

DOM 0250G
(Upland Mining)
(Revised 12/99)
DNR 10-4024

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER

Upland Mining Lease

LEASE ADL: 674057

This lease is entered into between the State of Alaska (referred to in this lease as "the state") and **SMM POGO, LLC., (85% owner) and SC POGO, LLC., (15% owner)** (referred to in this lease as "the lessee", whether one or more), whose address is **TECK-POGO, INC., 3520 International Street, Fairbanks, Alaska 99701.**

The state and the lessee agree as follows:

1. GRANT. (a) Subject to the provisions of this lease, including stipulation(s) 1-3 attached to this lease, the state grants to the lessee

(1) the exclusive right to mine, extract, remove and dispose of all minerals subject to AS 38.05.185--AS 38.05.275 (referred to in this lease as "locatable minerals"), in or upon the following described tract of land: **Fairbanks Meridian; Township 5 South; Range 14 East; Sections 22-23, 25-27 and 34-36; located in the Fairbanks Recording District; Converting mining claim locations/ADL's; POGO 100/542027; POGO 848/562427; POGO 849-854/560621-560626; POGO 950/560277; POGO 951-952/560628-560629; POGO 953/560278; POGO 953A/560630; POGO 954/560631; POGO 1048/560633; POGO 1049-1050/560279-560280; POGO 1051-1054/560634-560637; POGO 1148/560639; POGO 1149-1151/560281-560283; POGO 1152-1154/560640-560642; POGO 1247/562446; POGO 1248/560644; POGO 1249-1250/560284-560285; POGO 1251-1254/560645-560648; POGO 1347-1350/562448-560651; POGO 1351-1352/561507-561508; POGO 1449-1452/562451-562454; POGO 1550-1552/562460-562462; Faith #3/518092 and Faith #4/518150.** See attached map depicting the outline of the lease as well as the above mining locations converted to this lease.

containing approximately **1,960** acres, more or less (referred to in this lease as the "leased area");

(2) the exclusive right to explore for locatable minerals within the leased area; and

(3) subject to the lessee obtaining all required and necessary permits and approvals and subject to all other terms of this lease, the right to mine and produce locatable minerals from the leased ground and where necessary to place, construct, erect, install, maintain, repair, use, replace, and remove excavations, openings, shafts, ditches, drains, settling ponds, dams, impoundments, reservoirs, pits, wells, tailings ponds, stockpiles, waste dumps, mine roads, utility lines, pipelines, haulageways, mine buildings, mining machinery, mining equipment, and other improvements as may be reasonably necessary for the prospecting for, extraction of, or basic processing of locatable minerals on the leased area, provided that the lessee shall acquire timber it uses or clears from the leased area in accordance with AS 38.05.

(b) Subject to the lessee's compliance with the requirements set out in paragraphs 10 and 11 (GENERAL PERMITTING REQUIREMENTS and PLAN-OF-OPERATIONS) the lessee may mine and remove locatable minerals by any method consistent with good mining practice, including underground and surface mining. However, the rights granted by this lease are subject to prior vested mineral rights if any, such as federal mining claims. In addition, the rights granted by this lease are to be exercised in a manner that will not unreasonably interfere with other rights of the state or of its permittees, lessees, or grantees, consistent with the principle of reasonable concurrent uses as set out in article VIII, section 8 of the Alaska Constitution.

(c) The surface rights granted by this lease may, in the lessee's discretion, be exercised in support of mining on other land when it is reasonably necessary to do so and is in conjunction with mining locatable minerals on the leased area.

(d) For the purposes of this lease, the leased area contains the mining locations shown on the attached plat marked exhibit A. The Director of the Division of Mining, Land and Water may require that the lessee survey the leased area's exterior boundary under 11 AAC 86.311 (unless the state waives that survey requirement). If the Director requires a survey, after the survey is completed the legal description shown in (a)(1) of this paragraph and the status plat referred to in this subparagraph will be corrected as necessary to conform to the surveyed location of that boundary.

