

AGREEMENT made this 26th day of June, 1974.

BETWEEN  
(Buyer)

THE BUNKER HILL COMPANY, P. O. Box 29, Kellogg, Idaho 83837  
(hereinafter called the "Buyer")

AND  
(Seller)

REEVES MacDONALD MINES LIMITED  
Suite 105, 465 Ward Street  
Nelson, B. C., Canada  
(hereinafter called the "Seller")

WHEREBY IT IS AGREED AS FOLLOWS:

Seller agrees to sell and deliver and Buyer agrees to buy and receive the material described hereunder at the terms and conditions hereinafter contained.

MATERIAL:

Zinc concentrates of substantially the following analysis produced by Reeves MacDonald Mines Limited at their operations near Remac, B. C., Canada:

Gold	.001 oz. per ton
Silver	4.8 oz. per ton
Copper	.03 %
Lead	1.7 %
Zinc	51.5 %
Antimony	Nil
Cadmium	.52 %
Iron	6.8 %
Insol.	.6 %
Lime	.54 %
Magnesia	.17 %
Sulfur	30.4 %
Arsenic	Nil
Bismuth	Nil
Moisture	8.0 %
Chlorine	.006 %
Fluorine	Nil
Manganese	Nil
Germanium	Nil

QUANTITY:

Total production of zinc concentrates, currently estimated at about 20,000 short dry tons per year.

SHIPMENT:

Regularly as produced.

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DELIVERY:

Seller shall deliver the material F.O.B. in open-top, hopper-bottom railroad cars or F.O.B. in trucks, at Buyer's option, within receiving bins, Buyer's zinc plant, Silver King, Idaho. (Railroad demurrage charges at destination shall be for Seller's account.) Buyer's approval for shipments by truck shall not be unreasonably withheld.

PRICE:

The purchase price shall be the sum of the Payments less the sum of the Deductions next specified below:

PAYMENTS:

Zinc: Pay for 85% of the zinc content (minimum deduction 8.0 units) at the "MW US PW" quotation for zinc, as published by Metals Week for the quotational period hereinafter provided, less one-half cent (1/2¢) per pound, less the amount, if any, that the "Recognized Special High Grade Differential" falls below one cent (1.0¢) per pound. The "Recognized Special High Grade Differential" shall be Bunker Hill's quoted differential for Special High Grade zinc above Prime Western zinc reduced by any discounts for Prime Western or Special High Grade zinc that are prevalent and generally recognized in the trade.

Lead: Deduct 1.0 unit per ton from the lead content and pay for 50% of the remaining lead content at the "MW US Producer" quotation for common domestic lead, as published by "Metals Week" for the quotational period hereinafter provided.

Silver: If the silver content is 1.0 ounce per ton or more, pay for 80% of the full silver content at the "Handy & Harman NY" quotation for refined silver, as published by "Metals Week" for the quotational period hereinafter provided, adjusted to the basis applicable to silver contained in unrefined silver-bearing material.

Gold: If the gold content is .02 ounce per ton or more, pay for 80% of the full gold content at the "Engelhard Selling" quotation, as published by "Metals Week" for the quotational period hereinafter provided, less \$3.00 per ounce.

Cadmium: Pay for 70% of the full cadmium content (minimum deduction 2.0 pounds per ton) at the "US Producer" quotation for cadmium, as published by "Metals Week" for the quotational period hereinafter provided, less 50¢ per pound.

DEDUCTIONS:

Treatment Charge: \$79.30 per short dry ton. For each 1.0¢ that the applicable payment quotation for zinc, including any discounting according to the above zinc payment clause, is above 25.0¢ per pound to and including 36.0¢ per pound, the treatment charge shall be increased \$1.75 per short dry ton, fractions pro rata. For each 1.0¢ that the applicable payment quotation for zinc, including any discounting according to the above zinc payment clause, is above 36.0¢ per pound, the treatment charge shall be increased \$3.00 per short dry ton, fractions pro rata.

Labor: The above specified treatment charge of \$79.30 per short dry ton is based upon an average labor cost of \$5.676 for hourly employees at the Buyer's Zinc Plant. This cost is based on wage rates, shift differentials, holiday, vacation and overtime payments, projected payroll taxes (F.O.A.B. and unemployment taxes), and fringe benefits (pensions, medical-surgical, dental and insurance). Any future calculation of hourly labor cost will be based on the item included above, plus any additional labor costs accrued or paid to or on behalf of the employees. Any increase or decrease in said average hourly labor cost in effect for the calendar month prior to the date of delivery of product shall be for Seller's account and to adjust, charge eight cents (8¢) per net dry ton for each one cent (1¢) per hour that the average hourly labor cost shall be in excess of \$5.676 and credit eight cents (8¢) per net dry ton for each one cent (1¢) per hour that the average hourly labor cost shall be less than \$5.676, fractions in proportion.

