

DUPLICATE

Lease No. 95 F/10-5-3 (MINE)
File No. 95 F/10-5

THIS LEASE made this 12th day of November 1987

BETWEEN

Her Majesty the Queen in right of Canada, hereinafter called "Her Majesty"

OF THE FIRST PART

AND PROCAN EXPLORATION COMPANY LIMITED, a body corporate, incorporated under the Laws of Alberta having its Head Office in the City of Calgary in the Province of Alberta,

hereinafter called "the lessee"

OF THE SECOND PART

WITNESSETH that in consideration of the rents, covenants and agreements herein reserved and contained on the part of the lessee to be paid, observed and performed, and subject to the Territorial Lands Act and the Territorial Lands Regulations, Her Majesty demises and leases unto the lessee all that certain parcel or tract of land situate, lying and being composed of all that parcel of land located in Quad 95 F/10, in the Northwest Territories, as shown outlined in red on the sketch annexed hereto and forming part of this description,

TO INDENTURE
Dated this 19th day of Aug 19 91 A.D.
Regional Manager, Land Resources

I hereby certify that an assignment of the within lease was registered in the office of the Regional Manager of Land Resources Department of Indian Affairs and Northern Development, Yellowknife Northwest Territories

the 8th day of July A.D. 1993
under Number 95 F/10-5-4

Assignor Nanisivik Mines Ltd.
Assignee San Andreas Resources Corporation
Jim Umpherson Regional Manager of Land Resources

hereinafter called "the land", SUBJECT TO the following reservations:

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- (a) all mines and minerals whether solid, liquid or gaseous which may be found to exist within, upon, or under the land together with the full powers to work the same and for that purpose to enter upon, use and occupy the land or so much thereof and to such an extent as may be necessary for the effectual working and extracting of the said minerals;
- (b) the rights of the recorded holders of mineral claims and any other claims or permits affecting the land;
- (c) all timber that may be on the land;
- (d) the right to enter upon, work and remove any rock outcrop required for public purposes;
- (e) such right or rights of way and of entry as may be required under regulations in force in connection with the construction, maintenance and use of works for the conveyance of water for use in mining operations; and
- (f) the right to enter upon the land for the purpose of installing and maintaining any public utility.

THE PARTIES COVENANT AND AGREE AS FOLLOWS:

DEFINITIONS:

- 1. In this lease:
 - (a) "Minister" means the Minister of Indian Affairs and Northern Development and any person authorized by him in writing to act on his behalf;
 - (b) "facilities" means all physical structures or appurtenances placed in or upon the land;
 - (c) "construction" means all manner of disturbance of the natural state of the surface of the land, including the sub-surface and sub-strata;
 - (d) "Surveyor General" means the Surveyor General as defined in the Canada Lands Surveys Act;
 - (e) "body of water" means any lake, river, stream, swamp, marsh, channel, gully, coulee or draw that continuously or intermittently contains water;
 - (f) "mine site" means all buildings and equipment necessary for the extraction of minerals and all other associated facilities;

TERM:

- 2. Subject to Clause 6, the term of this lease will be for a period of ten (10) years commencing on the 1st day of April, A.D. 1987 and terminating on the 31st day of March, A.D. 1997.

RENT AND TAXES:

- 3. Subject to Clause 4, the lessee shall pay to the lessor yearly and every year in advance the rental of two thousand eight hundred and seventy five (\$2,875.00) dollars.

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4. The Minister may, not less than three (3) months before the expiration of the first five (5) year period of the said term, notify the lessee in writing of an amended rental payment for the following five (5) year period, the said amended rental to be based upon the fair appraised value of the land at the time of such notification, but without taking into account the value of any improvements placed thereon by and at the expense of the lessee.
5. The lessee shall during the term of this lease, pay all taxes, rates and assessments charged upon the land or upon the lessee in respect thereof.

