

EXPLORATION RIGHT AND OPTION TO PURCHASE

THIS AGREEMENT made the 9th day of February, 198⁵4, by and between LILLIAN W. McNAMARA, OF GULF BREEZE, FLORIDA, NANCY McNAMARA CAIN, OF TALLAHASSEE, FLORIDA and NORAH McNAMARA McVOY (formerly appearing of record as NORAH McNamara), of Tallahassee, Florida

(hereinafter collectively referred to as Owner), and BEARTOOTH LAND AND TIMBER COMPANY, a Montana corporation, having its office at 3106 Smokey Lane, Billings, Montana 59101 (hereinafter referred to as Optionee).

R E C I T A L S:

1. Optionee (by itself and through its predecessors in interest) has paid to Owner (or Owner's successors) the sum of Twelve Thousand Dollars (\$12,000.00) plus extension bonuses.

2. The parties wish to memorialize their agreement concerning rights and obligations with respect to certain real property in Park County, Montana.

IN WITNESS WHEREOF, THE PARTIES AGREE AS FOLLOWS:

SECTION I

OWNER'S WARRANTIES

Owner represents that he is the sole legal and equitable owner of the interests, including the surface and mineral interest, in certain patented property situate in the New World Mining District, Park County, State of Montana, as set forth in Schedule A (hereinafter referred to as the "Property"), without defect, lien or encumbrance whatsoever, and warrant title to the same.

SECTION 11

GRANT OF OPTION PURCHASE

Owner hereby irrevocably gives, grants and conveys to Optionee, its successors and assigns, so long as this Agreement remains in force and effect, the sole and exclusive right to purchase the property, without exception, reservation, lien or defect whatsoever for the sum of Forty-five Thousand Forty-three and 55/100 Dollars (\$45,043.55), payable at any time during the life of this agreement.

In order for this agreement to remain in full force and effect, Optionee shall also pay the following extension bonuses, none of which shall be credited against the option price set forth above:

a. The sum of Four Thousand Dollars (\$4,000.00), which shall extend this agreement to October 22, 1984; and

b. Successive payments in the sum of One Thousand Dollars (\$1,000.00) each, the first such payment due on or before October 22, 1984, and subsequent payments due every four (4) calendar months thereafter. Payment of each extension bonus shall extend this agreement for a period of four (4) months.

In no event shall this agreement be extended beyond June 22, 1987, at which time, unless the option expressed herein has previously been exercised, this agreement shall lapse in its entirety and become null and void.

Optionee shall have the right, in its sole discretion, from time to time, to prepay all or any part of the purchase price without interest or penalty. In the event of any such prepayment, Owner shall release to Optionee its interest in specific mining claims as set forth in Schedule "B," attached hereto.

Nothing herein contained is to be construed as obligating Optionee to pay the purchase price or any portion thereof, but the making of each of the payments is to be at the sole option and discretion of Optionee. Optionee's purchase

right and option shall not be deemed to have been exercised, in whole or in part, for any purpose whatsoever, until and unless Optionee shall have paid the full purchase price, except as shown on and in accordance with Schedule B hereof. Concurrently with the payment of the remaining balance of the purchase price within the option period, as provided above, Owner shall deliver to Optionee a warranty deed to the property, with sufficient funds to pay any applicable documentary or transfer fees or taxes, all sufficient to convey and warrant good and marketable title to Optionee.

SECTION III

PROSPECTING AND EXPLORATION RIGHTS

Owner hereby irrevocably, for the duration of the option period and this Agreement, gives, grants and conveys to Optionee the sole and exclusive right to take possession of and to enter upon and into all of the Property and each and every part thereof, for the purpose of examining, prospecting, and exploring the Property both on and beneath the surface and determining the kind, amount, extent, nature, location, depth, grade and amenability to exploitation of all mineralization thereon, and to do all things reasonably necessary, or in the sole opinion of Optionee, advisable for the accomplishment of such general purposes. Without in any way limiting the generality of the foregoing grant, Optionee, among other things, shall be permitted to conduct aerial and ground magnetic, seismic and other surveys; to drill holes or make other reasonable excavation on the Property; to take without royalty or other accountability therefor such samples of earth, rock or ore as may be reasonably necessary in the opinion of Optionee for such general purposes; to bring, install or erect upon the Property or any portion thereof such machinery, equipment, material or personnel as Optionee

deems advisable for the accomplishment of such general purposes; and to use the water and water rights appurtenant to the Property to the extent necessary and helpful in accomplishing such general purposes.