(e) If this lease is issued without a prior determination that each location included within the leased area has a discovery, the state reserves the right to require the lessee to show a discovery on each location and to remove from the leased area any location that lacks a discovery.

(f) If the state's ownership of the locatable minerals within the leased area is less than the entire and undivided interest, the grant under this lease is effective only as to the state's interest in the locatable minerals. The rentals provided for in this lease must be paid to the state in the proportion that the state's interest bears to the entire undivided interest. In addition, royalties shall only be due on net income from the sale of locatable minerals to the extent the state has an interest in those minerals.

2. RESERVED RIGHTS. (a) The state, for itself and others, reserves all other rights not expressly granted to the lessee by this lease. These reserved rights include:

(1) the right to explore for, develop, lease, and remove from the leased area all minerals other than locatable minerals,

(2) the right to establish or grant easements and rights-of-way upon, through, or in the leased area for any lawful purpose, including roads, railroads, well sites, pipelines, utility lines, drill holes, shafts, and tunnels necessary or convenient for the working of the leased area for natural resources other than locatable minerals or necessary or convenient for access to or the working of other land for any purpose;

(3) the right to manage and to convey to third parties by grant, lease, permit, or otherwise, any and all interests in the leased area other than those granted by this lease, provided that any conveyance to a third party is made subject to the concurrent use provisions of article VIII, section 8 of the Alaska Constitution as well as the provisions of this lease.

(b) The rights reserved pursuant to paragraph 2 (a) shall not be exercised in any manner that unreasonably interferes with lessee's operations under the lease. The state shall provide lessee with prior notice of the state's intent to exercise any rights reserved under paragraph 2 (a) and the opportunity to comment on the proposed exercise of these rights. The parties shall work cooperatively to identify potential conflicts and the state shall require as a condition to the state or any other party's exercise of any reserved rights, such stipulations as appear necessary to avoid unreasonable interference with lessee's operations under this lease or endangerment of those operations.

3. TERM. This lease is issued for a term of 20 years from its effective date, and is subject to renewal as provided in 11 AAC 86.312 and AS 38.05.205.

4. ANNUAL LABOR. (a) Labor shall be performed or improvements made annually on or for the benefit or development of each mining lease on state land. Where adjacent mining leases are held in common, the expenditure may be made on any one mining lease and credited to all leases held in common which are subject to a common plan of development.

(b) Labor shall be performed at the annual rate of \$100 for each partial or whole 40 acres of each mining lease. If more work is performed than is required by this section to be performed in any one year, the excess value may be applied against labor required to be done during the subsequent year or years, for as many as four consecutive years. Instead of performing annual labor, the lessee may make a cash payment to the state equal to the value of the labor required by this subsection.

(c) During the year in which annual labor is required or within 90 days after the close of that year, the lessee or some other person having knowledge of the facts shall record with the recorder of the district in which the mining lease is located a signed statement setting out the information, as required by the commissioner, concerning the annual labor of the preceding year, any labor in excess of that required for the preceding year, and any payment of cash instead of annual labor.

5. RENTAL. The annual rent due under the lease shall be determined according to AS 38.05.211 and 11 AAC 86.313. The rental shall be paid each year in advance and is subject to adjustment under AS 38.05.211(d).

6. PRODUCTION ROYALTY. In exchange for and to preserve the right to extract and possess minerals produced, the lessee shall file a Mining License Tax return under AS 43.65 and 15 AAC 65 and a Production Royalty return under AS 38.05.212 and 11 AAC 86.760-796; and pay any tax and royalty on minerals produced from the lease during each year.

7. ABANDONMENT. Failure to timely submit an affidavit of annual labor, rental payment or production royalty payment constitutes a default of this lease under AS 38.05.265 and paragraph 18 of this lease, Default and Termination. If any statement of annual labor, annual rental payment or production royalty payment is less than the amount due, the lessee will be granted 30 days after receipt of a notice from the state to submit the additional amount due. If the lessee does not correct the default within the time allowed in the notice, the lease automatically terminates without further notice, except that disputes regarding the amount of production royalty due the state will be resolved under 11 AAC 86.760 - 796.