RENEWAL:

6. (a) Subject to the lessee having performed and observed all the covenants and conditions on the part of the lessee to be performed and observed; and upon a renewal being requested by the lessee in writing one (1) year prior to the date of expiry of this lease, Her Majesty will grant to the lessee a renewal of this lease for a further term of ten (10) years upon essentially the same terms and conditions as are herein contained except as to rent, security deposit and this right of renewal.
- (b) Notwithstanding Clause 6(a) above, no renewal of this lease will be granted to the lessee unless or until lease number 95 F/10-7-2 between Her Majesty and the lessee is subsisting, renewed or eligible for renewal by the lessee.

USE:

7. The lessee shall use the land for minesite maintenance purposes only.

SUBLETTING OR ASSIGNMENTS:

8. The lessee shall not sublet the land or assign or transfer this lease or any portion thereof without the consent of the Minister in writing, which consent shall not be unreasonably withheld.
9. No sublease, assignment or transfer of this lease to any party will receive the consent of the Minister unless lease number 95 F/10-7-2 is sublet, assigned or transferred to the same party.

SECURITY DEPOSITS:

10. The Minister may, in the event of a serious default of the conditions of this lease, require that the lessee deposit with the Minister a security deposit not exceeding two hundred and fifty thousand (\$250,000.00) dollars during the first five year period of the said term. Ninety (90) days prior to the expiration of the 1st five year period of the term, the Minister and the lessee shall negotiate an amended security deposit for the remaining five year period, based on the estimated cost to carry out the abandonment and restoration plan annexed hereto as Schedule "A", but in no case shall the amended amount be less than two hundred and fifty thousand (\$250,000.00) dollars or more than five hundred thousand (\$500,000.00) dollars.

The security deposit provided by the lessee must be in the form of:

- (a) a promissory note guaranteed by a chartered bank and payable to the Receiver General for Canada;
- (b) a certified cheque drawn on a chartered bank in Canada and payable to the Receiver General for Canada;
- (c) bearer bonds issued or guaranteed by the Government of Canada;
- (d) a combination of the securities described in paragraphs (a) to (c); or
- (e) any other guaranteed security approved by the Minister.

11. Where the lessee has not complied with all of the terms and conditions of this lease, the Minister may retain such part of the security deposit as required to fulfill the said terms and conditions.

12. Where the Minister retains all or part of the said security deposit, the Minister shall use the amount retained to remedy any damage or default, or to carry out any restoration necessary resulting from the lessee's non-compliance, and shall refund any excess to the lessee.

BREACH:

13. Where any portion of the rental herein reserved is unpaid for more than thirty (30) days after it becomes due, whether formally demanded or not, the Minister may by notice in writing terminate this lease and on the day following the mailing of such notice, this lease is cancelled.

14. Where the lessee breaches or fails to perform or observe any of the covenants, terms, conditions or agreements herein contained, other than the covenant to pay rent, the Minister may so advise the lessee by written notice and if the lessee fails to remedy the breach or non-performance within a reasonable time thereafter or within the time granted in the said notice, the Minister may, by notice in writing, terminate this lease and on the day following the mailing of such notice, this lease is cancelled.

15. Unless a waiver is given in writing by the Minister, Her Majesty will not be deemed to have waived any breach or non-performance by the lessee of any of the covenants, terms, conditions or agreements herein contained and a waiver affects only the specific breach to which it refers.

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TERMINATION:

16. Upon the termination or expiration of this lease, the lessee shall deliver up possession of the land in a restored condition as required by the restoration provisions of this lease.
17. Termination or expiration of this lease will not prejudice Her Majesty's right to unpaid rental or any other right with respect to a breach or non-performance of any covenant, term, condition or agreement herein contained nor will the lessee be relieved of any obligation contained herein.