Nothing herein is to be held to compel Optionee to conduct exploration activities of any kind upon the Property or, once having commenced or recommenced such activities, to continue or discontinue the same, but whether or not the same shall be begun or prosecuted or discontinued, and the timing, manner, type, methods, amounts and any other factors concerning the same shall be within the exclusive discretion of Optionee.

Optionee shall at all times comply in all respects with all laws, ordinances and regulations relating to the performance of work upon the Property and all other applicable laws, ordinances and regulations.

Optionee will perform all operations hereunder in a good workmanlike and minerlike fashion, and in the event that Optionee does not exercise its purchase option for the Property, it will perform within ninety (90) days of the termination of this Agreement all reclamation work required by state and federal law, rule or regulation with respect to work done on the Property by Optionee and will leave the Property in a safe condition as to work done by Optionee on the Property.

Optionee will allow no liens against the Property nor allow any claims to go unpaid which might become a lien against the Property arising from its occupancy or use of the Property. Subject to the provisions of Section V, Optionee will hold Owner harmless from all liens, claims, demands and actions at law or in equity arising out of Optionee's use and occupancy of the Property.

So long as this Agreement continues in force and effect, Optionee shall pay, or reimburse Owner for payment of, all state, county and local taxes and assessments, if any, upon the Property assessed to Owner. Any such 1984 taxes shall be paid by Optionee.

If, within thirty (30) days following termination of this Agreement other than by exercise of Optionee's purchase option, Owner shall so request, Optionee shall make available to Owner all factual data obtained by Optionee concerning the Property during the term of this Agreement.

SECTION IV

MAINTENANCE OF OWNER'S TITLE

So long as this Agreement is in force, Owner shall maintain his estate and ownership in the Property, and shall not allow the Property to become subject to any mortgage, lien, burden, encumbrance, claim, right or interest which might in any way jeopardize or defeat, interfere with, hinder, impair or affect the rights or any of them herein granted or to be granted Optionee pursuant to this Agreement.

SECTION V

QUIET TITLE ACTION, PARTITION AND INDEMNIFICATION

Owner warrants that he has entered into no agreement which would prevent the partition and division of his interest in the Property from the remainder of the ownership interests in the Property.

At any time before exercise of its purchase option, Optionee may initiate a comprehensive action to quiet title to and/or for partition and division of the Property or such portion of it as Optionee shall select. This Agreement constitutes Owner's irrevocable power of attorney to Optionee or its representatives designated for the purpose to do so.

It is expressly understood and agreed, however, that if any action initiated pursuant to this Section shall show a lesser interest or title in Owner for the Property or any portion thereof than is represented in this Agreement, such result shall be at the entire risk of Owner, and he shall not be relieved from his warranties in any event because of such result. Optionee shall in no wise be responsible for any diminution in or the entire negation of Owner's interest or title in the Property resulting from such action.

SECTION VI

DEFAULT AND TERMINATION

Optionee shall have the right at any time to terminate this Agreement on thirty (30) days written notice to Owner. Owner shall have the right to terminate this Agreement upon a substantial default by Optionee, including, but not limited to, a default by failure to make the payments required under Section II of this Agreement, if Optionee fails to correct or commence with diligence to correct any alleged default, except a default in making the payments provided for in Section II of this Agreement, within thirty (30) days after receipt of a written notice from Owner specifying the event of default, or fails to make the payments required under Section II of this Agreement within ten (10) days after receipt of a written notice from Owner specifying such failure. Although the failure of Optionee to make a payment provided for in Section II of this Agreement shall constitute a default for purposes of this Section, the making of any such payment shall be in the sole discretion of Optionee and it shall incur no liability to Owner or otherwise by failure to make any such payment.

Upon termination of this Agreement by Optionee or by reason of an uncured default by Optionee, Optionee shall quit claim to Owner all of its right, title and interest in

and to the Property, and, in either such event, any money paid by Optionee hereunder as consideration or otherwise shall be retained by Owner as and for liquidated damages for any cause whatsoever, and Owner shall have no other cause of action or claim, except for liability which has accrued prior to such termination, or specifically provided elsewhere to survive such termination, against Optionee, its agents or employees, arising out of this Agreement, operations thereunder or such termination.

If this Agreement is surrendered or terminated, for any cause, Optionee shall have one year after the effective date of such surrender or termination in which to remove all engines, tools, machinery, buildings, structures, headframes, trailers, ore stockpiles and all other property of any nature and description erected, placed or situated on the Property by it. Any of Optionee's property not so removed shall then become the property of Owner.

