

EXPLORATION AGREEMENT WITH OPTION TO LEASE

between

BRISTOL BAY NATIVE CORPORATION

and

ANDOVER (ALASKA) INC.

made as of August 23, 2006

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EXHIBITS

- A: Map showing location of all Village Property and all BBNC Property
- B: Map showing location of Expenditure Area
- C: Program and Budget for First Option Year
- D: Form of Conveyance of Overriding Royalty
- E: Contents of Typical Annual Report
- F: Form of Mining Lease
- G: Form of Special Warranty Deed (With Reservation)

SCHEDULES

- A-1: Description of Village Selected Surface;
Description of Village Conveyed Surface and BBNC Village Conveyed
Subsurface
- A-2: Description of BBNC Selected Property;
Description of BBNC Conveyed Property other than BBNC Village
Conveyed Subsurface
- A-3: Description of Claims
- B: Description of Expenditure Area

EXPLORATION AGREEMENT WITH OPTION TO LEASE

THIS EXPLORATION AGREEMENT WITH OPTION TO LEASE ("this Agreement"), effective as of August 23, 2006, between

BRISTOL BAY NATIVE CORPORATION ("BBNC"),
an Alaska Native regional corporation, optionor,

and

ANDOVER (ALASKA) INC. ("ANDOVER"), an Alaska
corporation, optionee.

WITNESSETH;

- A. WHEREAS, pursuant to the Alaska Native Claims Settlement Act, 43 U.S.C. § 1601 et seq., as amended ("ANCSA"),
- (1) VNC (as defined below) has selected certain of the lands depicted on the map attached hereto as Exhibit A (the "Map") (said lands are described in Schedule A-1 attached hereto) and
 - (2) BBNC independently has selected certain of the lands depicted on the Map (said lands are described in Schedule A-2 attached hereto); and
- B. WHEREAS, pursuant to ANCSA,
- (1) BBNC reasonably believes that VNC has received or has the right to receive conveyance from the United States, through the Bureau of Land Management (the "BLM"), of the surface estate in and to most (if not all) of the lands selected by VNC,
 - (2) BBNC has received or reasonably believes that it has the right to receive conveyance from the United States, through the BLM, of the subsurface estate in and to the lands in which VNC receives conveyance of the surface estate,
 - (3) BBNC has received conveyance from the United States, through the BLM, of both the surface estate and the subsurface estate in and to portions of the lands selected by it,

- (4) BBNC reasonably believes that it has the right to receive conveyance from the United States, through the BLM, of both the surface estate and the subsurface estate in and to additional portions (but not necessarily all) of the lands selected by it,

all of which conveyances have been or will be (if so received) subject to certain Permitted Exceptions (as defined below); and

C. WHEREAS, pursuant to ANCSA,

- (1) VNC has selected lands within the State of Alaska other than the lands depicted on the Map, and these other selected lands together with its selected lands depicted on the Map may exceed the total acreage allowed to VNC under ANCSA, such that from time to time the BLM may require VNC to identify portions of its selected lands for conveyance or relinquishment and then require VNC either to take conveyance of certain lands (limited in amount to the remaining entitlements granted VNC under ANCSA) or to relinquish its selection of certain lands, or both; and
- (2) BBNC has selected lands within the State of Alaska other than the lands depicted on the Map, and these other selected lands together with its selected lands depicted on the Map may exceed the total acreage allowed to BBNC under ANCSA, such that from time to time the BLM may require BBNC to identify portions of its selected lands for conveyance or relinquishment and then require BBNC either to take conveyance of certain lands (limited in amount to the remaining entitlements granted BBNC under ANCSA) or to relinquish its selection of certain lands, or both; and

D. WHEREAS, ANDOVER acknowledges that (1) BBNC has no legal ability to direct VNC to request that the BLM convey to VNC and BBNC any particular lands that have been selected by VNC but not yet conveyed, and (2) certain lands that have been or eventually will be conveyed to VNC and BBNC might be subject to the restrictions on mineral activities set forth in section 14(f) of ANCSA; and

E. WHEREAS, although both VNC and BBNC generally have not yet formally requested that the BLM convey to VNC or BBNC any of the lands depicted on the Map that have been selected but have not yet been conveyed, based on the past experience of BBNC and other Native regional corporations in allowing mineral development companies to explore selected lands, BBNC reasonably believes as follows:

- (1) the BLM will permit ANDOVER, by and through VNC and BBNC, to have helicopter and other limited access to lands managed by the BLM and the BLM will grant the right to establish exploration camps for the purpose of conducting geological, geochemical, and geophysical surveys, low impact sampling, and limited drilling and test pit programs;
- (2) the U.S. Fish and Wildlife Service and the National Park Service may, on an ad hoc basis, permit ANDOVER, by and through VNC and BBNC, to have limited helicopter and other access to lands managed by, respectively, the U.S. Fish and Wildlife Service and the National Park Service, and to conduct limited geological, geochemical, and geophysical surveys and other limited exploration activities; and
- (3) if (i) VNC or BBNC requests conveyance of any of the lands depicted on the Map that have been selected by it and (ii) the requesting entity has entitlement remaining to be satisfied under ANCSA that may be satisfied in whole or in part by the conveyance of such lands, such lands will be conveyed to the parties entitled thereto by the BLM via interim conveyances or patents, subject to certain Permitted Exceptions (as defined below), and any such interim conveyances or patents will enable
 - (a) BBNC to enter into a mineral lease with ANDOVER for such lands (as and to the extent conveyed to BBNC) to allow ANDOVER to proceed with exploration for, development of, and production of certain minerals from such lands, if ANDOVER otherwise is entitled to exercise its option to receive a lease as to such lands under the terms of this Agreement, and
 - (b) VNC—if it has received an interim conveyance or patent to the surface estate in and to any such lands—to enter into a surface agreement with ANDOVER for such lands (as and to the extent conveyed to VNC) to allow ANDOVER to proceed with exploration for, development of, and production of certain minerals from such lands or other lands; and

F. WHEREAS, pursuant to the federal or state mining laws BBNC has located or otherwise acquired certain federal or state mining locations situated as depicted on the Map; and

- G. WHEREAS, ANDOVER desires to conduct exploration for certain minerals on
- (i) those of the lands depicted on the Map that have been selected by or conveyed to VNC or BBNC,
 - (i) those of the lands that have been included in any BBNC Claims or in any ANDOVER Claims, and
 - (iii) certain lands (if any) that adjoin or are surrounded by the lands described in (1) and (ii) above,

and the parties desire to identify those portions of all said lands which appear most promising for mineral production so that

- (1) ANDOVER *both* may exercise its option to lease or purchase certain lands or interests therein pursuant to this Agreement *and* may release from this Agreement certain other lands or interests therein that do not appear valuable for minerals and
- (2) BBNC is able, from time to time, as may be appropriate,
 - (a) to request of VNC that it request conveyances of portions of said lands from the BLM, or
 - (b) to request conveyances of portions of said lands from the BLM directly, or
 - (c) to release from its selections portions of said lands,

all in accordance with the provisions of this Agreement; and

- H. WHEREAS, BBNC has agreed to grant to ANDOVER the right to conduct mineral exploration activities on the lands depicted on the Map to the extent BBNC has the power and authority to do so and has agreed to grant to ANDOVER the option to lease or purchase certain lands or interests therein subject to the terms and conditions set forth in this Agreement,

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS**

As used in this Agreement, unless the context otherwise requires, the following terms have the following meanings:

"Affiliate" means a person, partnership, limited liability company, joint venture, corporation, or other entity which, whether through equity ownership or through contractual obligations, (i) can control, either directly or indirectly, or be controlled by a party hereto, or such party's successors or assigns, or (ii) is under the common control, with a party hereto, or such party's successors or assigns, directly or indirectly, of a third person or other entity.

"ANDOVER Claims" means any and all rights, titles, and interests owned as of the date of this Agreement or acquired from time to time in the future by ANDOVER or any Affiliate of ANDOVER in, to, or respecting any federal or state mining locations now existing or hereafter made on lands within the Expenditure Area.

"BBNC Claims" means any and all rights, titles, and interests owned as of the date of this Agreement or acquired from time to time in the future by BBNC or any Affiliate of BBNC in, to, or respecting any federal or state mining locations now existing or hereafter made on lands within the Expenditure Area.

"BBNC Conveyed Property" means those real property interests within the Expenditure Area that, as of the date of this Agreement or from time to time in the future, are conveyed to BBNC pursuant to ANCSA either by interim conveyance or by patent. BBNC Conveyed Property generally includes the subsurface estate in and to particular lands (including but not necessarily limited to all BBNC Village Conveyed Subsurface); in some cases, BBNC Conveyed Property also may include the surface estate in and to particular lands.

"BBNC Property" means all BBNC Selected Property, all BBNC Conveyed Property (including but not necessarily limited to all BBNC Village Conveyed Subsurface), the BBNC Claims, and any real property interests acquired by BBNC pursuant to **SECTION 13.1** of this Agreement.

"BBNC Selected Property" means those real property interests within the Expenditure Area that are selected by BBNC pursuant to ANCSA but which have not yet been conveyed to BBNC. BBNC Selected Property generally includes both the surface estate and the subsurface estate in and to particular lands; in some cases, BBNC Selected Property may include only the subsurface estate in and to particular lands.

"BBNC Village Conveyed Subsurface" means the subsurface estate in and to particular lands within the Expenditure Area that, as of the date of this Agreement or from time to time in the future, is conveyed to BBNC pursuant to section 14(f) of ANCSA either by interim conveyance or by patent.

"BLM Requested Selection Reduction" means a request from the BLM either (i) to VNC to relinquish its selection under ANCSA to a portion of the VNC Selected Property or (ii) to BBNC to relinquish its selection under ANCSA to a portion of the BBNC Selected Property.

"Expenditure Area" means all of the lands within the area depicted on Exhibit B and described in Schedule B as the "Expenditure Area". The Expenditure Area thus includes, but is not necessarily limited to, the following: all Village Property, all BBNC Property, the ANDOVER Claims, and all Third Party Property.

"Exploration Expenditures" means all actual, direct expenditures incurred after the date of this Agreement made by or on behalf of ANDOVER in ascertaining the existence, location, quantity, quality, or commercial value of Lode Deposits within the Expenditure Area. Without limiting the generality of the foregoing, Exploration Expenditures shall include the following:

- (1) a pro rata share (allocated on an hourly basis) of the salaries of ANDOVER's office staff and ANDOVER's geologists, landmen and technical employees, while working on or for the direct benefit of the Expenditure Area, including but not limited to the costs of providing reports and samples to BBNC and attending any meetings required under this Agreement;
- (2) payments made by ANDOVER to each VNC pursuant to one or more agreements entered into with each VNC to acquire Village Property access within the Expenditure Area, not exceeding a total of \$10,000 per Option Year in payments made to all VNCs;
- (3) the costs of staking, recording, and filing any mining claims located in the Expenditure Area after the date of this Agreement that become ANDOVER Claims or BBNC Claims;
- (4) the costs of preparing, recording, and filing (all in a proper and timely manner) affidavits of assessment work or similar documents respecting any of the ANDOVER Claims or any of the BBNC Claims, and the cost of filing and paying (all in a proper and timely manner) all governmental maintenance fees and governmental

rentals paid for or in connection with any of the ANDOVER Claims or any of the BBNC Claims to maintain said claims in good standing under the federal or state mining laws;

- (5) the costs of any reclamation bond;
- (6) the costs of all archaeological and cultural resources surveys; and
- (7) tax payments made by ANDOVER under **SECTION 6.6** of this Agreement.

Exploration Expenditures shall not include (a) payments made by ANDOVER to BBNC pursuant to **SECTION 3** of this Agreement, (b) any costs associated with raising or managing equity capital, (c) other than as provided above, any costs incurred in acquiring Third Party Property within the Expenditure Area, or (d) other than as provided above, any payments made by ANDOVER to third parties (in cash, services, or anything else of value) pursuant to agreements entered into with said third parties to acquire Third Party Property within the Expenditure Area.

"Lease Area" means a contiguous tract of BBNC Property containing one or more Lode Deposits that has been designated by ANDOVER for inclusion in a Mining Lease. A Lease Area shall contain a maximum of 11,520 acres, and the maximum length of any Lease Area shall not be more than three times the maximum width of said Lease Area,.

"Lode Deposit" means a deposit of Minerals situated in rock in place.

"Mine" means one or more open pits, underground workings, in situ operations, and processing facilities within a single Lease Area if such open pits, underground workings, in situ operations, and processing facilities are physically interrelated or for economic reasons should be developed in conjunction with one another.

"Mineral(s)" means all substances (whether metallic or non-metallic) occurring naturally in the earth but excluding Other Minerals.

"Mineral Products" means all Ores produced from a Lease Area which are sold, processed, or refined for their Mineral content and all products derived from such processing or refining including, without limitation, doré bullion, precipitates, and concentrates of Minerals.

"Mining Lease" means any mining lease entered into by the parties pursuant to this Agreement using the form attached hereto as Exhibit F, with such changes, if any, as may be agreed upon by BBNC and ANDOVER as necessary and reasonable.

"Native Corporation" has that meaning given in ANCSA.

"Native" has that meaning given in ANCSA.

"Option" means any option granted pursuant to **SECTION 2** of this Agreement.

"Option Period" means the period commencing on the date of this Agreement and ending at 11:59 p.m. on August 31, 2013, during which period ANDOVER may exercise the Options.

"Option Year" means, except as provided in the next sentence, any year during the Option Period commencing at midnight on September 1 and ending at 11:59 p.m. on the following August 31. The first Option Year under this Agreement shall commence on the date of this Agreement and shall end at 11:59 p.m. on August 31, 2007.