ABANDONMENT AND RESTORATION

18. In the event the lessee decides to abandon the property during the currency of this lease, the lessee will provide the Minister with at least six (6) months notice prior to the date of abandonment.
19. After supplying notice pursuant to Clause 18, the lessee shall carry out works and actions substantially in the form described in Schedule "A" annexed hereto and forming part of this lease and entitled "Abandonment and Restoration Plan".
20. The Abandonment and Restoration Plan shall be considered an integral part of the terms and conditions of this lease and may not be changed without the agreement of both parties hereto. *
21. The lessee shall undertake ongoing restoration during the term of the lease for any land or improvements which are no longer required for the lessee's operations on the land.
22. The lessee shall file annually a progress report for the preceding year, outlining the ongoing restoration completed in conformance with the approved plan of restoration.
23. Where the lessee fails to restore the land as described in Schedule "A" and within the time allowed by the Regulations or by the Minister, the Minister may order the restoration of all or any part of such land and any expenses thus incurred by the Minister shall be recoverable from the lessee as a debt due to Her Majesty.

WASTE DISPOSAL:

24. The lessee shall dispose of all garbage and debris by incinerating all combustible materials and burying all noncombustible materials in a manner and at a site approved by the Minister, or by removal to an approved dumping site.
25. The lessee shall not discharge or deposit any refuse substances or other waste materials in any body of water, or the banks thereof, which will, in the opinion of the Minister, impair the quality of the waters or the natural environment.

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ENVIRONMENTAL:

26. The lessee shall at all times keep the land in a condition satisfactory to the Minister.
27. The lessee shall not do anything which will cause erosion of the banks of any body of water on or adjacent to the land, and shall provide necessary controls to prevent such erosion.
28. In the event that the lessee is conducting operations which are, in the opinion of the Minister, whose opinion will be reasonably exercised, causing irreparable damage to the environment, the Minister may require that the operations of the lessee hereunder be suspended and the operations shall be suspended until such time as the situation has been satisfactorily remedied.
29. The lessee shall be required to undertake such corrective measures as may be specified by the Minister in the event of waste spill on the land, or water or wind erosion of the land, resulting from the lessee's operations.

FUEL AND HAZARDOUS CHEMICALS:

30. The lessee shall take all reasonable precautions to prevent the possibility of migration of spilled petroleum fuel over the ground surface or through seepage in the ground by:
 - (i) constructing a dyke around any stationary petroleum fuel container where the container has a capacity exceeding four thousand (4,000) litres; and
 - (ii) ensuring that the dyke(s) and the area enclosed by the dyke(s) is impermeable to petroleum products at all times; and
 - (iii) ensuring that the volumetric capacity of the dyked area shall, at all times, be equal to the capacity of the largest petroleum fuel container plus ten (10) percent of the total displacement of all other petroleum fuel containers placed therein; orsuch other alternate specifications submitted by the lessee that may be approved, in writing, by the Minister.
31. The lessee shall ensure that fuel storage containers are not located within thirty-one (31) metres of the ordinary high water mark of any body of water unless otherwise authorized by the Minister.
32. The lessee shall mark with flags, posts or similar devices all petroleum fuel storage facilities, including fill and distribution lines, such that they are clearly visible at all times.
33. The lessee shall immediately report all spills of petroleum and hazardous chemicals in accordance with the Government of the Northwest Territories Spill Report and any amendments thereto, or in a manner satisfactory to the Minister.
34. The lessee shall handle, store, dispose and keep records of all hazardous and toxic chemicals in a manner satisfactory to the Minister.
35. The lessee shall take all reasonable precautions to prevent the migration of petroleum products into bodies of water.

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BOUNDARIES/SURVEY:

36. Her Majesty is not responsible for the establishment on the ground of the boundaries of the land.
37. The boundaries of the land are subject to such adjustment and alteration as may be shown to be necessary by survey.
38. The Minister may, during the term herein granted, by notice in writing, order the lessee to survey the boundaries of the land and the lessee shall, at its own expense, within one (1) year from the date of said notice, make or cause to be made a survey of the land, such survey to be made in accordance with the instructions of the Surveyor General, and upon completion of the survey and the production of survey plans suitable for recording in the Canada Lands Surveys Records and filing in the Land Titles Office for the Northwest Territories Land Registration District, Her Majesty will execute an Indenture in amendment of this lease for the purpose of incorporating herein descriptions of the land based on the said plans.