Freight on Zinc Paid For: The above specified treatment charge of \$79.30 is based upon a \$28.55 fifty ton slab zinc freight rate from Silver King, Idaho, to East St. Louis, Illinois. Any increase or decrease in this freight rate, or tax thereon, shall be applicable to the zinc pounds paid for and shall be for Seller's account, to be added to or deducted from the specified treatment charge, as circumstances require.

Iron: For each unit of iron content in excess of 7%, the treatment charge shall be increased 40¢ per short dry ton, fractions pro rata.

Lime plus magnesia: For each unit of lime plus magnesia (combined) in excess of 1.5%, the treatment charge shall be increased 25¢ per short dry ton, fractions pro rata.

Environmental Quality Control Facilities Charge: The above specified treatment charge of \$79.30 per short dry ton does not include any provision for recoupment of the net costs to the Buyer of operating expenses and amortization of capital improvements as applied to environmental quality control facilities. The following charge to be added to the above treatment charge will provide for recoupment based on spreading such costs over payable pounds of lead in lead concentrates and zinc in zinc concentrates processed. The initial charge to be added to the above treatment charge of \$79.30 will be 0.48¢ per pound of payable zinc for the period July 1, 1974 through November 30, 1974. Thereafter, the amount per pound to be charged in any succeeding six-month period will be based on the Buyer's calculation of actual costs for the preceding six-month period but will be limited to a maximum of 0.6¢ per pound of payable zinc. If actual costs in any six-month period exceed this maximum, the Buyer may, upon written notice, request an increase in such 0.6¢ maximum. If agreement on any increase in such maximum is not reached within sixty days, either party may terminate this agreement on three months' written notice to the other.

DUTIES:

All U. S. A. import taxes, duties, surcharges and other related charges applicable to this material at the rate or rates in effect when the material is delivered shall be for the account of Seller.

SETTLEMENT:

Payment in full for all lots received at the Buyer's zinc plant between the first and the fifteenth of any month shall be made on the fifteenth of the following month. Payment in full for all lots received between the sixteenth and the last day of any month shall be made on the last day of the following month. If final agreement as to assays has not been reached and also if final duty charges are not known, a provisional payment of 95% of the estimated value shall be made. Payment shall be made in United States dollars.

TAXES:

All taxes or other U. S. governmental charges, national, state, local or municipal, now or hereafter imposed in respect to or measured by the product purchased hereunder, or the production, extraction, smelting, refining, sale, transportation, proceeds or value thereof, or of the metals derived therefrom, other than income taxes levied upon BUYER, shall be for account of SELLER and shall be deducted from the purchase price payable hereunder.

QUOTATIONS:

All quotations for zinc, lead, silver, gold and cadmium used in settlement for all material delivered hereunder shall be the arithmetical average of quotations for the calendar month during which the material arrives at Buyer's zinc plant.

SUSPENSION  
OF  
QUOTATIONS:

If, for any cause, there is a suspension of quotations during any applicable monthly quotational period, then unless the parties otherwise agree as to the quotations to be used in settlement, that monthly quotational period shall be extended by a number of quotational days equal to the number of quotational days during that month for which no quotations were available. If "Handy & Harman" or Metals Week" quotations are terminated or cease to be standard for materials to be paid for hereunder, then such other quotations as are agreeable to both parties shall be substituted.

UNLOADING,  
WEIGHING,  
SAMPLING &  
MOISTURE  
DETERMINA-  
TION:

Unloading, weighing, sampling and moisture determination shall be done at the expense of Buyer at its receiving zinc plant in accordance with standard practice. Zinc plant weights, samples and moisture shall govern settlement. Seller shall have the privilege of being represented at these operations at its own expense. Failure of Seller's representative to be present shall constitute a waiver of this privilege in each case. The sample of each lot shall be divided into three equal parts, one for the Seller's determination to be handed to the Seller's representative, one for the receiving zinc plant, and one to be sealed and set aside for umpire purposes.

ANALYSES:

Analyses shall be made independently by Seller's representative and Buyer's zinc plant and the results shall be exchanged in the usual manner by crossing mails. Should the difference between the Seller's and Buyer's results be not more than the splitting limits specified below, the exact mean of the two results shall be taken as the agreed result for settlement purposes. In the case of any greater difference, repeat assays shall be run by both parties. If the repeat assays also show a greater difference, the umpire sample shall be referred to one of the below named umpires in rotation and the middle result of the three shall be taken for settlement purposes. Cost of the umpire's analyses shall be borne by the party whose result is further away from that of the umpire, but should the results of the umpire be the exact mean of that of the Seller and that of the Buyer, the cost of the umpire's analyses shall be borne equally by both parties.

SPLITTING  
LIMITS:

Gold	0.01 oz. per ton
Silver	0.5 oz. per ton
Lead	0.5%
Zinc	0.7%
Cadmium	0.05%
Magnesia	0.25%
Lime	0.25%
Iron	0.5%

UMPIRES:

Peter Mack, P. O. Box 808, Wallace, Idaho 83873  
Union Assay Office, Inc., P. O. Box 1528, Salt Lake City, Utah 84110  
Ledoux & Company, 359 Alfred Avenue, Teaneck, N. J. 07666  
(Ledoux & Company are only used as umpire for every third cadmium assay requiring umpire determination.)

