner which could result in the imposition of a lien on the Property pursuant to Section 4068 of ERISA. Trustor shall not take any action which will cause or effect any withdrawal complete or partial, or any resulting withdrawal liability, with respect to any such plan. Trustor shall promptly pay all contributions to any employee benefit plan to which it is required to pay.

2.13 Trustor agrees at any time and from time to time during the term hereof and within ten (10) days after demand therefor from Beneficiary, to execute and deliver to Beneficiary, or any party designated by Beneficiary, a certificate in recordable form certifying the amount then due pursuant to this Deed of Trust and the obligations secured hereby, the terms of payment thereof, the dates to which payments have been paid, that this Deed of Trust and all instruments and obligations secured hereby are in full force and effect and that there are no defenses or offsets thereto, or specifying in what regards this Deed of Trust or such obligations are not in full force and effect and the nature of any defense or offsets thereto, together with such other information as Beneficiary may request.

2.14 Reserved.

2.15 Trustor shall execute, acknowledge and deliver to Beneficiary, and, if applicable, cause to be executed, recorded and/or filed at Trustor's cost and expense, any and all such mortgages, assignments, transfers, assurances, control agreements, financing statements and other instruments and documents and do such acts as Beneficiary shall from time to time require for the better perfecting, assuring, conveying, assigning, transferring and confirming unto Beneficiary the property and rights herein conveyed or assigned or intended now or hereafter so to be. Trustor hereby authorizes Beneficiary to file any and all financing statements and amendments thereto or terminations thereof in such form and in such locations as Beneficiary deems necessary or appropriate in connection herewith. The parties agree that this Deed of Trust shall constitute a security agreement under the Nevada Uniform Commercial Code and that a carbon, photographic or other reproduction of this Deed of Trust or of a financing statement shall be sufficient as a financing statement. Trustor represents and warrants Trustor has not executed, filed or authorized any Person, other than Beneficiary, to file, any financing statement or amendment thereto with respect to all or any portion of the Royalty Interests. Trustor has not within the five (5) year period prior to the date of this Deed of Trust changed its name, chief executive office or state of organization except as previously disclosed to Beneficiary in writing, nor will Trustor do so without notifying Beneficiary at least sixty (60) days in advance, and otherwise subject to the terms of the Credit Agreement.

2.16 Trustor will protect, indemnify, save harmless and defend Beneficiary and Trustee and their officers, directors, shareholders, employees, successors and assigns from and against any and all liability, loss, costs, charges, penalties, obligations, expenses, attorneys' fees, litigation, judgments, damages, claims and demands imposed upon or incurred by or asserted against Beneficiary and/or Trustee by reason of (a) ownership by Trustee or Beneficiary of its interest in the Royalty Interests pursuant to this Deed of Trust, (b) any failure on the part of Trustor to perform or comply with any of the terms of this Deed of Trust or any instrument or agreement secured hereby, (c) any negligence or tortious act on the part of Trustor or any of its respective agents, contractors, lessees, licensees or invitees, (d) the exercise by Beneficiary of any of its rights and remedies, or the performance of any of obligations, under this Deed of Trust. All amounts payable to Beneficiary or Trustee, as the case may be, under this Section 2.16 shall be payable on demand and shall be deemed indebtedness secured by this Deed of Trust.

2.17 All obligations of Trustor to any of its affiliates, including, but not limited to, any of its shareholders, partners or members, are hereby subordinated to the obligations secured by this Deed of Trust and none of such obligations shall be paid while any obligation secured hereby remains unsatisfied, except as otherwise expressly permitted under the Credit Agreement.

2.18 Trustor covenants and represents that none of the funds or assets that are used to repay the indebtedness secured hereby shall constitute property of, or shall be beneficially owned directly or, to Trustor's best knowledge, indirectly, by any Person subject to sanctions or trade restrictions under United States law ("Embargoed Person" or "Embargoed Persons") that are identified on (a) the "List of Specially Designated Nationals and Blocked Persons" maintained by the Office of Foreign Assets Control ("OFAC"), U.S. Department of the Treasury, and/or to Trustor's best knowledge, as of the date thereof, based upon reasonable inquiry by Trustor, on any other similar list pursuant to any authorizing statute including, but not limited to, the

International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., the Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Order or regulation promulgated thereunder, with the result that the investment in Trustor (whether directly or indirectly), is prohibited by law, or the loan made by Lenders would be in violation of law, or (b) Executive Order 13224 (September 23, 2001) issued by the President of the United States ("Executive Order Blocking Mortgaged Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism") any related enabling legislation or any other similar Executive Orders. Trustor covenants and represents that no Embargoed Person shall have any direct interest, and to Trustor's best knowledge, based upon reasonable inquiry by Trustor, indirect interest, of any nature whatsoever in Trustor, with the result that the investment in Trustor (whether directly or indirectly) is prohibited by law or the loan is in violation of law.

### **SECTION 3**

#### **Trustee's and Beneficiary's Rights**

3.01 The waiver or release by Beneficiary or Trustee of any default or of any of the provisions, covenants and conditions hereof on the part of Trustor to be kept and performed shall not be a waiver or release of any preceding or subsequent breach of the same or any other provision, covenant or condition contained herein. The subsequent acceptance of any sum in payment of any indebtedness secured hereby or any other payment hereunder by Trustor to Beneficiary or Trustee shall not be construed to be a waiver or release of any preceding breach by Trustor of any provision, covenant or condition of this Deed of Trust other than the failure of Trustor to pay the particular sum so accepted, regardless of Beneficiary's or Trustee's knowledge of such preceding breach at the time of acceptance of such payment. No payment by Trustor or receipt by Beneficiary of a lesser amount than the amount herein provided shall be deemed to be other than on account of the earliest sums due and payable hereunder, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction, and Beneficiary may accept any check or payment without prejudice to Beneficiary's right to recover the balance of such sum or pursue any other remedy provided in this Deed of Trust. The consent by Beneficiary or Trustee to any matter or event requiring such consent shall not constitute a waiver of the necessity for such consent to any subsequent matter or event.

3.02 Beneficiary shall be subrogated to the lien of any and all prior encumbrances, liens, or charges paid or discharged from the proceeds of the Facility, and even though said prior liens may have been released of record, the repayment of the Facility shall be secured by such liens on the portions of the Property affected thereby to the extent of such payments. In consideration of the advances made to Trustor and Borrower, Trustor hereby waives and releases all demands and causes of action for offsets, payments and rentals to, upon, and in connection with said prior indebtedness.

3.03 Notwithstanding the right otherwise provided to Trustor to collect rent and other payments pursuant to the Leases while Trustor and Borrower are not in default under the Credit Agreement, this Deed of Trust, or the other Facility Documents, if there is filed any petition in bankruptcy by or against any lessee under any of the Leases or there is appointed a receiver or



trustee to take possession of all or a substantial portion of the assets of such lessee or there is a general assignment by such lessee for the benefit of creditors, or any action is taken by or against such lessee under any state or federal insolvency law or bankruptcy act, or any similar law now or hereafter in effect, Beneficiary is appointed a creditor of such lessee and is entitled to recover on any claim or right of recovery that Trustor may have against such lessee or its receiver or trustee; provided, however, that Beneficiary shall not be obligated to pursue any such claim or right of recovery. Beneficiary may apply any such recovery against any obligation secured hereby in such manner as it may deem desirable, in its sole and absolute discretion.

3.04 Beneficiary may, at any time, by instrument in writing, appoint a successor or successors to the Trustee named herein or acting hereunder, which instrument, executed and acknowledged by Beneficiary, and recorded in the Office of the County Recorder, Eureka County, Nevada shall be conclusive proof of the proper substitution of such successor trustee, who shall have all the estate, powers, duties and trusts in the premises vested in or conferred on the original trustee. If there be more than one trustee, either may act alone and execute these trusts upon the request of Beneficiary and his acts shall be deemed to be the acts of all trustees, and the recital in any conveyance executed by such sole trustee of such requests shall be conclusive evidence thereof, and of the authority of such sole trustee to act.

3.05 Without affecting the liability of Trustor or any other Person, except any Person expressly released in writing, for payment of any indebtedness secured hereby or for performance of any of the obligations or any of the terms, covenants and conditions hereof, and without affecting the rights of Trustee and Beneficiary with respect to any security not expressly released in writing, at any time and from time to time, without notice or consent other than consent of Beneficiary, Trustee and/or Beneficiary may:

- (a) Release any Person liable for payment of all or any part of the indebtedness or for the performance of any obligation.
- (b) Make any agreement extending the time or otherwise altering the terms of payment of all or any part of said indebtedness or modifying or waiving any obligation or subordinating, modifying or otherwise dealing with the lien or charge hereof.
- (c) Exercise or refrain from exercising or waive any right either of them may have.
- (d) Accept additional security of any kind.
- (e) Release or otherwise deal with any property, real or personal, securing the obligations secured hereby.

3.06 If Trustor fails to execute, acknowledge or deliver to Beneficiary any and all mortgages, assignments, transfers, assurances, financing statements, maps, and other instruments or documents required to be so executed, acknowledged or delivered hereunder, within fifteen (15) days after Beneficiary's demand or such lesser period as may be provided elsewhere herein,

then Trustor hereby appoints Beneficiary as Trustor's true and lawful attorney-in-fact to act in Trustor's name, place and stead to execute, acknowledge and deliver the same.

3.07 Whenever under any provision of this Deed of Trust Trustor shall be obligated to make any payment or expenditure, or to do any act or thing, or to incur any liability whatsoever, and Trustor fails, refuses or neglects to perform as herein required, Beneficiary shall be entitled, but shall not be obligated, to make any such payment or expenditure or to do any such act or thing, or to incur any such liability, all on behalf of and at the cost and for the account of Trustor. In such event, the amount thereof with interest thereon at the rate stipulated in the Credit Agreement pertaining to the Facility (the "Agreed Rate") shall be paid by Trustor to Beneficiary on demand. Without limiting the generality of the foregoing, any act or payment by Beneficiary to cure, forestall, prevent or mitigate default hereunder shall be at the sole option of Beneficiary, shall be at the cost of Trustor and shall be reimbursed to Beneficiary as above provided. Beneficiary shall not be bound to inquire into the validity of any apparent or threatened tax, assessment, adverse title, lien, encumbrance, claim, or charge before making an advance for the purpose of preventing, removing or paying the same. Beneficiary shall be subrogated to all rights, equities and liens discharged by any such expenditure. All funds advanced by Beneficiary pursuant to this Section 3.08 or any other provision of this Deed of Trust for the performance of any obligation of Trustor or to protect Beneficiary's security shall be deemed obligatory advances regardless of the Person to whom such funds are furnished and such advances, together with interest thereon at the Agreed Rate, shall be secured by this Deed of Trust.

3.08 Any default in the performance of any term, covenant or condition contained herein or in any instrument or obligation secured hereby (including, without limitation, the Credit Agreement), or a default by Borrower under any of the Facility Documents, shall be a default hereunder. In addition, Trustor shall be in default hereunder if there is commenced any case in bankruptcy against Trustor or if an order for relief is entered against Trustor, or there is appointed a receiver or trustee to take possession of any of the assets of Trustor (including the Royalty or Trustor's rights under the Royalty Agreement), or Trustor applies for or consents to such appointment, or there is a general assignment by Trustor for the benefit of creditors, or any action is taken by or against Trustor under any state or federal insolvency or bankruptcy act, or any similar law now or hereafter in effect, including, without limitation, the filing of any petition for or in reorganization, or should the Property, or any part thereof, be taken or seized under levy of execution or attachment, or Trustor admits in writing its inability to pay its debts as they mature; (b) there is (i) executed or verified by Trustor, or any receiver of Trustor, or any attorney or agent of Trustor, or of such receiver, a petition in bankruptcy with respect to Trustor, irrespective of whether such petition is filed, or (ii) executed or verified by any holder of a claim against Trustor, or an indenture trustee of such a holder, or any attorney or agent of such holder or indenture trustee, any petition in bankruptcy against Trustor, irrespective of whether such petition is filed; (c) there is passed any law which renders payment by Trustor of any or all taxes levied upon this Deed of Trust or the Royalty Interests or performance of any other term, covenant or condition hereof, or any obligation secured hereby, unlawful, usurious, inoperative, void or voidable, or which prohibits Beneficiary from exercising any of its rights hereunder or under any other instrument or agreement to which Trustor is a party or by which it is bound; (d) any representation, warranty, statement, certificate, schedule or report made by or on behalf of



Trustor herein or in connection herewith is incorrect, false, or misleading in any material respect; (e) Trustor should dissolve, liquidate or terminate; (f) the value or priority of the security interest created hereby is impaired; (g) Beneficiary shall deem itself insecure in good faith believing that the prospect of payment or performance under this Deed of Trust or any instrument or obligation secured hereby is impaired; (h) Trustor defaults under any obligation to or agreement with Beneficiary, including the Guaranty; (i) Borrower defaults under any obligation to or agreement with Beneficiary, including the Credit Agreement; or (j) there occurs any event which results in the acceleration of the maturity of the indebtedness of Trustor to others under any indenture, agreement or undertaking.

3.09 The collection of rents and the application thereof by Beneficiary or any receiver obtained by Beneficiary shall not cure or waive any default or notice thereof, or invalidate any act of Beneficiary pursuant thereto.

3.10 In the event of any default hereunder or in the performance of any of the obligations secured hereby, Beneficiary may exercise any and all of its rights provided hereunder or by law. Without limiting the generality of the foregoing Beneficiary may pursue any and all of the rights and remedies available to an "assignee" under Nevada Revised Statutes Chapter 107A. In the event of a default, Beneficiary shall be the attorney-in-fact of Trustor with respect to any and all matters pertaining to the Royalty Interests with full power and authority to give instructions with respect to the collection and remittance of payments, to endorse checks, to enforce the rights and remedies of Trustor, and to execute on behalf of Trustor and in Trustor's name any instruction, agreement or other writing required therefor. This power shall be irrevocable and deemed to be a power coupled with an interest. Beneficiary may, in its sole discretion, appoint Trustee as the agent of Beneficiary for the purpose of the Nevada Uniform Commercial Code. Trustor acknowledges and agrees that a disposition of the Royalty Interests in accordance with Beneficiary's rights and remedies in respect is a commercially reasonable disposition thereof. Trustor acknowledges and agrees that the fact that the price obtained at a private sale may be less than the price which might have been obtained at a public sale does not render a private sale unreasonable even if Beneficiary accepts the first offer received and does not offer the subject property to more than one offeree.

3.11 Should default be made by Trustor or Borrower in payment or performance of any indebtedness or other obligation or agreement secured hereby and/or in performance of any agreement herein, or should Trustor otherwise be in default hereunder, Beneficiary may, subject to NRS 107.080, declare all sums secured hereby immediately due by delivery to Trustee of a written notice of breach and election to sell (which notice Trustee shall cause to be recorded and mailed as required by law).

3.12 After three (3) months shall have elapsed following recordation of any such notice of breach, Trustee may sell the property subject hereto at such time and at such place in the State of Nevada as Trustee, in its sole discretion, shall deem best to accomplish the objects of these trusts, having first given notice of such sale as then required by law. In the conduct of any such sale Trustee may act itself or through any auctioneer, agent or attorney. The place of sale may be either in the county in which the property to be sold, or any part thereof, is situated, or at an

office of the Trustee located in the State of Nevada. If Trustee or its successor shall have recorded notice of breach or given notice of sale hereunder, any successor Trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice or breach or sale had been given by the successor Trustee.

(a) Upon the request of Beneficiary or if required by law Trustee shall postpone sale of all or any portion of said property or interest therein by public announcement at the time fixed by said notice of sale, and shall thereafter postpone said sale from time to time by public announcement at the time previously appointed.

(b) At the time of sale so fixed, Trustee shall sell the property so advertised or any part thereof or interest therein either as a whole or in separate parcels, as Beneficiary may determine in its sole and absolute discretion, to the highest bidder for cash in lawful money of the United States, payable at time of sale, and shall deliver to such purchaser a deed or deeds or other appropriate instruments conveying the property so sold, but without covenant or warranty, express or implied. Beneficiary and Trustee may bid and purchase at such sale. To the extent of the indebtedness secured hereby, Beneficiary need not bid for cash at any sale of all or any portion of the Property pursuant hereto, but the amount of any successful bid by Beneficiary shall be applied in reduction of said indebtedness. Trustor hereby agrees, if it is then still in possession, to surrender, immediately and without demand, possession of said property to any purchaser. If Trustee or its successor or substitute shall have given notice of sale hereunder, any successor or substitute Trustee hereafter appointed may complete the sale and the conveyance of the Property pursuant thereto as if such notice had been given by the successor or substitute Trustee conducting the sale.

3.13 Trustee shall apply the proceeds of any such sale to payment of expenses of sale and all charges and expenses of Trustee and of these trusts, including cost of evidence of title and Trustee's fee in connection with sale; all sums expended under the terms hereof, not then repaid, with accrued interest at the Agreed Rate; all other sums then secured hereby, and the remainder, if any, to the Person or Persons legally entitled thereto.

3.14 Beneficiary, from time to time before Trustee's sale, may rescind any notice of breach and election to sell by executing, delivering and causing Trustee to record a written notice of such rescission. The exercise by Beneficiary of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring, or impair the right of Beneficiary to execute and deliver to Trustee, as above provided, other notices of breach and election to sell, nor otherwise affect any term, covenant or condition hereof or under any obligation secured hereby, or any of the rights, obligations or remedies of the parties thereunder.

3.15 Without limitation on any other provision herein, in the Credit Agreement, any other Facility Document, or any other document or agreement executed in connection herewith, Trustor hereby agrees to jointly and severally indemnify and save harmless Beneficiary and its officers, directors, employees and agents from and against any and all liabilities, losses, costs, claims, actions or demands whatsoever which may be brought against Beneficiary or which it may suffer or incur as a result or arising out of the performance of its duties and obligations hereunder (including without limitation the fees and disbursements of any advisers and legal

counsel it may retain), save only to the extent caused by the gross negligence or willful misconduct of Beneficiary or any of its officers, directors, employees or agents. This indemnification shall survive the termination of this Deed of Trust and the Credit Agreement or the resignation or removal of Beneficiary as Trustee under the Credit Agreement or Beneficiary under this Deed of Trust. Beneficiary shall not be liable for any act done or omitted to be done in good faith except to the extent of Beneficiary's willful misconduct and gross negligence. Beneficiary may employ or retain such counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of discharging its duties hereunder and may pay reasonable remuneration for all services so performed by any of them, and shall not be responsible for any misconduct on the part of any of them. Trustor shall advance or otherwise pay to Beneficiary upon receipt of the requisite invoices, the funds required to pay for the services contemplated under this Section 3.15. Beneficiary shall not be required to advance fees and expenses out of pocket and then seek reimbursement. Beneficiary may act, or not act, and shall incur no liability and shall be protected in acting, or not acting, in good faith on the opinion or advice of or information obtained from any counsel, accountant, appraiser or other expert or adviser, whether retained or employed by Trustor or by Beneficiary, in relation to any matter arising in the administration of the provisions hereunder and the fulfillment of its obligations and the exercise of its rights hereunder.

