

(Revised April, 2005)

DNR 10-4024

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

Upland Mining Lease

Lease ADL #: 422596

This lease is entered into between the State of Alaska (referred to in this lease as "the state") and **Teck American Inc.** (referred to in this lease as "the lessee", whether one or more), whose address is:

**501 North Riverpoint Blvd Suite 300
Spokane, WA 99202**

The state and the lessee agree as follows:

1. GRANT. (a) Subject to the provisions of this lease, including stipulation(s) **1-6** 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:

Kateel Meridian, Township 31 North, Range 19 West Sections: 1,2, 3E, 10E, 11, 12, 13, 14NW, 14E, and 24N in the Barrow recording district.

containing approximately **4,640** 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, haulage ways, 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 9 and 10 (GENERAL PERMITTING REQUIREMENTS and PLAN OF OPERATIONS) the lessee may

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 **20** years and is subject to renewal as provided in 11 AAC 86.312 and AS 38.05.205(c).

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 in accordance with AS 38.05.210, AS 38.05.240, and 11 AAC 86.220. Where adjacent mining leases, claims, and leasehold locations are held in common, the expenditure may be made on any one mining lease, claim, or leasehold location, and credited to all leases, claims, and leasehold locations 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, claim, or leasehold location. 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 and must be paid prior to the end of the labor year. Cash payments in lieu of labor may be made for no more than five consecutive years.

(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 in AS 38.05.210(b), 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. (a) 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).

(b) If the lessee fails in whole or in part to make a timely rental payment, the lease will be considered in default and the department will supply the lessee a deficiency notice in accordance with 11 AAC 86.108 and 11 AAC 86.313(i). Failure to make the required payment in full within 30 days after receipt of the notice will result in the lease being terminated without further notice.

6. MINING LICENSE, MINING LICENSE TAX AND PRODUCTION ROYALTY AND OTHER TAXES. In exchange for and to preserve the right to extract and possess minerals produced, the lessee shall obtain a Mining License and 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. In addition, if a lease is located within a borough that levies a property tax, the lessee may be subject to this taxation by the borough under Article IX, Section 5 of the Constitution of the State of Alaska and AS 29.45.030(a)(1)(A).

7. 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

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.

13. 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.

14. 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 7 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 7(b) above shall be kept confidential by the state in accordance with state law.

15. 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.

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

17. 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 20 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.

18. RIGHTS AND OBLIGATIONS UPON TERMINATION. (a) Unless the state has invoked its rights under paragraph 17(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) Any notice given under (a) of this paragraph will be effective when received by the representative specified in (a) or as required in 11 AAC 86.108(b).

23. 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.

24. 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.

25. 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.

26. 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 22 above unless such waiver is in writing and specifically waives such notice.

27. 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.

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

29. EFFECTIVE DATE. This lease takes effect 1/23/26.

ADDENDUM AND STIPULATIONS TO UPLAND LEASE ADL 422596

1. Plan of Operation and Permits. A Plan of Operation and Reclamation Plan must be submitted to the Division of Mining, Land and Water before activities above generally allowed uses may occur. Exploration and mining may not begin until the division approves the Plan of Operation and Reclamation Plan and other required agency permits have been issued. An Application for Permit to Mine in Alaska may be used to submit the Plan of Operation and Reclamation Plan, as long as the requirements of paragraph 10, of this lease, are met.

2. Surface Use, Subsurface Use, and Access.

The lease area is part of the Northwest Area Plan K-03 in the Western Arctic Caribou Herd (WACH). Land is classified as mining and habitat. Authorizations issued in this unit involving long-term or permanent uses are to consider impacts upon the WACH. Special consideration is to be given to activities occurring during the summer migration period and particularly to uses that may impact areas used for insect relief. The protection of caribou movement corridors is also to be an important consideration. Consult ADF&G prior to issuing an authorization involving a long term permanent use.

This unit, which consists entirely of state-owned land, is considered to have mineral potential and there are numerous ARDF occurrences. Its topography is generally mountainous although there are several river valleys that contain large areas of lowlands, particularly within the Wulik River drainage. Alpine tundra and barren ground characterize the mountainous areas, whereas lowlands generally consist of a mixture of high brush and moist tundra. Dall sheep are present in mountainous areas and the unit is used by the WACH for summer migration and insect relief. The western portion is located in core winter range. Moose are present in portions of the unit. The following subsistence resources are present in this unit: bear, caribou, furbearers, moose, sheep, small game, vegetation, and waterfowl. Public access to this unit is limited and is provided by ORV and snowmachine. Portions of the Wulik River are used as a source of drinking water supply.

3. 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 the lease, 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.

4. Bond. As authorized under Paragraph 20 of this lease, 11 AAC 86.805 or AS 38.05.130, a lease bond in the amount of \$3.00/acre or more may be required.

5. Survey. Under regulation 11 AAC 86.311, the exterior boundary of this lease is required to be surveyed in accordance with specific department survey requirements and instructions issued under regulation 11 AAC 53. The survey is required to be completed

LEGAL DESCRIPTION

Kateel Meridian, Township 31 North, Range 19 West Sections: 1,2, 3E, 10E, 11, 12, 13, 14NW, 14E, and 24N in the Barrow recording district.

CLAIMS CONVERTED TO LEASE ADL 422596

<u>ADL Numbers</u>	<u>Claim Names</u>
ADL 725391-395	AQ 1073-1077
ADL 725398-402	AQ 1080-1084
ADL 725403-407	AQ 1085-1089
ADL 725410-418	AQ 1092-1100
ADL 725424-428	AQ 1106-1110