8. RECORDS. (a) The lessee shall keep all records necessary to establish discovery, support statements of annual labor, and for a period of six years, accounting data and information for production royalty payments. Upon request,

copies of those records must be submitted to the Division of Mining, Land and Water at the address shown in paragraph 23 of this lease.

(b) Upon the lessee's request, the state will keep information submitted to the state under this paragraph confidential in accordance with AS 38.05.035(a)(9).

9. PAYMENTS. All payments to the state under this lease must be made payable to the Alaska Department of Revenue in the manner directed by the state, and, unless otherwise specified upon 60 days' notice to the lessee, must be mailed to the address specified below.

DEPARTMENT OF NATURAL RESOURCES
Support Services Division
550 West 7th, Suite 1410
ANCHORAGE, ALASKA 99501
ATTENTION: FINANCIAL SERVICES

10. GENERAL PERMITTING REQUIREMENTS. Before any activities occur on this lease, all required state, federal and municipal agency permits and other authorizations must be issued.

11. PLAN-OF-OPERATIONS. (a) A plan-of-operations, as provided under regulations 11 AAC 86.800 - 815, must be submitted to and approved by the state before activities requiring a plan of operations may occur under this lease.

(b) As part of the plan-of-operations, an approved reclamation plan as required under AS 27.19.010 - 100 and its implementing regulations, 11 AAC 97, must also be submitted to and approved by the state before activities may occur under this lease.

(c) All of the lessee's activities on the leased area must be in conformance with the approved plan-of-operations insofar as a plan of operations is required.

12. TITLE OF THE STATE; ACCESS. The state makes no representations or warranties, express or implied, as to title to, access to, or quiet enjoyment of the leased area. The state is not liable to the lessee for any deficiency in title to or difficulty in securing access to the leased area. The lessee or any successor in interest to the lessee is not entitled to any refund of prior rentals paid under this lease due to deficiency in title and is not entitled to a refund of rentals paid under this lease due to difficulty in securing access. However, the Department of Natural Resources will attempt to provide legal access across land it manages for purposes reasonably related to the activities of the lessee under this lease and along previously used routes and routes to be approved by the state, to be granted in accordance with state statutes and regulations.

13. CONDUCT OF OPERATIONS. The lessee shall perform all activities under this lease in a lawful, prudent, and skillful manner under the plan of operations and other required permits. The lessee shall carry out at the lessee's expense all lawful orders and requirements relative to the lessee's occupation and use of the leased area. If the lessee fails to carry out these orders and requirements, the state has, together with any other available legal recourse, the right to enter the leased area to repair damage or prevent waste at the lessee's expense.

14. BINDING EFFECT. This lease and all of its provisions and any attached stipulations extend to and are binding on the heirs, executors, administrators, successors, or assigns of the state and the lessee.

15. INSPECTION. The lessee shall keep available at all reasonable times and with prior reasonable notice for inspection by any authorized representative of the state, the leased area, all improvements, machinery, and fixtures on the leased area, and all reports and records required by law and by paragraph 8 of this lease, except for such documents which are protected under any law, regulation or rule of court. The lessee shall permit the state to copy and make extracts from any such reports and records. All documents entitled to confidentiality pursuant to paragraph 8 (b) above shall be kept confidential by the state in accordance with state law.

16. ASSIGNMENT. The lessee may assign, sublease, or transfer this lease, or any interest in or rights under this lease, only upon approval of the state as provided by 11 AAC 82.605.

17. SURRENDER. The lessee may at any time surrender all or part of the leased area under 11 AAC 82.635.

18. DEFAULT AND TERMINATION. (a) The failure of the lessee to timely perform its obligations under this lease, or the failure of the lessee otherwise to abide by all express or implied provisions of this lease, is a default in the lessee's obligations under this lease. Whenever the lessee fails to comply with any of the provisions of this lease (other than a provision that, by its terms, provides for automatic termination), and fails to cure the default or to begin and diligently continue to remedy the default within 30 days after receipt written notice of the default and an opportunity to be heard, the state may order suspension of activity on the leased area until compliance is achieved, and may terminate this lease after additional written notice and an opportunity to be heard.

