

Dec. 14/83

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129.  
93A/6

ORBEX - Lemon Lake

Fox's suggested deal -

- ① No down payment
- ② Annual work Commitments
  - 1<sup>st</sup> yr - \$25,000 → 10,000
  - 2<sup>nd</sup> - 50,000
  - 3<sup>rd</sup> - 50,000 → 65,000
  - 4<sup>th</sup> - 150,000
  - 5<sup>th</sup> - 200,000
  - TOTAL \$ 475,000
- ③ This earns newcomer an 80% interest in property
- ④ Orbex can participate in 20% Mine financing,  
or be diluted to 10% NPI (pre-tax)
- ⑤ Mt. Calvary to stake <sup>(and pay for)</sup> additional 18 units East Side  
for Orbex's account.
- ⑥ All assessment work to be recorded.

Jan. 6/84  
ADP.

Lenson Ok. Mtg. - ISS et al

- opening date claims Lem 142  
3057, 3058(11) - Nov. 28/86
- still open ground Jan. 6<sup>th</sup>.
- will OrbeX charge 1<sup>st</sup> yr work commitment to \$10,000 (i.e. 1 year over work)
- if so, stche addit. 18 units, E side
  - have stcher map & sample 2 in showings
- Hand entire package (54 units) to - Getty?  
- Mamont?
- (prepare Salobla data package - Map - Soil.  
IP  
Map.  
Soils - Cu  
- Au

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Jan. 9/84 - called Pete Fox  
- is agreeable to \$10,000 work  
in 1<sup>st</sup> yr.  
- all else agreeable also.

ADP.

Jan. 11/84  
AJS.

ORBEX - Lemon Lake Cu/An Property

Suggested deal - agreed to verbally by Pete Fox, Jan. 9th.

- no down payment

- Annual Work Commitments -

1984 - \$10,000 (one year's work on entire property)

1985 - 50,000

1986 - 65,000

1987 - 150,000

1988 - 200,000

Total \$475,000

- this earns new party (Mt. Colvay) 80% interest in property

- Orbex can participate in 20% Mine financing  
or be diluted to 10% NPI (pre-tax)

- Mt. Colvay to stake and record <sup>(LEM #3)</sup> an additional  
12 units on E. side of LEM #1, as soon as possible

- all assessment work to be recorded.

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Present Exping - LEM #1 - 18 units - Nov. 28/1986

LEM #2 - 18 units - Nov. 28/1986

36 units

proposed LEM #3 - 12 units Jan. 1984

Total = 48 units.

## DEFINITION

- (a) "Net Operating Profit" means, for any fiscal year, the net income of the Operator determined in accordance with generally accepted accounting principles in Canada, applied on a consistent basis, with the following additions:
- (i) taxes based on income;
  - (ii) interest expense, including standby or other fees or financing charges;
  - (iii) the increase in revenues resulting from adjustments made in connection with sales to affiliated organizations;
  - (iv) any management, supervisory, or similar fees to any organization affiliated, directly or indirectly, with the Operator
  - (v) the Production Royalty;
- (b) for the fiscal year of the Operator during which the Property is brought into commercial production, Net Operating Profit shall be determined as provided by Paragraph (a) above, except that the net income for the period during which the Operator is in commercial production shall be annualized and the resulting Production Royalty shall be reduced in proportion to the percentage of the fiscal year during which the Property was in commercial production.
- (c) in the determination of net income of the Operator for any fiscal year, capital expenditures, including preproduction expenditures, shall be charged to income ratably over their estimated useful lives, but in no event at rates in excess of those used for Canadian income tax purposes;
- (d) "preproduction expenditures" means the aggregate of all necessary costs (whether capital or otherwise) incurred by Operator after the date hereof and related to the exploration and development of the Property for commercial operations.

OR

10% of (Gross Revenues - (operating costs + S.L. Depreciation + S.L. Development costs))

where S.L. = straight line, paragraph (c).

*Pete Fox:*  
*Jan. 11 / 84*



DRAFT

Example of 10% "NPI" Royalty

Gross Revenues	\$ 10,000,000
Operating Costs	- 4,000,000
Depreciation (SL)	- 2,000,000
Preproduction	- 300,000

Net profits \$ 3,700,000

"Net profits royalty"  
@ 10% \$ 370,000

Jan 12/84  
AJP.

Lemon Lake Farm - Out: from Mt. Calvary Resources

possible Deal - CEM # 1, 2, 3 = 48 units

<u>Year</u>	<u>Option Payment</u>	<u>Work Commitment</u>
1984	\$ 10,000	\$ 50,000
1985	15,000	100,000
1986	20,000	150,000
1987	25,000	150,000
1988	50,000	150,000
- each year after until production	50,000	\$ 600,000 Total

- this would earn MAJOR 60% interest in property  
(and be operator)

- Mt. Calvary <sup>can</sup> participate 20% Mine Financing  
or dilute to 10% NPI

≠ Orbex can participate 20% Mine Financing  
or dilute to 10% NPI

∴ MAJOR could have 80% interest  
≠ Mt. Calvary 10% NPI  
≠ Orbex 10% NPI  
100%

- all assessment work to be recorded (10 yrs Max.)  
≠ surplus to Mt. Calvary's PAC account.

John:

Feb. 23/84

re: Lemon Lake

- Pete Fox called back today
- Arbox directors do not want to deal off the property now on the terms that we had agreed to originally.
- they feel your def'n of NPI is too tough and that their 10% NPI interest would not be worth anything.
- I get the feeling that the deal is dead & that we should try to deal off our claim (LEM 3) to the neighbours (either Rockridge or Conomex).

Andy.