DIVERSION  
OF  
SHIPMENTS:

Buyer reserves the right to divert any and all shipments of material to the zinc plant of any other company, provided however, that the terms of settlement, freight charges and other conditions shall be the same as though the material was shipped to Buyer's zinc plant at Silver King, Idaho.

FORCE  
MAJEURE:

Failures or delays in the performance hereof shall be excused if and so long as caused by acts of God or the elements, labor shortage or disturbances, fire, delay or interruption of transportation, war or the consequences thereof, insurrection or mob violence, laws, regulations or requirements of any Federal, State, County or Local government or governmental body, financial crisis of Seller or Buyer, cessation of operations for any reasons at Seller's mine or Buyer's zinc plant, or other affected facility, or any other cause, whether or not like those enumerated, beyond the reasonable control of either party, it being understood that prevention or settlement of any strike or labor disturbance shall not be considered a matter within the control of either party. A suspension of performance pursuant to this clause shall not have the effect of abrogating the contract, but immediately upon the termination of the cause of disability this contract shall again come into full force and effect and the term of the contract shall be extended for a period equal to the period of suspension, but in no event shall such extended term of the contract be of longer duration than the unexpired term of the contract at the time of suspension.

DURATION:

This agreement shall remain in force and effect from July 1, 1974 to and including June 30, 1976. However, if at any time on or after January 1, 1975 Seller receives a bona fide offer of at least one year's duration from a third party offering to buy subject material at terms by which Seller shall realize a greater net smelter return than that realized under the terms of subject agreement, then, Seller shall contact Buyer and make him aware of said offer. If within ten (10) days after receiving proper notice and information

of said offer Buyer does not elect to meet said third party terms then Seller may terminate this agreement forty-five (45) days thereafter.

NOTICES:

Notices shall be in writing and mailed, postage prepaid, by registered or certified mail to the respective parties at their respective addresses first above noted, and shall be conclusively presumed received on the day after that on which mailed.

DEFINITIONS:

- a) "ton" means a short ton equivalent to 2000 pounds avoirdupois, dry basis;
- b) "unit" means 1% of a short ton or 20 pounds avoirdupois, dry basis;
- c) "ounce" means a Troy ounce;
- d) "dollars" (\$) and "cents" (¢) mean lawful money of the United States of America;
- e) A "lot" shall constitute approximately 200 tons. At the end of any calendar month, a lot may be less than 200 tons.

INTEGRATION:

This agreement, together with any additional provisions appended hereto, contains the entire understanding of the parties.

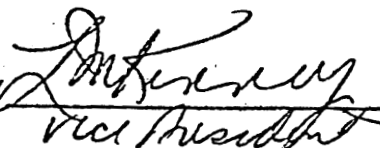
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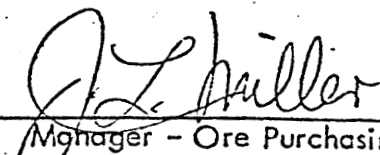
This agreement shall bind and inure to the benefit of the successors, assigns, heirs, executors, administrators and legal representatives of the parties and shall be a covenant running with the land.

IN WITNESS WHEREOF the parties have executed this agreement the day and year first above written.

REEVES MACDONALD MINES LIMITED

THE BUNKER HILL COMPANY

By   
Vice President  
Seller

By   
Manager - Ore Purchasing  
Buyer

REEVES MACDONALD ZINC CONCENTRATES

Suggested revisions to Agreement of June 26, 1974:

Labor: The above specified treatment charge of \$79.30 per short dry ton is based upon an average labor cost of \$5.676 for hourly employees at the Buyer's Zinc Plant. This cost is based on wage rates, shift differentials, holiday, vacation and overtime payments, projected payroll taxes (F.O. A.B. and unemployment taxes), and fringe benefits (pensions, medical-surgical, dental and insurance). Any future calculation of hourly labor cost will be based on the items included above, plus any additional labor costs accrued or paid to or on behalf of the employees. Any increase or decrease in said average hourly labor cost in effect for the calendar month prior to the date of delivery of product shall be for Seller's account and to adjust, charge eight cents (8¢) per net dry ton for each one cent (1¢) per hour that the average hourly labor cost shall be in excess of \$5.676 and credit eight cents (8¢) per net dry ton for each one cent (1¢) per hour that the average hourly labor cost shall be less than \$5.676, fractions in proportion.

Natural Gas: Increase T/C 27.0¢ per short dry ton for each 1.0¢ increase in cost per therm of natural gas above \$0.07328 per therm (present rate), fractions pro rata.

Electrical Power: Increase T/C 25.0¢ per short dry ton for each 0.1 mill increase in monthly composite power rate above 4.60 mills per KWH (present rate), fractions pro rata.