"Ore" means all material produced from Lode Deposits situated on, in, or under the Lease Area that contains one or more Minerals and which in the sole discretion of ANDOVER justifies either (i) mining, extracting, or recovering from a place in the Lease Area and selling or delivering to a processing plant or refiner for physical or chemical treatment, or (ii) treating in situ in the Lease Area by chemical, solution, or other methods; said term shall also include all Mineral-bearing solutions, natural or introduced, recovered by or for ANDOVER from the Lease Area and sold, processed, or refined by or for ANDOVER, and all Mineral and non-Mineral components of all such materials and solutions.

"Other Minerals" means all geothermal resources, sand, gravel, shot rock, aggregate, rock (including but not limited to development rock and waste rock), building stone, limestone, peat, coal, lignite, oil, gas, other liquid or gaseous hydrocarbons, and all other substances occurring and producible naturally only as gases, liquids, or fluids from wells.

"Permitted Exceptions" means such reservations, exceptions, exclusions, restrictions, and limitations as may be included in interim conveyances or patents issued to VNC or BBNC for property within the Expenditure Area pursuant to ANCSA, including but not limited to the following: valid existing rights (including but not limited to unpatented mining claims); reserved areas set aside by law, executive order, public land order, or similar action; cemetery and historic sites; air navigation sites; public land entries; Native allotments; lands underlying inland navigable waters, tidal waters, or

coastal waters; and public easements. (Some Permitted Exceptions constitute Third Party Property.)

"Placer Deposit" means a deposit of Minerals situated *not* in rock in place but instead in unconsolidated materials.

"Special Warranty Deed" means a special warranty deed (with reservation) executed by the parties and delivered by BBNC to ANDOVER pursuant to this Agreement using the form attached hereto as Exhibit G, with such changes, if any, as may be agreed upon by BBNC and ANDOVER as necessary and reasonable.

"Third Party Property" means those interests in real property within the Expenditure Area that are not ANDOVER Claims, BBNC Property, or Village Property.

"VNC" means each of the following Alaska Native village corporations: Alaska Peninsula Corporation, and Koliganek Natives Limited (established, respectively, for the Alaska Native villages of Kokhanok and Koliganek).

"Village Conveyed Surface" means the surface estate in and to particular lands within the Expenditure Area that, as of the date of this Agreement or from time to time in the future, is conveyed to VNC pursuant to ANCSA either by interim conveyance or by patent.

"Village Property" means all Village Selected Surface and all Village Conveyed Surface.

"Village Selected Surface" means the surface estate in and to particular lands within the Expenditure Area that is selected by VNC pursuant to ANCSA but which has not yet been conveyed to VNC.

2. GRANT OF EXPLORATION RIGHTS AND OPTION TO LEASE

2.1 Native Lands.

(a) Grant of Exploration Rights and Option To Lease. With respect to the BBNC Conveyed Property (including such BBNC Conveyed Property as may be acquired by BBNC after the date hereof), and with respect to the Village Selected Property and the BBNC Selected Property insofar as BBNC has the power and authority to do so, and subject to the rights of termination as provided herein, BBNC hereby grants to ANDOVER the following, for and during the Option Period:

- (1) the nonexclusive right to use the surface of said BBNC Property to the extent such surface or the right to use such

surface is owned or held by BBNC, subject to BBNC's right to review and approve the choice of surface locations for access routes and other surface facilities and place reasonable restrictions thereon, all in furtherance of activities undertaken pursuant to this Agreement;

- (2) the sole and exclusive right to explore said BBNC Property for Minerals contained in Lode Deposits by conducting geological, geochemical, and geophysical activities and taking samples (including drilling), if and to the extent permitted by the BLM or other governmental agency with jurisdiction over the affected portion of said BBNC Property prior to interim conveyance or patent;
- (3) the sole and exclusive Option—exercisable, upon giving written notice of exercise to BBNC, at any time and from time to time during the Option Period on or after December 15, 2006—to lease portions of said BBNC Property pursuant to the leasing procedure described in this Agreement for the purpose of developing and mining Minerals contained in such Lode Deposits as may exist thereon, therein, or thereunder; and
- (4) the exclusive right to use on BBNC Property at no cost such sand, gravel, shot rock, aggregate, rock (including but not limited to development rock and waste rock), and other materials as may exist on said BBNC Property, all in furtherance of activities undertaken pursuant to this Agreement but not otherwise.

follows: (b) Separate Surface Use Agreements. ANDOVER acknowledges as

- (1) VNC owns or controls the Village Property;

- (2) certain Third Party Property may be owned by individuals who are Natives or descendants of Natives (or is owned by the U.S. on behalf of Natives) in the form of Native allotments or pursuant to other federal laws granting land title to individual Natives from public lands; and
- (3) such Third Party Property may include rights to some or all Minerals.

BBNC acknowledges its obligation under **SECTION 8.1(a)** of this Agreement to provide information to ANDOVER about VNC, Third Party, and Native interests.

Whether pursuant to this Agreement or any Mining Lease granted hereunder, ANDOVER shall not enter upon any Village Property or any Third Party Property that is owned by individuals who are Natives or descendants of Natives (or is owned by the U.S. on behalf of Natives), except to the extent of any public rights of access, until ANDOVER has executed an agreement with the person or entity that owns or controls such Village Property or such Third Party Property. BBNC shall make reasonable efforts to assist ANDOVER in obtaining such agreements. When ANDOVER's rights regarding a parcel of land under this Agreement or any Mining Lease granted hereunder are released, have expired, or otherwise terminate and such parcel is subject to a surface use agreement with VNC, ANDOVER shall relinquish all rights under that surface use agreement.

2.2 BBNC Claims.

(a) Grant of Exploration Rights and Option To Purchase. With respect to the BBNC Claims (including such rights, titles, and interests as may become part of the BBNC Claims after the date hereof), insofar as BBNC has the power and authority to do so and subject to the rights of termination as provided herein, BBNC hereby grants to ANDOVER the following, for and during the Option Period:

- (1) the nonexclusive right to use the surface of the BBNC Claims to the extent such surface or the right to use such surface is owned or held by BBNC, subject to BBNC's right to review and approve the choice of surface locations for access routes and other surface facilities and place reasonable restrictions thereon, all in furtherance of activities undertaken pursuant to this Agreement;

- (2) the sole and exclusive right to explore the BBNC Claims for Minerals contained in Lode Deposits by conducting geological, geochemical, and geophysical activities and taking samples (including drilling), if and to the extent permitted by the BLM, DNR, or other governmental agency with jurisdiction over the lands within the BBNC Claims;
- (3) the sole and exclusive Option—exercisable, upon giving written notice of exercise to BBNC, at any time (but once and only once) during the Option Period on or after December 15, 2006—to purchase some or all of the BBNC Claims pursuant to the purchase procedure described in this Agreement; and
- (4) the exclusive right to use on the BBNC Claims at no cost such sand, gravel, shot rock, aggregate, rock (including but not limited to development rock and waste rock), and other materials as may exist on BBNC Property, all in furtherance of activities undertaken pursuant to this Agreement but not otherwise.

2.3 Governmental Permits and Approvals. BBNC shall, upon request by ANDOVER, make reasonable efforts to assist ANDOVER in obtaining such permits and approvals (including, in particular, special use permits and water rights permits) from the BLM, the State of Alaska Department of Natural Resources ("DNR"), or other governmental agencies with jurisdiction over the BBNC Property and, to the extent required by law or regulation, BBNC shall join in all applications for such permits or approvals as are reasonably necessary for the exploration activities contemplated by this Agreement. In all cases, ANDOVER shall be responsible for preparing all such applications. BBNC shall have the right to review such applications, as well as amendments thereto, before they are submitted and to require reasonable revisions. BBNC shall cooperate fully with ANDOVER in seeking permits and approvals, including during the appeal of any denials or unreasonable conditions, as requested in good faith by ANDOVER. Permits and approvals shall be issued to and in the name of ANDOVER except that any water rights permits appurtenant to the BBNC Property shall be issued in the name of BBNC. ANDOVER shall keep BBNC advised of all communications with regulatory agencies concerning the activities contemplated under this Agreement and shall invite BBNC, at BBNC's expense, to attend and participate in all meetings with regulatory authorities and vice versa. All fees, rentals, or other payments, if any, necessary for issuance of such permits and approvals shall be paid by

ANDOVER. No amendments to the terms of any permit or approval shall be sought by ANDOVER without the written consent of BBNC.

3. OPTION PAYMENTS

3.1 Initial Payment. Simultaneously with the execution of this Agreement, ANDOVER shall pay to BBNC an option payment in the amount of \$90,000.

3.2 Later Option Payments. Unless this Agreement is sooner terminated, ANDOVER shall make the following additional option payments on or before the dates set forth below:

If this Agreement is in effect on September 1 st of this year:	ANDOVER shall pay to the order of BBNC on or before September 15 th of said year the sum of the following amounts:
2007	\$85,000
2008	\$120,000
2009	\$145,000
2010	\$200,000
2011	\$250,000
2012	\$300,000

3.3 Scholarship Donations. ANDOVER agrees that, for the purpose of providing scholarships to educate BBNC shareholders and their direct descendants in the fields of natural resources development and land management,

- (a) simultaneously with the execution of this Agreement ANDOVER shall contribute \$20,000 to the Bristol Bay Native Corporation Education Foundation, or as otherwise directed by BBNC, and
- (b) on or before September 15, 2007 (if this Agreement is in effect on September 1, 2007, but not otherwise), ANDOVER shall contribute \$20,000 to the Bristol Bay Native Corporation Education Foundation, or as otherwise directed by BBNC.

- (c) on or before September 15, 2008 (if this Agreement is in effect on September 1, 2008, but not otherwise), and on or before each later September 15 (if this Agreement is in effect on the immediately preceding September 1 but not otherwise), ANDOVER shall contribute \$40,000 to the Bristol Bay Native Corporation Education Foundation, or as otherwise directed by BBNC.

4. **EXPLORATION MANAGEMENT AND EXPLORATION EXPENDITURE COMMITMENTS**

4.1 **Mandatory Expenditures.**

- (a) ANDOVER agrees to make mandatory minimum Exploration Expenditures as set forth below. The obligation to make Exploration Expenditures for any Option Year accrues on the first day of that Option Year and not before.
 - (1) During the first Option Year (commencing on the date of this Agreement) ANDOVER shall spend, in Exploration Expenditures in the Expenditure Area, at least the sum of (a) \$200,000 plus (b) \$1,000 per claim for each of the BBNC Claims that is subject to this Agreement on the date of this Agreement.
 - (2) During or for the second Option Year (commencing on September 1, 2007) ANDOVER shall spend, in Exploration Expenditures in the Expenditure Area, at least the sum of (a) \$300,000 plus (b) \$1,000 per claim for each of the BBNC Claims that is subject to this Agreement on said September 1.
 - (3) During or for the third Option Year (commencing on September 1, 2008) ANDOVER shall spend, in Exploration Expenditures in the Expenditure Area, at least the sum of (a) \$400,000 plus (b) \$1,000 per claim for each of the BBNC Claims that is subject to this Agreement on said September 1.
 - (4) During or for the fourth Option Year (commencing on September 1, 2009) ANDOVER shall spend, in Exploration Expenditures in the Expenditure Area, at least the sum of (a) \$500,000 plus (b) \$1,000 per claim for each of the BBNC Claims that is subject to this Agreement on said September 1.

- (5) During or for the fifth Option Year (commencing on September 1, 2010) ANDOVER shall spend, in Exploration Expenditures in the Expenditure Area, at least the sum of (a) \$750,000 plus (b) \$1,000 per claim for each of the BBNC Claims that is subject to this Agreement on said September 1.
 - (6) During or for the sixth Option Year (commencing on September 1, 2011) ANDOVER shall spend, in Exploration Expenditures in the Expenditure Area, at least the sum of (a) \$1,000,000 plus (b) \$1,000 per claim for each of the BBNC Claims that is subject to this Agreement on said September 1.
 - (7) During or for the seventh Option Year (commencing on September 1, 2012) ANDOVER shall spend, in Exploration Expenditures in the Expenditure Area, at least the sum of (a) \$1,000,000 plus (b) \$1,000 per claim for each of the BBNC Claims that is subject to this Agreement on said September 1.
- (b) Exploration Expenditures incurred in excess of the minimum amount required for any Option Year as described above may be carried forward and credited toward the minimum Exploration Expenditures amount accruing for any subsequent year or years. As provided in **SECTION 8.2** of this Agreement, within forty-five (45) days after the end of each Option Year, ANDOVER shall deliver an itemized report to BBNC detailing the amount of Exploration Expenditures incurred by ANDOVER hereunder during said Option Year. If ANDOVER fails to incur Exploration Expenditures in a timely manner in the amount required for any Option Year, ANDOVER may deliver to BBNC, simultaneously with the itemized report which establishes that ANDOVER so failed or within fifteen (15) days after it is later established that ANDOVER so failed, a payment equal to the difference between the amount of Exploration Expenditures required to have been incurred and the amount of Exploration Expenditures actually incurred. If such payment is timely made, ANDOVER shall be deemed to have satisfied the particular Exploration Expenditure obligation for which such payment was made and this Agreement shall continue in full force and effect; if such payment is not timely made, the failure to make such payment shall constitute a monetary default under **SECTION 14** of this Agreement.

- (c) For each of the BBNC Claims that is subject to this Agreement on the first day of any Option Year, ANDOVER shall become obligated on said first day of said Option Year (1) to perform, prior to August 31 of said Option Year (August 31, 2006, in the case of the first Option Year), any and all assessment work that must be performed prior to said August 31 to maintain the BBNC Claims in good standing for a minimum of one year beyond said August 31, (2) to prepare, record, and file in a proper and timely manner (but in any event no later than October 31 of said Option Year) such affidavits describing said assessment work as must be prepared, recorded, and filed to maintain the BBNC Claims in good standing beyond the end of said Option Year, and (3) to pay in a proper and timely manner (but in any event at least 30 days prior to the date upon which any such payment must be paid) any and all governmental maintenance fees and government rentals that must be paid to maintain the BBNC Claims in good standing beyond the end of said Option Year.