IMPROVEMENTS:


39. The lessee is responsible for ensuring that all improvements to the land are made within the boundaries of the land.
40. The lessee shall maintain the existing improvements now situated on the land on the effective date of this lease, or any similar improvements which may be constructed, in a manner and condition satisfactory to the Minister.

ACCESS:

41. Her Majesty assumes no responsibility, express or implied, to provide access to the land.
42. It shall be lawful for Her Majesty or any person duly authorized at all reasonable times to enter upon the land for the purpose of examining the condition thereof.

INDEMNIFICATION:

43. The lessee shall at all times hereafter indemnify and keep Her Majesty indemnified against all claims, demands, actions or other legal proceedings by whomsoever made or brought against Her Majesty by reason of anything done or omitted to be done by the lessee, his officers, servants, agents or employees arising out of or connected with the granting of this lease.
44. The lessee will not be entitled to compensation from Her Majesty by reason of the land or any portion thereof being submerged, damaged by erosion, or otherwise affected by flooding.
45. Her Majesty will not be liable for damages caused by vandalism or interference by others with the lessee's facilities and equipment.

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REVIEW:

46. At the request of the lessee, any decision of the Minister will be reviewable by the Trial Division of the Federal Court of Canada; costs of such review are the responsibility of the lessee unless otherwise ordered by the Court.

NOTICES:

47. All written notices respecting the land or the covenants, terms, conditions or agreements contained in this lease shall, unless otherwise stipulated herein, be deemed to have been received by the lessee ten (10) days after the mailing thereof or, if hand delivered, on the day of delivery.
48. Any notice affecting this lease which Her Majesty may desire to serve upon the lessee, or any notice which the lessee may desire to serve upon Her Majesty shall, unless otherwise stipulated herein, be sufficiently served if posted by registered mail to the last known address of the opposite party as follows:

To Her Majesty: Director of Renewable Resources and Environment,
Northwest Territories Region,
Northern Affairs Program
Department of Indian Affairs and Northern
Development
P.O. Box 1500
Yellowknife, N.W.T.
X1A 2R3

To the Lessee: Procan Exploration Company Limited
1400, 727 - 7th Avenue, S.W.,
CALGARY, Alberta
T2P 0Z5

Either party may change its address for service during the term of this lease by notifying the other party in writing.

49. No notice of breach or default given herein by Her Majesty shall be valid or of any effect unless it is also given to any mortgagee of the lessee, in respect of the leased lands, of which Her Majesty shall have received written notice.

GENERAL:

50. The lessee shall abide by the said Act and Regulations.
51. This lease enures to the benefit of and is binding upon Her Majesty, Her Heirs and Successors and the lessee, its successors and assigns.
52. No implied covenant or implied liability on the part of Her Majesty is created by the use of the words "demises and leases" herein.

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53. The lessee shall not fence the land, or any part thereof, except as may be reasonably required for security or safety purposes.
54. Subject to the reservations, conditions, covenants and agreements herein contained, the lessee, its successors and permitted assigns, having performed and observed all the stipulations, provisos and conditions on its part to be observed and performed, will be entitled to the quiet enjoyment of the lands herein leased without hindrance, molestation or interruption on the part of Her Majesty or any person claiming by, through or under Her.
- 55 a) Should the lessee intend to develop the Prairie Creek mine to place it into production, or intend to make application for a Water Licence, he shall notify the Minister in writing at least six (6) months prior to the proposed start-up date of such operations; and,
- b) the Minister, upon receipt of such notification, shall implement a complete re-assessment of the operations; and,
- c) upon completion of the assessment, the Minister may request the issuance of a new lease document with such terms and conditions as may be required for the operations of the minesite, and the subsequent lease shall contain a clause which cancels and supercedes this agreement.

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IN WITNESS WHEREOF The Director of Renewable Resources and Environment, Northwest Territories Region, Northern Affairs Program, Department of Indian Affairs and Northern Development, has hereunto set his hand and seal on behalf of Her Majesty the Queen in right of Canada and Procan Exploration Company Limited has hereunto affixed its corporate seal attested to by its proper officers duly authorized in that behalf.