(b) After termination of this lease for any reason, the state may, if not adequately covered by a bond issued pursuant to paragraph 21 below, take possession of the property, improvements, and equipment of the lessee on the leased

area as security for the payment of rent due, or to indemnify against any loss or damage sustained by reason of the default of the lessee.

19. RIGHTS AND OBLIGATIONS UPON TERMINATION. (a) Unless the state has invoked its rights under paragraph 18(b) of this lease or has otherwise directed, under the terms of this lease, within one year after the termination of this lease or the completion of reclamation, whichever is later, as to all or any portion of the leased area, the lessee shall remove from the leased area or portion of the leased area all machinery, equipment, structures, tools, and materials owned or placed on the leased area by the lessee. Upon the expiration of that period and at the option of the state, any machinery, equipment, structures, tools, or materials that the lessee has not removed from the leased area or portion of the leased area become the property of the state and may be removed by the state at the lessee's expense.

(b) Subject to the conditions set out in this paragraph, the lessee shall deliver up the leased area or portion of the leased area in accordance with the approved plan of operations and reclamation plan.

20. DAMAGES AND INDEMNIFICATION. (a) The lessee agrees to comply with AS 38.05.130 before exercising rights if any, reserved by the state pursuant to AS 38.05.125 prior to the date(s) of location of the mining locations subject to this lease and which are granted by this lease. The lessee agrees to pay for any damages that may become payable under AS 38.05.130 by reason of lessee's exercise of these rights or by reason of the lessee's failure to comply with the reasonable concurrent use requirements of paragraph 1(b) of this lease and article VIII, section 8 of the Alaska Constitution and to indemnify the state and hold it harmless from and against any claims, demands, liabilities, and expenses arising from or in connection with such damages.

(b) The lessee shall indemnify the state for, and hold it harmless from, any claim, demand, liability, or expense, including claims for loss or damage to property or injury to any person, caused by or resulting from any act or omission committed under this lease by or on behalf of the lessee, including acts of omissions of independent contractors. The lessee is not responsible to the state under this subparagraph for any loss, damage, or injury caused by or resulting from the sole negligence of the state or anyone acting on the state's behalf.

(c) The lessee expressly waives any defense to an action for breach of a provision of this lease, or to an action for damages, where such defense is based on the fact that the act or omission complained of was committed by an independent contractor.

21. BOND. Before any activities can occur on this lease, the bonding requirements of AS 38.05.130 and AS 27.19.040 and its implementing regulations, 11 AAC 97.400-450, must be met.

22. AUTHORIZED REPRESENTATIVES. The director or mineral property manager of the Division of Mining, Land and Water, Department of Natural Resources, State of Alaska, and the person executing this lease on behalf of the lessee will be the authorized representatives of their respective principals for the purposes of administering this lease. The state or the lessee may change the authorized representative or the address to which notices to that representative are to be sent by a notice given in accordance with paragraph 23. When activities under a plan of operations are underway, the lessee shall also designate, in a notice under paragraph 22, by name, job title, and address, an agent who will be present in the state during all lease activities.

23. NOTICE. (a) Any notice required or permitted under this lease must be in writing or by an electronic medium producing a permanent record and must be given personally or by registered or certified mail, return receipt requested, addressed as follows:

TO THE STATE:

**SOA DNR
MINING, LAND AND WATER
Mineral Property Management
550 W 7th Ave, Ste 900 B
Anchorage, Alaska 99501-3577**

TO THE LESSEE:

**TECK-POGO, INC.,
3520 International Street
Fairbanks, AK 99701**

(b) Any notice given under (a) of this paragraph will be effective when received by the representative specified in (a).