4.2 Exploration Program and Budget. The annual program and budget for the first Option Year is attached to this Agreement as Exhibit C. On or before each November 15 during the Option Period (other than the final November 15 during the Option Period), ANDOVER shall submit to BBNC a draft program and budget for Exploration Expenditures for the coming Option Year. On or before each December 15 during the Option Period (other than the final December 15 during the Option Period), BBNC and ANDOVER shall meet at a mutually agreed time and place in Alaska to discuss ANDOVER's proposed program and budget for Exploration Expenditures for the coming Option Year. On or before each December 31 during the Option Period (other than the final December 31 during the Option Period), ANDOVER shall approve and deliver to BBNC a final program and budget for Exploration Expenditures for the coming Option Year that incorporates such features and expenses as ANDOVER desires but which, in any event, if carried out, will satisfy the requirements of **SECTION 4.1** of this Agreement. Such approved final program and budget may be amended by ANDOVER from time to time during any Option Year by delivering notice of such amendment to BBNC, so long as no such amendment causes the final program and budget (as amended) for said year to fail to satisfy the requirements of **SECTION 4.1** of this Agreement. Notwithstanding the procedures set forth in this **SECTION 4.2** for developing each annual program and budget (including but not limited to the procedures for consulting with BBNC), so long as each final annual program and budget approved and delivered by ANDOVER satisfies the requirements of **SECTION 4.1** of this Agreement and is sufficient to allow ANDOVER to satisfy the reporting requirements of **SECTION 8.2** of this Agreement, the selection therein of the areas to be explored, the types of exploration activities to be conducted, and the nature and extent of the work to be performed and

information to be gathered or generated shall be within the sole discretion of ANDOVER.

4.3 Sampling. During the term of this Agreement, ANDOVER agrees that in obtaining analyses and assays of mineral samples it will test for all Minerals which it reasonably believes may be present and of potential economic interest.

5. EXERCISE OF OPTIONS

5.1 Native Lands.

(a) Notice of Exercise—Lease Areas. At any time and from time to time during the Option Period on or after December 15, 2006, ANDOVER may exercise its Option to lease one or more Lease Areas by delivering written notice to BBNC describing the proposed Lease Area (or proposed Lease Areas) and notifying BBNC of ANDOVER's election to lease each such Lease Area.

(b) Request for Conveyance and Execution of Lease. Subject to the Permitted Exceptions, within 90 days after delivery to BBNC of notice of ANDOVER's exercise of its Option to lease a Lease Area, and regardless of whether the Option Period expires after such delivery, BBNC

- (1) shall request VNC to request from the BLM conveyances (A) to VNC of all Village Property therein and (B) to BBNC of all underlying subsurface estate, if VNC and BBNC have not yet received such conveyances, and
- (2) shall request from the BLM a conveyance of all BBNC Property therein (other than BBNC Claims), if BBNC has not yet received such a conveyance.

BBNC shall use all reasonable efforts to expedite the receipt of such conveyances.

Within thirty (30) days after BBNC's receipt of conveyance of all BBNC Property as to which ANDOVER has exercised its Option to lease, or within thirty (30) days after receipt by BBNC of ANDOVER's request if BBNC has already received conveyance of all of the BBNC Property as to which ANDOVER has exercised its Option to lease, the parties shall execute a Mining Lease covering the requested Lease Area. Such Mining Lease shall be effective as of the date of its execution, and the Lease Area covered thereby thereupon shall cease to be part of the Expenditure Area.

If BBNC, despite its best efforts, cannot secure a conveyance to all BBNC Property as to which ANDOVER has exercised its Option to lease because of a title defect which was not of record (either in federal or state records), which was not known to and disclosed by BBNC to ANDOVER, and which was not discovered in spite of a reasonable diligent search by ANDOVER, or for any other reason beyond the reasonable control of BBNC, and so notifies ANDOVER, and if the inability of BBNC to secure a conveyance materially impairs ANDOVER's ability to build or expand (as the case may be) a profitable Mine, in ANDOVER's reasonable estimation, then ANDOVER may rescind its exercise of the Option as to such area by written notice to BBNC. If ANDOVER believes the title defect preventing BBNC from securing conveyance ultimately may be cured, then ANDOVER may elect to declare an event of force majeure under **SECTION 15** of this Agreement as to the optioned area and proceed to attempt to cure such defect pursuant to **SECTION 11.3** of this Agreement.

5.2 BBNC Claims.

(a) Notice of Exercise. At any time (but once and only once) during the Option Period on or after December 15, 2006, ANDOVER may exercise its Option to purchase some or all of the BBNC Claims by delivering written notice to BBNC describing those of the BBNC Claims that ANDOVER desires to purchase.

(b) Execution of Special Warranty Deed and Payment. Within thirty (30) days after delivery to BBNC of notice of ANDOVER's exercise of its Option to purchase some or all of the BBNC Claims, and regardless of whether the Option Period expires after such delivery,

- (1) the parties shall execute, and BBNC shall deliver to ANDOVER, a Special Warranty Deed conveying to ANDOVER those of the BBNC Claims described in the notice of exercise, and
- (2) ANDOVER shall pay to the order of BBNC the sum of \$5,000,000.

Upon the delivery of such Special Warranty Deed, the BBNC Claims described therein shall cease to be part of the Expenditure Area.

6. CONDUCT OF OPERATIONS

6.1 Operational Standards and Compliance with Laws. All activities under this Agreement shall be conducted in a good and miner-like manner to the highest standards reasonably capable of being employed now or in the future by the mining industry and in

compliance with all applicable federal, state, and local laws and regulations, whether now existing or subsequently enacted, including those relating to reclamation of the BBNC Property, air quality, water quality, the treatment, storage, and disposal of wastes and hazardous substances, and the sale of securities. Consistent with applicable laws, wastes and hazardous substances will either be destroyed or removed from BBNC Property not included in a Mining Lease unless BBNC consents in writing to storage or disposal thereon. However, unless such violations of laws or breaches of operational standards or reclamation requirements cause material harm to BBNC, to BBNC shareholders or descendants of shareholders, or to its or their property or to resources which are or may be owned or used by BBNC or by BBNC shareholders or descendants of shareholders, or unless such violations or breaches cause ANDOVER to default in the performance of its other obligations under this Agreement, such violations or breaches shall not be grounds for BBNC to terminate this Agreement under **SECTION 14** of this Agreement. ANDOVER recognizes that compliance with laws and regulations may not be adequate to meet the operational standards of this **SECTION 6.1** or the reclamation requirements of **SECTION 6.2** of this Agreement. The requirements of this **SECTION 6.1** terminate as to the lands within a Mining Lease, upon the issuance of that Mining Lease.

6.2 Condition of Sites and Facilities; Reclamation Bond. ANDOVER shall, at all times, keep all areas of the BBNC Property on which it is conducting activities in a neat and clean condition, free of unnecessary accumulation of debris and waste resulting from ANDOVER's operations. During the term of this Agreement, all improvements constructed on the BBNC Property by ANDOVER shall be maintained in good condition and reasonably secured.

To the extent permitted by law, ANDOVER shall name BBNC as co-beneficiary on any bond or other form of financial security obtained pursuant to applicable law in favor of any governmental entity or agency. In addition, if BBNC so requests after consultation with ANDOVER regarding the availability and cost of satisfying the following, ANDOVER shall obtain for the benefit of BBNC, prior to commencement of any exploration activities on the BBNC Property, a reclamation performance bond or other financial security in an amount equal to 150% of the estimated cost of reclaiming all surface-disturbing activities to be conducted on the BBNC Property. For purposes of the preceding sentence, ANDOVER hereby waives any rights it may have under AS 27.19.050(a).

6.3 Archaeological and Cultural Resources Clearance. Prior to conducting surface disturbing activities such as trenching, drilling, or similar mechanized operations on any site within the Expenditure Area, ANDOVER shall conduct, through use of qualified personnel, an archaeological and cultural resources survey of each site to determine the existence of artifacts, remains, and places of cultural significance to Alaska Natives and, if such artifacts and remains are discovered or places identified, to

minimize possible adverse effects on such sites from mineral exploration activities allowed under this Agreement. Selection of such qualified personnel shall be made by ANDOVER and approved by BBNC (whose approval shall not be unreasonably withheld). The qualified personnel selected by ANDOVER shall consult with VNC and BBNC prior to undertaking the surveys described above. A written report of each such survey shall be submitted to BBNC within 30 days after the receipt of such report by ANDOVER. BBNC acknowledges its obligation under **SECTION 8.1(a)** of this Agreement to provide information to ANDOVER about archaeological and cultural resources within the Expenditure Area.

6.4 Notice of Non-Responsibility. ANDOVER shall post and maintain notices at its operations on the BBNC Property stating that BBNC shall not be responsible or liable for any claim for performing labor or furnishing materials, supplies, machinery, or other fixtures or for damages in connection with ANDOVER's operations on the BBNC Property and that BBNC's interest in the BBNC Property shall not be subject to any lien or claim of lien therefor. BBNC acknowledges that BBNC shall be responsible and liable for any such claim or lien arising out of its own operations on the BBNC Property during the Option Period.

6.5 Liens and Encumbrances. ANDOVER shall not permit or allow the assertion by any person of any claim, lien, or encumbrance of any nature whatsoever arising out of or resulting directly or indirectly from its activities on the BBNC Property. If any such claim, lien, or encumbrance is asserted by any third person, ANDOVER shall promptly discharge the same unless ANDOVER in good faith contests the claim, lien, or encumbrance, in which event ANDOVER shall provide BBNC with a bond or other reasonable assurance of payment acceptable to BBNC in an amount adequate to protect BBNC against loss from the claim, lien, or encumbrance and all costs associated therewith, including without limitation penalties and attorneys' fees.

6.6 Taxes. ANDOVER shall pay when due, during the term of this Agreement, all taxes assessed against its personal property and all improvements placed upon the BBNC Property, and ad valorem and reserves taxes assessed against the BBNC Property which result from ANDOVER's activities on the BBNC Property. ANDOVER shall have the right, at its option, to contest, in the courts or otherwise, in its own name or in the name of BBNC, the validity or amount of any such taxes or assessments, if it deems the same unlawful, unjust, unequal, or excessive, or to take such other steps or proceedings as it deems necessary to secure a cancellation, reduction, readjustment or equalization thereof, before it shall be required to pay the same. BBNC shall pay property taxes and all ad valorem taxes assessed against the BBNC Property for improvements not placed thereon by ANDOVER. BBNC shall furnish to ANDOVER duplicate receipts of all such taxes or assessments when paid. If BBNC receives tax bills or claims which are the responsibility of ANDOVER hereunder, the same shall be promptly forwarded to

ANDOVER for appropriate action and, if not so forwarded, BBNC shall be responsible for any delinquent payment charges or interest charges resulting from the late payment of such taxes.

6.7 Insurance. In addition to reclamation bonding required by **SECTION 6.2** of this Agreement, ANDOVER shall, at all times while conducting operations pursuant to this Agreement, comply fully with applicable worker's compensation laws and purchase protection for it and BBNC comparable to that provided under standard form insurance policies for the following:

- (a) comprehensive public liability and property damage with combined limits of \$2,000,000 for bodily injury and property damage;
- (b) automobile insurance with combined limits of \$500,000; and
- (c) adequate and reasonable insurance against risk of fire and other risks ordinarily insured against in similar operations.

BBNC shall be named an additional insured under all such insurance policies (to the extent permitted by law) and ANDOVER shall cause BBNC to be furnished with insurance certificates evidencing such insurance at any time upon request.

6.8 Indemnification. Except as may be provided to the contrary in any agreement between the parties or affiliates thereof entered into pursuant to **SECTION 7.1** of this Agreement, ANDOVER shall—to the fullest extent permitted by law—indemnify, defend, and hold harmless BBNC, its shareholders and direct descendants thereof, employees, agents, and representatives against all liabilities, losses, damages, fines, penalties, costs, and expenses of whatever kind or character (including without limitation reasonable attorneys' fees), or any claims therefor, for ANDOVER's failure to comply with the terms of this Agreement, or the terms of any governmental permit or approval issued in connection with this Agreement, for destruction of or for damage to property, including property of BBNC, arising out of or resulting from ANDOVER's performance under this Agreement, and for the death of or injury to any persons, including employees, agents, and contractors of BBNC and ANDOVER, arising out of or resulting from ANDOVER's performance under this Agreement. ANDOVER shall pay, on behalf of BBNC, upon its demand, the amount of any judgment that may be entered against BBNC in connection with the purposes for which this indemnification is given, if execution on any such judgment has not been stayed by appropriate court order. ANDOVER shall not be liable to BBNC for punitive damages relating to damages to BBNC and vice versa.

6.9 Coordination of Surface Uses. ANDOVER acknowledges that the Village Property and the surface of the BBNC Property have uses in addition to mineral

exploration. Insofar as BBNC owns rights in or to, or otherwise has the right to control activities upon, the surface of any such property, BBNC reserves the right to manage and use, or to allow the management and use of, the surface of all such property for all such other uses during the term of this Agreement. Each party shall use reasonable and diligent efforts to notify and coordinate with the other so as to minimize interference to the activities of the other resulting from its activities.

6.10 Hunting, Fishing and Trapping. ANDOVER, its contractors and consultants, and its and their employees shall not engage in any hunting, fishing, or trapping in the Expenditure Area without the prior written consent of VNC and BBNC.

6.11 BBNC's Liability Limitations. BBNC shall not be liable to ANDOVER, its agents, employees, or contractors for any losses, damages, expenses, liabilities, or claims therefor of whatever kind or character resulting from or arising out of any dangerous or hazardous conditions in the Expenditure Area, whether or not known to BBNC. This **SECTION** is not intended to limit in any way the tort immunity granted by AS 09.65.200 (tort immunity for personal injuries or death occurring on unimproved land).