SIGNED, SEALED AND DELIVERED on behalf)
of Her Majesty by The Director)
of Renewable Resources and Environment)
Northwest Territories Region,)
Department of Indian Affairs and)
Northern Development, in the presence)
of)

Lucille L. Troese)

SEALED, ATTESTED TO AND DELIVERED)
by the VICE PRESIDENT)
and the)
of Procan Exploration Company Limited)

W. J. Styton

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ABANDONMENT AND RESTORATION PLAN

This Abandonment and Restoration Plan is an integral part of Lease No. 95 F/10-5-3 that requires that the lessee, on notice of abandonment as prescribed by Clause 18 of the Lease, carry out at its own expense the following works and actions in a timely and workmanlike manner and with due regard to the protection of the environment.

Item 1 REMOVAL OF MATERIALS

Materials are defined as anything that is not equipment or a structure. All materials shall be considered in two classes;

- (a) those presenting some real or potential environmental hazard, if left on the lease, and
- (b) those that present no environmental hazard regardless of the manner of storage.

All Class A materials shall be disposed by either:

- (i) on-site destruction if this can be done without causing any adverse environmental effects, or
- (ii) removal from the Lease and disposal in a suitable manner.

The lessee shall prior to disposal, provide the Minister with the details of the proposed disposal option, and such proposal shall include but not be limited to:

- (a) method;
- (b) location; and
- (c) timing.

A list of Class A materials is attached hereto as Annex 1 to this schedule.

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Annexed to Lease No. 95 F/10-5-3

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The lessee shall have the option to either remove Class B materials from the Lease or to leave them on the Lease in their present locations or in suitable locations for their ultimate disposal. A list of Class B materials is attached hereto as Annex 2 to this schedule.

Item 2 REMOVAL OF EQUIPMENT

The lessee shall have the option of either removing equipment from the Lease, or of leaving it in suitable locations on the Lease. Suitable locations are defined as:

- (i) inside existing structures that are not to be removed, and
- (ii) other designated locations on the lease.

No equipment left on the Lease shall be left with any materials in it that may cause environmental damage in the future.

Item 3 REMOVAL OF STRUCTURES AND BUILDINGS

The lessee shall have the option to either remove or leave all major structures and buildings that presently exist on the Lease. Annex 3 to this schedule details what these structures are.

In the event the lessee removes one or more of these structures or buildings, its site is to be left in a clean condition with all debris created by its dismantling removed from the Lease or buried in a suitable disposal location. The lessee shall not be required to remove or bury concrete foundations.

All small wooden or wood frame buildings and structures will be either removed from the lease or destroyed by burning with any metallic residue being buried in a suitable disposal location.

All major structures left standing will have all openings securely sealed with timber.

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Annexed to Lease No. 95 F/10-5-3

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Item 4 CONCRETE STRUCTURES

All concrete structures will be left in their present state. No demolition or burying will be attempted.

Item 5 SURFACE SERVICES

All surface pipelines and above ground wiring power distribution poles, antennae towers will be taken down and either removed from the Lease or disposed of on the Lease at a suitable location.

Item 6 UNDERGROUND ENTRANCES

These will be sealed in accordance with Government of the N.W.T. Mining Regulations.

Item 7 MINE ORE STOCKPILE

The ore stockpile, consisting of about 40,000 m. tons of lead and zinc mineralized rock shall be covered with a layer of impervious clay no less than 24 inches in thickness. The pile sides shall be graded to a 2 (h): 1 (v) slope, or flatter as dictated by siting constraints, prior to the application of the clay seal. The clay for this work shall be obtained from the airstrip stockpile.

Item 8 TAILINGS POND

The tailings pond shall be left in its present condition.

Item 9 DRAINAGE AND EROSION CONTROL

All culverts shall be removed and barriers to original drainage removed. This shall not include any part of the tailings pond dyke or the dyke protecting the camp area from Prairie Creek.

Item 10 OIL DRUMS AND CONTAINERS

All containers of petroleum products shall be emptied, crushed and buried in an area that is above maximum flood level of any adjacent water bodies.