24. STATUTES AND REGULATIONS. This lease is subject to all applicable state and federal law, including statutes and regulations in effect on the effective date of this lease; and new statutes and regulations or changes to existing statutes and regulations placed in effect after the effective date of this lease, to the extent constitutionally permissible. In case of conflicting provisions, statutes and regulations take precedence over this lease.

25. INTERPRETATION. This lease is to be interpreted in accordance with the rules applicable to the interpretation of contracts made in the state. The paragraph headings are not part of this lease and are inserted only for convenience. The state and the lessee expressly agree that the laws of the State of Alaska will apply in any judicial proceeding affecting this lease.

26. INTEREST IN REAL PROPERTY. It is the intention of the parties that the rights granted to the lessee by this lease constitute an interest in real property in the leased area.

27. WAIVER OF CONDITIONS. The state reserves the right to waive any breach of a provision of this lease, but any such waiver extends only to the particular breach so waived and does not limit the rights of the state with respect to any future breach; nor will the waiver of a particular breach prevent termination of this lease for any other cause or for the same cause occurring at another time. Any amendment or modification to this lease to be effective must be in writing signed by the state and lessee. The state or lessee shall not be deemed to have waived any right to notice under paragraph 23 above unless such waiver is in writing and specifically waives such notice.

28. SEVERABILITY. If it is finally determined in any judicial proceeding that any provision of this lease is invalid, the invalid portion will be treated as severed from this lease and the remainder of this lease will remain in effect.

29. DEFINITIONS. All words and phrases used in this lease are to be interpreted consistently with AS 01.10.040.

30. EFFECTIVE DATE. This lease takes effect **May 1, 2004**.

BY SIGNING THIS LEASE, the state as lessor and the lessee agree to be bound by its provisions.

STATE OF ALASKA

SC POGO, LLC

SMM POGO, LLC

By: Kerwin Krause

By: [Signature]

By: [Signature]

Title: Mineral Property Mgr.

Title: Authorized Signatory

Title: Authorized Signatory

By: _____

By: _____

By: _____

Title: _____

Title: _____

Title: _____

This is to certify that on November 17, 2004 before me appeared Masayuki Hisatsune who executed this lease and acknowledged voluntarily signing it.

KEN V. KROHMAN
Barrister & Solicitor
MacKENZIE FUJISAWA
BREWER STEVENSON
1600 1095 West Pender Street
Vancouver, B.C. V6E 2M6
604-689-3281

[Signature]
Notary public in and for Province of British Columbia
My commission expires: does not expire.

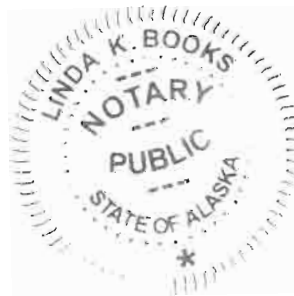
This is to certify that on November 18, 2004 before me appeared Takashi Shibata who executed this lease and acknowledged voluntarily signing it.

KEN V. KROHMAN
Barrister & Solicitor
MacKENZIE FUJISAWA
BREWER STEVENSON
1600 1095 West Pender Street
Vancouver, B.C. V6E 2M6
604-689-3281

[Signature]
Notary public in and for Province of British Columbia
My commission expires: does not expire.

STATE OF ALASKA)
)
Third Judicial District) ss.

This is to certify that on 4/13, 2005 before me appeared KERWIN KRAUSE of the Division of Mining, Land and Water of the State of Alaska, Department of Natural Resources, who executed this lease and acknowledged voluntarily signing it on behalf of the State of Alaska as lessor.