3.16 Without limitation of any other provision of this Deed of Trust or of any other document or agreement executed in connection herewith Trustor will pay, and will reimburse to Beneficiary and/or Trustee on demand to the extent paid by Beneficiary and/or Trustee: (i) all appraisal fees, filing, registration and recording fees, recordation, transfer and other taxes, brokerage fees and commissions, abstract fees, title search or examination fees, title policy and endorsement premiums and fees, uniform commercial code search fees, judgment and tax lien search fees, escrow fees, attorneys' fees, architect fees, engineer fees, construction consultant fees, environmental inspection fees, survey fees, and all other costs and expenses of every character incurred by Beneficiary and/or Trustee in connection with the preparation of this Deed of Trust and every document or instrument executed in connection herewith, and any and all amendments and supplements to this Deed of Trust or any other document or agreement executed in connection herewith, any approval, consent, waiver, release or other matter requested or required hereunder or thereunder, or otherwise attributable or chargeable to Trustor as owner of the Property; and (ii) all costs and expenses, including attorneys' fees and expenses, incurred or expended in connection with the exercise of any right or remedy, or the defense of any right or remedy or the enforcement of any obligation of Trustor, hereunder or under any other document or agreement executed in connection herewith.

#### **SECTION 4**

##### **Miscellaneous**

4.01 Upon receipt of written request from Beneficiary reciting that all sums secured hereby have been paid and upon surrender of this Deed of Trust and the Facility secured hereby to Trustee for cancellation and upon payment of its fees, Trustee shall reconvey without warranty the property then held hereunder. The recitals in such reconveyance of any matters of fact shall

be conclusive proof of the truth thereof. The grantee in such reconveyance may be described in general terms as "the person or persons legally entitled thereto."

4.02 This Deed of Trust is given to secure the Secured Obligations and shall secure not only obligations with respect to presently existing indebtedness but also any and all other Secured Obligations which may hereafter be owing by the Credit Parties to the Beneficiary, however incurred, whether interest, discount or otherwise, and whether the same shall be deferred, accrued or capitalized, including future advances and re-advances (as defined in NRS 106.320, and is to be governed by NRS 106.300 to 106.400, inclusive), pursuant to the Credit Agreement or the other Facility Documents, whether such advances are obligatory or to be made at the option of the Beneficiary, or otherwise, to the same extent as if such future advances were made on the date of the execution of this Deed of Trust. To the extent permitted by applicable law, the lien of this Deed of Trust shall be valid as to all indebtedness secured hereby, including future advances, from the time of its filing for record in the recorder's office of the county in which the Property is located. This Deed of Trust is intended to and shall be valid and have priority over all subsequent liens and encumbrances, including statutory liens, excepting solely taxes and assessments levied on the real estate, to the extent of the maximum amount secured hereby, and other Permitted Encumbrances under clauses (a) through (h) of such term as defined in the Credit Agreement. Although this Deed of Trust is given to secure all future advances made by the Beneficiary to or for the benefit of the Borrower or any other Credit Party, whether obligatory or optional, the Trustor and the Beneficiary hereby acknowledge and agree that the Beneficiary may, at its option, make certain future advances, including advances of a revolving nature, subject to the fulfillment of the relevant conditions set forth in the Facility Documents. Without limiting any of the foregoing, the maximum principal amount to be secured hereby is \$10,000,000. To the fullest extent permitted by applicable law, it shall be an Event of Default hereunder if Trustor, or any "borrower" (as that term is defined in NRS 106.310): (i) delivers, sends by certified mail or otherwise gives, or purports to deliver, send by mail or otherwise give, to Beneficiary (A) any notice of an election to terminate the operation of this Deed of Trust as security for any secured obligation pursuant to NRS 106.380(1), including, without limitation, any obligation to repay any "future advance" (as defined in NRS 106.320) of "principal" (as defined in NRS 106.345) or (B) any other notice pursuant to NRS 106.380(1), (ii) records a statement pursuant to NRS 106.380(3), or (iii) causes this Deed of Trust, any secured obligation or Beneficiary to be subject to NRS 106.380(2), NRS 106.380(3) or NRS 106.400.

WITHOUT IN ANY WAY ALTERING OR LIMITING THE EFFECT OF THIS SECTION, ANY NOTICE REFERENCED UNDER NRS 106.380 MUST BE SENT TO BENEFICIARY AT THE FOLLOWING ADDRESS: SUITE 2600, 200 BAY STREET, TORONTO, ON M5J 2J1, ATTENTION: CHIEF FINANCIAL OFFICER.

4.03 Trustor, for itself and for all Persons hereafter claiming through or under it or who may at any time hereafter become holders of liens junior to the lien of this Deed of Trust, hereby expressly waives and releases all rights to direct the order in which any of the Property or any interest therein shall be sold in the event of any sale or sales pursuant hereto and to have any of the Property and/or any other property now or hereafter constituting security for any of the indebtedness secured hereby or any interest therein marshaled upon any sale under this Deed of Trust or of any other security for any of said indebtedness, including, without limitation, any rights arising under the Nevada Revised Statutes. Any and all notices and demands to Trustor or

to Beneficiary, required or desired to be given hereunder shall be in writing and shall be given in accordance with the notice provisions set forth in the Credit Agreement.

4.04 This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns.

4.05 Trustee accepts these trusts when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

4.06 Where any provision in this Deed of Trust refers to action to be taken by Trustor, or which Trustor is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by Trustor.

4.07 If any term, provision, covenant or condition of this Deed of Trust, or any application thereof, should be held by a court of competent jurisdiction to be invalid, void or unenforceable, all terms, provisions, covenants and conditions of this Deed of Trust, and all applications thereof, not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby, provided that the invalidity, voidness or unenforceability of such term, provision, covenant or condition (after giving effect to the next sentence) does not materially impair the ability of the parties to consummate the transactions contemplated hereby. In lieu of such invalid, void or unenforceable term, provision, covenant or condition, there shall be added to this Deed of Trust a term, provision, covenant or condition that is valid, not void and enforceable and is as similar to such invalid, void or unenforceable term, provision, covenant or condition as may be possible. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the Property, or if the lien is invalid or unenforceable as to any part of the indebtedness secured hereby, the unsecured or partially unsecured portion of such indebtedness shall be completely paid prior to the payment of the remaining and secured or partially secured portion of such indebtedness, and all payments made on such indebtedness, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of such indebtedness which is not secured or fully secured by the lien of this Deed of Trust.

4.08 The laws of the State of Nevada shall govern the validity, construction, performance and effect of this Deed of Trust.

4.09 This Deed of Trust shall be construed in accordance with its intent and without regard to any presumption or other rule requiring construction against the party causing the same to be drafted.

4.10 The various rights, options, elections and remedies of Beneficiary and Trustee hereunder, at law, or in equity, or otherwise arising under any other security agreement, mortgage, pledge, guaranty, hypothecation, and/or lien in favor of Beneficiary and securing the obligations secured hereby shall be cumulative, and no one of them shall be construed as exclusive of any other, or of any right, option, election or remedy provided in any agreement or by law. Without limiting the generality of the foregoing, in the event that any portion of the



Property is subject to another security interest or lien for the obligations secured hereby, as created by another security agreement executed by Trustor in favor of Beneficiary, all such rights and interests of Beneficiary shall be cumulative, the terms most favorable to Beneficiary shall control in the event of any conflict or inconsistency, and Beneficiary may elect to pursue any such rights or interests in any order it may determine in its sole and absolute discretion.

4.11 Time is of the essence of this Deed of Trust and all of the terms, provisions, covenants and conditions hereof.

4.12 Whenever any provision of this Deed of Trust requires Beneficiary's consent or approval, unless otherwise specifically provided, the same may be granted or withheld by Beneficiary in its sole and absolute discretion.

4.13 THE PARTIES, TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVE, RELINQUISH AND FOREVER FORGO THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS DEED OF TRUST OR ANY CONDUCT, ACT OR OMISSION OF EITHER PARTY OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, PARTNERS, MEMBERS, MANAGERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY OTHER PERSONS AFFILIATED WITH EITHER OF THE PARTIES IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.

4.14 In this Deed of Trust, whenever the context so requires any gender includes the others, and the singular number includes the plural, and vice-versa, the term Beneficiary shall include any future agent for the holders, including pledgees, of the Facility secured hereby, and the term Trustor shall mean the original signator hereof, the successors and assigns thereof and any future owners of any interest in the Property or any portion thereof. In the event the ownership of all or any portion of such property becomes vested in a Person other than the signator hereof, Beneficiary may, without notice to such signator, deal with such successor or successors with reference to this Deed of Trust and to the indebtedness hereby secured in the same manner as with the signator, without in any way vitiating or discharging such signator's liability hereunder or upon the indebtedness hereby secured. In this Deed of Trust, the use of words such as "including" or "such as" shall not be deemed to limit the generality of the term or clause to which they have reference, whether or not non-limiting language (such as "without limitation," or "but not limited to," or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter. The captions appearing at the commencement of the sections hereof are descriptive only and for convenience in reference to this Deed of Trust and in no way whatsoever define, limit or describe the scope or intent of this Deed of Trust, nor in any way affect this Deed of Trust. As used in this Deed of Trust the term "Person" means any individual, partnership, limited partnership, corporation, limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity and any government and any political subdivision and agency thereof.

4.15 Where not inconsistent with the above, the following covenants, Nos. 1; 2 (full replacement value); 3; 4 (Agreed Rate); 5; 6; 7 (a reasonable percentage); 8 and 9 of NRS 107.030 are hereby adopted and made a part of this Deed of Trust. Trustor is a "Guarantor" but not a "Borrower" under the Credit Agreement the other Facility Documents. Trustor is executing this Deed of Trust for the purpose of encumbering all Trustor's interest in the Royalty Interests as security for the prompt payment and performance of Borrower and under the terms and conditions of the Credit Agreement and the other Facility Documents, and for the purpose of making Trustor's interests subject to the terms and conditions of this Deed of Trust, including, but not limited to, Beneficiary's right to foreclose upon and sell the Royalty as security for the Facility, the Credit Agreement, and the other Facility Documents in the event that the Borrower fails to timely pay and/or perform in accordance with all terms and conditions of the Credit Agreement, and the other Facility Documents. In executing and delivering this Deed of Trust to Beneficiary, Trustor expressly represents, acknowledges and agrees that: (i) this Deed of Trust is executed at Borrower's request, and Trustor has received adequate consideration therefor; (ii) Trustor hereby waives any claim that its interest in the Royalty Interests is not encumbered by this Deed of Trust or is not subject to foreclosure and sale under this Deed of Trust in the event of Borrower's failure to timely pay and/or perform in accordance with all terms and conditions of the Credit Agreement, and the other Facility Documents; (iii) this Deed of Trust complies with any and all agreements between Borrower and Trustor regarding Trustor's execution hereof; (iv) Beneficiary has made no representation to Trustor as to the creditworthiness of Borrower; and (v) Trustor has established adequate means of obtaining, and will obtain from Borrower on a continuing basis, financial and other information pertaining to Borrower's financial condition and any facts or circumstances that might in any way affect Trustor's obligations under this Deed of Trust.

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IN WITNESS WHEREOF, this Deed of Trust has been duly and validly executed and delivered by the Trustor as of the date first written above.

TRUSTOR:

**BULLION MONARCH MINING, INC.,**  
a Utah corporation

By: 

Name: David M. Cole

Title: President

STATE OF COLORADO )  
 ) ss.  
COUNTY OF DOUGLAS )

On May 2, 2018 personally appeared before me, a notary public, David M. Cole the President of BULLION MONARCH MINING, INC., a Utah corporation, who acknowledged that he executed the above instrument for and on behalf of BULLION MONARCH MINING, INC.

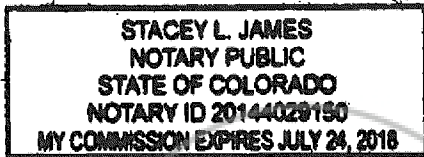
Witness my hand and official seal.

My commission expires

July 24, 2018

[Signature]  
Notary Public

[Seal]



# EXHIBIT A

The following described unpatented and patented mining claims generally located in Sections 1, 2, 10, 11 and 12 of Township 35 North, Range 50 East, M.D.B. & M., Lynn Mining District, Eureka County, Nevada:

<u>Unpatented Claims</u>	<u>Polar</u>	<u>Bullion</u>
Big Jim	100%	Royalty
Big Jim 1 to 31, inclusive	"	"
Cracker Jack	"	"
Cracker Jack 1 to 5, inclusive	"	"
Yellow Rose 6 to 21, inclusive	"	"
Polar 1 to 20, inclusive	"	"
Hill Top	"	"
Hill Top 1 to 2, inclusive	"	"
Hill Top Fractional	"	"
Hill Top 1 to 4 Fractional	"	"
RJV	"	"
Unity 1	"	"
Unity 2	"	"
Badger	"	"
Badger 1	"	"
Compromise 4 to 7, inclusive	"	"
Lamira	"	"
Junction	"	"
Paragon	"	"
Paragon 2	"	"
Paragon 4	"	"
Paragon Fractional	"	"

## Patented Claims (Poulsen Lease and Option)

	<u>U.S. Patent No.</u>	<u>U.S. Survey No.</u>	<u>Polar</u>	<u>Bullion</u>
Big Six No. 3	783757	4332	77½%	Royalty
Holt	881735	4422	"	"
July	935874	4528	"	"
Great Divide	945439	4393	"	"
Bald Eagle	046758	4527	"	"

All those lands contained in the Sections and Townships listed below approximately encompassing the area EIGHT (8) miles in a northerly direction, EIGHT (8) miles in a southerly direction, EIGHT (8) miles in an easterly direction and EIGHT (8) miles in a westerly direction from Section 10, Township 35 North, Range 50 East, M.D.B.&M., Eureka County, Nevada.

Township 34 North, Range 49 East  
Sections: 1-5, 8-17 and 20-24

Township 35 North, Range 49 East  
Sections: 1-5, 8-17, 20-29 and 32-36

Township 36 North, Range 49 East  
Sections: 1-5, 8-17, 20-29 and 32-36

Township 37 North, Range 49 East  
Sections: 32-36

Township 34 North, Range 50 East  
Sections: 1-24

Township 35 North, Range 50 East  
Sections: All

Township 36 North, Range 50 East  
Sections: All

Township 37 North, Range 50 East  
Sections: 31-36

Township 34 North, Range 51 East  
Sections: 3-10 and 15-22

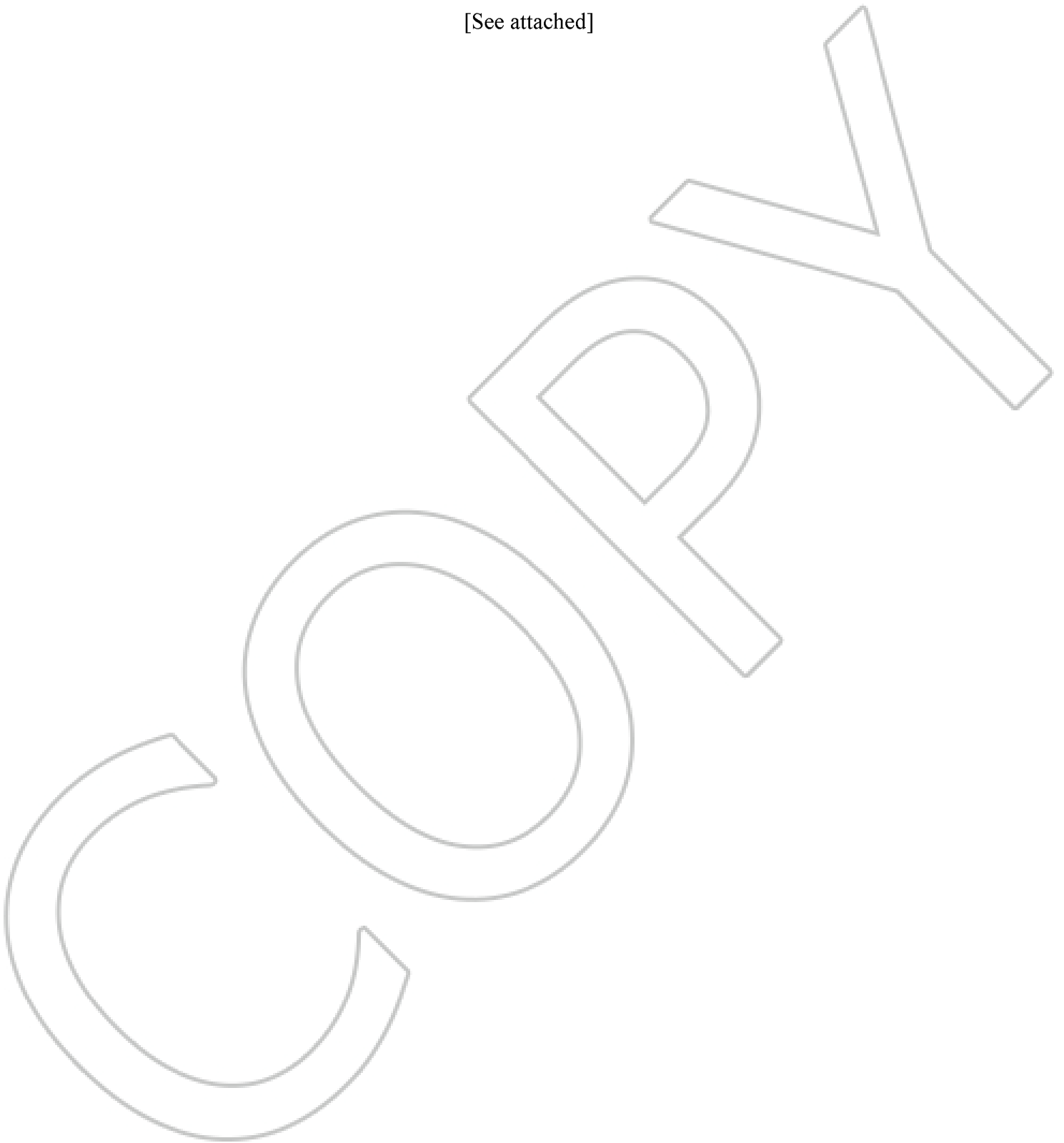
Township 35 North, Range 51 East  
Sections: 3-10, 15-22 and 27-34

Township 36 North, Range 51 East  
Sections: 3-10, 15-22 and 27-34

Township 37 North, Range 51 East  
Sections: 31-34

EXHIBIT B

[See attached]



68562

AGREEMENT

THIS AGREEMENT is made and entered into as of the 10<sup>th</sup>  
day of May, 1979 by and between the following parties:

BULLION MONARCH COMPANY, a Utah corporation (BULLION);