6.12 Semiannual Meetings. In order to facilitate the exercise by each party of its rights under this Agreement and the satisfaction by each party of its obligations under this Agreement, the parties agree to meet at least twice during each calendar year—in Anchorage, Alaska, or such other location upon which the parties mutually agree—to discuss this Agreement and each party's performance hereunder. Unless otherwise agreed, the parties anticipate that one such meeting shall occur between November 15 and December 15 of each Option Year (see **SECTION 4.2** of this Agreement) and the other such meeting shall occur in April or May of each Option Year.

7. LOCAL GOODS AND SERVICES; CONTRACTING AND HIRING PREFERENCES

7.1 Local Goods and Services. During the term of this Agreement, ANDOVER shall use reasonable efforts to purchase locally any goods or services that it needs.

7.2 Contracting Preference. To enable BBNC to have an adequate opportunity to prepare itself to make—and to associate with others in order to be able to make—proposals or bids for contracts, ANDOVER, as a part of its reasonable efforts under **SECTION 7.1** of this Agreement, shall notify BBNC from time to time as early as reasonably possible of the goods or services that ANDOVER may seek to procure by contract. In addition, as a part of its reasonable efforts under **SECTION 7.1** of this Agreement, ANDOVER shall invite BBNC, or any entity designated by BBNC in which BBNC has a financial interest of 25% or more, to make proposals or bids on all contracts bid or let after the date of this Agreement relating to operations of ANDOVER within the

Expenditure Area which ANDOVER elects to have performed by an independent contractor, which are normally put out to general bid, and which are a type of contract that BBNC has previously notified ANDOVER that it is interested in performing. Such notice shall be given initially by BBNC within 60 days after the date of this Agreement and then on or before December 15 of each calendar year during the term of this Agreement. In addition, BBNC or any such designated entity shall be first and preferentially considered for such contracts to be performed for ANDOVER as follows:

Each proposal or bid from BBNC or such entity shall be accepted if (1) the goods or services offered are substantially equivalent in quality to those offered by the best acceptable competing proposal or bid received by ANDOVER, (2) after full consideration of likely operating efficiencies, if any, it will cost no more than the best acceptable competing proposal or bid received by ANDOVER, and (3) the experience and capability of BBNC or such entity, if applicable, to perform in accordance with good and accepted practices can be demonstrated by BBNC or such entity to ANDOVER's reasonable satisfaction.

This **SECTION** shall not be construed to restrict in any way the right of ANDOVER to perform any work or to supply any services itself. ANDOVER shall be relieved of the obligation to comply with any provision of this **SECTION** to the extent that such provision causes any delay in operations that would not occur if it were not in effect.

7.3 Hiring Preference. As a part of its reasonable efforts under **SECTION 7.1** of this Agreement, ANDOVER shall preferentially hire qualified (by training or experience) BBNC shareholders and their qualified (by training or experience) immediate family members (for purposes hereof, a shareholder's immediate family comprises the shareholder, all children of the shareholder, all grandchildren of the shareholder, and all spouses of any of the foregoing), if such persons are identified by BBNC and ANDOVER working together in good faith and are otherwise available to ANDOVER, and shall use all reasonable efforts to provide training for BBNC shareholders and their immediate family members to perform such phases and aspects of operations under this Agreement as is reasonably possible. BBNC acknowledges, however, that employment opportunities with ANDOVER may be limited prior to the commencement of Commercial Production (as said term is defined in any Mining Lease) under a Mining Lease executed pursuant to this Agreement. Unless otherwise agreed, each contract entered into between ANDOVER and any person to perform work relating to operations or other activities undertaken within the Expenditure Area, and each subcontract thereunder, shall contain specific requirements binding upon such person similar to those set forth in this **SECTION** and making BBNC a third party beneficiary with the power to

enforce such rights. ANDOVER shall cooperate in good faith with BBNC to require its contractors and subcontractors to comply with such requirements.

8. INFORMATION AND REPORTS

8.1 Information.

(a) BBNC will make available for ANDOVER's inspection and copying at ANDOVER's expense all information which it has available as to the Expenditure Area, including but not limited to information regarding archaeological and cultural resources on such lands and any data obtained from mineral exploration on such lands, provided, however, BBNC makes no representations or warranties concerning such information and shall not be liable to ANDOVER or third parties for the accuracy or completeness of any information made available to ANDOVER. BBNC represents and warrants to ANDOVER that (1) neither BBNC nor its Affiliates is a party to any other contract or agreement providing for the mineral exploration of the Expenditure Area and (2) the provision of information to ANDOVER under this **SECTION** is not restricted in any way by contractual obligations of BBNC or its Affiliates. ANDOVER shall treat all such information as confidential in accordance with **SECTION 17** of this Agreement. ANDOVER shall indemnify, defend, and hold harmless BBNC from any such liability or responsibility alleged by ANDOVER or third parties who obtain such information from or through ANDOVER.

(b) All information received by BBNC from ANDOVER pursuant to this Agreement shall be considered and treated as confidential by BBNC in accordance with **SECTION 17** of this Agreement. BBNC and ANDOVER recognize the high risks and uncertainties involved in the interpretation of any information provided by ANDOVER under this **SECTION**. ANDOVER's interpretation or analysis of any information shall be made in good faith and based on its expertise, provided however that ANDOVER makes no representations or warranties respecting the accuracy or completeness of any information and shall not be liable or responsible to BBNC or third parties for any damages or injury arising out of or resulting from any information or reliance thereon unless ANDOVER knowingly makes misrepresentations.

(c) During the term of this Agreement, BBNC shall have the right to inspect all samples, drill stem cuttings, and drill core taken by ANDOVER, provided that BBNC shall pay any costs associated with BBNC's inspection during the term of this Agreement, including but not limited to the costs of travel to the site of sample storage. Upon the termination of this Agreement as to any lands (or in the case of materials and samples relevant to further development of BBNC Property then subject to a Mining Lease, upon the termination of such Mining Lease), ANDOVER at its sole cost shall deliver to BBNC (or to a storage facility designated by BBNC) in Anchorage, Alaska, all

technical materials generated and samples collected during the term of this Agreement with respect to such lands, or copies of such materials and representative splits of such samples (except where the form of testing required all of the sample material and resulted in the destruction of the sample). Such materials and samples will be thoroughly labeled, indexed, and preserved, in accordance with reasonable mining industry standards, throughout the term of this Agreement. Exceptions to this requirement, such as for water and vegetation samples, will be made by BBNC as reasonably requested by ANDOVER. Examples of technical materials and samples to be provided to BBNC at the termination of the Agreement as to any particular lands are as follows:

- (1) Sample Materials: Geochemical samples, rock samples, core samples, thin sections, and other materials gathered during the course of exploration and evaluation. Specifically, geochemical sample pulps will be stored throughout the program.
- (2) Sample Location Maps: Detailed maps showing the locations of geochemical samples, geophysical flight lines and field stations, and geologic mapping will be maintained at a scale sufficient to allow relocation or reproduction of samples or surveys.
- (3) Field Notes, Sample Cards, Daily/Weekly Logs: Field investigation will be conducted in a uniform and systematic manner whenever possible and in consultation with BBNC. These investigations will be documented by field notes, systematic and unique sample numbers and data cards for geochemical and rock samples, and daily or weekly logs summarizing the activities of individual camps or geologists.
- (4) Geophysical Data: Air photos, satellite imagery, airborne and ground geophysical survey data acquired, used, or generated by the program, including but not limited to all raw data, will be provided to BBNC along with adequate documentation as to dates of survey, contractors, and sources of information.
- (5) Data Base: Data acquired by the program will be maintained in a computerized data base consistent with mineral industry standards. The data base will include at a minimum geochemical analytical data and their respective digitized sample location maps, information on sample type analytical procedures, and analysis dates.

8.2 Reports.

(a) ANDOVER shall submit to BBNC quarterly progress reports describing its progress at implementing the approved program and budget for each Option Year.

(b) Within 45 days after the end of each Option Year during the term of this Agreement, ANDOVER shall prepare and submit to BBNC an annual report for said Option Year. This report may comprise one volume or several volumes, depending on the nature of the work, and shall contain at a minimum a description of work done within the Expenditure Area, results of sampling, drill logs and maps, a narrative of ANDOVER's analysis of the results, and ANDOVER's recommendations for future work. A typical annual report shall be organized in the manner and shall contain the information described in Exhibit E (including but not limited to a complete digital copy of all information in a GIS-ready format acceptable to BBNC).

(c) Within 45 days after the end of each Option Year during the term of this Agreement, ANDOVER shall submit to BBNC an accounting showing the Exploration Expenditures on or for the benefit of the Expenditure Area in said Option Year. Such accounting shall be prepared using generally accepted accounting principles as consistently employed in the United States.

9. ACCESS TO THE PROPERTY AND SAMPLING BY BBNC

9.1 Entry. During the Option Period, BBNC and its duly authorized representatives may enter upon the BBNC Property, the ANDOVER Claims, and, to the extent that ANDOVER has authority to allow entry, may enter upon Third Party Property within the Expenditure Area, for any purpose at its and their sole risk and expense provided that such entry does not unreasonably interfere with ANDOVER's operations within the Expenditure Area. BBNC agrees to hold as confidential, in accordance with **SECTION 17** of this Agreement, any information relative to ANDOVER's operations within the Expenditure Area gained by such entry.

9.2 Sampling. During the Option Period, BBNC and its duly authorized representatives may take such samples from the BBNC Property, the ANDOVER Claims, and, to the extent that ANDOVER has authority to allow entry, from Third Party Property within the Expenditure Area, provided, however, that such sampling does not unreasonably interfere with ANDOVER's operations within the Expenditure Area. Any information gained from such sampling by BBNC shall be shared with ANDOVER but otherwise shall be considered as confidential by the parties within the meaning of **SECTION 17** of this Agreement.

10. RELEASES AND CONVEYANCES OF PROPERTY

10.1 Releases of Property by ANDOVER; Annual Prioritization.

(a) From time to time during the Option Period, lands included in the BBNC Property which ANDOVER has elected not to explore further for Minerals may be released by ANDOVER from this Agreement by written notice to BBNC in units of not less than whole sections with the following limitations: (1) any BBNC Claims released shall have had at least one year's worth of excess assessment work carried forward on their behalf (if said released locations are state mining locations), and (2) all BBNC Property not released shall be configured in reasonably compact and contiguous units, comprised of whole sections, substantially in the shape of a square or a rectangle whose length is no more than three (3) times its width.

(b) On or before January 1, 2009, ANDOVER shall have released from this Agreement by written notice to BBNC at least twenty-five percent (25%) of the BBNC Property. On or before January 1, 2011, ANDOVER shall have released from this Agreement by written notice to BBNC at least fifty percent (50%) of the BBNC Property. All releases by ANDOVER shall comply with the parcel size restrictions of this **SECTION** and be made in cognizance of possible additional limitations imposed by **SECTIONS 5 and 10.2** of this Agreement.

(c) In addition, if BBNC is notified by the BLM of a BLM Requested Selection Reduction, then ANDOVER upon receipt of BBNC's written request, shall review such information as it has collected relating to any portion of the BBNC Property then subject to this Agreement and identified by BBNC and, if in ANDOVER's opinion it will not explore further that portion of the BBNC Property, then ANDOVER shall release that portion of the BBNC Property from this Agreement by written notice to BBNC. If so requested by BBNC, ANDOVER shall execute and deliver to BBNC a quitclaim and release of such portion of the BBNC Property.

(d) BBNC, in its sole discretion, may make any decision regarding disposition of those portions of the BBNC Property released by ANDOVER from this Agreement. For example, BBNC may in its sole discretion relinquish lands from selection under ANCSA if those lands have been released from this Agreement by ANDOVER, or BBNC may elect to continue holding those lands as selected lands.

10.2 Release or Conveyance of Property in the Event of a BLM Requested Selection Reduction. If a BLM Requested Selection Reduction is required of BBNC and, as a result of the BLM Requested Selection Reduction, BBNC believes a significant portion of the lands selected by it under ANCSA must be relinquished from the selection process or that its selection priorities must be finalized or both, BBNC shall promptly

notify ANDOVER. If either type of BLM Requested Selection Reduction occurs, then ANDOVER shall have the right for a period of ninety (90) days after receipt of notice from BBNC, or such shorter time as is made necessary by the requirements of the BLM, to require that BBNC request from the BLM conveyances of specific portions of the BBNC Selected Property, consistent with the parcel size restrictions in **SECTION 10.1** of this Agreement but in no event in excess of BBNC's entitlement under ANCSA.

If ANDOVER does not respond to BBNC's notice within the time allowed, BBNC in its absolute discretion may proceed to make the necessary relinquishments and/or conveyance prioritizations and requests without obligation to take the conveyances otherwise required by this **SECTION**.

10.3 Notice of Selection Status. From time to time BBNC shall report to ANDOVER any developments known to BBNC which might result in a BLM Requested Selection Reduction.

11. TITLE

11.1 Representations and Warranties. BBNC represents and warrants to ANDOVER as follows:

- (a) it has received conveyance of the BBNC Conveyed Property pursuant to ANCSA subject to certain Permitted Exceptions, and it has the sole and exclusive rights to deal in and with the BBNC Conveyed Property in accordance with this Agreement;
- (b) it has selected the BBNC Selected Property under one or more provisions of ANCSA, subject to the provisions of ANCSA and to certain Permitted Exceptions;
- (c) the BBNC Property, subject to certain Permitted Exceptions and except as otherwise disclosed in writing by BBNC to ANDOVER prior to the date of this Agreement, is free and clear of any lien, encumbrance, or other interest of any kind arising by, through, or under BBNC, but not otherwise.