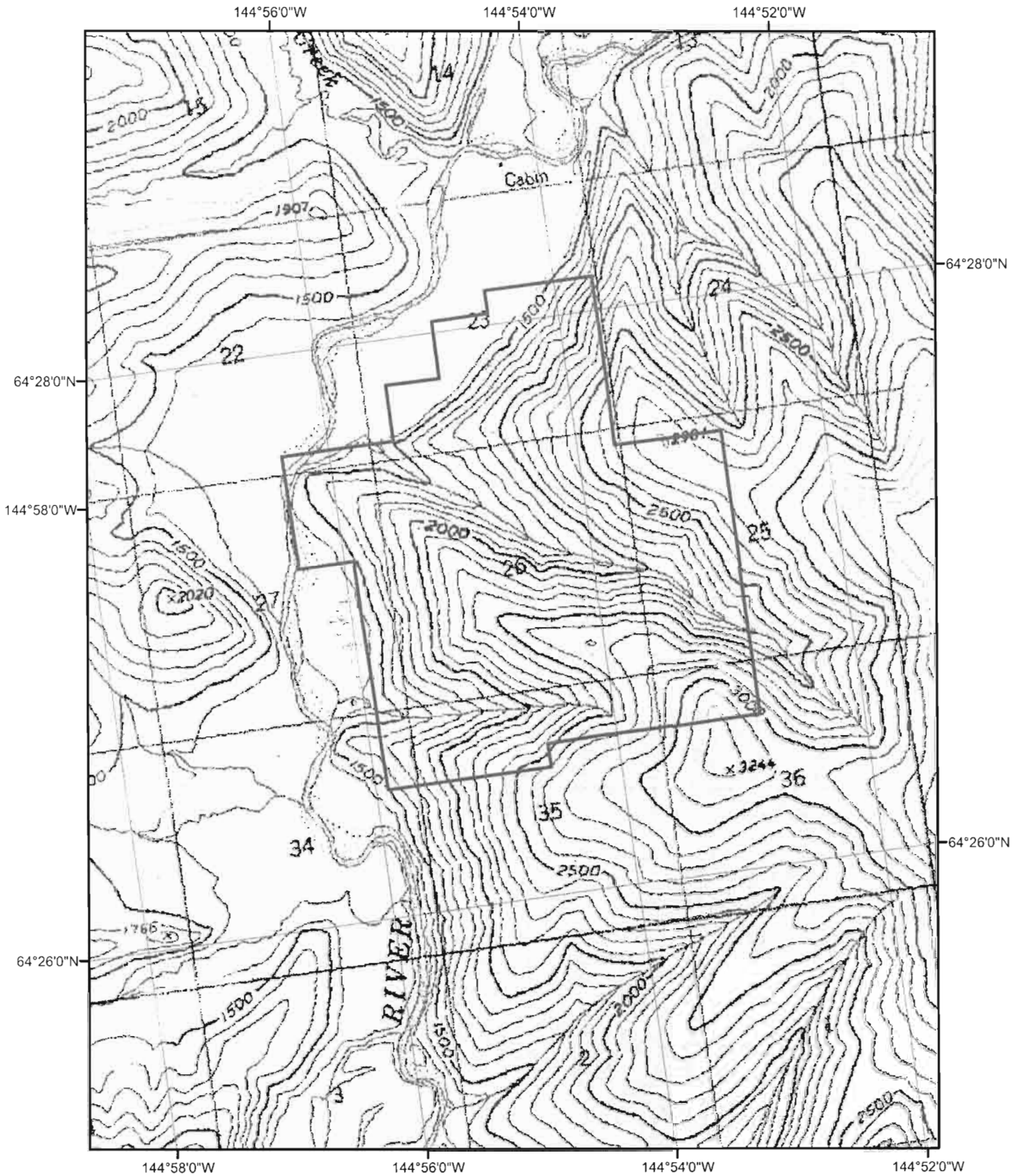
[Signature]
Notary public in and for Alaska
My commission expires: Nov 19, 2005