POLAR RESOURCES CO., a Nevada corporation (POLAR);

UNIVERSAL GAS (MONTANA), INC., a Montana corporation,  
and UNIVERSAL EXPLORATIONS, LTD., a Canadian corporation  
(UNIVERSAL);

CAMSELL RIVER INVESTMENTS, LTD., a Canadian corporation  
(CAMSELL);

LAMBERT MANAGEMENT LTD., a Canadian corporation (LAMBERT);  
and

ELTEL HOLDINGS LTD., a Canadian corporation (ELTEL);

W I T N E S S E T H:

WHEREAS the parties hereto would all profit from the  
mining of and production of certain mining properties located in  
the Lynn Mining District, Eureka County, Nevada, more fully des-  
cribed in Exhibit A-1 attached hereto and incorporated herein by  
reference, hereinafter collectively referred to as the "Subject  
Property;" and

WHEREAS the parties have interest in exploring a wider  
range of mineral properties in which the Subject Property is em-  
bedded, hereinafter referred to as the "Area of Interest," more  
fully described in Exhibit A-2 attached hereto and incorporated  
herein by reference; and

WHEREAS the parties hereto are desirous of developing the  
Subject Property's mineral potential by building adequate milling  
facilities and developing a mine ("the Project"); and

05/11/79

-1-  
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ATTORNEYS AT LAW  
RENO AND ELKO, NEVADA

BOOK 71 PAGE 9

WHEREAS BULLION purports to own a royalty interest in and to the Subject Property as is more fully set forth in Exhibit A-1; and

WHEREAS POLAR purports to own a 100% interest in and to part of the Subject Property as is more fully set forth in Exhibit A-1, subject to possible outstanding interests and royalties, purports to own a 100% interest in and to other portions of the Subject Property as is more fully set forth in Exhibit A-1, and has under a Lease and Option a 77½% interest to other portions of the Subject Property; and

WHEREAS CAMSELL, LAMBERT and ELTEL are interrelated organizations acting in concert as to the Subject Property, collectively being referred to hereinafter as "CAMSELL" unless specifically referred to otherwise, and have invested monies in the development of the Subject Property to date, their interest and relationship to the Project being governed by that certain Letter Agreement with POLAR dated March 14, 1979, as amended by the letters of March 16, 1979, April 6, 1979 and April 10, 1979, attached thereto, all attached hereto as Exhibit B; and

WHEREAS UNIVERSAL GAS (MONTANA), INC. is presently financing further development of the mining and production potential of the Subject Property, primarily for the production of precious metals basically under the terms of that certain Agreement with POLAR dated March 14, 1979 attached hereto as Exhibit C; and

WHEREAS UNIVERSAL EXPLORATIONS, LTD. is prepared and able to guarantee the financial obligations of UNIVERSAL GAS (MONTANA) INC. contained herein, both corporations will be collectively referred to as UNIVERSAL herein with the understanding amongst the

-2-

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RENO AND ELKO, NEVADA

BOOK 71 PAGE 10

05/11/79



parties hereto that UNIVERSAL GAS (MONTANA), INC. will be the active participant referred to as UNIVERSAL while any reference to UNIVERSAL EXPLORATIONS, LTD. under the collective term UNIVERSAL speaks only to its financial backing of the UNIVERSAL obligations recited herein;

NOW THEREFORE, in consideration of the conditions, covenants, promises, obligations, payments and agreements herein contained, the parties agree as follows:

1. SOLE AGREEMENT: That as between the parties hereto this Agreement shall be the sole and only agreement governing the ownership, operations and payment from the Subject Property, cancelling, revoking, rescinding and terminating any and all other deeds, conveyances, contracts or agreements between the parties hereto, or any combination thereof, affecting the Subject Property, except any agreement that may exist between CAMSELL, LAMBERT and ELTEL as to investment in Subject Property development and divisions of proceeds received therefrom, and except any agreement, contract or deed specifically preserved by the terms hereof. Should the terms of any agreement, letter agreement or other document or understanding preserved by specific reference herein be in conflict with this Agreement the terms of this Agreement shall control.

2. OWNERSHIP OF SUBJECT PROPERTY: That as between the parties hereto it is understood and agreed that the ownership of the Subject Property as presently constituted is as set forth in Exhibit A attached hereto, subject only to the terms and conditions of this Agreement specifically referred to herein. In addition, it is understood, agreed and warranted amongst the parties hereto that except

-3-

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05/11/79

BOOK 71 PAGE 11

for agreements, deeds and other documents specifically mentioned herein that none of the parties hereto, individually, in combination or collectively, have conveyed or encumbered the Subject Property.

A. Simultaneously herewith, BULLION shall execute and deliver a Grant Deed to UNIVERSAL conveying all of its right, title and interest in the Subject Property to UNIVERSAL. Such interest of BULLION conveyed to UNIVERSAL shall be subject to the payment provisions of Paragraph 4, infra.

B. Simultaneously herewith, POLAR shall execute and deliver a Grant Deed to UNIVERSAL conveying all of its right, title and interest in the Subject Property to UNIVERSAL, subject to the terms and conditions of the March 14, 1979 POLAR - UNIVERSAL Agreement.

C. Simultaneously herewith, CAMSELL shall execute and deliver a Quitclaim Deed to UNIVERSAL conveying and quitclaiming all of its right, title and interest in the Subject Property to UNIVERSAL.

D. At all times pertinent hereto, UNIVERSAL shall have the right to pledge or otherwise hypothecate the titles to any portions, or the whole of, the Subject Property for the purpose of obtaining financing for development of the Subject Property, except that no more than a total of FIFTY PERCENT (50%) of the then current market value of such property shall be so hypothecated or encumbered. At the time, under the March 14, 1979 Agreement, Exhibit C, UNIVERSAL reaches the "earning point", its conveyance to POLAR of 50% interest shall be unencumbered.

-4-

BOOK 71 PAGE 12

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05/11/79

3. UNIVERSAL AS OPERATOR: That on March 14, 1979 POLAR and UNIVERSAL entered into an Agreement, a copy of which is attached hereto as Exhibit C and incorporated herein by reference, whereby UNIVERSAL, under the terms and conditions thereof, was to become the sole and only operator of the mineral production from the Subject Property as of March 1, 1979, and that all of the parties hereto agree to the terms of said Agreement allowing UNIVERSAL the sole and only control over further development and production from the Subject Property pursuant to the March 14, 1979 Agreement and ratify the same as if they had been signatory thereto.

4. PAYMENTS TO BULLION:

A. Commencing May 1, 1979, UNIVERSAL shall pay to BULLION an advance minimum royalty of \$2,500.00 each and every month through October of 1979 or until gross production sales from the Subject Property have reached the amount of \$62,500.00 per month, whichever comes first.

B. Commencing on November 1, 1979, UNIVERSAL shall pay to BULLION an advance minimum royalty of \$5,000.00 each and every month until gross production sales from the Subject Property has reached the amount of \$125,000.00 per month, or until BULLION has received an aggregate of \$250,000.00 under these subparagraphs, A and B.

C. BULLION shall receive a FOUR PERCENT (4%) gross smelter return from production from the Subject Property (based on 100% operating interest in UNIVERSAL, otherwise prorated) until BULLION has received an aggregate of \$500,000.00 under these subparagraphs, A, B and C.

05/11/79

HOY & MILLER, CHARTERED  
ATTORNEYS AT LAW  
RENO AND ELKO, NEVADA

D. Thereafter BULLION shall receive a TWO PERCENT (2%) gross smelter return royalty from production from the Subject Property (based on 100% operating interest in UNIVERSAL, otherwise prorated) until BULLION has received an aggregate of \$1,000,000.00 under these subparagraphs, A, B, C and D.

E. Thereafter BULLION shall receive a ONE PERCENT (1%) gross smelter return royalty from production from the Subject Property (based on 100% operating interest in UNIVERSAL, otherwise prorated).

"Gross smelter return," as used above, shall mean the amount of earned revenues, as used in accordance with generally accepted accounting principles, payable to UNIVERSAL by any smelter or other purchaser of metals, ores, minerals or mineral substances, or concentrates produced therefrom for products mined from the Subject Property.

Upon SIXTY (60) days' written notice by BULLION to UNIVERSAL, BULLION may elect to take any monthly production royalty in kind but will be totally responsible for all loading and transportation and the costs thereof. BULLION agrees not to materially interfere with UNIVERSAL's operations should it elect to receive payment in kind, and will hold all the remaining parties hereto harmless from its actions in loading and transporting the in kind payments.

All advance royalty payments shall be due on the first day of each month and all production royalties shall be due no later than FORTY-FIVE (45) days after the date payment for production sales is received by UNIVERSAL.

05/11/79



5. OBLIGATIONS OF BULLION AND POLAR: BULLION and POLAR shall assume and retain all obligations that they have independently incurred by virtue of their activities on and for the Subject Property prior to the date of this Agreement and, in particular, BULLION shall assume and retain the obligation of that certain Deed of Trust made in favor of Ira J. Jaffee, Trustee, as Beneficiary, recorded in the Official Records of Eureka County, Nevada, Book 41, Page 362. At all times pertinent hereto, UNIVERSAL shall have the unqualified right to direct any and all funds due BULLION or POLAR hereunder to remove any obligations of BULLION or POLAR, respectively, secured by the Subject Property, or any portion thereof, and such will be credited toward the payment schedule due BULLION or POLAR. See Paragraph 4, supra.

6. PURCHASE OF BULLION'S INTEREST: That at the time BULLION has received an aggregate of \$1,000,000.00 under the terms and conditions of Paragraph 4, supra, BULLION will have been deemed to have sold and UNIVERSAL and POLAR deemed to have purchased all of BULLION's right, title and interest in the Subject Property (50% each, subject to the terms and conditions of the March 14, 1979 Agreement, Exhibit C) and forever relieving UNIVERSAL and POLAR from any contractual commitment to BULLION by virtue of UNIVERSAL's or POLAR's actions or operations on the Subject Property, save and except for the ONE PERCENT (1%) gross smelter return royalty from production from the Subject Property (based on 100% operating interest in UNIVERSAL, otherwise prorated) set forth in Paragraph 4(E), supra. At that time, UNIVERSAL and POLAR will execute and deliver

-7-

05/11/79

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RENO AND ELKO, NEVADA

BOOK 71 PAGE 15

to BULLION a Royalty Deed forever evidencing such royalty interest, ONE-HALF PERCENT (1/2%) being chargeable each against UNIVERSAL and POLAR.

7. DEFAULT OF OBLIGATIONS TO BULLION: If, at any time, UNIVERSAL is in default of its payment obligations to BULLION, BULLION, upon FORTY-FIVE (45) days' written notice to all of the parties hereto, may terminate this Agreement and demand that UNIVERSAL execute and deliver to BULLION a Quitclaim Deed of all of its right, title and interest to that portion of the then Subject Property that is specifically listed in Exhibit A-1 attached hereto, but not the additional properties added to the Subject Property list subsequent to the date of this Agreement. During the notice period, UNIVERSAL, or any other party hereto not BULLION, or anyone on their behalf, may pay such obligation to BULLION and cure such default.

8. PRODUCTION EXPENSE OVERRUN: Pursuant to the terms of the Letter Agreement between POLAR and CAMSELL dated March 14, 1979, Exhibit B, POLAR and CAMSELL agree to share in cost overruns incurred by UNIVERSAL in bringing the Project into production should UNIVERSAL's initial development costs prior to production exceed ONE MILLION TWO HUNDRED FIFTY THOUSAND AND 00/100 DOLLARS (\$1,250,000.00), or should UNIVERSAL's initial development costs and production costs exceed \$1,250,000.00 at any time after production commences but production expenses exceed production payments or revenues.

The parties agree to share in cost overruns in excess of \$1,250,000.00 commitment of UNIVERSAL in the following percentages:

-8-

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RENO AND ELKO, NEVADA

BOOK 71 PAGE 16

05/11/79

UNIVERSAL 50%  
POLAR-CAMSELL 50%

Except as herein outlined, the terms, conditions and penalties for cost overruns and the non-participation in such overruns are governed by Clause 10(D), Schedule B, POLAR - UNIVERSAL Agreement of March 14, 1979.

9. DIVISION OF PROCEEDS: The proceeds of production shall be governed by the terms of this Agreement only (except for the CAMSELL, LAMBERT and ELTEL arrangements). As operator under the March 14, 1979 Agreement (see Paragraph 3, supra), UNIVERSAL shall have the right to pay all normal operating and production expenses, including insurance and taxes (excepting income taxes accruing to the individual parties hereto, but specifically including net proceeds of mine taxes, real and personal property taxes associated with mining and income taxes accruing to the venture), pursuant to normal and usual accounting practices and the terms of the March 14, 1979 Agreement from production payments received. In addition, UNIVERSAL shall be able to treat as production expenses and deduct from production payments received all rentals, advance royalties and production royalties paid to BULLION, the Poulsen Group and any others. The amounts received from products produced from the Subject (production payments) less the production expenses, as defined herein and in the March 14, 1979 Agreement between POLAR and UNIVERSAL, shall be the net production receipts.

As between the parties hereto, the net production receipts shall be divided as follows:

-9-

HOY & MILLER, CHARTERED  
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RENO AND ELKO, NEVADA

BOOK 71 PAGE 17

05/11/79



A. BULLION: none, being only entitled to the payments set forth above in Paragraph 4;

B. UNIVERSAL: FIFTY PERCENT (50%); and

C. POLAR, CAMSELL: FIFTY PERCENT (50%), pursuant to that Letter Agreement between POLAR and CAMSELL dated March 14, 1979, Exhibit B.

Nothing herein shall be construed as prohibiting POLAR-CAMSELL from taking their interest in kind provided that they give UNIVERSAL SIXTY (60) days' written notice of such election. POLAR-CAMSELL will be totally responsible for all loading and transportation and the costs thereof. POLAR-CAMSELL will not materially interfere with UNIVERSAL's operations should it elect to receive payment in kind and will hold all the remaining parties hereto harmless from its actions in loading and transporting the in kind payments. It is understood and agreed that all such in kind payments are net, after deduction of the proportionate amount of mining and operation costs.

10. TERMINATION BY UNIVERSAL: UNIVERSAL's participation in the Project is governed by the terms and conditions of the POLAR - UNIVERSAL Agreement of March 14, 1979, Exhibit C, except as specifically modified herein. Upon fulfilling its obligations thereunder, UNIVERSAL has the right to terminate its position as Project Operator and to terminate its further participation in Project development and expenses thereof. Such termination is governed by the terms and conditions of the March 14, 1979 UNIVERSAL - POLAR Agreement and, in particular, Schedule B attached thereto.

11. ADDITIONAL PROPERTY ACQUISITIONS: UNIVERSAL, as operator, shall have the exclusive right to acquire additional

05/11/79

mineral properties within the Area of Interest on behalf of the parties hereto, be such acquisition by virtue of the rights and privileges under the 1872 Mining Law, or the leasing or purchase of private lands and minerals, or unpatented mining claims. All parties hereto agree to immediately quitclaim and assign to UNIVERSAL any and all other real property or interest in such that they may have within the Area of Interest, Exhibit A-2, as of the date of this Agreement, subjecting the same to the terms and conditions of this Agreement, excepting any interest of BULLION in and to those porperties presently being worked by Western States Minerals (Pancana).

Upon acquiring such properties within the Area of Interest, UNIVERSAL shall offer to include such into the Subject Property upon payment by POLAR-CAMSELL of FIFTY PERCENT (50%) of all acquisition costs incurred in acquiring such properties. Acquisition costs shall include, but are not limited to, purchase price, rental fees, real estate or finder's commissions, legal fees, closing costs, title examinations, appraisal fees and costs incurred by UNIVERSAL in otherwise evaluating the property to be acquired.

Should POLAR-CAMSELL reject such offer or fail to pay or reach agreement for paying such acquisition costs within FORTY-FIVE (45) days of such offer by UNIVERSAL, then such properties within the Area of Interest shall not become part of the Subject Property as they apply to POLAR-CAMSELL and will remain the sole property of UNIVERSAL without any obligations to POLAR-CAMSELL, but subject to the royalty interest of BULLION.

-11-

05/11/79

HOY & MILLER, CHARTERED  
ATTORNEYS AT LAW  
RENO AND ELKO, NEVADA

BOOK 71 PAGE 19

However, should POLAR accept such offer and pay or reach an agreement with UNIVERSAL for paying such acquisitions costs, the newly acquired properties shall become part of the Subject Property and will be treated thereafter under the terms of this Agreement pertaining to the Subject Property.

12. POULSEN LEASE AND OPTION: The parties hereto recognize the Lease and Option of POLAR with the Poulsens, a copy of which is attached hereto as Exhibit D. UNIVERSAL shall make all payments due thereunder and shall credit such as a development or production expense.

While under Lease, the Poulsen properties shall be, and are, part of the Subject Property, however, at any time, UNIVERSAL may elect to exercise the purchase option. Upon doing so, UNIVERSAL shall offer such to POLAR-CAMSELL under the terms of Paragraph 12, supra. Failure of POLAR-CAMSELL to participate in the acquisition (purchase) costs shall remove such properties from Subject Property status as the same applies to POLAR-CAMSELL.

13. TERM: The term of this Agreement, as it affects the continuing contractual relationships between the parties hereto, is for a period of NINETY-NINE (99) years commencing on the date hereof, unless sooner terminated, surrendered or forfeited.

14. TITLE PERFECTION: The parties hereto recognize that title to the Subject Property, or portions thereof, may contain certain imperfections, clouds thereon or outstanding interests that may require acquisition, clearing or otherwise perfecting. UNIVERSAL shall, in its discretion, seek out such imperfections and cure the same. All expenses incurred by UNIVERSAL in investi-

-12-

HOY & MILLER, CHARTERED  
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RENO AND ELKO, NEVADA

BOOK 71 PAGE 20

05/11/79

gating title to the Subject Property from March 1, 1979, and curing imperfections or acquiring outstanding interests in the same shall be treated as a development or production expense by UNIVERSAL pursuant to the March 14, 1979 POLAR - UNIVERSAL Agreement.

15. INSPECTION, RECORDS: At all times pertinent hereto, the non-operating parties shall have the right to reasonable inspection of the Subject Property and all geological and production records upon giving FIVE (5) days' written notice to UNIVERSAL. Such inspection shall be at the Subject Property or at any offices of UNIVERSAL in the Elko-Carlin, Nevada area. Personal inquiry by the parties hereto directly to UNIVERSAL shall be made only to the following UNIVERSAL officers and employees, and no others:

Joseph A. Mercier  
Dan Mercier  
Don Hargrove

or their nominees.

Monthly, on the monthly anniversary of this Agreement, UNIVERSAL shall prepare and deliver to the parties hereto a summary report of development on the Subject Property, including building construction, geological finds, etc., and setting forth production and development expenditures.