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Annexed to Lease No. 95 F/10-5-3

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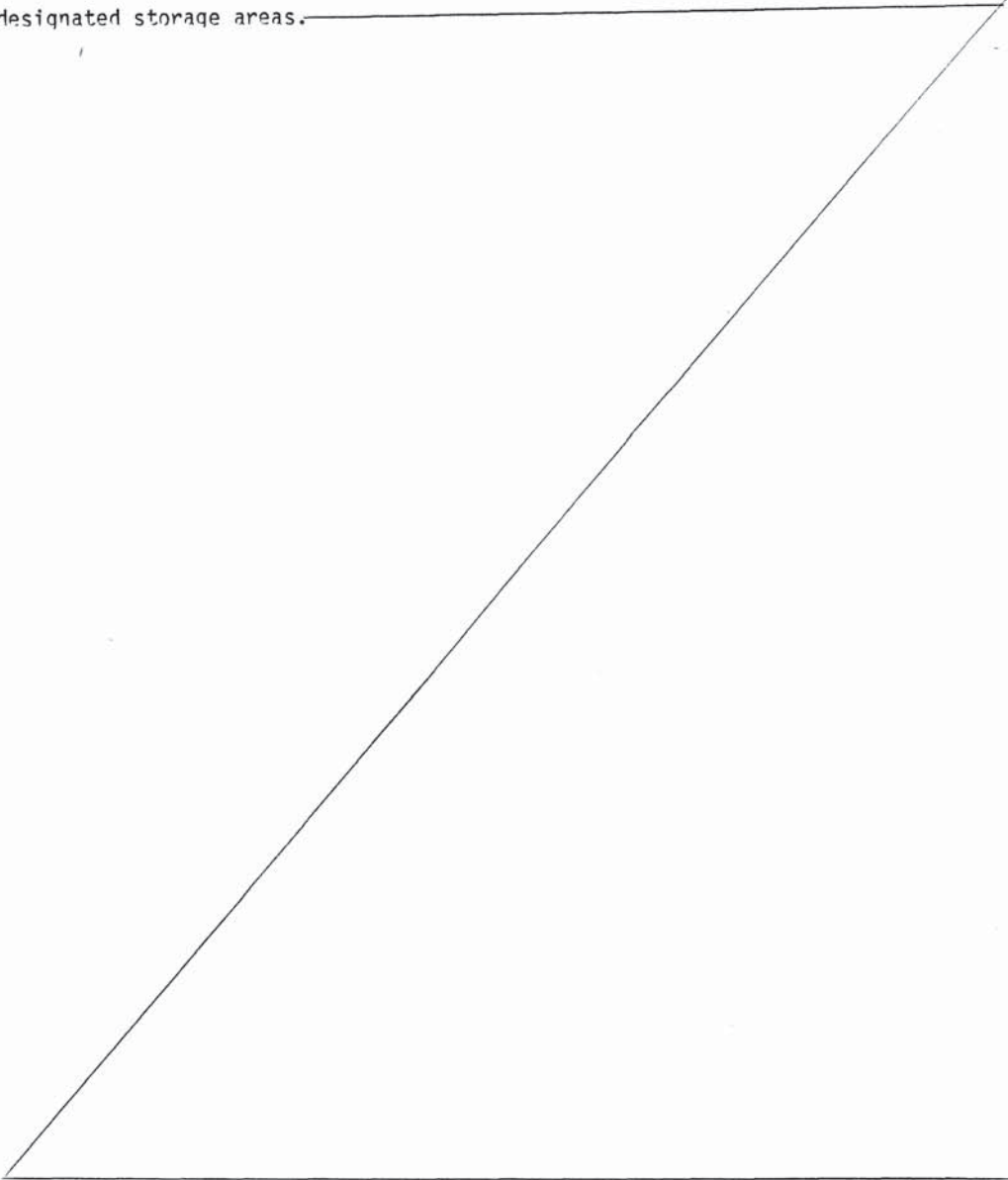
Item 11

GENERAL

All areas shall be left in a neat and tidy condition after the abandonment.

