



May 15, 1981

J.C. Stephen Explorations Ltd.,
1458 Rupert Street,
North Vancouver, British Columbia.
V7J 1G1

Dear Sirs:

Re: Tsee Property - Tootsee Lake Area, British Columbia

We refer to our Preliminary Agreement as contained in Cominco's letter to you ("J.C. Stephen") dated March 19, 1981 with attached map (the "Cominco Letter") and your response to Cominco of March 26, 1981, copies of which are attached hereto, and which contemplated a more formal agreement.

In consideration of the sum of \$25.00 now paid by Cominco to J.C. Stephen, the receipt and sufficiency of which is acknowledged by your executing and returning a copy of this Letter Agreement, and in consideration of the payment by you to Cominco of a similar sum of \$25.00, the receipt and sufficiency of which is hereby acknowledged by Cominco, it is agreed that the terms and conditions of the Preliminary Agreement as set out in Items 1 to 7 of the Cominco Letter are hereby confirmed except to the extent modified by this Agreement. If there is any conflict between the provisions of the Preliminary Agreement and this Agreement the provisions of this Agreement shall prevail.

As to said Items 1 to 7 of the Cominco Letter it is agreed that:

Item 1

The claim units staked and recorded in the name of Cominco consist of the Too Numbers 1 to 4 inclusive mineral claims, record nos. 1824, 1825, 1826, 1827 inclusive, consisting of 69 units which were recorded in the Liard Mining Division on April 1, 1981 in the name of Cominco. All costs of staking and acquisition have been borne by Cominco and are part of the costs for purposes of this Agreement.

cont'd....

Item 2

Cominco is the 100% beneficial owner of the claim units referred to in Item 1 above subject only to the rights of J.C. Stephen to receive payments as and when due pursuant to Item 3. All costs and expenses of exploration, development and other mining operations whatsoever are for Cominco's account but nothing in this Agreement is to be construed as obligating Cominco to carry out any exploration or other mining operations subject only to Item 4 hereof.

Item 3

J.C. Stephen shall be entitled to 10% of the Net Proceeds of Production derived from the Property as hereinafter defined. "Net Proceeds of Production" are more particularly described in Schedule A attached hereto and forming part hereof. If Cominco elects to put the Property or any part of it into production it will supply J.C. Stephen semi-annually for periods ending June 30 and December 31 in each year and within 60 days after the end of each semi-annual period with a statement showing:

1. the gross receipts from the sale of Minerals as hereinafter defined (during the semi-annual period);
2. the deductions therefrom in respect of costs;
3. the amount of Net Proceeds of Production remaining; and
4. the amount of those Net Proceeds of Production to which J.C. Stephen is entitled and accompanied, if applicable, by a cheque in favor of J.C. Stephen for its 10% share of the Net Proceeds of Production.

Item 4

J.C. Stephen will carry out the program described in Item 4 of the Cominco letter only after obtaining Cominco's agreement to the plan and budget therefor. All costs will be for Cominco's account as provided under Item 2 above.

cont'd....

Item 5

Any claim units staked and recorded by either party within a distance of one kilometer from the nearest point on the perimeter of the group of claim units referred to in Item 1 of this Letter Agreement, as that group exists at the date hereof, shall be subject to this Agreement and if staked and recorded by J.C. Stephen shall be transferred to Cominco (unless Cominco does not wish to acquire the same in which case they shall be excluded from this Agreement). The claim units listed in Schedule A and any after acquired claim units within the perimeter area above described (less those abandoned from time to time) will constitute the "Property" for purposes of this Agreement.

Item 6

Cominco may abandon from time to time any one or more mineral claim units but will first notify J.C. Stephen at least 30 days in advance of their due date and, if requested by J.C. Stephen prior to the due date, will transfer them to J.C. Stephen or its nominee (if capable of transfer under the Mineral Act).

Item 7

This Item is not applicable.

Kindly confirm your agreement with the foregoing by signing and returning a copy of this letter.

Yours very truly,

COMINCO LTD.

Per: 

Manager, Western District
Exploration

AGREED AND ACCEPTED:

J.C. STEPHEN EXPLORATIONS LTD.

Per: 

President

THIS IS SCHEDULE A TO THAT CERTAIN LETTER
AGREEMENT BETWEEN J.C. STEPHEN EXPLORATIONS
LTD. AND COMINCO LTD. DATED MAY 15, 1981

NET PROCEEDS OF PRODUCTION

For purposes of this Schedule the "Owners" shall mean J.C. Stephen Explorations Ltd.

I. OBLIGATION

If the Owners become entitled to a royalty pursuant to Item 3 of the Agreement, Cominco shall calculate, as at the end of each calendar quarter, the Net Proceeds of Production attributable to the sale of Minerals.