16. NOTICES: All notices required herein shall be in writing by certified or registered mail, (United States or Canada, as the case may be), return receipt requested (or the Canadian equivalent of such service), to the addresses listed below. Service of such notice is to be deemed accomplished as of the date of mailing:

-13-

05/11/79

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RENO AND ELKO, NEVADA

BOOK 71 PAGE 21



\*  
BULLION MONARCH COMPANY  
Attention: R. D. Morris  
Henderson Bank Building  
Elko, NV 89801

UNIVERSAL GAS (MONTANA), INC.  
Attention: Joe Mercier, President  
640 8th Avenue, S. W.  
Calgary, Alberta  
CANADA T2P 1G7

With a copy to: UNIVERSAL GAS (MONTANA), INC.  
Attention: John C. Miller, Esq.  
Blohm Building, Suite 201  
Elko, NV 89801

POLAR RESOURCES CO.  
Attention: C. Warren Hunt  
1119 Sydenham Road, S. W.  
Calgary, Alberta  
CANADA T2T 0T5

CAMSELL RIVER INVESTMENTS  
Attention: K. H. Lambert  
808 Home Oil Tower  
324 8th Avenue, S. W.  
Calgary, Alberta  
CANADA T2P 2Z2

LAMBERT MANAGEMENT LTD.  
Attention: K. H. Lambert  
808 Home Oil Tower  
324 8th Avenue, S. W.  
Calgary, Alberta  
CANADA T2P 2Z2

ELTEL HOLDINGS LTD.  
Attention: K. H. Lambert  
808 Home Oil Tower  
324 8th Avenue, S. W.  
Calgary, Alberta  
CANADA T2P 2Z2

17. RECORDATION: This Agreement may be recorded into the Official Records of either Eureka County of Elko County, Nevada, or both, by any one of the parties hereto.

18. BINDING EFFECT: The terms and conditions of this Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the parties hereto.

05/11/79

-14-  
HOY & MILLER, CHARTERED  
ATTORNEYS AT LAW  
RENO AND ELKO, NEVADA

BOOK 71 PAGE 22

19. ASSIGNABILITY: The respective positions and interests of the parties hereto shall be freely assignable except that such assignment shall not be binding on or affect the remaining parties hereto in any manner, unless and until such assignment is noted in writing to UNIVERSAL, or any successor Operator.

IN WITNESS WHEREOF, the parties hereto set their hands as of the day and year first above written.

BULLION MONARCH COMPANY, a Utah corporation

BY: R.D. Monic  
TITLE: President

POLAR RESOURCES CO., a Nevada corporation

BY: W.M. [Signature]  
TITLE: President

UNIVERSAL GAS (MONTANA), INC. a Montana corporation

BY: [Signature]  
TITLE: PRESIDENT

SECRETARY Ltd.  
CAMSELL RIVER INVESTMENTS, INC., a Canadian corporation

BY: K.H. Lambert  
TITLE: President

-15-

HOY & MILLER, CHARTERED  
ATTORNEYS AT LAW  
RENO AND ELKO, NEVADA

05/11/79

BOOK 71 PAGE 23



LAMBERT MANAGEMENT LTD., a Canadian corporation

BY: K.H. Lambert

TITLE: President



ELTEL HOLDINGS LTD., a Canadian corporation

BY: K.H. Lambert

TITLE: Director & Secretary

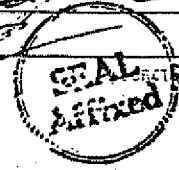


UNIVERSAL EXPLORATIONS, LTD. a Canadian corporation

BY: [Signature]

TITLE: President

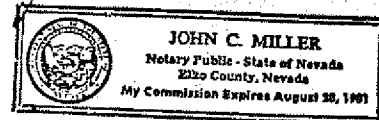
PRESIDENT



STATE OF Nevada )  
COUNTY OF Elko ) SS.

On May 11, 1979, personally appeared before me, a Notary Public, R.D. Morris, a duly qualified and acting officer of BULLION MONARCH COMPANY, who acknowledged to me that he executed the above instrument in that capacity.

[Signature]  
NOTARY PUBLIC



-16-

HOY & MILLER, CHARTERED  
ATTORNEYS AT LAW  
RENO AND ELKO, NEVADA

BOOK 71 PAGE 24

05/11/79

PROVINCE  
STATE OF ALBERTA )  
COUNTY OF \_\_\_\_\_ ) SS.

On \_\_\_\_\_, 1979, personally appeared before me, a Notary Public, C. WARREN HUNT, a duly qualified and acting officer of POLAR RESOURCES CO., who acknowledged to me that he executed the above instrument in that capacity.

NOTARY PUBLIC

PROVINCE  
STATE OF ALBERTA )  
COUNTY OF \_\_\_\_\_ ) SS.

On MAY 28, 1979, personally appeared before me, a Notary Public, Joseph A. Mercier, a duly qualified and acting officer of UNIVERSAL GAS (MONTANA), INC., who acknowledged to me that he executed the above instrument in that capacity.

NOTARY PUBLIC

PROVINCE  
STATE OF ALBERTA )  
COUNTY OF \_\_\_\_\_ ) SS.

On MAY 17, 1979, personally appeared before me, a Notary Public, KENNETH H. LAMBERT, a duly qualified and acting officer of CAMSELL RIVER INVESTMENTS, INC., who acknowledged to me that he executed the above instrument in that capacity.

NOTARY PUBLIC

-17-

BOOK 71 PAGE 25

05/11/79

HOY & MILLER, CHARTERED  
ATTORNEYS AT LAW  
RENO AND ELKO, NEVADA

AFFIDAVIT OF EXECUTION


I Susan Lee Nicholl of the City of Calgary, in the Province of Alberta, make oath and say that:

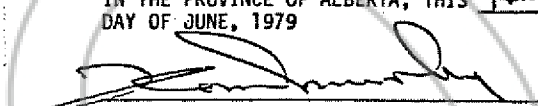
1. I was personally present and did see Mr. C. Warren Hunt named in the within or in annexed instrument who is personally known to me to be the person named therein, duly signed and executed the same for the purposes named therein.

2. That the same was executed at the City of Calgary, in the Province of Alberta and that I am the subscribing witness thereto.

3. That I know the said Mr. C. Warren Hunt and he is, in my belief, of the full age of twenty-one years.

SWORN BEFORE ME AT THE CITY OF CALGARY,  
IN THE PROVINCE OF ALBERTA, THIS 7th  
DAY OF JUNE, 1979

  
SUSAN LEE NICHOLL

  
A Notary Public in and for the Province of Alberta



BOOK 71 PAGE 26



PROVINCE  
STATE OF ALBERTA )  
COUNTY OF \_\_\_\_\_ ) SS.

On MAY 17, 1979, personally appeared before me, a Notary Public, KENNETH H. LAMBERT, a duly qualified and acting officer of LAMBERT MANAGEMENT LTD., who acknowledged to me that he executed the above instrument in that capacity.

*K. H. Lambert*  
NOTARY PUBLIC



PROVINCE  
STATE OF ALBERTA )  
COUNTY OF \_\_\_\_\_ ) SS.

On MAY 17, 1979, personally appeared before me, a Notary Public, KENNETH H. LAMBERT, a duly qualified and acting officer of ELTEL HOLDINGS LTD., who acknowledged to me that he executed the above instrument in that capacity.

*K. H. Lambert*  
NOTARY PUBLIC



PROVINCE  
STATE OF ALBERTA )  
COUNTY OF \_\_\_\_\_ ) SS.

On MAY 28, 1979, personally appeared before me, a Notary Public, Joseph A. Mercier, a duly qualified and acting officer of UNIVERSAL EXPLORATIONS, LTD., who acknowledged to me that he executed the above instrument in that capacity.

*Joseph A. Mercier*  
NOTARY PUBLIC



-18-

BOOK 71 PAGE 27

05/11/79

HOY & MILLER, CHARTERED  
ATTORNEYS AT LAW  
RENO AND ELKO, NEVADA

EXHIBIT A-2

AREA OF INTEREST

All those lands contained in the Sections and Townships listed below approximately encompassing the area EIGHT (8) miles in a northerly direction, EIGHT (8) miles in a southerly direction, EIGHT (8) miles in an easterly direction and EIGHT (8) miles in a westerly direction from Section 10, Township 35 North, Range 50 East, M.D.B.&M., Eureka County, Nevada.

Township 34 North, Range 49 East  
Sections: 1-5, 8-17 and 20-24

Township 35 North, Range 49 East  
Sections: 1-5, 8-17, 20-29 and 32-36

Township 36 North, Range 49 East  
Sections: 1-5, 8-17, 20-29 and 32-36

Township 37 North, Range 49 East  
Sections: 32-36

Township 34 North, Range 50 East  
Sections: 1-24

Township 35 North, Range 50 East  
Sections: All

Township 36 North, Range 50 East  
Sections: All

Township 37 North, Range 50 East  
Sections: 31-36

Township 34 North, Range 51 East  
Sections: 3-10 and 15-22

Township 35 North, Range 51 East  
Sections: 3-10, 15-22 and 27-34

Township 36 North, Range 51 East  
Sections: 3-10, 15-22 and 27-34

Township 37 North, Range 51 East  
Sections: 31-34



EXHIBIT A-1

SUBJECT PROPERTY

The following described unpatented and patented mining claims generally located in Sections 1, 2, 10, 11 and 12 of Township 35 North, Range 50 East, M.D.B.&M., Lynn Mining District, Eureka County, Nevada:

<u>Unpatented Claims</u>	<u>Polar</u>	<u>Bullion</u>
Big Jim	100%	Royalty
Big Jim 1 to 31, inclusive	"	"
Cracker Jack	"	"
Cracker Jack 1 to 5, inclusive	"	"
Yellow Rose 6 to 21, inclusive	"	"
Polar 1 to 20, inclusive	"	"
Hill Top	"	"
Hill Top 1 to 2, inclusive	"	"
Hill Top Fractional	"	"
Hill Top 1 to 4 Fractional	"	"
RJV	"	"
Unity 1	"	"
Unity 2	"	"
Badger	"	"
Badger 1	"	"
Compromise 4 to 7, inclusive	"	"
Lamira	"	"
Junction	"	"
Paragon	"	"
Paragon 2	"	"
Paragon 4	"	"
Paragon Fractional	"	"

Patented Claims (Poulsen Lease and Option)

	<u>U.S. Patent No.</u>	<u>U.S. Survey No.</u>	<u>Polar</u>	<u>Bullion</u>
Big Six No. 3	783757	4332	77½%	Royalty
Holt	881735	4422	"	"
July	935874	4528	"	"
Great Divide	945439	4393	"	"
Bald Eagle	046758	4527	"	"

HOY & MILLER, CHARTERED  
ATTORNEYS AT LAW  
RENO AND ELKO, NEVADA

EXHIBIT A-1

BOOK 71 PAGE 29



LAMBERT MANAGEMENT LTD.

Telephone: (403) 233-0047  
808 HOME OIL TOWER  
324 - 8 AVENUE S.W.  
CALGARY, ALBERTA  
CANADA T2P 2Z2

Telephone: (403) 454-2671  
13716 - 101 AVENUE,  
EDMONTON, ALBERTA  
CANADA T5N 0J7

March 14, 1979

Polar Resources Co.  
1119 Sydenham Road, S. W.  
Calgary, Alberta  
T2T 0T5

Attention: Mr. Warren Hunt

Dear Sirs:

RE: Gold Claims Lynn Mining District  
Eureka County, Nevada

As you are aware, since early 1976 Camsell River Investments Ltd. has entered into several agreements with you relating to the Bullion Monarch Company gold claims in Nevada and has also entered into agreements relating to the same properties with Bullion Monarch Company. As a result of these agreements, Camsell and its silent coventurers, Lambert Management Ltd. and Eltel Holdings Ltd. have advanced about \$505,000. U.S. to you and \$300,000. U.S. to Bullion Monarch Company and have expended a further \$10,000. U.S. or so on drilling invoices and other expenses relating to the properties.

Our mutual files on this matter are extensive and the legal determination of the various agreements would undoubtedly take more time and effort to resolve than is prudent under the circumstances. We have always maintained that we do not wish to hamper your efforts to put the properties into production so long as an equitable arrangement can be reached between us. Based on the proposed agreement you have negotiated with Universal Gas (Montana) Inc. (hereinafter called the "Mill Agreement") and our meetings and telephone conversations of March 10, 11, 12 and 13, we believe we have reached an agreement acceptable to you and the parties we represent. This agreement between you and the "Camsell Group" would enable Universal to obtain the interest it has bargained for in the Mill Agreement and would resolve our diverse interests in an amiable fashion.

/2

BOOK 71 PAGE 30

*EXHIBIT B*

The Agreement is as follows:

- 1) All of the interests of any nature whatsoever of Polar Resources Co. and those of other parties represented by Polar Resources Co. (hereinafter called the "Polar Group") and all of the interests of any nature whatsoever of Camsell River Investments Ltd. and those of the parties represented by Camsell River Investments Ltd. (hereinafter called the "Camsell Group") in "The Mining Properties" as defined in the Mill Agreement shall be pooled and then reallocated 50% to Universal Gas (Montana) Inc. pursuant to the Mill Agreement and 50% collectively to the Polar Group and the Camsell Group (hereinafter called the "Polar-Camsell Group").
- 2) The Camsell Group will receive 100% of the cash flow from the Polar-Camsell Group's 50% interest in the Mining Properties until the Camsell Group has received an amount equivalent to its expenditures relating to the Mining Properties before interest as established by independent audit. This amount is about \$815,000 U.S.
- 3) After the Camsell Group has received the amount indicated in paragraph 2 above, the Polar Group will receive 100% of the cash flow from the Polar-Camsell Group's 50% interest in the Mining Properties until the Polar Group has received an amount equivalent to its expenditures relating to the Mining Properties before interest as established by independent audit. This amount is about \$450,000. U.S.
- 4) After the Polar Group has received the amount indicated in paragraph 3 above, the Polar Group and the Camsell Group will split the cash flow from the Polar-Camsell Group's 50% interest in the Mining Properties on a 50-50 basis until the Camsell Group has received an amount equivalent to the amount of interest the Camsell Group would have paid to its banker calculated on all Camsell Group advances to Polar Resources Co. and Bullion Monarch Company from the dates of advance at the Canadian Imperial Bank of Commerce prime rate from time to time plus 2% per annum, compounded semi annually. Any cash received by the Camsell Group pursuant to this agreement would be credited to the "phantom bank account" on the date of receipt in order to determine the amount to be ultimately received by the Camsell Group pursuant to this paragraph 4.
- 5) After the Camsell Group has received the amount calculated pursuant to paragraph 4 above, the Polar-Camsell Group's interests shall be divided and an undivided 30% of the interest shall be transferred to the Camsell Group and an undivided 70% shall be transferred to the Polar Group.

/3

6) Title to the Polar-Camsell Group's interest in the Mining Properties shall be held in trust by Polar Resources Co. pursuant to the terms of this Agreement and this Agreement or its successor shall be filed against the title to the Mining Properties in the appropriate offices in the state of Nevada. Polar shall deliver to the Camsell Group a legal opinion from a Nevada attorney stating that the terms and conditions of this Agreement are enforceable by the Camsell Group as against Polar Resources Co. and that the Camsell Group's interests have been adequately registered to protect its interests as against third parties.

7) The proceeds Polar Resources Co. receives from Universal Gas (Montana) Inc. on the sale of the assets listed in the Mill Agreement shall be distributed as follows:

- a) The Polar Group shall receive 100% of the proceeds from the sale of assets acquired after December 31, 1976.
- b) The Camsell Group shall receive 80.4% of the proceeds from the sale of assets acquired prior to January 1, 1977 and the Polar Group shall receive the balance.
- c) Polar Resources Co. shall account to the Camsell Group for any assets held on December 31, 1976 which have been disposed of by Polar Resources Co. subsequent to December 1, 1976 but prior to the execution of the Mill Agreement. The Camsell Group shall receive an amount equal to 80.4% of such disposition proceeds from Polar Resources Co. and the source of funds for such payment shall be the Polar Group's share of the proceeds of the sale of assets pursuant to the Mill Agreement.

8) The Polar-Camsell Group recognizes a fee of \$1,500. per month payable to Polar Resources Co. from the cash flow generated by the mill for the services of Warren Hunt from the date of commencement of milling operations and also recognizes the need to employ a full time representative at the mine as soon as gold production commences in meaningful amounts.

9) In the event of cost overruns beyond the \$1,250,000. U.S. stated in the Mill Agreement, the Polar-Camsell Group acknowledges that it will be responsible for 50% of such overruns. These overruns shall be allocated as between the Polar Group and the Camsell Group as follows:

- a) For exploration, mine development, and mine operation expenses on the Big Jim claims 24 and 25 and for mill development expenses related to that mine, 50% shall be paid by the Polar Group and 50% shall be paid by the Camsell Group.

/4



- b) For all other expenses 70% shall be paid by the Polar Group and 30% shall be paid by the Camsell Group.

10) This Agreement is subject to the execution of the Mill Agreement and is subject to revision of the method contemplated in paragraph 1 to arrive at the interests outlined in paragraphs 2, 3, 4 and 5 if subsequent investigation reveals that the tax consequences of such method are adverse. The intent is that the Agreement will be structured so as to minimize adverse tax implications in Canada and the United States for all parties concerned while at the same time arriving at the same distribution of cash flow from the Mining Properties.

11) This Agreement shall be interpreted in accordance with the laws of the Province of Alberta.

12) Each of the parties shall execute any further agreements required by legal counsel for any party to implement the terms or intent of this Agreement.

If you agree with the above terms and conditions please indicate your acceptance on the copy of this letter enclosed.

Yours very truly,

Lambert Management Ltd.

*K H Lambert*  
K. H. Lambert  
President

/mjm  
encl:

Accepted this ~~14th~~ day of March, 1979

Polar Resources Ltd.

*C. Warren Hunt*  
C. Warren Hunt  
President

Accepted this 14th day of March, 1979

Eitel Holdings Ltd.

*K H Lambert*  
K. H. Lambert  
Secretary

Accepted this 14th day of March, 1979

Camsel River Investments Ltd.

*K H Lambert*  
K. H. Lambert  
President

LAMBERT MANAGEMENT LTD.

Telephone: (403) 233-0047  
808 HOME OIL TOWER  
324 - 8 AVENUE S.W.  
CALGARY, ALBERTA  
CANADA T2P 2Z2

Telephone: (403) 454-2671  
13716 - 101 AVENUE,  
EDMONTON, ALBERTA  
CANADA T5N 0J7

March 16, 1979

Polar Resources Co.  
1119 Sydenham Road, S. W.  
Calgary, Alberta  
T2T 0T5

Attention: Mr. Warren Hunt

Dear Sirs:

RE: Gold Claims - Lynn Mining District  
Eureka County, Nevada

Further to our letter of March 14, 1979 and the writer's meeting with your Messrs. Hunt and Ross Hamilton on March 14, 1979, we wish to confirm that the agreement contained in the said letter is amended by adding the following:

- 9.1(a) Any funds advanced pursuant to sub paragraph 9(a) shall be repaid pro rata from the Polar-Camsell Group's first cash flow from the mill prior to the commencement of payments to the Camsell Group pursuant to paragraph 2.
- 9.1(b) Any funds advanced pursuant to sub paragraph 9(b) shall be repaid pro rata from the Polar-Camsell Group's cash flow from the mill after the obligations to the Camsell Group outlined in paragraph 4 have been satisfied.
- 9.2 The penalty provisions in the Mill Agreement shall apply mutatis mutandis to the Polar Group and the Camsell Group in the event of a default by either Group on an obligation to advance further funds pursuant to paragraph 9.