Within thirty (30) days after the termination of this Agreement, or the surrender of all or a portion of Optionee's rights hereunder, it shall quit claim to Owner all or the appropriate part, as the case may be, of its right, title and interest in and to the Property.

SECTION VII

ASSIGNMENT

This Agreement shall inure to the benefit of and be binding upon each of the parties hereto and their respective successors, assigns, executors and administrators. Optionee shall have the right to assign its rights and interests under this Agreement, in whole or in part, without the consent of Owner.

SECTION VIII

NOTICES

All notices required or permitted to be given hereunder shall be mailed to Owner or to Optionee, as appropriate, at the address given for each in the first paragraph of this Agreement.

All notices by any party shall be given by registered or certified mail, postage prepaid, and shall be deemed conclusively to have been given and received on the date following the postmarked date of mailing.

Any of the parties hereto may, upon giving notice in the manner provided above, advise the other parties of a change of address or addressee for notice, which address or addressee shall thereafter be deemed the address or addressee of that party for any notices to be given in the future.

SECTION IX

GENERAL

This Agreement shall be governed by the laws of the State of Montana.

Upon the written request of Optionee, Owner agrees to furnish Optionee such additional formal assurances or other written documents, in proper and recordable form, as may be reasonably necessary to carry out the intent, purposes and terms of this Agreement.

A separate Memorandum of Agreement, of even date, executed and acknowledged by the parties hereto, may be recorded at the office of the Clerk and Recorder of Park County, Montana, by any of the parties to this Agreement, but it is expressly understood and agreed that this Agreement shall not be recorded either by or on behalf of any of the parties hereto.

IN WITNESS WHEREOF, the Owner has hereunto set his hand and Optionee has caused the signatures of its appropriate officers to be hereunto affixed as of the date first above written.

OWNER:

OPTIONEE:

BEARTOOTH LAND AND TIMBER COMPANY

State of FLA. }
Santa Rosa }
County }
02-06-85 }
Lillian W. McNamara
Nancy McNamara Cain
Norah McNamara McVoy

By [Signature]
Its President
Attest:
[Signature]
Secretary

SCHEDULE A

<u>CLAIMS</u>	<u>INTEREST</u>	<u>MINERAL SURVEY #</u>	<u>PATENT #</u>
Northern Lights	3/8ths	9571	532782
Mountain Meadow	3/8ths	9571	532782
Liberty Bell	3/8ths	9571	532782
Colonel Byrne	3/8ths	9571	532782
Peach Tree	3/8ths	8992	252705
Garfield	3/8ths	8992	252705
Morning Dew	3/8ths	8992	252705
Great Eastern	3/32nds	7546	43920
Queen of the Valley	3/8ths	8992	252705
Young Bonanza	1/8th	10400	946755
Hudson	1/4th	10400	946755
Boulder	1/4th	10400	946755

SCHEDULE B

RELEASE SCHEDULE

Upon appropriate prepayment or prepayments of the sums as shown below, Owner shall deliver to Optionee a warranty deed to Owner's fractional interest in one or more of the groups of mining claims listed below. The equity towards such sums already paid in the amount of \$12,000.00 (Twelve Thousand Dollars) shall be applied to any one of the three groups of claims in the sole discretion of the Optionee. [For example, if the Optionee should choose to first prepay the group of claims known as Northern Lights, Mountain Meadow, Liberty Bell and Colonel Byrne, the amount due would be \$25,043.55 minus the \$12,000.00 previously paid toward equity or the sum of \$13,043.55 to retire Owner's interest in those four claims. In that event, the sum due for prepayment of either of the other two groups of claims would be the amount shown on the schedule below since the equity of \$12,000.00 can only count one time towards prepayment.] This right to prepayment cannot be exercised unless all extension bonuses due as shown on page 2 hereof are paid and current.

The amount payable for any such release is as follows:

<u>CLAIMS</u>	<u>INTEREST</u>	<u>PREPAYMENT AMOUNT</u>
Northern Lights	3/8ths	
Mountain Meadow	3/8ths	
Liberty Bell	3/8ths	
Colonel Byrne	3/8ths	\$25,043.55
Peach Tree	3/8ths	
Garfield	3/8ths	
Morning Dew	3/8ths	
Great Eastern	3/32nds	\$18,194.00
Queen of the Valley	3/8ths	
Young Bonanza	1/8th	
Hudson	1/4th	
Boulder	1/4th	<u>\$13,806.00</u>
	total	\$57, 043.55
	less equity paid	<u>12,000.00</u>
	<u>BALANCE DUE</u>	\$45,043.55