Except as expressly set forth above, BBNC makes no representations or warranties as to title to the BBNC Property, whether express, implied, or statutory. Without limiting the generality of the foregoing, BBNC makes no representations or warranties respecting the BBNC Claims except that the BBNC Claims are free and clear of any lien, encumbrance, or other interest of any kind arising by, through, or under BBNC, but not otherwise. Except for the limitations noted in **SECTIONS 6.9 and 10** of this Agreement, BBNC to

the best of its knowledge represents that it has not taken and covenants that it will not take any action with respect to title to or the status of the BBNC Property that would impair or diminish ANDOVER's rights under this Agreement or any Mining Lease or Special Warranty Deed to be delivered pursuant hereto. BBNC further represents that there are no agreements, arrangements, or understandings to which BBNC is a party (other than those referred to in this Agreement) regarding the BBNC Property or any part of it.

11.2 Land Records. While this Agreement is in effect, at ANDOVER's request, BBNC will make available to ANDOVER for inspection and copying, at ANDOVER's expense, copies of all land records relating to the BBNC Property in BBNC's possession or control. BBNC makes no warranties or representations and shall not be liable to ANDOVER or third parties for the accuracy or completeness of any information made available to ANDOVER. ANDOVER shall indemnify, defend, and hold harmless BBNC from any such liability or responsibility alleged by ANDOVER or third parties who obtain such information from or through ANDOVER. ANDOVER recognizes that information regarding the land status of the BBNC Selected Property and likely Permitted Exceptions may be available in the BLM records.

11.3 Title Curative Measures. If in ANDOVER's opinion, title to all or part of the BBNC Property is subject to any Permitted Exceptions or any other reservations, exceptions, exclusions, restrictions, limitations, liens, encumbrances, or claims or interests of third parties, or if in ANDOVER's opinion BBNC does not own or hold the BBNC Property as represented above, then (in addition to any other rights which it might have under this Agreement or at law generally) ANDOVER shall have the right to take such action as will produce a title satisfactory to it, at its own expense. Upon the request of ANDOVER and at ANDOVER's sole expense, BBNC shall bring or join in any administrative proceeding or litigation relating to the title to any BBNC Property and shall otherwise cooperate fully with ANDOVER in its title curative efforts hereunder, except that BBNC shall not have any obligation to bring, to join in, or to cooperate with ANDOVER in any administrative proceeding or litigation relating to a Native allotment or similar alleged interest of an individual Native conflicting with title to any BBNC Property. ANDOVER shall have the right to set off against the Option Payments set forth in **SECTION 3.2** of this Agreement any and all reasonable amounts expended by it to cure title deficiencies that constitute a breach of BBNC's "by, through or under" warranty described in **SECTION 11.1** of this Agreement but not any other title deficiencies. If ANDOVER acquires Third Party Property as part of such title curative actions, such acquisitions shall be treated as acquisitions within the Expenditure Area.

12. REPRESENTATIONS CONCERNING CONDITION OF LAND

BBNC represents and warrants to ANDOVER that BBNC, to the best of its knowledge and recollection without undertaking any specific inquiries or investigations or reviews, is unaware of any existing pollution or hazardous or dangerous conditions on the BBNC Property. BBNC represents and warrants to ANDOVER that BBNC has not caused any pollution or hazardous or dangerous condition to exist on the BBNC Property.

13. ACQUISITIONS WITHIN EXPENDITURE AREA

13.1 Acquisition by BBNC. If BBNC now owns or hereafter acquires, during the term of this Agreement, any interest in any Third Party Property within the Expenditure Area, BBNC shall promptly give notice thereof to ANDOVER. ANDOVER shall have 60 days after receipt of any such notice from BBNC in which to notify BBNC whether it elects to have any of said acquired interests in Third Party Property become subject to this Agreement. If ANDOVER timely elects in writing to have any of said acquired interests in Third Party Property become subject to this Agreement, then BBNC shall become obligated to execute promptly such instrument or instruments as are necessary to commit said interests to this Agreement and ANDOVER shall become obligated to reimburse BBNC promptly for all costs incurred by BBNC in acquiring such interests in Third Party Property (e.g., costs of staking, recording, and filing mining locations including initial rental payments, payments made by BBNC under any contracts respecting such Third Party Property, etc.), insofar as such costs were identified and described by BBNC in its original notice to ANDOVER hereunder. (If the Third Party Property that BBNC acquires or in which BBNC acquires an interest comprises federal or state mining locations, then said acquired property or interest shall become part of the BBNC Claims and thus subject to the option granted pursuant to **SECTION 2.2** of this Agreement; if the Third Party Property that BBNC acquires or in which BBNC acquires an interest comprises any other type of property, then said acquired property or interest shall become part of the BBNC Property that is subject to the option granted pursuant to **SECTION 2.1** of this Agreement.)

13.2 Acquisition by ANDOVER. If ANDOVER or any Affiliate of ANDOVER now owns or hereafter acquires any interest in any ANDOVER Claims or any Third Party Property within the Expenditure Area, and if any such after-acquired interest is acquired (a) at any time during the term of this Agreement or (b) within three (3) years after the date of notice from ANDOVER to BBNC releasing from this Agreement all BBNC Property other than such BBNC Property as (i) may then be subject to a Mining Lease or (ii) was included in a Special Warranty Deed delivered pursuant to this Agreement, then ANDOVER shall promptly give notice of such acquisition to BBNC.

BBNC shall be entitled to receive a royalty interest in, to, and respecting such owned or acquired interest within the Expenditure Area in the form attached hereto as Exhibit D (Conveyance of Overriding Royalty), without regard to whether a Mining Lease is issued for any adjacent BBNC Property or whether a Special Warranty Deed has been delivered to ANDOVER for any adjacent BBNC Property.

ANDOVER shall cause its Affiliates to be bound to the provisions of this **SECTION** by written agreement and such agreement shall specify that BBNC is an intended third party beneficiary with the right to enforce independently the provisions of this **SECTION** against the Affiliate. If any Affiliate of ANDOVER ceases to be an Affiliate of ANDOVER, the time periods listed in the previous sentence shall begin to run at the time such Affiliate ceases to be an Affiliate of ANDOVER.

13.3 Survival of Expenditure Area. **SECTIONS 13.1 and 13.2** of this Agreement shall survive the termination or expiration of this Agreement. If on their face both **SECTIONS 13.1 and 13.2** of this Agreement and the "area of interest" provision of any Mining Lease apply to any particular lands, only the area of interest provision of said Mining Lease shall be deemed to apply to said particular lands.

13.4 Other Agreements Affecting Expenditure Area. Notwithstanding the foregoing, the parties recognize that BBNC may have entered, or from time to time in the future may enter, into an agreement or agreements with third parties that contain provisions creating "areas of interest", "buffer zones", or the like that overlap with the Expenditure Area created under this Agreement. In order to prevent BBNC or any such third party from becoming expressly or implicitly obligated under **SECTION 13.1** of this Agreement to transfer to ANDOVER an undivided portion of any rights or interests acquired by BBNC from, or which BBNC otherwise may be entitled to receive from, any such third party in, to, or respecting an acquisition first made by such third party (but not any acquisition first made directly by BBNC), ANDOVER hereby agrees that ANDOVER shall have no right under **SECTION 13.1** of this Agreement to acquire, from either BBNC or such third party, any portion of any rights or interests acquired by such third party pursuant to an acquisition first made by such third party that is subject to a provision in the agreement between BBNC and such third party (whether now existing or hereafter executed) similar in effect to **SECTION 13.2** of this Agreement. Within 60 days after the date of this Agreement and then within 60 days prior to the commencement of each Option Year under this Agreement, BBNC shall deliver to ANDOVER a list describing all such then-existing agreements with third parties and the lands affected thereby.

14. DEFAULT; TERMINATION OR ABANDONMENT OF PROPERTY

14.1 Default. If ANDOVER fails to (a) make any payment required by **SECTION 3** of this Agreement, or (b) make mandatory minimum Exploration Expenditures as required by **SECTION 4** of this Agreement, or (c) otherwise materially defaults in the performance of any of its obligations hereunder and does not cure such default within thirty (30) days after receipt of written notice as to a monetary default or within ninety (90) days after receipt of notice as to any other form of default, the Option granted hereby shall terminate.

14.2 Abandonment. In the event ANDOVER elects to abandon any interests owned or controlled by it in any Third Party Property within the Expenditure Area or in any Village Property within the Expenditure Area, or any property acquired under **SECTION 13.2** of this Agreement, it shall first offer such interests to BBNC which then shall have sixty (60) days in which to elect in writing to receive a conveyance of all or some of such interests.

14.3 Termination. If all or any part of the BBNC Property is surrendered or this Agreement is terminated with respect thereto, then:

- (a) Upon BBNC's request, ANDOVER shall deliver to BBNC all samples and copies of any information acquired by ANDOVER from its operations on such surrendered BBNC Property (except that ANDOVER shall be entitled to retain one complete set of all such information);
- (b) In accord with the standards set forth in **SECTION 8** of the form of Mining Lease attached hereto as Exhibit D, ANDOVER shall clean up and restore all exploration and drill sites and other parts of the surrendered BBNC Property used in its operations under this Agreement and in doing so also shall perform all acts of reclamation as are necessary to comply with federal, state, and local laws in force at the time of abandonment consistent with **SECTION 6.1** of this Agreement, so as to reclaim the surrendered BBNC Property to approximately its original state and contour to the greatest extent practicable;
- (c) ANDOVER shall remove its buildings, plant machinery, equipment, wastes, and hazardous substances from the surrendered BBNC Property within one hundred eighty (180) days after such termination or abandonment; and

- (d) ANDOVER shall deliver to BBNC a quitclaim deed in recordable form forever releasing any and all interest in the surrendered BBNC Property to BBNC.

At all times during the performance of the foregoing, ANDOVER shall maintain in full force and effect such insurance and bonds as are required under this Agreement. Upon the completion of all of the foregoing, ANDOVER shall have no further rights, obligations, or liabilities to BBNC under this Agreement, except for those rights, obligations, or liabilities arising under **SECTIONS 6.2, 6.5, 6.8, 6.11, 13, and 17** of this Agreement.

15. FORCE MAJEURE

To the extent that ANDOVER is prevented from carrying out its obligations hereunder as contemplated in a Program and Budget adopted pursuant to **SECTION 4.2** of this Agreement, by reason of any cause beyond the reasonable control of ANDOVER, including without limitation earthquake, volcanic eruption, fire, accident, flood, unusually inclement weather, war, strike or other labor dispute, civil disturbance, governmental action or inaction (including but not limited to executive, legislative, judicial, or administrative law, rule, policy, decision, decree, order, or failure to act), failure of title, or non-performance of BBNC not otherwise resulting in a breach of this Agreement, the performance of its obligations hereunder (except the making of payments pursuant to **SECTION 3** of this Agreement) shall be suspended for the period that such cause prevents ANDOVER from so performing its obligations. Exploration Expenditures not completed during any year shall be added to the Exploration Expenditure commitments in the next year, unless otherwise agreed. The party claiming force majeure shall diligently pursue all reasonable means to terminate the event of force majeure or otherwise to resume its activities hereunder, but nothing herein shall compel the settlement of any litigation or labor dispute.

16. ASSIGNMENT

Either party may transfer an interest in this Agreement or the BBNC Property or any interest that is acquired hereunder or is subject hereto to an Affiliate of that party. Neither party shall transfer, assign, or sublet any interest in, or control of, this Agreement or the BBNC Property or any interest that is acquired hereunder or is subject hereto to any other person, partnership, limited liability company, joint venture, corporation, or other form of enterprise without the prior written consent of the other party, which consent shall not be unreasonably withheld. No transfer by either party shall be valid and enforceable unless the transferee agrees in writing to assume the obligations of the transferor. ANDOVER shall not mortgage, pledge, or otherwise encumber its interest in this Agreement or in the BBNC Property or any interest that is acquired hereunder or is

subject hereto without specific reference to the fact that such mortgage, pledge, security interest, or other instrument shall be subject to all terms and provisions of this Agreement including specifically without limitation BBNC's right to approve certain transfers under this **SECTION 16**, BBNC's royalty rights under **SECTION 13.2** of this Agreement, and the contracting and hiring preferences set forth in **SECTION 7** of this Agreement. BBNC shall have the right to require ANDOVER to disclose to BBNC all terms and conditions of any proposed transfer by ANDOVER. Any consent granted by and rights accruing to BBNC pursuant to this **SECTION** shall not affect the other obligations of ANDOVER under this Agreement.

17. CONFIDENTIALITY

17.1 General. Except as otherwise provided in or pursuant to this **SECTION 17**, all information obtained pursuant to or in connection with this Agreement shall be the exclusive property of BBNC and ANDOVER severally. Except as otherwise provided in or pursuant to this **SECTION 17**, all information obtained pursuant to or in connection with this Agreement shall be held confidential by BBNC and ANDOVER.

17.2 Disclosures during term of Agreement

(a) Except as otherwise provided in or pursuant to this **SECTION 17.2**, during the term of this Agreement all information obtained pursuant to or in connection with this Agreement shall not be disclosed by BBNC or ANDOVER to any third party or to the public without the prior written consent of the non-disclosing party.

(b) The consent required by this **SECTION 17.2** shall not apply to a disclosure

- (1) to an Affiliate, employee, consultant, contractor, or subcontractor that has a bona fide need to be informed, or
- (2) to any third party to whom the disclosing party contemplates a sale, grant, assignment, encumbrance, pledge, or other commitment or disposition of all or any part of its interest in, to, or under this Agreement, or
- (3) to any third party seeking to acquire, other than pursuant to a public offering, an equity interest in ANDOVER or an Affiliate thereof pursuant to an offering memorandum or similar document, or
- (4) to other regional Native Corporations which the disclosing party believes in good faith is required by pertinent law, or

- (5) to a governmental agency or to the public, whether pursuant to a public offering or otherwise, which the disclosing party believes in good faith is required by pertinent law or the rules of any stock exchange.