If you agree with the above additional terms and conditions please indicate your acceptance on the copy of this letter enclosed.

Yours very truly,

Lambert Management Ltd.

*K.A. Lambert*  
W. H. Lambert

/mjm  
encl:

BOOK 71 PAGE 34

Attachment to: Polar Resources Co.  
March 16, 1979

Accepted this      day of March, 1979  
Polar Resources Co.

C. Warren Hunt  
President

Accepted this 16th day of March, 1979  
Eltel Holdings Ltd.

K. H. Lambert  
Secretary

Accepted this 16th day of March, 1979  
Camsel River Investments Ltd.

K. H. Lambert  
President



## POLAR RESOURCES CO.

1070 SILVER STREET  
ELKO, NEVADA 89801

(702) 738-8712

April 6, 1979

Mr. K. H. Lambert  
Lambert Management Ltd.  
\$808, 324 8th Ave. S.W.  
Calgary T2P 2Z2

Dear Sir:

Your letter of March 16 1979 is acknowledged and a copy returned herewith signed as requested.

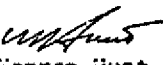
In accordance with our telephone conversation this morning, in which the writer pointed out that clauses 7b and 7c of the letter agreement of March 14, 1979 were unduly broad in that they might be construed to include Polar's assets which had not been acquired by the joint venture nor in the period of the joint venture, April 1 - Nov. 30, 1976, the following is proposed:

Clause 7 subclause b is amended so that the words "prior to Jan. 1, 1977" are replaced by "between April 1, 1976 and November 30, 1976".

Clause 7 subclause c. The meaning of the word "assets" as used in this subclause is understood to mean properties and equipment acquired by the joint venture or charged by Polar to the joint venture so as to establish equity of contributions of the members of the joint venture, that is to say, Polar Resources Co. and Camels River Investments Ltd.

If the foregoing meet with your approval, kindly sign a copy hereof and return for our files.

Yours truly,  
Polar Resources Co.

  
C. Warren Hunt, Pres.

*See qualifications in  
letter of April 10/79  
Lambert Management Ltd.  
per K.H. Lambert*

BOOK 71 PAGE 36

LAMBERT MANAGEMENT LTD.

Telephone: (403) 233-0047  
808 HOME OIL TOWER  
324 - 8 AVENUE S.W.  
CALGARY, ALBERTA  
CANADA T2P 2Z2

Telephone: (403) 454-2671  
13716 - 101 AVENUE,  
EDMONTON, ALBERTA  
CANADA T5N 0J7

April 10, 1979

Polar Resources Co.  
1119 Sydenham Road S.W.  
Calgary, Alberta  
T2T 0T5

ATTENTION: Mr. Warren C. Hunt

Dear Sirs:

RE: Gold Claims Lynn Mining District  
Eureka County, Nevada

Further to your letter of April 6, 1979, we wish to confirm our agreement that clauses 7b and 7c of our letter agreement of March 14, 1979 have not been drafted to contemplate assets to be sold under the Mill Agreement. We agree that the language should be changed.

We are prepared to accept your suggested change for sub clause 7b provided that the 80.4% figure is changed to reflect the actual percentage of the total funds used by Polar between April 1 and November 30, 1976 which was injected by the Camshell Group. Your auditor could provide us with that percentage.

We accept your clarification of the word "assets" in sub clause 7c and would also suggest that the 80.4% figure used in sub clause 7c should be changed to the same percentage as will be used in subclause 7b.

If the foregoing meets with your approval, kindly sign the enclosed copy of this letter and return it for our files.

Yours very truly,  
LAMBERT MANAGEMENT LTD.  
*K.H. Lambert*  
K.H. Lambert  
President

KHL/rs  
Enc.

Accepted this 11th day of April, 1979

POLAR RESOURCES LTD.

PER: *C.M. Hunt*

BOOK 71 PAGE 37

*Jan*  
THIS AGREEMENT made as of the 14th day of March, 1979.

BETWEEN:

POLAR RESOURCES CO.

of the first part

and

UNIVERSAL GAS (MONTANA) INC.

of the second part

This confirms the agreement between Polar Resources Co., hereinafter called "Polar", and Universal Gas (Montana) Inc., hereinafter called "Universal", whereby Universal will earn fifty percent (50%) of Polar's interest in certain mining interests as follows:

1. (a) "The mining properties" are those claims, patented rights and agreements outlined in Schedule "A" attached hereto, together with all ores, materials and structures thereon.
- (b) "Mine development area" shall be those lands contained in Big Jim Claims 24 and 25 and for the purposes of this agreement shall be construed to include all buildings, appurtenances, equipment, water supply wells, and any and all other equipment or edifices necessary to bring into production the existing ore body on the aforesaid Big Jim Claims 24 and 25 regardless of where such edifices or equipment are located.
- (c) "Exploration area" shall mean all the mining properties except the "mine development area".

BOOK 71 PAGE 38 (cont'd)

*EXHIBIT C*

2. In consideration of Ten Dollars (\$10.00) and other good and valuable consideration, Polar agrees, subject to approval of counsel after reviewing Polar's commitments contained in the Bullion Monarch - Polar agreement, which is a part of Schedule "D" attached hereto, to transfer to Universal all its interests in the mining properties and undertakes to provide all necessary documentation to effect and register such transfer. Universal undertakes all obligations of Polar under the agreements comprising Schedule "D" attached hereto and covenants to fulfill their terms. Polar undertakes to hold in trust for Universal all such interests that are not assignable.

3. Universal hereby undertakes to expend on the mining properties the total sum of \$1,250,000 U.S. for the purpose primarily of bringing into production the ore body in the mine development area and, secondly, to carry out at its discretion exploration on the exploration area, it being clearly understood and agreed that Universal shall expend no more than \$200,000 U.S. on the exploration area unless it has placed the mining development area in steady production for less than the sum of \$1,050,000 U.S.

Subject to the foregoing and subject to its performing in a diligent and workmanlike manner to accomplish production of gold for the benefit of both parties, Universal shall have the entire discretion as to the program, expenditures, operations, capital costs and operating costs, use of personnel, contractors and consultants; and it undertakes at all times to save Polar harmless from any actions arising out of its operations.

(cont'd)



All costs incurred by Universal since January 1, 1979 in the evaluation, operating and maintenance of the mining properties (hereinafter called the "earning expenditures") shall be tallied until Universal has expended \$1,250,000 (U.S. Funds) on the mining properties in accordance with Clause 3 hereof. At that point in time (hereinafter called "the earning point"), Universal shall, to the extent that it is able, assign to Polar an undivided fifty percent (50%) interest in the mining properties, the mill, and all mining and ancillary equipment on the mining properties subject to this agreement and shall hold in trust interests therein that are not assignable.

4. In addition to all direct expenditures, Universal shall be entitled to include in the earning expenditure, reasonable fees for administrative overhead as provided in the operating schedule attached here as Schedule "B".
5. Schedule "B" shall, after the earning point, govern the operations of the mining properties. Universal initially shall be named operator. Wherever any term contained in Schedule "B" conflicts with the terms of this agreement, the provisions of this agreement shall apply.
6. As part of the earning expenditure Universal shall purchase from Polar the real property described as 1070 Silver Street, Elko, Nevada together with all buildings, equipment and supplies contained thereon but excepting those items contained in Schedule "E" attached hereto. Without excepting the generality of the foregoing, the equipment excepting those items contained in Schedule "E" shall include all furniture and all laboratory equipment, surveying equipment, and the desorption system as listed in Schedule "C".

(cont'd)

7. All of the real property described in Clause 6 shall be used firstly for the purposes described in Clause 3 hereof; and, up to the earning point, the costs thereof shall be part of the earning expenditure. At its discretion, Universal may use any surplus capacity in the real property and equipment described in Clause 6 for its own account but such use shall be solely at the risk and cost of Universal. Current custom work in progress in the laboratory described in Clause 6 completed without delay, for each assay in such work done after May 1, 1979, Polar will pay Universal \$10.00 which shall serve to reduce the earning expenditure. Payments shall be collected by Universal for all custom work including its own and applied to reduce the laboratory costs applied to the earning expenditures and operating costs after the earning point.

Should Universal wish to reduce and restrict laboratory time devoted to the "Evolved Radon Technique" it shall give Polar ninety days notice to that effect. Polar shall be entitled to place a trainee analyst in the Universal laboratory for that portion of the ninety day period required for the trainee to learn the technique and thence to withdraw all apparatus.

It is mutually understood and agreed that, whereas the Evolved Radon technique has been developed at the expense of Huntex Limited; and whereas the Polar laboratory which Universal is purchasing is the only licensed user of the technique; and whereas Universal shall become privy to the technique; and whereas it is understood that the technique is Huntex' pro-



prietary property; it is, therefore, mutually understood and agreed that Universal and its principals and employees shall not divulge the technique or apply it without permission of Polar or Huntex and shall do all things reasonably and practically possible to prevent outside parties from observing the technique being carried out.

8. Effective March 1, 1979 the following employees of Polar shall be released by Polar and may be employed by Universal if they so wish:

S.R. Lindauer,

J.M. Hogg,

H.E. Lord,

D. Borden,

T. Grover

At its discretion Universal will engage and retain additional employees and consultants in order to explore, develop, and produce the mining properties and the salaries and benefits paid to all such persons and the overhead associated therewith shall be part of the earning expenditure.

9. The consideration for the purchase of real property and equipment shall be that contained in Schedule "C" subject to a qualified appraisal, and failing agreement after appraisal, the consideration shall be determined by arbitration pursuant to the Arbitration Act of Alberta.

10. Should Polar and Universal fail to agree on rates for overhead and fees for use of real property and equipment or any other substantial matters which may become the subject of dispute, agreement shall be obtained and considered binding under the Arbitration Act of the Province of Alberta, Canada.

11. The mining properties are subject to the agreements described in Schedule "D", copies of which have been provided by Polar to Universal. Except for such agreements, Polar warrants that it has not encumbered the properties; but it makes no other representations regarding the status of the mining properties. Polar further warrants that it has complied with all federal and state regulations pertaining to the said mining properties of which it has knowledge and that it has not been notified of any non-compliance with such regulations by any federal or state agency. If title to the properties should fail as a result of encumbrances caused by Polar, Polar undertakes to reimburse Universal for all expenditures made by Universal out of future proceeds as provided by the letter of February 9, 1979.
12. Polar and Universal agree to complete and execute all such further documents as are necessary to give effect to this agreement.
13. Adjustments for Polar's existing insurance, taxes, licences, and employee benefits shall be made effective March 1, 1979 provided that Universal shall have immediate possession and use of the mining properties and the real property and equipment. Universal shall have from the date of this agreement authority and control over the employees listed above who are considered to have become employees of Universal on March 1, 1979.
14. As part of the earning expenditure Universal shall pay from the adjustment date the advance cash royalties provided in agreements attached hereto as Schedule "D".
15. As of March 1, 1979 Polar undertakes that it will have reimbursed the employees listed in Clause 8 for all back pay, overtime pay, vacation pay and benefits due to them.
16. Universal agrees that it will continue to cover all expenditures until it has expended its entire \$1,250,000 (U. S. funds) and in the event that production commences prior to this total expenditure by Universal, Universal will continue to bear all of the operating and maintenance costs until the expenditure

has been made. From and after the earning point the parties hereto shall bear all costs in proportion to their interest subject always to the provisions of "Schedule B". From the date of first production, the parties hereto shall be entitled to receive their share of production in kind.

17. Universal agrees that Polar shall have the right to park a trailer on the Silver Street property and to take electricity and water without charge and to use the sewer connection until such time as the property is required for other purposes necessary to the operation, in which case Universal shall give Polar thirty days notice.

18. In the event that Universal for any reason wants to dispose of the Silver Street property, Polar shall be entitled to a thirty day right of first refusal on any offer Universal intends to accept.

19. The parties acknowledge that Universal has advanced the sum of \$27,315.00 (U.S. Funds) and in consideration of Universal assuming operations as of March 1, 1979, Polar will reimburse Universal for \$4,000.00 (U.S. Funds) forthwith.

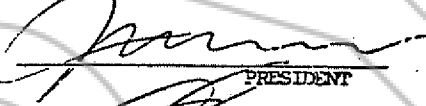
20. In case either party acquires interests not presently held by either of them in the mining properties or in other properties within eight miles of the mining properties, it shall offer one-half interest to the other party at cost. If the earning point has not been reached and such an offer from Universal is accepted by Polar, all of the cost of the acquisition so offered may be added to the earning expenditure by Universal.



- 7 -

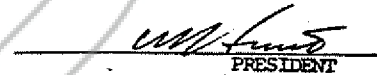
The parties agree that this agreement constitutes the entire agreement between the parties and there are no prior representations of warranties or undertakings except as expressly set out herein.

UNIVERSAL GAS (MONTANA) INC.

  
\_\_\_\_\_  
PRESIDENT

  
\_\_\_\_\_  
SECRETARY-TREASURER

POLAR RESOURCES CO.

  
\_\_\_\_\_  
PRESIDENT

BOOK 71 PAGE 45

"SCHEDULE A"

Attached to and made a part of an agreement between Universal Gas (Montana) Inc.  
and Polar Resources Co. dated March 13, 1979.

The following claims and patented claims comprise "the mining properties".

CLAIM NAME

Big Jim  
Big Jim 1 to 31 inclusive  
Cracker Jack  
Cracker Jack 1 to 5 inclusive  
Yellow Rose 6 to 21 inclusive  
Polar 1 to 20 inclusive  
Hill Top  
Hill Top 1 to 2 inclusive  
Hill Top fractional  
Hill Top 1 to 4 fractional  
Hill Top 1 to 7 inclusive  
RJV  
Unity 1  
Unity 2  
Badger  
Badger 1  
Compromise 4 to 7 inclusive  
Lamira  
Junction  
Paragon  
Paragon 2  
Paragon 4  
Paragon fractional

	<u>US PATENT/NO.</u>	<u>US SURVEY NO.</u>
Bix Six No. 3	783757	4332
Holt	881735	4422
July	935874	4528
Great Divide	945439	4393
Bald Eagle	046758	4527



"SCHEDULE C"

Attached to and made a part of an agreement between Universal Gas (Montana) Inc. and Polar Resources Co. dated March 13, 1979.

<u>ITEMS TO BE PURCHASED BY UNIVERSAL</u>	<u>VALUE SUBJECT TO APPRAISAL</u>
Laboratory equipment and furnishings*	\$ 58,490.32
Desorption system*	11,944.19
House and lot, 1070 Silver St., Elko, NV**	34,000.00
Office equipment and furnishings**	1,000.00
Survey equipment (theodolite, rod, tripod, and plane table, rod, tripod)	<u>1,050.00</u>
	\$106,494.51

\* Book value

\*\* Estimated value, mainly lot

"SCHEDULE D"

Attached to and made a part of an agreement between Universal Gas (Montana) Inc.  
and Polar Resources Co. dated March 13, 1979.

1. Agreement of October 5, 1978 between Polar Resources Co. and Bullion Monarch Company setting forth the understanding of October 4, 1978 and superseding and replacing the Joint-Venture Agreement of December 13, 1975 between Bullion Monarch Company and Polar Resources Co.
2. Assignment and Quit Claim Deed between Mrs. George M. Hadraba, executor of the estate of Mr. George M. Hadraba and Polar Resources Co.
3. Quit Claim Deed dated March 17, 1976 by and between Three Flags Mining Company and Polar Resources Co.
4. Agreement of October 1, 1978 between Polar Resources Co. and Earl A. Poulsen and Goldie M. Poulsen.
5. Agreement of March 14, 1979 between Polar Resources Co. and Camell River Investments Ltd.

"SCHEDULE E"

Attached to and made a part of an agreement between Universal Gas (Montana) Inc. and Polar Resources Co. dated March 13, 1979.

ITEMS NOT TO BE PURCHASED BY UNIVERSAL

VEHICULAR:

1 Lincoln continental, '68  
1 Dodge V8 club cab 1/2 ton, '75  
1 Dodge 6, 1/2 ton, '75  
1 Nomad house trailer, 30-ft.  
1 Commander house trailer, 35-ft.  
Misc. parts, supplies, spares, tools for repair etc.

DRILLING:

1 Gill angle drill  
1 Int'l drill truck, 5-ton, '65.  
1 Gardner-Denver 650 cfm compressor and connected Detroit diesel drive  
Drill pipe, hammers, bits, supplies, parts, tools for repair and for drilling, etc.

URANIUM EQUIPMENT:  
(PROPERTY OF HUNTEX LIMITED)

2 RD-200 Alpha scintillators with ancillary equipment including power converters, scintillator cells, bottles, degassing equipment  
3 Gamma scintillators, 1 McPhar discriminating, 1 Precision non-discriminating, 1 Urinco hole probe w/1,000 ft. cable, non-discrim.  
1 EM-16 device, 1 Zeiss microscope, 1 black light, 1 Topochaix, 2 Bruntons

MISCELLANEOUS:

Polar's business files, office supplies, books, S. Hogg's typewriter, M. I. Hunt's personal gear

SCHEDULE "B"

EXPLORATION AND DEVELOPMENT OPERATING  
PROCEDURE

Attached to and forming part of the Agreement dated the  
14th day of March, a.d. 1979.