Cominco shall pay or cause to be paid to the Owners within 60 days of the end of each calendar quarter, as and when any Net Proceeds of Production are available for distribution, that percentage of the Net Proceeds of Production to which the Owners are entitled under Item 3 of the Agreement. At the time of payment of the Net Proceeds of Production, Cominco shall deliver to the Owners a statement indicating:

- (1) the gross receipts during the calendar quarter from the sale of Minerals;
- (2) the deductions therefrom made in the order itemized in item II of this Schedule;
- (3) the amount of Net Proceeds of Production remaining; and

(4) the amount of those Net Proceeds of Production to which the Owners are entitled; provided, however, that, until such time as there are Net Proceeds of Production available, Cominco shall deliver to the Owners, within 60 days of the end of each calendar quarter commencing with the first calendar quarter following the date of the first regular commercial shipment of Minerals from the mine, a statement indicating the gross receipts during the calendar quarter from the sale of Minerals less the deductions therefrom made in the order itemized in item II of this Schedule. Nothing contained in the Agreement shall be construed as conferring on the Owners any right to or interest in the Property except the right to receive royalty payments from Cominco as and when due.

II. NET PROCEEDS OF PRODUCTION

"Net Proceeds of Production" means the gross receipts from the sale of Minerals minus deductions therefrom, to the extent of but not exceeding the amount of those receipts, of the then unrecovered amounts of, firstly, any payments made pursuant to subsections 3.02 and 5.01 of the Agreement and, secondly, the following classes of Costs made in the following itemized order:-

- (a) Marketing Costs;
- (b) Distribution Costs;
- (c) Operating Costs;
- (d) Taxes and Royalties;
- (e) Interest Costs;
- (f) Capital Costs; and
- (g) Exploration Costs.

For greater certainty, in calculating Net Proceeds of Production at any time, each of the classes of Costs shall constitute a separate pool from which all Costs deducted on any previous quarterly calculation shall be removed and to which Costs of those classes recorded since the date hereof (in the case of the first quarterly calculation) or since the date of the last quarterly calculation (in the case of any calculation subsequent to the first quarterly calculation) shall be added and, except as otherwise provided herein, on the relevant day on which each item of Cost is recorded.

III. DEFINITIONS

In this Schedule the following phrases shall have the following meanings:

- (1) "Completion Date" means the date on which it is demonstrated to the satisfaction of Cominco that the project of preparing and equipping a Mine for production is complete.
- (2) "Costs" means all items of outlay and expense whatsoever, both direct and indirect, with respect to the Property or any Mine recorded by Cominco and, without limiting generality, more particularly:
 - (a) "Capital Costs" means
 - (i) all Costs of preparing and equipping a Mine for commercial production which are recorded prior to the Completion Date, including, without limiting generality, all amounts invested in development headings, plant and concentrator installations and all infrastructure, plant, housing, airport, roads and other facilities whatsoever, and all Costs of obtaining financing and providing security,
 - (ii) all Costs of maintaining efficient production at a Mine which are recorded after the Completion Date, including, without limiting generality, exploration, development, and

acquisition of fixed assets, and
(iii) a charge of three quarters of one percent of the Capital Costs referred to in paragraph (i) in return for its head office overhead functions with respect to Mine development and construction or substantial or material additions or alterations to capital facilities of a Mine;

- (b) "Distribution Costs" means all Costs of
- (i) transporting ore or concentrates from a Mine or a concentrating plant to a smelter or other place of delivery designated by the purchaser and, in the case of concentrates tolled, of transporting the metal from a smelter to the place of delivery designated by the purchaser,
 - (ii) handling, warehousing and insuring the concentrates and metal, and
 - (iii) in the case of concentrates tolled, of smelting and refining, including any penalties thereon or in connection therewith;

(c) "Exploration Costs" means all items of outlay and expense made or incurred by Cominco in contemplation or in consequence of entering into this Agreement prior to the Production Decision Date and, without limiting the generality of the foregoing, includes all costs, expenses and charges, direct or indirect, of or incidental to the Mining Operations and a charge for administrative services which shall not aggregate more than 15 percent of the amount of the said items of outlay and expense. All such costs, expenses and charges shall be determined in accordance with Cominco's accounting practices applicable from time to time;

(d) "Interest Costs" means interest computed quarterly and not in advance on the quotient of

(i) the aggregate of the daily outstanding balances during the quarter of the net unrecovered amounts of all Costs itemized in item II of this Schedule divided by,

(ii) the number of days in the quarter,

at a rate equal to the Prime Rate plus
two percent;

(e) "Marketing Costs" means such reasonable charge for marketing of ores and concentrates sold or of concentrates tolled as is consistent with generally accepted industry marketing practices;

(f) "Operating Costs" means all Costs which do not fall into any other class of Costs enumerated herein including, without limiting generality,

(i) payroll Costs including all applicable fringe benefits, burden and other direct payroll loading,

(ii) all other Costs of or incidental to Mining Operations,

(iii) all Costs resulting from any slowdown, suspension or termination of Mining Operations at a Mine, whether voluntary or involuntary, and howsoever arising,

(iii) all prepaid expenses and Costs of supplies and repair parts,

(iv) all Costs of or incidental to

rehabilitation of a mine, reclamation and environmental protection, and

- (v) a charge, being a proportion of its head office overhead cost consistent with and charged on a comparable basis to the proportions charged by it to other mines that it operates from time to time, in return for its head office overhead functions with respect to the operation and maintenance of a Mine on the Property.