In any case to which this **SECTION 17.2(b)** is applicable, the disclosing party shall give notice to the other party of the contents of such disclosure at least five days prior to the making of such disclosure, unless the disclosing party believes in good faith that a more rapid disclosure is required by pertinent law or the rules of any stock exchange (in which event such notice shall be given as much in advance as possible but in any event no later than contemporaneously with the disclosure). As to any disclosure pursuant to **SECTION 17.2(b)(1)** or **SECTION 17.2(b)(2)** of this Agreement, only such confidential information as such third party shall have a legitimate business need to know shall be disclosed and such third party shall first agree in writing to protect the confidential information from further disclosure by executing a confidentiality agreement incorporating the nondisclosure obligations of this **SECTION 17**.

17.3 Disclosures after expiration or termination of Agreement.

(a) Except as otherwise provided in or pursuant to this **SECTION 17.3** or in any Mining Lease executed pursuant to this Agreement, after the expiration or termination of this Agreement in full or as to any particular property (1) BBNC shall be free to disclose any or all information obtained pursuant to or in connection with this Agreement to any third party or to the public without the consent of ANDOVER but (2) ANDOVER shall not disclose any information obtained pursuant to or in connection with this Agreement to any third party or to the public without the prior written consent of BBNC.

(b) The consent of BBNC required by this **SECTION 17.3** shall not apply to a disclosure by ANDOVER

- (1) to an Affiliate, employee, consultant, contractor, or subcontractor that has a bona fide need to be informed, or
- (2) to any third party with whom ANDOVER contemplates entering into an agreement, or
- (3) to any third party seeking to acquire, other than pursuant to a public offering, an equity interest in ANDOVER or an Affiliate thereof pursuant to an offering memorandum or similar document, or

- (4) to a governmental agency or to the public, whether pursuant to a public offering or otherwise, which the disclosing party believes in good faith is required by pertinent law or regulation or the rules of any stock exchange.

In any case to which this **SECTION 17.3(b)** is applicable, ANDOVER shall give notice to BBNC of the contents of such disclosure at least five days prior to the making of such disclosure, unless ANDOVER believes in good faith that a more rapid disclosure is required by pertinent law or the rules of any stock exchange (in which event such notice shall be given as much in advance as possible but in any event no later than contemporaneously with the disclosure). As to any disclosure pursuant to **SECTION 17.3(b)(1)** or **SECTION 17.3(b)(2)** of this Agreement, only such confidential information as such third party shall have a legitimate business need to know shall be disclosed and such third party shall first agree in writing to protect the confidential information from further disclosure by executing a confidentiality agreement incorporating the nondisclosure obligations of this **SECTION 17**.

(c) **SECTION 17.3** of this Agreement shall not apply to a disclosure by ANDOVER of any information pertaining to any property that never was or that ceases to be BBNC Property (as defined herein), effective upon the later of the following to occur:

- (1) September 1, 2013; or
- (2) three years after the date upon which such property ceases to be BBNC Property subject to this Agreement.

17.4 Exceptions To Consent Requirements. The limitations and restrictions imposed by this **SECTION 17** shall not apply to disclosures of information that the disclosing person can establish was owned by the disclosing person prior to the execution of this Agreement or information that the disclosing person can establish is in the public domain other than as a result of a disclosure in violation of any provision of this **SECTION 17**.

18. GENERAL PROVISIONS

18.1 Notice. Any notices required or which may be given under this Agreement shall be sent to the other party at the following addresses by overnight courier (such as FedEx, UPS, or DHL) or by facsimile:

To BBNC: Bristol Bay Native Corporation
Attn: President
111 W. 16th Avenue, Suite 400
Anchorage, AK 99501
Phone: 907-278-3602
Fax: 907-278-3625

with a copy to: Bristol Bay Native Corporation
Attn: General Counsel
111 W. 16th Avenue, Suite 301
Anchorage, AK 99501
Phone: 907-278-3602
Fax: 907-278-3925

To ANDOVER: Andover Alaska Inc.
Attn: President
#1220 – 789 West Pender Street
Vancouver, BC, Canada V6C 1H2
604-683-3995 bus
604-683-3988 fax

with a copy to: J. P. Tangen, Attorney at Law (P.C.)
1600 A Street, Suite 310
Anchorage, AK 99501-5148
Attn: J. P. Tangen
Phone: (907) 222-3985
Fax: (907) 274-6738

Changes of address shall be made by giving notice thereof to the other party as allowed by this **SECTION 18.1**.

Any notice so given shall be deemed to have been received by the other party if sent by private courier service, or other electronic means, on the date of delivery stamped upon the receipt or other form of electronic transmission confirmation.

18.2 Governing Law. This Agreement shall be governed and interpreted in accordance with the laws of the State of Alaska.

18.3 Arbitration.

(a) Any dispute, controversy, or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the American Arbitration Association's Commercial Arbitration Rules then in effect (the "AAA Rules"), only to the extent not inconsistent with the other provisions of this **SECTION**. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. §§ 1 et seq. (the "Act"), and the laws of the State of Alaska shall be applied by the arbitrators in resolving the substantive issues raised by such dispute, controversy or claim. All proceedings in any such arbitration shall be held in Anchorage, Alaska, as mutually agreed between the parties. Judgment upon the award rendered by the arbitrators may be entered, and such judgment enforced, in any court having jurisdiction thereof. Any dispute regarding whether any issue arising under this Agreement or any Mining Lease issued hereunder or in connection with the transactions contemplated herein is subject to arbitration under this **SECTION** shall be resolved by arbitration in the manner described in this **SECTION**.

(b) The party desiring arbitration shall give written notice to that effect to the other party and the parties shall attempt to agree on the appointment of a single arbitrator. If the parties have not so agreed within seven (7) days after service of such notice, each party shall notify the other party in writing of the name and address of the person designated to act as arbitrator on its behalf within seven days of such failure to agree. If either party fails to notify the other party of the appointment of its arbitrator within the time specified above, then the appointment of such party's arbitrator shall be made by the American Arbitration Association. If two arbitrators are designated or appointed, the two arbitrators shall together appoint a third arbitrator. If the two arbitrators are unable to agree upon the appointment of a third arbitrator within five days after both have been designated as appointed, the third arbitrator shall be selected by the American Arbitration Association. If an arbitrator fails, refuses or is unable to act, a new arbitrator shall be appointed as provided in the AAA Rules. Each arbitrator designated or appointed hereunder shall be impartial and competent and shall have recognized expertise in the subject matter of the arbitration (such expertise to be with respect to such matters arising in Alaska where relevant).

(c) The parties shall utilize the discovery provisions of the Federal Rules of Civil Procedure for the Federal District of Alaska then in effect in all arbitrations hereunder; provided, however, that the time periods provided in such rules may be shortened in the discretion of the arbitrator or arbitrators so that all discovery is completed not later than one (1) week prior to the hearing. The arbitrator or arbitrators shall commence their hearing within three months after the appointment of the last arbitrator. Not later than one week prior to the hearing date, each party shall serve on

each arbitrator and on the opposing party such party's statement of facts, issues and list of witnesses and exhibits, which exhibits shall be made available for inspection and copying at the location of the arbitration proceedings by the opposing party at all reasonable hours after 9 a.m., local time on the day following the date of the service of such list. The arbitrator or arbitrators shall deliver their decision and award within one month after completion of the hearing and shall give prompt notice of their decision to each party accompanied by findings of fact and conclusions of law. Except as otherwise provided in the Act, any decision and award of a sole arbitrator or in which two arbitrators concur shall in all cases be final, binding and conclusive upon the parties and the parties agree to abide by the award. The time periods provided in this paragraph (c) may be shortened if, in the discretion of the arbitrator or arbitrators, the subject matter of the dispute, controversy or claim so justifies.

(d) The fees and expenses of the arbitrator appointed by or on behalf of one party shall be borne by such party. The fees and expenses of any sole arbitrator or of any third arbitrator and all other costs of the arbitration proceedings, including but not limited to costs of a transcript of all or any portion of such proceedings, shall be borne by both parties equally, unless the arbitrator or arbitrators otherwise decide.

18.4 Entire Agreement. This Agreement, together with any and all recitals, and attached Schedules and Exhibits, represents the entire agreement between the parties and there are no other representations, warranties or other conditions between the parties except as provided for in writing in this Agreement. Without limiting the generality of the foregoing, this Agreement supersedes any prior agreements between the parties hereto related to the subject matter herein, including letter agreements and confidentiality agreements.

18.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the respective permitted successors and assigns of the parties hereto.

18.6 Amendments and Waiver. This Agreement may be modified or amended only by an agreement signed by both parties. Failure of either party to insist on full performance of any obligation of the other party on one or more occasion shall not waive, modify, release or alter in any manner such party's right to insist upon full performance of such obligation in the future.

18.7 Execution in Counterparts and by Facsimile. This Agreement and the documents to be executed and delivered upon execution of this Agreement may be executed in counterparts, and delivery thereof may be accomplished by transmitting an executed signature page to the other party by facsimile; provided that promptly after such delivery, originals of this agreement and all such documents, executed by all parties thereto, shall be executed, acknowledged where appropriate, and delivered to counsel for

the respective parties. This Agreement shall not become effective unless and until both parties execute this Agreement, and all consideration to be delivered to BBNC upon execution of this Agreement, as described in **SECTION 3.1** of this Agreement, has been delivered to BBNC.

18.8 Headings. The paragraph headings in this Agreement are inserted for convenience only and shall not be considered a part of this Agreement or used in its interpretation.

18.9 Time of Essence. Time shall be of the essence of this Agreement.

18.10 Currency. All monetary amounts specified in this Agreement are denominated in United States Dollars.

18.11 Further Assurances. Each of the parties agrees that it shall take from time to time such actions and execute such additional instruments as may be reasonably necessary or convenient to implement and carry out the intent and purpose of this Agreement. The parties further agree, for themselves and their respective successors and assigns, to cause their respective Affiliates, and the Affiliates of their respective successors and assigns, to take all actions and execute all additional documents as are reasonably necessary or appropriate to effectuate the purpose and intent of this Agreement.

18.12 Rule Against Perpetuities. All interests created under or pursuant to this Agreement must vest within (a) twenty-one (21) years, less one (1) day, after the death of the last survivor of the individuals executing this Agreement or (b) such longer time as may be authorized by Alaska Statutes §§ 34.27.051 - 34.27.100 as in effect and enforceable on the date of this Agreement.

BRISTOL BAY NATIVE CORPORATION

By: _____

Name: _____

Title: _____

18.12 Rule Against Perpetuities. All interests created under or pursuant to this Agreement must vest within (a) twenty-one (21) years, less one (1) day, after the death of the last survivor of the individuals executing this Agreement or (b) such longer time as may be authorized by Alaska Statutes §§ 34.27.051 - 34.27.100 as in effect and enforceable on the date of this Agreement.

BRISTOL BAY NATIVE CORPORATION

By: Tom Hawkins
Name: TOM HAWKIN
Title: 8.25.06

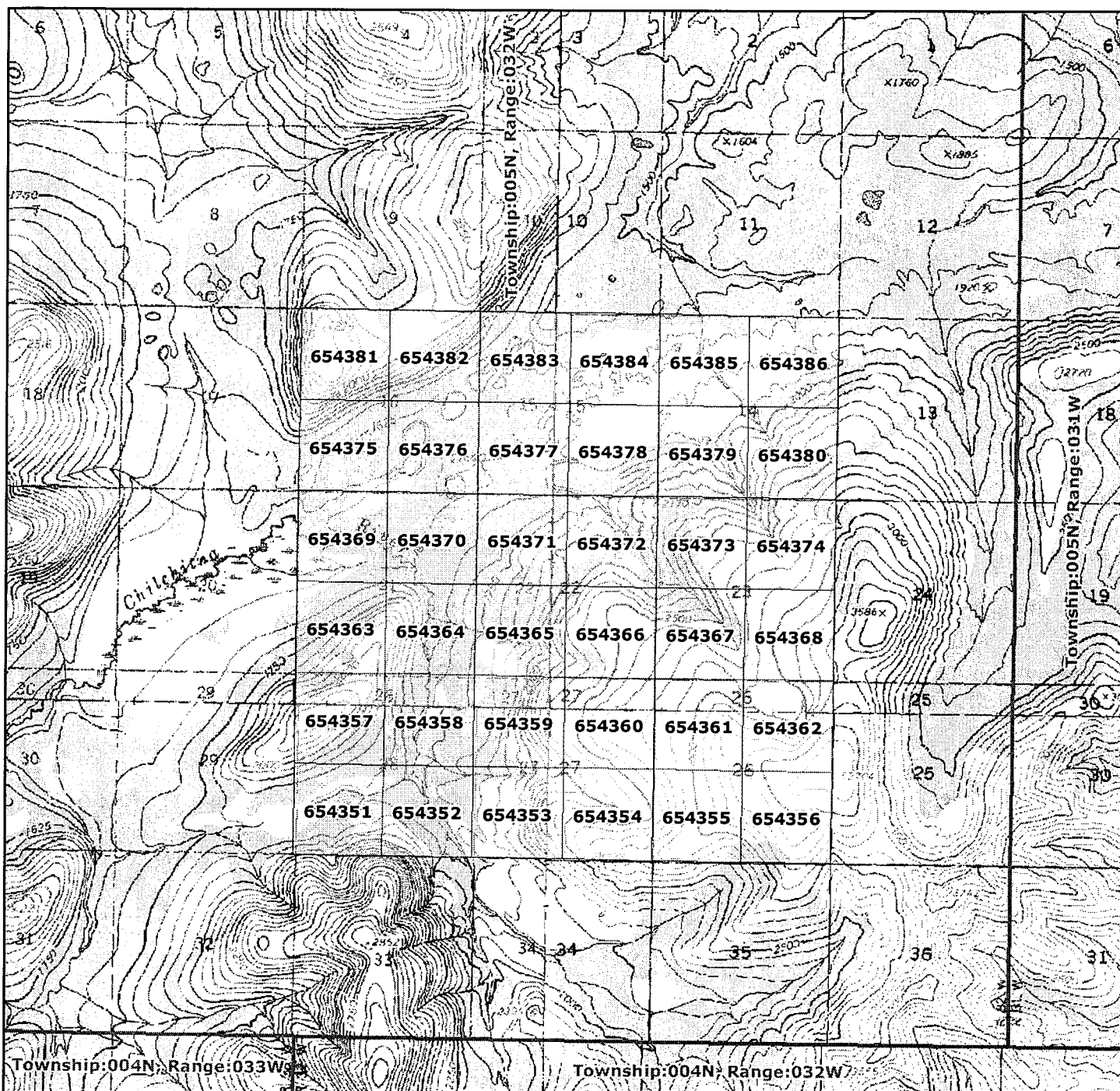
ANDOVER (ALASKA) INC.