BETWEEN:

POLAR RESOURCES CO.

of the first part

and

UNIVERSAL GAS (MONTANA) INC.

of the second part

1. DEFINITIONS

i) In this Exploration and Development Operating Procedure, including the recitals in this clause, unless the context otherwise requires, the words and phrases herein after set forth shall have the following respective meanings:

- a) "Accounting Procedure" shall mean the schedule so entitled which is attached hereto and is hereby made a part hereof as Schedule "A".
- b) "affiliate" or "affiliated corporation" means, as to any corporation which is a party hereto, I) a corporation of which the share capital conferring a majority of votes at stockholders' meetings is owned directly or indirectly by any party hereto, II) a corporation (herein called a "Parent Corporation") which owns directly or indirectly share capital of any party hereto conferring a majority of votes at stockholders' meetings of such party, or III) a corporation of which the share capital conferring a majority of votes at stockholders' meetings of such corporation is owned directly or indirectly by a corporation the share capital of which conferring a majority of votes at a stockholders' meeting is owned directly or indirectly by any party hereto, or by a Parent Corporation of a party hereto;
- c) "exploration program" shall mean proposals for the exploration of mineral claims or any portion thereof in accordance with the provisions of this Exploration and Development Operating Procedure;
- d) "for the joint account" shall mean for the benefit, interest, ownership, risk, cost, expense and obligation of the parties hereto in proportion to their participation interest, and "to the joint account" and "joint account" shall have corresponding meanings;



- c) "mine development proposal" shall mean a proposal for development of a mine upon the mineral claims or any portion thereof in accordance with the provisions of this Exploration and Development Operating Procedure.
- f) "minerals" means any and all metals, precious or base, metallic ores and minerals of any other description whatsoever, the rights to which are conferred pursuant to the mineral claims;
- g) "Operator" shall mean the party designated as operator, in accordance with the provisions of this Agreement;
- h) "party" or "parties" shall mean the initial parties hereto and their respective successors hereunder and their respective assigns which shall become such in accordance with the terms of this Agreement;
- i) "participating interest" shall mean the percentages of ownership of the mineral claims as set forth herein and any adjustments thereof whether with respect to the whole of the mineral claims or any part thereof through addition of other parties, assignments permitted hereunder or in any other manner herein provided for by this Agreement;
- j) "proportionate share" shall mean, with respect to a party hereto, a percentage share equal to that party's participating interest;
- k) "the lands" shall mean the lands contained in the mineral claims;
- l) "the mineral claims" means the claims and the leases set forth and described in Schedule "A" attached to the agreement to which the Exploration and Development Operating Procedure is attached together with any right, benefit and obligation which may be derived from such claims and exploratory permits or which may be derived from any instrument or document in substitution therefor or granted pursuant to the rights conferred by such claims and exploratory permits;
- m) "the Regulations" shall mean all statutes, laws, rules, orders and regulations in effect from time to time and made by governmental authorities having jurisdiction over the mineral claims and over the operations to be conducted thereon;
- n) "this Agreement" shall include collectively this Exploratory and Development Operating Procedure and the Schedules thereto;
- o) "title documents" shall mean any instruments or documents of title to the mineral claims.



ii) The headings of the clauses of this Agreement are inserted for convenience of reference only and shall not affect the meaning or construction thereof;

iii) Whenever the plural or masculine or neuter is used in this Agreement the same shall be construed as meaning singular or feminine or body politic or corporate and vice versa where the context so requires.

2. OPERATOR

a) Initial Operator

The Owners hereby designate Universal Gas (Montana) Inc. as Operator and Universal Gas (Montana) Inc. hereby agrees to act as such.

b) Resignation or Cessation

The Operator may resign at any time by giving six (6) months' written notice to all other parties in which event the rights, duties and obligations of the Operator shall terminate upon the expiry of such notice; provided that with the written consent of all other parties, the Operator may resign at any time. The Operator shall cease to be Operator if: i) Operator becomes bankrupt or insolvent or makes an assignment for the benefit of creditors; ii) any foreclosure, execution or attachment issues against the Operator whereby all or part of the interest hereunder is taken by any creditor or by any custodian, receiver or trustee; iii) if the Operator assigns or purports to assign its general powers and responsibilities of supervision

and management as Operator hereunder; and iv) if the Operator defaults in its duties or obligations or any of them hereunder and does not commence to rectify the default within thirty (30) days after written notice from a majority in interest of the parties (excluding the Operator), specifying the default and requiring the Operator to remedy the same.

c) Appointment of Successor Operator

Where an Operator resigns or ceases to be Operator in accordance with the provisions of this Agreement, a new Operator shall be appointed who shall be a party whose appointment is approved by parties having not less than 75% participating interest in the aggregate under this Agreement exclusive of the interest of the former Operator who shall not be entitled to participate in the appointment of a successor Operator. Until such successor Operator is appointed, upon the resignation or cessation, no party shall be authorized to exercise the rights and obligations of the Operator under this Agreement.

d) Takeover by Successor

Upon the effective time of a resignation, or cessation, the departing Operator shall turn over to its successor, or if no successor has been designated, to the parties or to any one of them on behalf of all, control and possession of all equipment, all production on hand, all documents, books, records and accounts (or copies thereof) pertaining to the performance of its functions as Operator, together with all monies held by it in its capacity as Operator. Upon the transfer and delivery thereof the departing Operator shall be released and discharged from and the successor Operator shall assume all duties and obligations of Operator except the unsatisfied duties and obligations of the departing Operator accrued prior to the effective date of the change of Operator and for which the departing Operator shall, notwithstanding its release or discharge, continue to remain liable. If the title to any property is held in the name of the departing Operator, it shall transfer such property to the successor Operator in trust for the parties, or if no successor Operator has been designated, to the parties



according to their participating interests.

e) Accounts Audited when Operator Changes

Upon the resignation or removal of an Operator, an audit of the records of the departing Operator shall be made within 120 days of his resignation or removal.

f) No Assignment

Operator shall not assign or delegate to others or subcontract its duties and responsibility of Operator hereunder, but this clause shall not prevent Operator from entering into contracts for carrying out of the exploration or development of the mineral claims or for the supply of services to the Operator which are expressly contemplated or permitted in connection with the exploration and development of the mineral claims hereunder.

3. RIGHTS, DUTIES AND OBLIGATIONS OF OPERATOR

Subject to the terms, provisions and limitations of this Agreement, Operator shall have exclusive charge and control of operations for the exploration and development of the mineral claims in accordance with the provisions of this Agreement and shall do and perform for and on behalf of the parties any and all acts and things which are necessary, requisite or proper in connection therewith, including, but not limited to:

- a) Obtaining all permits, licenses and authorizations necessary to conduct any contemplated operations hereunder;
- b) Purchasing all materials, supplies, lubricants, equipment and spare parts.



c) Procuring and executing all contracts for the supply of power, fuel and other utilities, communication facilities and all other services.

d) Acquiring any additional surface rights and leases of office or warehouse space which may be required.

e) Obtaining, supervising and managing personnel as may be necessary for efficiently carrying out the Operator's duties hereunder.

f) Providing insurance for the benefit of the parties in such amounts and to cover such risk as may be required by this Agreement.

g) Keeping within <sup>the United States of America</sup> ~~Canada~~ true and correct books, accounts and records of the operations hereunder.

h) Making all necessary reports relating to operations hereunder to appropriate Governmental agencies.

i) Preparing and submitting exploration programs and mine development proposals and budgets in respect thereof to the parties for their approval as provided for in this Exploration and Development Operating Procedure.

j) Carrying out all exploration programs and mine development proposals as may be approved from time to time by the parties up to the amount of such budgets as may be approved from time to time by the parties for such programs and proposals.

k) Paying and discharging promptly for and on behalf of the parties all costs and expenses incurred in connection with operations conducted by the Operator pursuant to this Agreement and keeping the mineral claims free from all liens and encumbrances

occasioned by such operations, except the lien of Operator hereunder and except liens being contested in good faith.

l) Furnishing to each party monthly reports of the operations hereunder and keeping the parties advised of all matters arising in connection with the operations hereunder which the Operator considers important.

m) Permitting each party or its duly authorized representative and at the parties sole risk, cost and expense full and free access at all reasonable times for the purpose of inspection and observation of all operations of every kind and character being conducted on behalf of the parties on the mineral claims and to the records of operations conducted thereon and any information obtained as a result thereof.

n) Except as otherwise provided in the Agreement, the Operator shall on behalf of the parties and for the joint account comply with all of the terms and conditions of the title documents, including (i) the payment of rentals, bonuses, or other amounts which may be payable in accordance with the terms of the title documents, and (ii) other encumbrances agreed to be borne for the joint account; and shall do all the things necessary to maintain the title documents in good standing and in full force and effect; provided that this clause shall not require or permit the Operator to undertake an exploration program or a mine development proposal except in the manner expressly provided for by this Agreement.

4. MANNER OF PERFORMANCE BY OPERATOR

All rights, duties and obligations of the Operator hereunder shall be performed in a good and workmanlike manner, in accordance with good operating practice, in full compliance with all applicable laws, rules and regulations and with the provisions of this Agreement and shall be undertaken with due diligence.

5. INDEPENDENT STATUS OF OPERATOR

The Operator in its operations hereunder is an independent contractor. The Operator shall furnish or cause to be furnished all material, labor and services necessary for the exploration, development and operation of the mineral claims. The Operator shall determine the number of employees, their selection and the hours of labor and the compensation for services to be paid them in connection with its operations hereunder. All employees and contractors used in its operations hereunder shall be the employees and contractors of the Operator.

6. LIABILITY OF OPERATOR

Operator, its servants, agents or employees shall not be liable to the other parties for any loss or damage suffered by the parties resulting or arising from operations hereunder except when and to the extent that such loss or damage results from the gross negligence or wilful or wanton misconduct of Operator, its servants, agents or employees. Each party in the proportion of its participating interest indemnifies and agrees to hold harmless operator, its servants, agents or employees, against



any claims of, or liability to, any third person resulting from acts or omissions of Operator, its servants, agents or employees, in respect of operations hereunder, except when and to the extent that such claim or liability results from the gross negligence or wilful or wanton misconduct of Operator, its servants, agents or employees. For the purpose of this clause, an act or omission of Operator, its servants, agents or employees, shall not be deemed gross negligence or wilful or wanton misconduct if such act or omission is done or omitted pursuant to the instructions of, or with the concurrence of all of the parties.

7. MEETINGS OF THE PARTIES

The Operator shall give at least Ten (10) days' notice of a meeting of the parties to be held in November and May of each year for the purpose of review of operations conducted upon the mineral claims and to consider exploration programs, mine development proposals and budgets with respect thereto proposed by the Operator. Notice of the meeting shall be accompanied by an agenda and any documents, proposals or budgets proposed to be considered. ~~The Operator or any two or more parties having~~

~~in the aggregate in excess of a 75% participating interest~~ Either party hereto may call additional meetings of the parties as they may see fit. The meetings of the parties shall be for informational purposes only except where all of the parties expressly agree in writing by their duly authorized representative in that behalf to be bound by any decision made at such meeting.

B. RESPONSIBILITIES OF THE PARTIES

Without exercising any control in the detail and methods by which the Operator carries out its rights, duties and obli-



gations, the parties shall exercise the following rights, duties and obligations:

- a) Approval or disapproval of any exploration programs, mine development proposals and budgets in respect thereof as may be submitted to the parties by the Operator from time to time;
- b) To approve any over expenditure of any budget;
- c) To approve of the letting of any specific contract involving the expenditure of over notwithstanding that such expenditure may have been provided for by an approved budget, and to approve the general form and content of and specifications for the contract and to approve any deviation from such contract;
- d) To appoint auditors and to settle any questions or to approve or disapprove of any recommendations based upon or arising out of any audit of Operator's books and records and the approval of the auditors' fees.

9. AUTHORITY TO EXPEND FUNDS

The authority of the Operator to expend funds on behalf of any party hereto shall be derived solely from a budget for such expenditure approved by such party, or, in the case of any specific contract involving the expenditure of over \$100,000.00 from the approval by such party of such contract; provided however, that where the time for approval or disapproval of a budget or for the election to participate or not to participate in any exploration program or mine development proposals has not expired, the Operator

shall be authorized to make expenditures on behalf of the parties which the Operator may deem necessary as a prudent Operator to protect title to the mineral claims or such of them as the Operator considers advisable, and to protect lives, properties or income, provided that if the Operator makes any such expenditures, the Operator shall promptly advise all parties. In addition to the above authority to expend funds on behalf of the parties hereto, where all of the participating parties have failed to approve an annual budget in respect of a mine development proposal in which the participating parties have previously elected to participate, this Agreement and the mine development proposal shall not terminate for failure to agree upon the annual budget but in that case, the Operator of the mine development proposal shall have the right on behalf of the party to proceed to the minimum extent required in the circumstances to protect the interests of and to carry out the intention and obligation of the parties to proceed with the mine development proposal as a prudent owner would do on its own behalf, so that failure to agree upon any annual budget with respect to the mine development proposal shall not result in frustration of this Agreement or undue delay or hinder the construction or continued operation and maintenance of the mine development proposal.

10. EXPLORATION PROGRAMS

a) Exploration for minerals on or under the mineral claims shall be undertaken in accordance with this Exploration and Development Operating Procedure for the joint account according to the participating interests of the parties, adjusted and as described herein.

b) Within one year after the date hereof, and at least once not later than March 15th in every calendar year thereafter or until a mine development proposal is undertaken by the Operator as provided for in this Agreement, the Operator shall prepare at the expense of the joint account and present to the parties a recommended exploration program ~~xxxxxx~~  
~~of xxxxxxxx and xxxxxxxx of xxxxxxxx Dollars~~  
~~x15,000,000.00x~~ and a budget in respect thereof setting forth estimates of expenditures required to carry out such exploration program. Any recommended exploration program shall be sufficiently detailed to facilitate discussion and determination thereof, including but not limited to, designation of the geographic area involved, description of the work to be performed, estimates of costs to be incurred, and an estimated period of time required to perform the work. A budget relative to the recommended exploration program shall be similarly detailed, including but not limited to direct costs, general and administrative expense and all other anticipated costs required to carry out such proposal, and as near as practicable, such costs shall be estimated for each calendar quarter covered by the budget. While the participating interests of the parties vary within the designated geographic area comprised within the recommended exploration program, the Operator shall make a reasonable allocation of the estimated costs attributable to each of the geographical areas for which a different participating interest prevails.

c) Within Thirty (30) days after receipt of the recommended exploration program and budget in respect thereof from the Operator, each party shall notify the other parties in writing as to whether or not it elects to participate in the recommended exploration program. Failure of any party to notify all of the parties within the said period of Thirty (30) days shall constitute an election not to participate in the recommended exploration program. Where all parties have elected to participate, the Operator shall forthwith give notice thereof to all of the parties. Notice by a party that it elects to participate in the recommended exploration program shall constitute an approval of such exploration program and the budget submitted in respect thereof. If all parties elect to thus participate, the Operator shall thereupon be deemed to have been authorized to undertake the exploration program and to incur expenditures for the joint account in accordance with and up to the limit of the approved budget but subject to such limitations as may be required by this Agreement.

d) In the event that one or more but not all of the parties elect to participate in the recommended exploration program, (i) any party which may have elected theretofore to participate may withdraw its election within Thirty (30) days after receipt of notice that any party has elected not to participate, such withdrawal to be by notice in writing, to the other parties, and (ii) the participating interest within the geographical area of such of the mineral claims as may be comprised within the recommended exploration program shall be adjusted in accordance with the provisions of this paragraph.



CLAUSE 10 (d)

PENALTY PROVISIONS

MINING DEVELOPMENT

This clause is to govern the operations on the Mining Development Area subsequent to the earning point under which Universal has earned its 50% interest in the mining properties and shall apply in the event that either of the parties hereto elect to carry out independent operations on the Mining Development Area with the other party being unwilling or unable to pay for its proportionate share of any proposed program.

For the purposes of this clause, the term "base sum" shall be used and shall mean the total sum expended by Universal and Polar on the Mining Development Area. It is therefore understood and agreed that for these purposes, Polar will be construed to have spent on the Mining Development Area the sum of \$1,100,000 U.S. and Universal will have construed to have spent the sums that it actually did spend on the Mining Development Area pursuant to the terms of the Letter of Agreement to which this Operating Agreement is attached, and the total of those two sums shall be the "base sum".

Any program proposed by either party on the Mining Development Area in accordance with this clause, in which program either of the parties hereto elect not to participate in and the other elects to complete, shall, as to its cost, be referred to as the "program cost".

(cont'd)

Where a party has proposed a program pursuant to this agreement and the other party has declined to participate; and where such proposing party has commenced such program within ninety (90) days of the date upon which the other party declined to participate and has diligently pursued said program and completed same within a reasonable period of time, then such proposing party shall be entitled to receive an assignment from the non-participating party of an undivided interest in all of the joint assets in the Mining Development Area, which interest shall be calculated as follows:

The "program cost" divided by the sum of the "base sum" added to the "program cost" times the non-participating party's interest.

As each proposed program is completed it shall be added, for the purposes of this clause, to the initial "base sum", and shall thereafter be the "base sum" for any subsequent proposed program to the end that the "base sum" shall always expand to include all previously completed proposed programs. It is clearly understood that all programs carried out on the Mining Development Area including programs in which both parties participated, shall always be added to the previous "base sum" to maintain it as a current total. For greater certainty, it is agreed that the "base sum" shall always reflect the total of all dollars expended or calculated as having been spent on the Mining Development Area up to the time when a program proposal is made pursuant to this clause.

e) Election by a party not to participate in any particular recommended exploration program shall not preclude such party from participating in all future exploration programs up to the amount of its then participating interest in the geographical area of such of the mineral claims as may be comprised within any future recommended exploration programs. Any party may elect not to participate in all or any future exploration programs, in each of which events the non-participating party's participating interest shall be further adjusted in the manner provided for by sub-paragraph (d) hereof.

f) Not later than March 15th in any year after a mine development proposal is undertaken, the Operator may, but is not obliged to, prepare at the expense of the joint account, a recommended exploration program and the provisions of this clause shall apply mutatis mutandis to such recommended exploration programs.

11. MINE DEVELOPMENT PROPOSALS

a) Mine development proposals for the development of a mine on or under the mineral claims or any portion thereof shall be proposed and submitted in accordance with this Exploration and Development Operating Procedure for the joint account according to the participating interest of the parties, adjusted and as described herein.

b) In the event that the Operator is satisfied that adequate exploratory work and testing has been performed on a

particular portion of the mineral claims to justify proceeding with development of such portions for the production of minerals in the light of all the circumstances and conditions then existing, the Operator, at the expense of the joint account shall prepare and submit to the parties having a participating interest therein a written plan (herein called the "mine development proposal") for development of such portion setting forth in reasonable detail:

- i) the estimated recoverable reserves of minerals and the estimated average composition and content thereof which the Operator believes may be produced from the mineral claims in such portion;
- ii) the suggested procedures for mining and production of the minerals which Operator proposes to follow;
- iii) the geographical boundaries of the portion, which shall include such area (and only such area) around the portion as shall be potentially productive of minerals in commercial quantities on the basis of the exploratory work and testing performed by the Operator with reference to such area;
- iv) the nature and extent of the machinery, equipment and other facilities proposed to be acquired for the purpose of producing and marketing the minerals from such portion, which may also include mill facilities for processing of such ore if the size, location and extent of the mineral deposits which would be avail-



able for processing in such mill would appear to make such a mill facility a profitable investment for the parties;

- v) a capital budget for the mine development proposal which capital budget shall contain a detailed estimate of all capital costs of the mine development proposal including but not be limited to reasonable estimates of expenditures required to purchase, construct and install all machinery, equipment and other facilities required for the mine development proposal and perform all other necessary work required to commence production of minerals (and processing thereof, if applicable) and marketing same and all other direct costs, general and administrative expenses and other payments which may be required to be incurred for the mine development proposal. The capital budget shall include a schedule of the timing of the estimated capital requirement for the mine development proposal;
- vi) an estimate of the annual revenue and expenditures from the production and processing, if applicable, of minerals during the lifetime of a mine including particulars, so far as may be practicable, of the estimated annual production and price to be derived therefrom, particulars of estimated operating and maintenance expenditures, capital costs, and all other anticipated costs of operations;
- vii) a total economic feasibility report, taking into

account items (i) through (vi) above, and projecting the estimated financial return to the parties.

viii) a comprehensive project financing report, including recommendations for the financing of the mine development proposal, whether joint or several, the nature of the security required or recommended to be issued or granted for such financing.