- (g) "Taxes and Royalties" means all taxes (other than income taxes), royalties or other charges or imposts provided for pursuant to any law or legal obligation imposed by any government if paid by Cominco.

- (3) "Mine" means the workings established and assets acquired in order to bring the Property or a portion thereof into commercial production, including, without limiting generality, development headings, plant and concentrator installations.

- (4) "Minerals" means any and all ores, and minerals, precious and base, metallic or nonmetallic, in, on or under the property which under the laws, regulations, orders, decrees or other instruments having the force of law may be explored for, developed, mined, extracted, worked, treated, carried away, sold and disposed of, and further includes all concentrates, metals and other products derived therefrom.
- (4) "Prime Rate" means the arithmetic mean, rounded to the nearest 0.01%, for each quarter of calculation of the rate of interest stated by the Bank of Montreal, Main Office, Vancouver, British Columbia, as being charged by it on each day of the quarter on Canadian Dollar demand loans to its most creditworthy domestic commercial customers.
- (5) "Production Decision Date" means that date which is 180 days subsequent to the date on which a decision is made by Cominco to establish and operate a Mine on the Property.

J.C. Stephen Explorations Ltd.
1124 West 15th Street,
North Vancouver, B.C.
V7P 1M9

1458 Rupert Str
North Vancouver B.C.
V7J 1G1

Attention: Mr. J.C. Stephen

19 March 1981

Dear Cam:

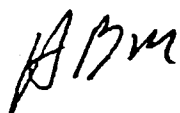
Re: Claim acquisition and agreement Tootsie Lake area
NTS: 1040-16 (Tsee Group)

In reference to our conversation Wednesday, March 18, 1981 terms of the agreement on the property are as follows:

- 1) To stake approximately 70 claim units in the area as shown on the attached map. Tootsie Lake area NTS: 1040-16.
- 2) Cominco to pay all acquisition and development costs for 100% ownership.
- 3) J.C. Stephen to retain 10% Net Proceeds of Production.
- 4) J.C. Stephen to conduct by contract a soil sampling and geological program in 1981 for the amount of approximately \$20,000.
- 5) Perimeter clause of 1 km.
- 6) Claims to be transferred to J.C. Stephen, if Cominco abandons the same.
- 7) This agreement null and void if said area designated, is found to be occupied by other claims.

Would you please indicate by return letter, that the foregoing are the general terms of the agreement discussed and are acceptable by J.C. Stephen Explorations Ltd. Following ground acquisition and transfer of claims a formal agreement will be drawn up.

Yours truly,



A.D. Mawer
Senior Geologist
Western District

ADM:vmk

ABN

J.C. STEPHEN EXPLORATIONS LTD.
1458 Rupert Street, North Vancouver, British Columbia V7J 1G1 (604) 988-1545

March 26, 1981

Mr. A.B. Mawer,
Cominco Ltd.
700 - 409 Granville Street,
Vancouver, B.C.
V6C 1T2

RE: Tootsee Lake Area Staking

Dear Bruce,

This letter will acknowledge yours dated March 19 1981 setting forth the general terms concerning acquisition of 70 units in the Tootsee Lake area 104 0/16. We are in agreement with the terms as set forth in your letter.

Staking was contracted to McCrory Holdings (Yukon) Ltd. with maps and instructions having been sent to them to stake as the T00 1 - 4 claims of 69 units total. This work should have been completed by now and we are expecting a phone call giving preliminary figures as to costs.

Could you supply us with a copy of the specific terms governing "Net Proceeds of Production"?

Yours very truly,
J.C. Stephen Explorations Ltd.



Cam
J.C. Stephen

JCS/ms

P.S. Your letter was delayed as it had gone to our old address

TOOTSEE

DS 2
933 (R)

DS 1
932B

LD	LD
500RS (4)	500RS (4)
ROK 572(7)	
FLO 10	FLO 10
FLO 10	FLO 10
FLO 10	FLO 10

CUB
440(7)

ONYA
4
1765
(12)

BLUE
573 (7)

COL

BLUE 2
670 (9)

767 (5)

A 11537

MAL

763 (5)

ONYA
2
1763
(12)

CLIMAX II
1724(III)

CLIMAX I
1716(III)

Tootsee
Lake

CLIMAX
2
1709(II)

BC 568

TO WEST SEE MAP 104-O-15-E

A.11540

CLIMAX 3
1710(II)

CLIMAX B
1721(III)

A.11541

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