By: Mike England
Name: MIKE ENGLAND
Title: PRESIDENT

EXHIBIT A

Map showing location of all Village Property and all BBNC Property

[see attached]



Legend

- BBNC Claims - ADL labeled
- Townships - Seward Meridian

USGS Topography:
Lake Clark B5, B6, C5, C6

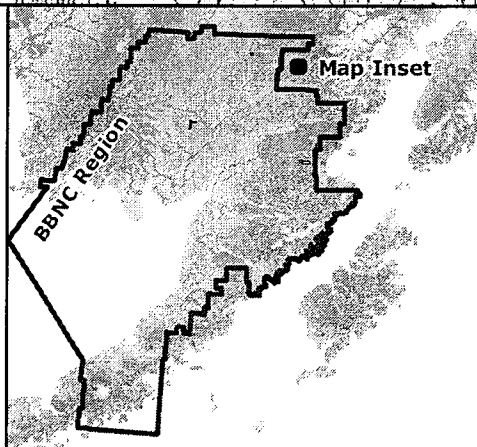
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Kilometers

Scale 1:50,000

Alaska Albers Equal Area
1927 North American Datum



Bristol Bay Native Corporation



EXHIBIT A

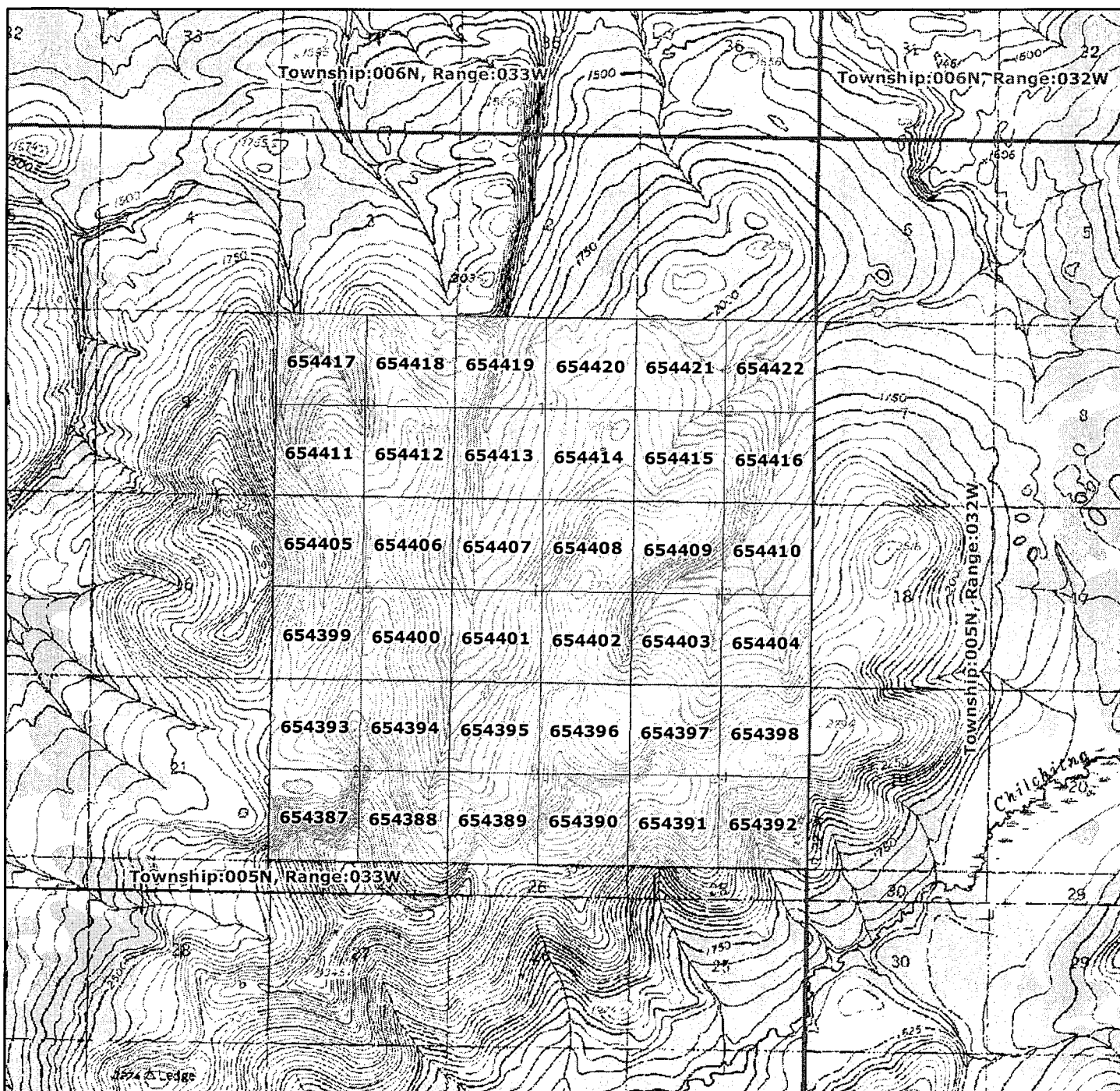
Map 1 of 6

Exhibit_A1.mxd

Date: August 5, 2006

Version: 1

Author: BEESC-ME



Legend

BBNC Claims - ADL labeled

Townships - Seward Meridian

USGS Topography:
Lake Clark B6, C6

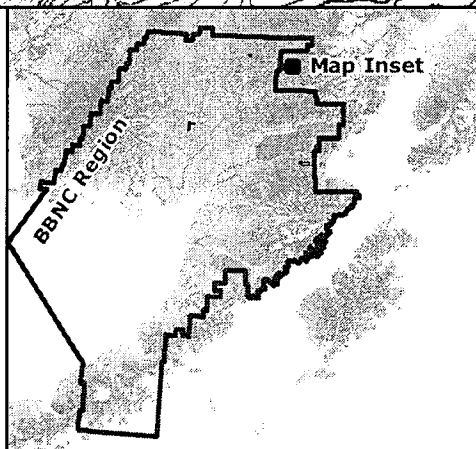
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Kilometers

Scale 1:50,000

Alaska Albers Equal Area
1927 North American Datum



Bristol Bay Native Corporation

Bristol Bay
Native Corporation

EXHIBIT A

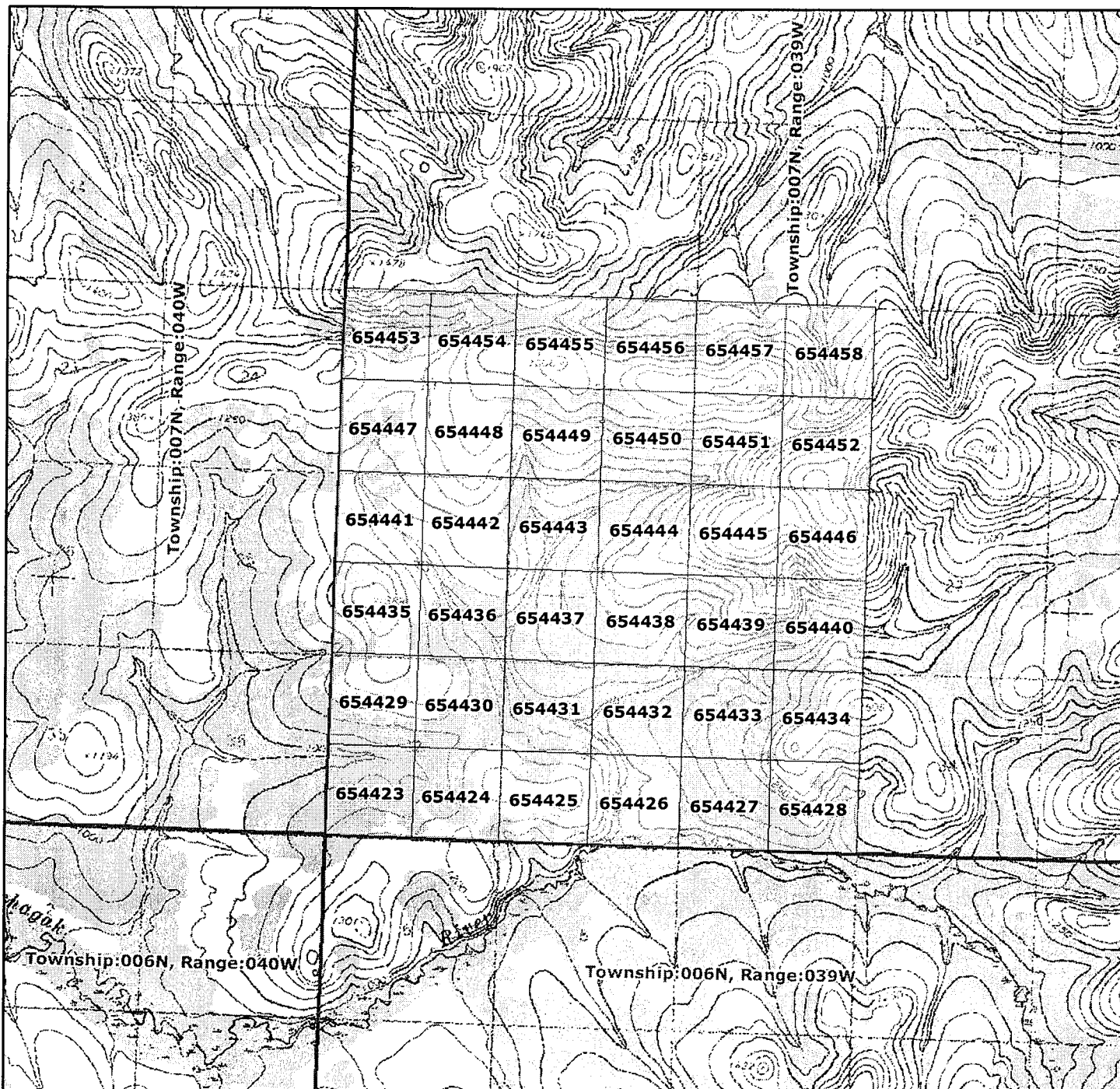
Map 2 of 6

Exhibit_A2.mxd

Date: August 5, 2006

Version: 1

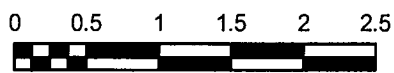
Author: BEESC-ME



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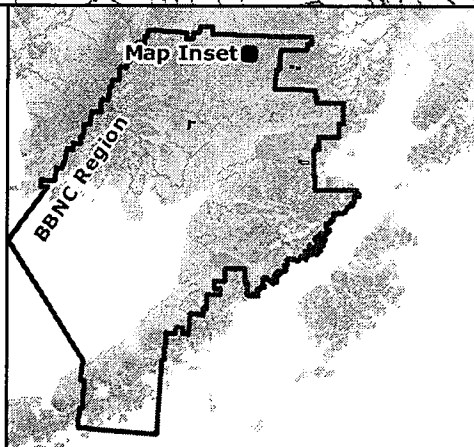
-  BBNC Claims - ADL labeled
-  Townships - Seward Meridian