*DA* c) Within Six (6) months after receipt of the mine development proposal, or 60 days in the case of Big Jim Claims 24 & 25 Mine Development Area, and budget in respect thereof, each party other than the party or parties which submitted the mine development proposal shall notify the other parties in writing as to whether or not it elects to participate in the mine development proposal. Failure of any party to notify all of the parties within the said period of Six (6) months shall constitute an election not to participate in the mine development proposal. If all parties elect to participate in the mine development proposal, the Operator shall thereupon be deemed to have been authorized to undertake the mine development proposal and to incur expenditures for the joint account in accordance with and up to the limit of the capital budget but subject to such limitations as may be required by this Agreement.

d) In the event that prior to the expiry of the time within which the parties may elect whether or not to participate in the mine development proposal, the party or parties making the mine development proposal desire to modify the mine development

proposal, such party or parties shall give notice to all other parties having a participating interest therein of the modification including the detail required by sub-paragraph b) hereof and upon the giving of such notice, the time for election whether or not to participate shall be extended to expire within Six (6) months after receipt of the original mine development proposal and budget in respect thereof, or Thirty (30) days after receipt of the modified mine development proposal and budget in respect thereof, whichever shall last occur.

e) In the event that one or more but not all of the parties elect to participate in the mine development proposal, (i) any party which may have elected theretofore to participate may withdraw its election within Thirty (30) days after receipt of notice that any party has elected not to participate, such withdrawal to be by notice in writing to the other parties, and (ii) the participating interest within the geographical area of such of the mineral claims as may be comprised within the mining development proposal shall be adjusted in accordance with the provisions of this paragraph.



~~f) Election by a party not to participate in a mine~~  
development proposal shall preclude such party from  
participating in any future mine development proposal within  
the geographical area of such portion of the mineral claims  
as may be comprised within the mine development proposal  
which the party has elected not to participate in but shall  
not preclude such party from participating in all future  
mine development proposals up to the amount of its participating  
interest within any other geographical area of the mineral  
claims.



12. ANNUAL CAPITAL AND OPERATING BUDGET FOR  
MINE DEVELOPMENTS

The Operator of a mine development proposal shall, in addition to the approved capital budget for a mine development proposal, prepare and submit to the parties an annual capital budget and an annual operations budget (herein called "the annual budget") not later than the 15th day of November in each year commencing from the approval of the mine development proposal and thereafter so long as mine development and mining of the mineral claims shall continue, containing like detail as may be required in the case of a capital budget originally submitted with a mine development proposal.

13. SURRENDER OF MINERAL CLAIMS

a) Initiation of Surrender Proposal

Not later than Sixty (60) days before the next ensuing rental date or other obligation date with respect to the mineral claims affected, a party hereto may give notice to the other parties proposing that some or all of the mineral claims be surrendered to the grantor under the title documents. Not later than Thirty (30) days before the next ensuing rental date or other obligation date, the parties receiving the notice shall each give notice to all other parties stating whether or not they wish to join in the proposed surrender. Failure to respond to the said notice shall be deemed to be an election not to join in the surrender. Any party giving notice of the proposed surrender or giving notice of its intention

to join in the proposed surrender may by notice to the other parties at any time up to but not later than 30 days before the next ensuing rental date or other obligation date, revoke its notice of intention to surrender.

The size of and interest in the joint mineral claims affected under this Clause must be such that the said grantor would be obliged to accept a surrender thereof pursuant to the title documents.

b) Surrender By All Parties

If all parties duly elect to surrender under Clause 13 (a) the Operator shall proceed forthwith to salvage for the joint account all salvable material and equipment upon the mineral claims and interests to be so surrendered, and all parties hereto shall execute and deliver all documents which may be necessary to effect the surrender.

c) Surrender By Less Than All Parties

If all the parties do not join in the surrender, the parties not joining in the surrender shall (unless the Operator be one of them) promptly appoint an Operator pro-tem for the parties retaining the said mineral claims and interests, and shall be responsible for taking the necessary steps to ensure payment of rentals or the meeting of any other obligation to maintain the said mineral claims and interests for the benefit of the retaining parties.

d) Assignment Of Interest Surrendered

Effective on the thirtieth day before the rental or other obligation referred to in Clause 13 (a) is required to be paid or met

the parties which elected to surrender shall assign to the retaining parties all their interest in the lands in the mineral claims which were the subject of the proposed surrender. The parties receiving the assignment shall within Thirty (30) days after receipt of the assignment pay to the assignors the assignors' participating interest share (prior to such surrender) in the salvage value of the recoverable material and equipment on the mineral claims so assigned, the amount to be determined by the Operator in accordance with the Accounting Procedure and billed by the Operator to the assignees.

e) Retaining Parties to Meet Obligations

Where failure by the retaining parties to meet any obligation which prompted the surrender proposal would prejudice the title of the parties in any other portion of the mineral claims, the retaining parties shall be deemed to have covenanted to meet the obligation in accepting the interests of the surrendering party.

f) Failure to Surrender as Agreed

Where all the parties have agreed to effect the surrender under this paragraph, and whether or not some or all of them have taken any action by way of release or assignment pursuant to an intention to join in the surrender, the mineral claims which are the subject of the surrender notice shall be deemed to be held for the joint account until the surrender has been irrevocably effected including the termination of any right to reinstate any title document, so that all the parties shall receive or have the right to participate in any benefits which might accrue during the period



before the surrender is irrevocably effected. If, however, any party to whom any interest is conveyed or released for the purpose of effecting the surrender shall not duly proceed with the surrender and thereby causing a further obligation to arise, that party shall be solely responsible for meeting the obligation and shall indemnify the other parties with respect thereto.

14. COSTS AND EXPENSES

a) Accounting Procedure as Basis

The Accounting Procedure shall be the basis for all charges and credits to the joint account except as the Accounting Procedure may be in conflict herewith or with this Agreement.

b) Operator to Pay and Recover from Parties

Subject to the provisions of sub-paragraph c) hereof, the Operator in its operations for the joint account shall initially advance and pay all costs and expenses of operations conducted for the joint account. The Operator shall charge to each of the parties its proportionate share of the costs and expenses, and each party shall pay the same to the Operator within Fifteen (15) days after receipt of the Operator's statement thereof. Failing payment when due, the amount unpaid may, at the Operator's option, bear interest from the day such payment is due for the account of the Operator at a rate equal to the Royal Bank of Canada prime in effect from time to time plus Two (2) percent, until the amount is paid, and further if not paid within Six (6) months of the due date, at the option of the other parties to this Agreement, the interest of the defaulting party shall be adjusted in the same manner and to the same extent as though such party had elected not to participate in the program or proposal in respect of which the expenditure was incurred.



c) Advance of Costs and Expenses

The Operator may, at its election, require each of the parties to advance its proportionate share of all costs and expenses to be incurred for the joint account. If the Operator so elects, may, not later than Thirty (30) days prior to the first day of each calendar month, submit to each of the parties an itemized estimate of the costs and expenses proposed to be a charge for the joint account in that calendar month, with a request for payment by each of the parties of its proportionate share thereof. Each of the parties shall pay the Operator its proportionate share of the cost and expenses so estimated and secure the payment thereof in a manner satisfactory to the Operator on or before the 15th day after receipt by it of such estimate or by the first day of the calendar month to which the estimate relates, whichever is the later, and if any party fails so to make or secure such payment, the unpaid amount may, at the Operator's option, bear interest from the date such payment is due for the account of the Operator at a rate equal to the Royal Bank of Canada prime in effect from time to time plus Two (2) percent until the amount is paid. Adjustments between estimated and actual costs shall be made by the Operator at the close of each calendar month, and the accounts of the parties shall be adjusted accordingly.

d) Commingling of Funds

The Operator may commingle with its own funds the moneys which it received from or for the account of the other parties pursuant to this Exploration and Development Operating Procedure.

15. OPERATOR'S LIEN

a) The Operator shall have a lien on the interest of each of the parties in the mineral claims and in production and equipment

therefrom and thereon to secure payment of each party's proportionate share of the cost and expenses of all operations carried on by the Operator for the joint account.

b) If a party fails to pay or advance any of the costs hereby agreed to be paid or advanced by it, and the default continues for Thirty (30) days after the Operator has served notice upon the party specifying the default and requiring the same to be remedied, the Operator may, without limiting the Operator's other rights at law:

- i) withhold from such party any further information and privileges with respect to operations;
- ii) treat the default as an immediate and automatic assignment to the Operator of the proceeds of sale of such party's share of the minerals and from and after the Operator making such election, the Operator may require the purchaser of such party's share of the minerals to make payment therefor to the Operator while the default continues, and
- iii) enforce the lien created by the default in payment by taking possession of all or any part of the interest of the defaulting party in the mineral claims or in all or any part of the production therefrom and the equipment thereon; and the Operator may sell and dispose of any interest, production or equipment of which it has so taken possession either in whole or in part or in separate parcels at public

uction or by private tender at a time and on whatever terms it shall arrange, having first given notice to the defaulting party of the time and place of the sale. The proceedings of the sale shall be firstly applied by the Operator in payment of any cost to be paid by the defaulting party and not paid by it and any balance remaining shall be paid by the defaulting party after deducting reasonable costs of the sale. Any sale made as aforesaid shall be a perpetual bar both at law and in equity against the defaulting party and its assigns and against all other persons claiming the property or any part or parcel thereof sold as aforesaid by, from, through or under the defaulting party or its assigns.

16. REIMBURSEMENT OF OPERATOR

If the Operator has not received full payment of a party's share of the costs and expenses of operations hereunder within Three (3) months following the date the payment was due, each of the parties other than the defaulting party, upon being billed therefor by the Operator, shall contribute proportionately to the Operator the unpaid amount of the defaulting party and thereupon each contributor shall be proportionately subrogated to the Operator's right hereunder and to the interest thereafter payable on the unrecovered portion of its contribution.

17. OWNERSHIP AND DISPOSITION OF PRODUCTION

a) Each of the parties hereto shall own its proportionate share of the minerals produced from the mineral claims operated for the joint account and shall, at its own expense, take in kind and separately dispose of its proportionate share of production exclusive of the production which may be used by the Operator in developing and producing operations and of production unavoidably lost.

b) Failure to Take in Kind

When, and so often as a party including the Operator shall fail or refuse or be unable to take in kind and separately dispose of its proportionate share of any production, the other parties shall have the authority, revocable (subject to existing sales contracts) by a party who fails or refuses or is unable to take in kind, and must sell for the account of that party its proportionate share of production at the same price and upon the same terms which such parties receive for their own portion of production, less a discount of Two (2%) percent. All sales made by any party of another party's share of production as aforesaid shall be for such periods of time only as are consistent with the maximum needs of the industry under the circumstances.



18. INSURANCE

a) In respect of operations hereunder for the joint account the Operator shall comply with the requirements of all Unemployment Insurance and Worker's Compensation legislation and shall, prior to the commencement of operations hereunder, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained for the joint account and benefit of the parties hereto, the insurance hereinafter set forth, and the cost thereof shall be charged to the joint account. The insurance referred to in this sub-clause is as follows:

- i) Employer's Liability Insurance covering each employee engaged in the operations hereunder to the extent of One Hundred Thousand (\$100,000.00) Dollars where such employee is not covered by Worker's Compensation.
- ii) Automobile Insurance covering all motor vehicles, owned or non-owned, operated and/or licensed by the Operator, with a bodily injury, death and property damage limit of Five Hundred Thousand (\$500,000.00) Dollars inclusive;

- iii) Comprehensive General Liability Insurance in such form as may be customarily carried by a prudent operator for similar operations with a bodily injury, death, and property damage limit of One Million (\$1,000,000.00) Dollars inclusive;
- iv) Aircraft Liability Insurance, if aircraft are to be used in the operation, covering all aircraft, owned or non-owned, operated and/or licensed by the Operator, with a bodily injury, death and property damage limit of One Million (\$1,000,000.00) Dollars inclusive;
- v) During any construction of any capital asset for a mine development proposal, Builder's Risk Course of Construction Insurance covering all risk of physical loss or damage in an amount sufficient to cover the value of the work being carried out, subject to a deductible with respect to any one loss not to exceed Fifty Thousand (\$50,000.00) Dollars. This policy shall name all of the parties having an interest in the mine development proposal as named insureds. Such Builder's Risk Course of Construction Insurance shall be in such form as may be customarily carried by a prudent operator for similar operations;

vi) Upon completion of a mine development proposal, the Operator shall, in addition to the other insurance provided for by this paragraph, carry and keep in force and effect the following additional insurance coverage for the protection of itself and the other parties and shall charge the premiums therefor to the joint account:

- I) Insurance to full replacement value for all risk losses with respect to all capital facilities in respect of the mine development proposal, subject to a deductible of not more than Fifty Thousand (\$50,000.00) Dollars for each loss;
- II) Boiler and Machinery Breakdown Insurance in an amount not less than One Million (\$1,000,000.00) Dollars;
- III) ~~Business Interruption Insurance~~ and Product Loss Insurance in an amount of not less than One Million (\$1,000,000.00) Dollars.

~~h) The Operator shall use every reasonable effort to have its contractors and sub-contractors comply with applicable Unemployment Insurance and Worker's Compensation legislation and carry such insurance (if any) in such amounts as the Operator deems necessary.~~

c) If so requested by any party, the Operator shall furnish evidence of compliance with the foregoing insurance provisions.

19. RENTALS AND ROYALTIES

Except as herein expressly provided, the Operator shall initially pay all rentals hereafter accruing and all royalties and taxes (except income taxes) with respect to the mineral claims; provided that any royalty created by or enforced upon any party hereto other than a royalty agreed to be borne for the joint account shall be borne by the party creating the same or against whom the same is enforced. A party which takes its share of production in kind shall pay or cause to be paid directly the royalty attributable to its share of production.



20. LITIGATION

All litigation in connection with the title documents and the mineral claims shall be defended, carried on and conducted for and on behalf of all parties. Each party shall notify the other or others of any process served upon it in any action involving the title of the mineral claims and provided that parties having a participating interest of not less than 75% in the aggregate shall agree, the action shall be handled exclusively by joint counsel for those who do agree to such representation and the cost thereof shall be charged to the joint account. Nothing shall preclude any party from being separately represented by counsel but if separately represented, no fee for counsel's services shall be charged to the joint account.

21. RELATIONSHIP OF PARTIES

The rights, duties, obligations and liabilities of the parties hereto shall be several and not joint or collective, it being the express purpose and intention of the parties hereto that their interest in the mineral claims and in the equipment and property thereon held for the joint account shall be as tenants in common. Nothing herein contained shall be construed as creating a partnership of any kind, joint venture or association or as imposing upon any party hereto any partnership duty, obligation or liability to any other party hereto.

22. FORCE MAJEURE

a) Definition of Force Majeure

"Force majeure" shall mean any one or more of the following events:

- (i) an act of God;
- (ii) a war, revolution, insurrection, riot, blockade, or any other unlawful act against public order or authority;
- (iii) a strike, lockout, or other industrial disturbance;
- (iv) a storm, fire, flood, explosion or lightning;
- (v) the failure to obtain the approval of government, governmental agency, commission, board or other tribunal having jurisdiction in the circumstances as may be required to the conduct of operations hereunder or any governmental or legal restraint upon such operation;
- (vi) any other event (whether or not of the kind enumerated in (i) to (v) of this clause) which is not reasonably within the control of the party claiming suspension of its obligations hereunder due to force majeure.

b) Suspension of Obligations due to Force Majeure

If any party hereto is prevented by force majeure from carrying out any obligation hereunder, then, if that party promptly gives the other parties hereto notice of the force majeure (including reasonably full particulars thereof), the obligations of the party giving the said notice, insofar as its obligations are affected by the force majeure described in the

- 35 -  
said notice, shall be suspended while (but only so long as) the force majeure continues to prevent the performance of the said obligations.

c) Obligation to Remedy

The party hereto claiming suspension of its obligations as aforesaid shall promptly remedy the cause and effect of the force majeure described in the said notice insofar as it is reasonably able so to do; provided that the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of the party hereto claiming suspension of its obligations hereunder by reason thereof; and that party shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to remedy promptly the force majeure thereby constituted.

d) Exception for Lack of Finances

Notwithstanding anything contained in this article, lack of finances shall never be considered a force majeure nor shall any force majeure suspend any obligation for the payment of money due hereunder.

23. NO PARTITION

No party hereto shall during the term of this Operating Procedure exercise any right to apply for any partition of the mineral claims or sale thereof in lieu of partition.

24. DISPOSITIONS OF INTERESTS

Except in the case of an assignment made by way of security for the assignor's indebtedness, or to an affiliate of the assignor, or in consequence of a merger or amalgamation of the assignor with another company, or as part of the sale

by the assignor of all or substantially all of its assets a party hereto shall not assign or dispose of any interest in the mineral claims (other than as elsewhere provided herein with respect to abandonment of mineral claims, surrender of lands or forfeiture of interest) without first notifying the other parties and obtaining their written consent, which shall not be unreasonably withheld.