Remaining materials shall be concentrated as much as possible to a few designated storage areas.

Remaining equipment shall be parked in an orderly manner in the designated storage areas.



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ANNEX 1 TO SCHEDULE "A"

LIST OF CLASS A MATERIALS

Annexed to Lease No. 95 F/10-5-3

<u>CHEMICALS</u>	<u>QUANTITY</u>
Copper Sulphate	196 pallets ✓
Sodium Isopropyl Xanthate	84 Pallets ✓
M.I.B.C.	4 Pallets ✓
Dowfroth	4 Pallets ✓
Sodium Cyanide	132 Pallets ✓
Contaminated Gravel	(6) - 45 Gallon Drums
Methanol	1 Pallet
<u>PETROLEUM PRODUCTS</u>	
Diesel Fuel	(Bulk)
Lubricating Oil	(Bulk, Drums and Pails)
Gasoline	(Bulk)
Aviation Gas	(Drums)
Jet B	(Drums)
Used Lube Oil	(Bulk and Drums)
Grease	(Pails)
Propane	(Bulk)
<u>EXPLOSIVES</u>	
Citquel 70	

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ANNEX 2 TO SCHEDULE "A"

LIST OF CLASS B MATERIALS

Annexed to Lease No. 95 F/10-5-3

CHEMICALS

Lime

Soda Ash

CONSTRUCTION MATERIALS

Cement

Steel Sections and Plate

Lumber

Pipe

Cables

Tires

MINE SUPPLIES

Mine Timber

Rock Bolts

Mill Hole Sections

Rock Bolts

Manway Sections

Rail

MILL SUPPLIES

Balls

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ANNEX 3 TO SCHEDULE "A"

STRUCTURES TO BE LEFT INTACT

Annexed to Lease No. 95 F/10-5-3

BUILDINGS

Mill and Powerhouse

Assay Laboratory

Service Building

Mechanics Shop

Cold Storage Building

Sewage Treatment Plant

STRUCTURES

1A Conveyor Gantry

10,700 BBL Fuel Storage Tanks (4 No.)

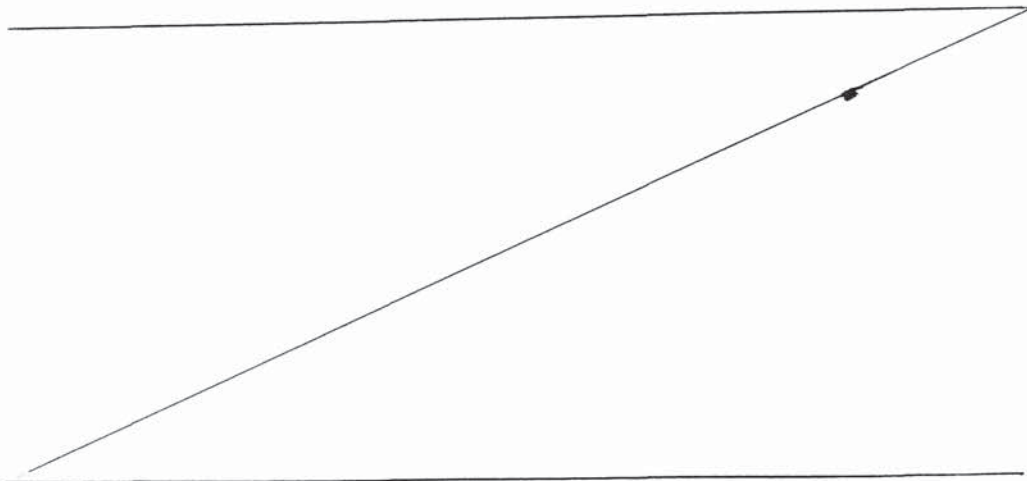
2,000 BBL Storage Tanks (3 No.)

Gasoline Storage Tanks (2 No.)

Mine Dump Structure

Propane Storage Tanks - 30,000 Gallon (5 No.)

- 15,000 Gallon (1 No.)



Handwritten signature or initials