ADDENDUM AND STIPULATIONS TO UPLAND LEASE ADL 674057

1. **Plan of Operation and Permits.** A Plan of Operations and Reclamation Plan must be submitted to the Division of Mining, Land and Water under the Department's Hardrock Application process, and mining may not begin until the division approves the Plan of Operations and Reclamation Plan and other required agency permits have been issued.
2. **Historical, Prehistoric, and Archeological Resources.** If any known or discovered site, structure older than 50 years, or object of historical or archeological significance is discovered during operations on leased areas, the lessee shall report the discovery immediately to the State Historic Preservation Officer, Division of Parks and Outdoor Recreation, and shall make every reasonable effort to protect the site, structure, or object against damage until the State Historic Preservation Officer (telephone 1-907-269-8720) has given directions to its preservation.
3. **Bond.** As authorized under Paragraph 21 of this lease, 11 AAC 86.805 or AS 38.05.130, a lease bond in the amount of \$3/acre or more may be required.

Map of Pogo Mining Lease Boundary on Next Page

POGO Upland Mining Lease Boundary



Lease located as shown in T5S R14E Fairbanks Meridian

February 2004

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING AND WATER MANAGEMENT
Statement of Qualifications
To Hold Mineral Prospecting Permits and Mineral Leases
(AS 38.05.190(a) and 11 AAC 82.200-.205)

Please read the instructions on the reverse side carefully before filling out applicable portion.

CORPORATION or OTHER ENTITY

I, Akihiko Shono,
(typed or printed name of signature)

representative for SC POGO, LLC,
(corporation name)

certify that the aforementioned limited liability company is organized under the laws of the United States and is qualified to do business in this state.

(If qualifying to acquire locatable mineral interests) I further certify that at least 50 per cent of the interest in the aforementioned LLC's stock is owned or controlled by U.S. citizens or qualified aliens.

DATED: NOV 05, 2003

SIGNED: 

SC Minerals America Inc.

624-06-0492
Employer ID Number or
Social Security Number

TITLE Manager of SC POGO, LLC

Suite 1600, 444 South Flower Street

Street or P O Box

Los Angeles, CA 90071

City/State/Zip

(213) 489 0253
Phone Number

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING AND WATER MANAGEMENT
Statement of Qualifications
To Hold Mineral Prospecting Permits and Mineral Leases
(AS 38.05.190(a) and 11 AAC 82.200-.205)

Please read the instructions on the reverse side carefully before filling out applicable portion.

CORPORATION or OTHER ENTITY

I, KAREN L. DUNFEE,
(typed or printed name of signature)

representative for TECK-POGO INC.,
(corporation name)

certify that the aforementioned corporation is organized under the laws of the United States and is qualified to do business in this state.

(If qualifying to acquire locatable mineral interests) I further certify that at least 50 per cent of the aforementioned corporation's stock is owned or controlled by U.S. citizens or qualified aliens.

DATED: <u>OCT. 23, 2003</u>	SIGNED: <u>Karen L. Dunfee</u>
_____ Employer ID Number or Social Security Number	TITLE: <u>SECRETARY.</u>
() _____ Phone Number	<u>Suite 600 - 200 Burrard Street</u> Street or P O Box <u>Vancouver, B.C. V6C 3L9</u> City/State/Zip

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING AND WATER MANAGEMENT
Statement of Qualifications
To Hold Mineral Prospecting Permits and Mineral Leases
(AS 38.05.190(a) and 11 AAC 82.200-.205)

Please read the instructions on the reverse side carefully before filling out applicable portion.

CORPORATION or OTHER ENTITY

I, Masayuki Hisatsune,
(Typed or printed name of signature)

representative for SMM POGO, LLC,
(corporation name)

certify that the aforementioned limited liability company is organized under the laws of the United States and is qualified to do business in this state.

(If qualifying to acquire locatable mineral interests) I further certify that at least 50 per cent of the interest in the aforementioned LLC's stock is owned or controlled by U.S. citizens or qualified aliens.

DATED: November 10, 2003

SIGNED: X [Signature]

Sumitomo Metal Mining America, Inc.

TITLE Manager of SMM POGO, LLC

Employer ID Number or
Social Security Number

()

Phone Number

900 Fourth Avenue, Suite 3950
Street or P O Box
Seattle, WA 98164
City/State/Zip