~~In the event any party hereto, its successors or assigns hereafter desires to sell all or any part of its participating interest in the mineral claims, or any portion thereof, (except as otherwise expressly provided in this Agreement), it may do so only by a sale for cash which is not conditional upon the concurrent sale or transfer of other property and only then, in accordance with the following procedure. The party desiring to sell all or any part of its interest in the mineral claims or any portion thereof shall first give notice to the other parties having a participating interest therein of its intention to do so. Such notice shall constitute an invitation to such parties to submit a joint tender proportionately on behalf of those parties who wish to join in such joint tender according to their then participating interests in the mineral claims or any portion thereof proposed to be sold, which joint tender shall be submitted within Thirty (30) days after the date of the giving of such notice. In the event that the joint tender is not accepted or made (and there shall be no obligation to accept a joint tender) the party desiring to sell all or any part of its participating interest in the mineral claims or any portion~~



~~thereof may thereupon solicit tenders from third parties for a period~~  
of not more than 60 days thereafter and such party shall give not  
less than 15 days notice to the other parties of the date fixed for  
the submission of tenders. The other parties may thereupon submit  
a further joint bid on their joint behalf and in the event  
their bid is the highest bid, the party desiring to sell all or  
any part of its participating interest in the mineral claims  
or any portion thereof shall be bound to accept their bid.  
If bids are received for a cash consideration in excess of  
the joint bid received from the other parties hereto, the party  
desiring to sell all or any part of its participating interest in the  
mineral claims or an interest therein shall be at liberty to accept  
any higher bid provided that such acceptance and the closing of such  
sale takes place within Ninety (90) days from the date called for  
submission of bids. If a sale to a third party in accordance with  
this paragraph is not concluded within such period of Ninety (90)  
days, the preferential rights to the other parties hereto shall be  
revived and the party which desires to sell all or any part of its  
participating interest in the mineral claims or any interest therein  
shall not complete the same unless and until the procedures prescribed  
by this paragraph have again been complied with. In the event that  
a party entitled to participate in a joint bid elects not to so  
participate, the other parties who are entitled to participate in  
a joint bid may submit a bid on their own behalf and such a bid shall  
~~be considered to be a joint bid within the meaning of this paragraph~~

b) All assignments of mineral claims or any interests therein shall be made subject to this agreement and shall require the transferee to assume all of the obligations of this Agreement which accrue on or after the effective date of the assignment with respect to the mineral claims or any interests therein which forms the subject of such assignment; and, no such assignment shall affect or impair any obligation which the assignor has under this Agreement up to the effective date of such assignment.

c) If any assignment of any interest in the mineral claims or any part thereof should be made to multiple parties so that the expenses or duties of the Operator are thereby increased, the Operator may require the assignees (and the assignor if it retains an interest) to appoint one of their number as representing all of them for the purposes of this Agreement, unless arrangements satisfactory to the Operator are made to compensate the Operator for the increased expenses or duties.

25. CONFIDENTIAL INFORMATION

Any and all information developed or obtained by the Parties as a result of operations conducted hereunder including geological maps, geological evaluations, laboratory tests and drill hole samples shall be the joint property of the Parties and such information shall be communicated forthwith between the Parties. The parties shall keep confidential from third parties all information obtained in the course of or as a result of operations on the mineral claims, except information which the parties have expressly agreed to release, and shall take such measures in connection with operations and internal security as shall be advisable in the circumstances.

26. WAIVER

No waiver by or on behalf of any party hereto of any breach of any of the covenants, provisos, conditions, restrictions or stipulations herein contained shall take effect or be binding upon that party unless the same be expressed in writing under the authority of that party and any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

27. NOTICE

a) Service of Notice

Whether or not so stipulated herein, all notices, communications and statements (hereinafter called "notices") required or permitted hereunder shall be in writing. Notices may be served:

- i) Personally by leaving them with the party on whom they are to be served at that party's address hereinafter given. Personally served notices shall be deemed received by the addressees when actually delivered provided such delivery shall be during normal business hours; or
- ii) By telegraph (or by any other like method by which a written and recorded message may be sent) directed to the party on whom they are to be served at that party's address hereinafter given. Notices so served shall be deemed received by the addressees thereof eight hours after the time of transmission or at the commencement of the next

ensuing normal business day, whichever is the later; or

iii) By mailing them first class (air mail if to or from the United States of America) registered post, postage prepaid, to the party on whom they are to be served. Notices so served shall be deemed to be received by the addressees on the second day (excluding as the second day, Saturdays, Sundays and Statutory Holidays) following the mailing thereof in Canada or the United States of America.

b) Addresses for Notices

The address of each of the respective parties hereto shall be as follows:

UNIVERSAL GAS (MONTANA) INC.  
c/o 8th Floor, 640 - 8th Avenue S. W.  
Calgary, Alberta  
T2P 1G7

POLAR RESOURCES CO.  
1119 Sydenham Rd. S. W.  
Calgary, Alberta  
T2T 0T5

c) Right to Change Address

Any party hereto may change its said address by notice served as aforesaid.



28. MISCELLANEOUS

a) Supersedes Previous Agreements

This Agreement supersedes all other agreements, documents, writings and verbal understandings among the parties relating to the mineral claims.

b) Time of Essence

Time shall be of the essence of this Agreement.

c) No Amendment Except in Writing

No amendment or variation of the provisions of this Agreement shall be binding upon the party unless it is evidenced in writing executed by the party.

d) Binds Successors and Assigns

This Agreement shall enure to the benefit of and shall bind the parties hereto and their respective successors and assigns, and the heirs, executors and administrators of natural persons who are or become parties hereto.

e) Interpretation

This Agreement shall be interpreted in accordance with the laws of the Province of Alberta.

f) Term

This Agreement shall remain in full force and effect for so long as any two or more parties hereto shall have any right, title and interest in the mineral claims or any of them. Where in accordance with the provisions of this Agreement, any party shall cease to have any interest in the mineral claims or any

portion thereof, this Agreement shall thereupon terminate to far as that party is concerned.

g) Perpetuities

Notwithstanding anything elsewhere herein contained, the right of any party hereto to acquire any interest in the joint lands from any other party hereto shall not extend beyond twenty-one (21) years after the lifetime of the last survivor of the lawful descendants now living of Her Majesty Queen Elizabeth II.

LEASE & OPTION

THIS LEASE & OPTION made as of the 1st day of October, 1970 by and between EARL A. POULSEN and GOLDIE M. POULSEN, his wife, of Salt Lake City, Utah, (hereinafter called "Lessors"), and POLAR RESOURCES CO., a Nevada corporation, (hereinafter called "Lessee").

W I T N E S S E T H :

Lessors, in consideration of Ten Dollars (\$10.00), the receipt of which is hereby acknowledged, and other good and valuable consideration, leases unto Lessee, for the purpose of prospecting for, mining and removing all minerals, those certain patented mining claims (hereinafter called "the leased properties") located in parts of Sections 1, 2, 11 and 12, Township 35 North, Range 50 East, Mount Diablo Base and Meridian, Lynn Mining District, Eureka County, Nevada, to wit:

<u>Claim Name</u>	<u>U.S. Patent No.</u>	<u>U.S. Survey No.</u>
Big Six No. 3	783757	4332
Holt	881735	4422
July	935874	4528
Great Divide	945439	4393
Bald Eagle	046758	4527

1. Lessors' Representations

Lessors represent and warrant that they are the owners of a Seventy-Seven and One-Half Percent (77 1/2%) undivided interest in and to the leased properties and that to the best of their knowledge and belief, the remaining Twenty-Two and One-Half Percent (22 1/2%) undivided interest in and to such properties is owned by William Bleazard of Salt Lake City, Utah; and Lessors represent and warrant that except for such 22 1/2% outstanding undivided interest, the leased properties are free and clear of all claims of third parties and of all liens, clouds and encumbrances; that Lessors have good and valid right and authority to transfer and convey the leased properties to Lessee; that the



leased properties are not burdened with any royalties, overriding royalties or any payments on production other than the royalty and payments payable to Lessors hereunder; and that Lessors' rights in said properties are not subject to any prior agreement, or encumbrance, burden or restriction created by any act or instrument of Lessors.

2. Term of Lease and Payment

This lease shall be and remain in force and effect for a term of ten (10) years, commencing on the date hereof and ending November 1, 1988 unless sooner terminated by forfeiture or surrender as hereinafter provided; and promptly after execution and delivery of this lease, Lessee shall pay to Lessors, as advance royalty, FIVE HUNDRED DOLLARS (\$500). On or before the first day of each month thereafter commencing with November 1, 1978 Lessee shall pay to Lessors as additional advance royalty payments like sums of FIVE HUNDRED DOLLARS (\$500) each. All such payments of advance royalty shall be credited against any production royalties payable pursuant to Section 3A hereof and against purchase price payable pursuant to Section 3B hereof.

3A. Production Royalty

Lessee agrees to pay, or cause to be paid, to Lessors a production royalty of 77 1/2% of 10%, being pro-rata Lessors' interest in the mineral rights in the leased properties, of the gross yield from all production from the leased properties, less the actual cost of refining, transportation and insurance but not less the cost of mining or milling. Lessee shall furnish Lessors with copies of all mill settlement sheets, freight bills and other information required for such royalty calculations.

Payment of production royalties, after having deducted from and credited against said royalties any costs not reimbursed as provided in Section 8 hereof, shall be made on or before the last day of each calendar month, or as soon thereafter as necessary data are available, for all such lots of ores, concentrates and minerals for which Lessee shall have received payment during the preceding calendar month.

3B. Option to Purchase

In consideration of the undertakings made by Lessee in this lease, Lessors do hereby give and grant to Lessee, its successors



and assigns the exclusive right and option, to be exercised at any time during the continuance of the term of this lease, to purchase the leased properties for the sum of ONE HUNDRED THOUSAND DOLLARS (\$100,000). All payments for the lease and production royalties made in accordance with the terms of Sections 2 and 3A hereof shall apply on the said purchase price.

3C. Method of Payment

All cash payments pursuant to this lease, including cash payments of production royalties hereunder, shall be made by cheque sent and payable to Utah Bank and Trust, 8 South Main Street, Salt Lake City, Utah 84111 (hereinafter called "the Bank"). On making said payments, Lessee shall be deemed to have made such payments to Lessors, their heirs, executors, administrators and assigns, and thereupon, Lessee shall be discharged to the extent thereof as if such payments had been made directly to Lessors or to any firm, person or corporation entitled thereto and Lessee shall not be liable for the ultimate distribution or receipt of any such payment or payments.

3D. Title Escrow after One-half Purchase Price Paid

On having received FIFTY THOUSAND DOLLARS (\$50,000) or more in payments under Sections 2, 3A or 3B hereof, Lessors shall place in escrow with the Bank a good and sufficient deed, conveying to Lessee or its nominee all their right, title, and interest in the leased properties; and said Bank is instructed to deliver said deed to the Lessee or its nominee at any time while this lease is in effect upon request of Lessee or its successors, and upon payment by Lessee or its successors of the balance owing on said purchase price; otherwise said Bank shall hold said deed subject only to the order of Lessors. In determining for the purpose of this Section whether Lessee has paid the full purchase price, said Bank shall be fully protected in relying on any evidence satisfactory to it of payments having been made under Sections 2, 3A or 3B hereof. Lessee shall pay the cost of the escrow.

4. Right of Inspection

Lessee shall allow Lessors or their representatives to enter at Lessors' risk upon the leased properties for the purpose of inspection at such reasonable times as shall not interfere with Lessee's operations in the leased properties. It is understood and agreed that Lessee shall have no responsibility for the safety of Lessors' representatives when and while upon the leased properties.

5. Indemnification of Lessors

Lessee, in its operations on the leased properties, shall comply with all applicable laws. Lessee further covenants and agrees to indemnify and hold harmless Lessors from and against any damages, claims, costs and expenses arising out of its operations on the leased properties.

Lessee shall hold Lessors harmless and indemnify them from and against all claims and demands which may be made upon them or against the leased properties for or on account of any debt or expense contracted or incurred by Lessee.

6. Non-Liability Notice

Lessee shall keep posted in conspicuous places about the leased properties where work is being conducted by Lessee such notice as will inform whom it may concern that the leased properties are being operated under a lease to Lessee, and that Lessors will not be responsible for any of the expenses or charges of any operations conducted under this lease.

7. Taxes

During the term of this lease, Lessee will pay all taxes lawfully levied or assessed against the leased properties, except taxes on or measured by income or royalties received by Lessors.

8. Protection Against Liens

In the event any liens or encumbrances shall hereafter accrue against the leased properties by act or neglect of Lessors, then Lessee may, at Lessee's option, pay and discharge the same, and if Lessee elects so to do, Lessee may deduct the amount so paid from any production royalties or minimum payments or purchase price hereunder, together with interest thereon from the date of payment of said sums at the rate of 8% per annum.

9. Termination

This lease is made upon the condition that so long as it is in force and effect and has not been terminated, surrendered or suspended, Lessee shall perform all of the covenants and agreements set forth to be performed by Lessee. If Lessee shall fail to make any payment of production royalties when due and payable or shall fail to comply with any of the other conditions or requirements of this lease, Lessors may, upon the giving of sixty (60) days notice in writing to Lessee of the default and describing the nature of the default, cancel and forfeit this lease unless, within said sixty (60) day period, Lessee shall cure the default if the default relates to the payment of production royalties, or unless within said sixty (60) day period, if default relates to other than payment of production royalties, Lessee shall undertake in good faith to cure the default and shall diligently proceed to cure the default.

10. Lessee's Right of Surrender

It is expressly understood and agreed between the parties hereto, anything to the contrary notwithstanding herein

contained, that continuance of this lease is optional with Lessee. Lessee may surrender this lease at any time on thirty (30) days advance written notice to Lessors, and, upon surrender, all of Lessee's obligations and liabilities hereunder shall immediately cease and terminate, except liabilities on account of any obligation incurred and owing at the time of such surrender. No surrender shall release Lessee from its obligation to pay royalties as to ores, concentrates or minerals mined and removed from the leased properties prior to the effective date of surrender, or from any obligation hereunder arising out of any act of omission of Lessee prior to the effective date of surrender.

Promptly after surrender or termination of this lease, Lessee shall execute and place on the records of Eureka County, Nevada, a quit claim deed or other instrument properly evidencing such surrender or termination.

11. Removal of Equipment

In case of forfeiture, surrender or expiration of this lease, any mill constructed upon the leased properties, together with all mill equipment and all personal property of Lessee located within or upon the leased properties, may be removed from the leased properties by Lessee.

12. Lesser Interest Provision

If Lessors own, as to any of the mining claims included in the leased properties, less than an undivided  $77 \frac{1}{2}\%$  interest therein, then the production royalties specified by this lease shall, as to any ores, concentrates or minerals produced from such claims as to which Lessors own less than a  $77 \frac{1}{2}\%$  interest, be paid to Lessors only in the proportion that Lessors' interest bears to the full and entire interest.

13. Manner of Giving Notice

Any notice required or desired to be served upon Lessee shall be in writing and may be deposited in the United States mail postage prepaid, and certified or registered, return receipt requested, and addressed as follows:



Polar Resources Co.  
1670 Silver Street  
Elko, Nevada, 89801

and to:

Polar Resources Co.  
1119 Sydenham Road S.W.  
Calgary, Alberta, Canada T2T 0T5

or to such other address as Lessee may from time to time designate by written notice to Lessors.

Any notice required or desired to be served upon Lessors shall be in writing and may be deposited in the United States mail, postage prepaid, and certified or registered, return receipt requested, and addressed as follows:

Earl A. Poulsen  
3744 Greenbrier Way  
Salt Lake City, Utah 84109

Service of notice by mail shall be deemed effective and complete upon the date of posting and mailing in accordance herewith.

Personal service of notice upon a party hereto shall be deemed sufficient service of notice, and no mailing of notice shall be necessary in the case of personal service.

14. Legal Fees

Any legal fees incurred by Lessee with respect to this lease and the leased properties shall be for the account of Lessee and not for the account of Lessors.

15. Work Commitments

Lessee will do surface and underground sampling, surface trenching, rotary drilling, and shall examine the underground workings where entry can safely be obtained prior to June 1, 1979, and will explore the leased properties until they have been completely and properly evaluated in Lessee's opinion.

16. Inurement

The provisions of this lease shall inure to the benefit of and shall be binding upon the successors in interest and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed as of the date first hereinabove written.

Earl A. Poulsen  
Earl A. Poulsen

Goldie M. Poulsen  
Goldie M. Poulsen

POLAR RESOURCES CO.

ATTEST:

Patricia G. Hunt, Secretary

By C. Warren Hunt  
C. Warren Hunt, President

PROVINCE OF ALBERTA, CANADA )  
CITY OF CALGARY ) SS.

On this 25<sup>th</sup> day of September, 1978, before me personally appeared C. Warren Hunt, who acknowledged himself to be President of POLAR RESOURCES CO. and that, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

[Signature]  
Notary Public

My Commission Expires May 16, 1982

in Co. I.R.  
STATE OF UTAH )  
COUNTY OF SALT LAKE ) SS.

On this 2<sup>nd</sup> day of October, 1978, before me personally appeared EARL A. POULSEN and GOLDIE M. POULSEN, his wife, to me known to be the same persons described in and who executed the foregoing instrument and acknowledged that they executed the foregoing instrument as their free act and deed.

Jeannette Walker  
Notary Public

My Commission Expires:

May 16, 1982

MEMORANDUM OF LEASE OPTION

KNOW ALL MEN BY THESE PRESENTS:

For valuable consideration, as of October 1, 1978 EARL A. FOULSEN and GOLDIE M. FOULSEN, his wife, have leased and optioned to POLAR RESOURCES CO., a Nevada corporation, for a term of ten (10) years, unless sooner terminated by forfeiture or surrender or purchased as provided in said lease and option, certain patented mining claims located in parts of Sections 1, 2, 11, and 12, Township 35 North, Range 50 East, Mount Diablo Base Line and Meridian, Lynn Mining District, Eureka County, Nevada, to wit:

Claim Name	U.S. Patent No.	U.S. Survey No.
Big Six No. 3	703757	4332
Holt	281735	4422
July	935874	4522
Great Divide	945429	4393
Elk Eagle	046758	4527

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Lease & Option, as of the 1st day of October, 1978.

Earl A. Foulsen  
Earl A. Foulsen

Goldie M. Foulsen  
Goldie M. Foulsen

ATTEST:

POLAR RESOURCES CO.

Patricia G. Hunt, Secretary

C. Warren Hunt  
C. Warren Hunt, President

PROVINCE OF ALBERTA, CANADA )  
CITY OF CALGARY ) SS.

On this 25th day of September, 1978, before me personally appeared C. Warren Hunt, who acknowledged himself to be President of POLAR RESOURCES CO. and that, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

My Commission Expires: 1/1/80

is for life

[Signature]  
Notary Public

STATE OF UTAH )  
COUNTY OF SALT LAKE ) SS.

On this 2nd day of October, 1978, before me personally appeared EARL A. FOULSEN and GOLDIE M. FOULSEN, his wife, to me known to be the same persons described in and who executed the foregoing instrument and acknowledged that they executed the foregoing instrument as their free act and deed.

Jeannette Walker  
Notary Public

My Commission Expires:

68562

May 16, 1982

RECORDED AT THE REQUEST OF Hoy & Miller, Chartered  
on JUNE 26, 1979 at 00 mins. part 2 A.M. in  
Book 71 of OFFICIAL RECORDS, page 9-102, RECORDS OF  
EUREKA COUNTY, NEVADA. WILLIS A. DePAOLI Recorder  
File No. 68562 Fee \$ 96.00

BOOK 71 PAGE 10-2

COPY

**Certification of Copy  
State of Nevada  
County of Eureka**

} **SS**

I, Michael Rebaleati, the duly elected and qualified Recorder of Eureka County, State of Nevada, do hereby Certify that this is a full, true, and correct copy of the Instrument now on record in this office.

Recorded in Book 71 of Official Records  
Pages 9-102, File No 68562

Whereof, I have hereunto Set my Hand and affixed the Seal of my office, in Eureka, Nevada this

15th day of April 20 13

M. Rebaleati by

Eureka Co. Recorder/Audit & Exofacto Court Recorder.

Travis J. Smith Deputy Recorder