USGS Topography:
Taylor Mountains C1



Kilometers
Scale 1:50,000

Alaska Albers's Equal Area
1927 North American Datum



Bristol Bay Native Corporation



EXHIBIT A

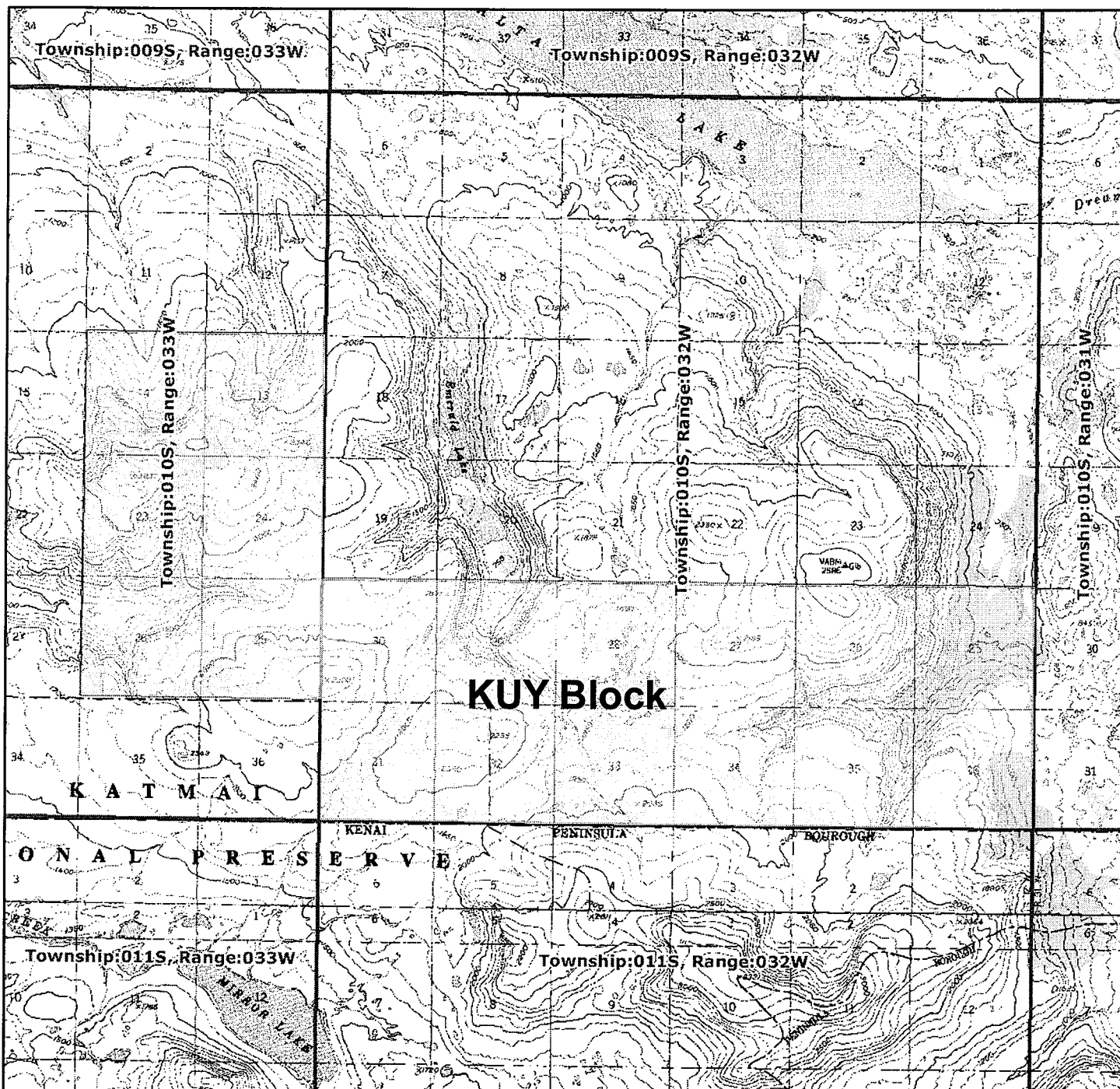
Map 3 of 6

Exhibit_A3.mxd

Date: August 5, 2006

Version: 1

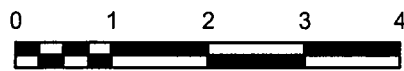
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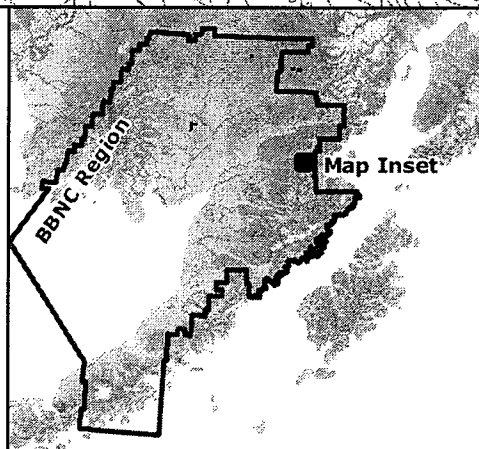
-  BBNC Land
-  Townships - Seward Meridian

USGS Topography:
Iliamna A5, B5



Kilometers
Scale 1:75,000

Alaska Albers Equal Area
1927 North American Datum



Bristol Bay Native Corporation



EXHIBIT A

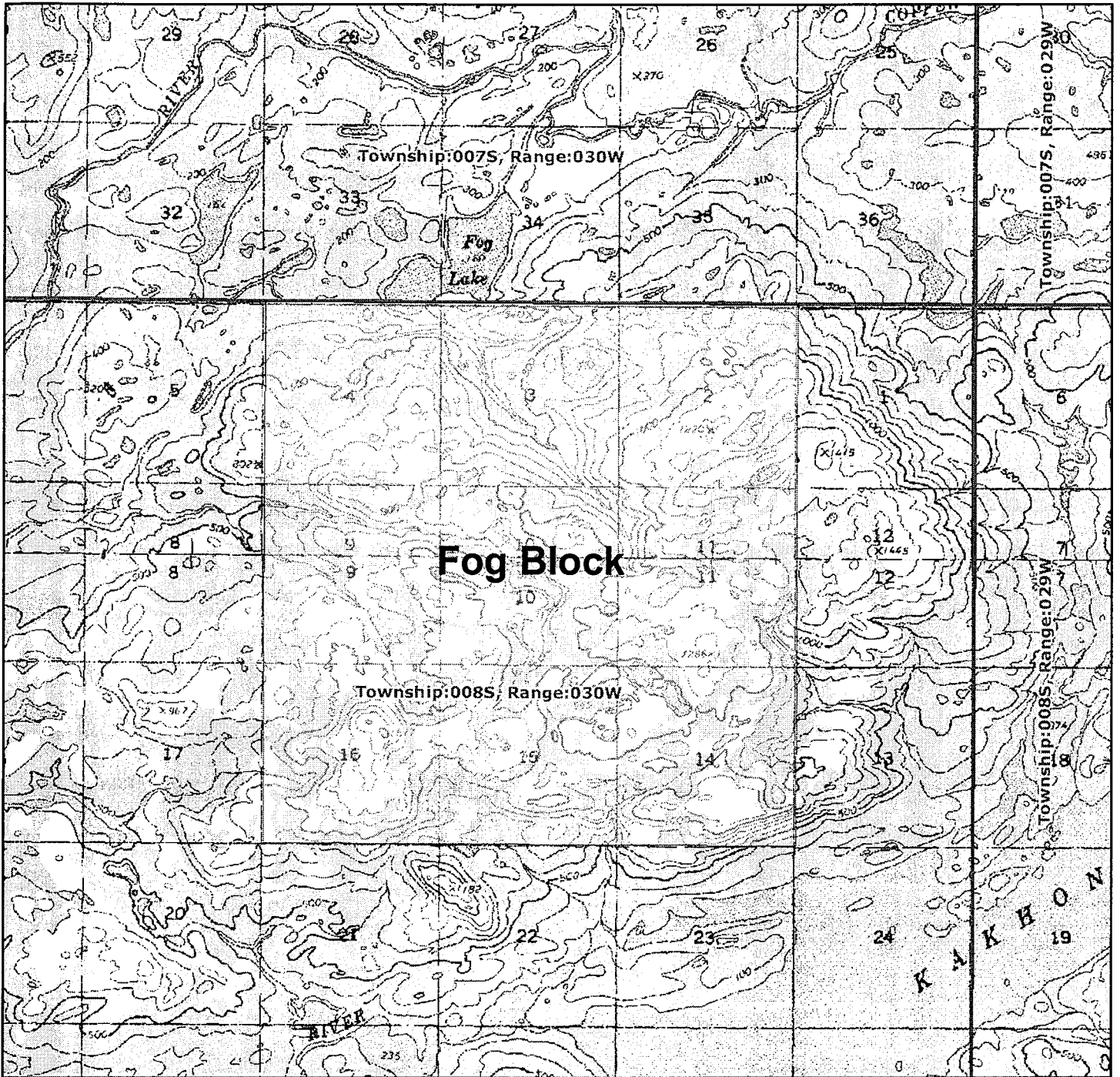
Map 4 of 6

Exhibit_A4.mxd

Date: August 5, 2006

Version: 1

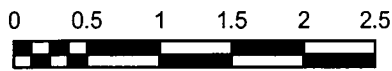
Author: BEESC-ME



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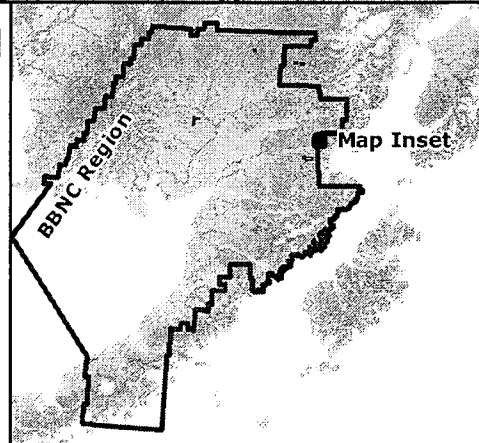
-  BBNC Land
-  Townships - Seward Meridian

USGS Topography:
Iliamna B4, C4



Kilometers
Scale 1:50,000

Alaska Albers Equal Area
1927 North American Datum



Bristol Bay Native Corporation



EXHIBIT A

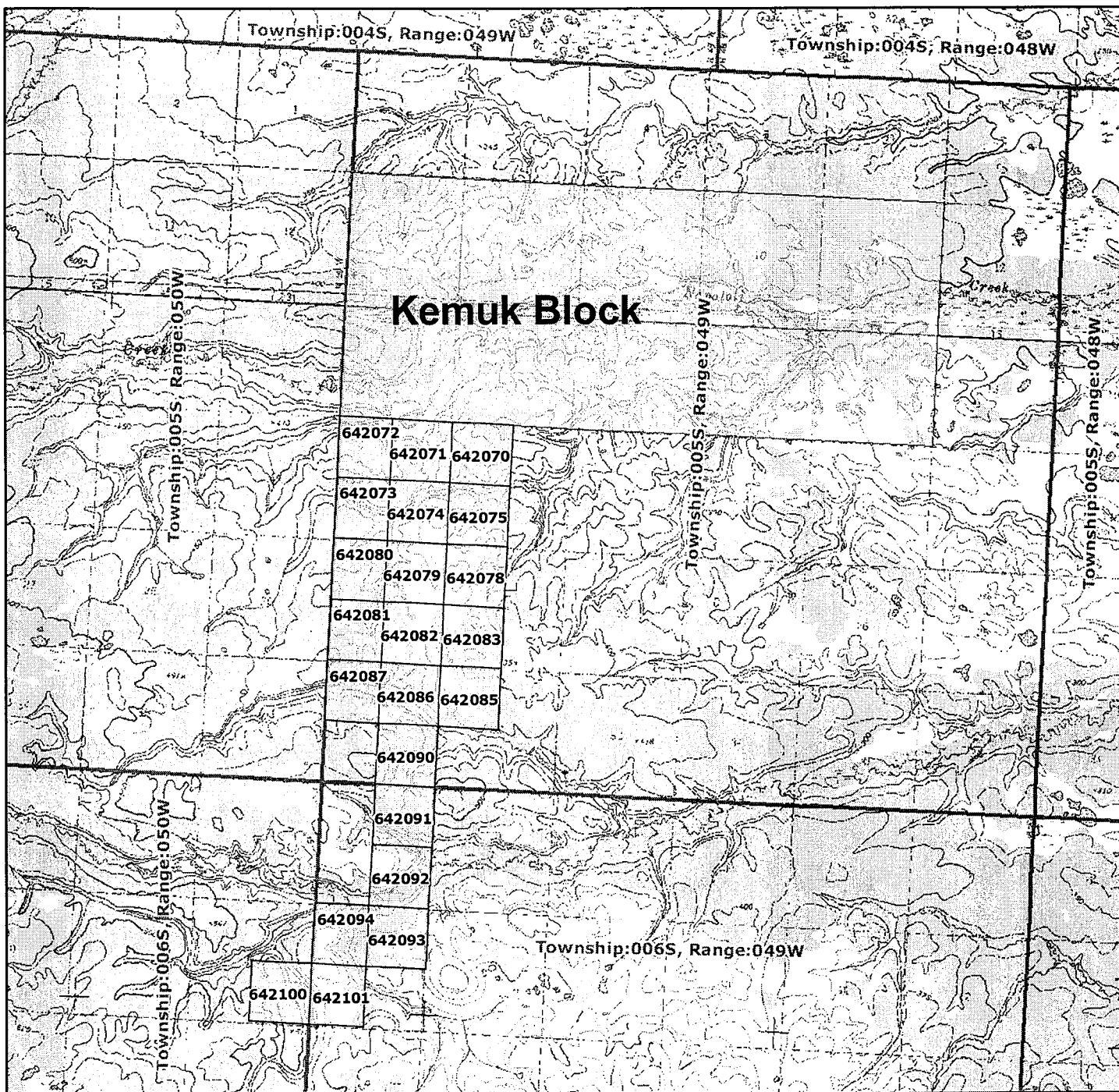
Map 5 of 6

Exhibit_A5.mxd

Date: August 5, 2006

Version: 1

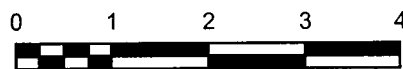
Author: BEESC-ME



Legend

- BBNC Land & Claims
- Townships - Seward Meridian

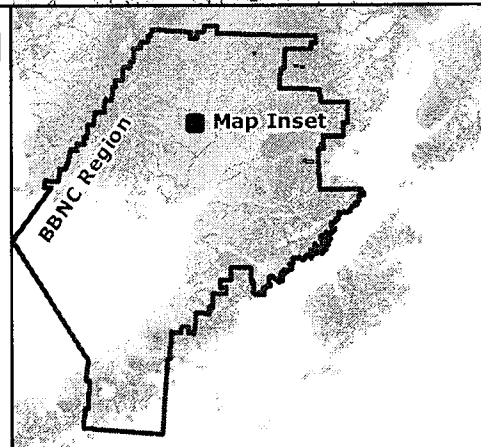
USGS Topography:
Dillingham C5, D5



Scale 1:75,000

Alaska Albers's Equal Area
1927 North American Datum

N



Bristol Bay Native Corporation



EXHIBIT A

Map 6 of 6

Exhibit_A6.mxd

Date: August 5, 2006

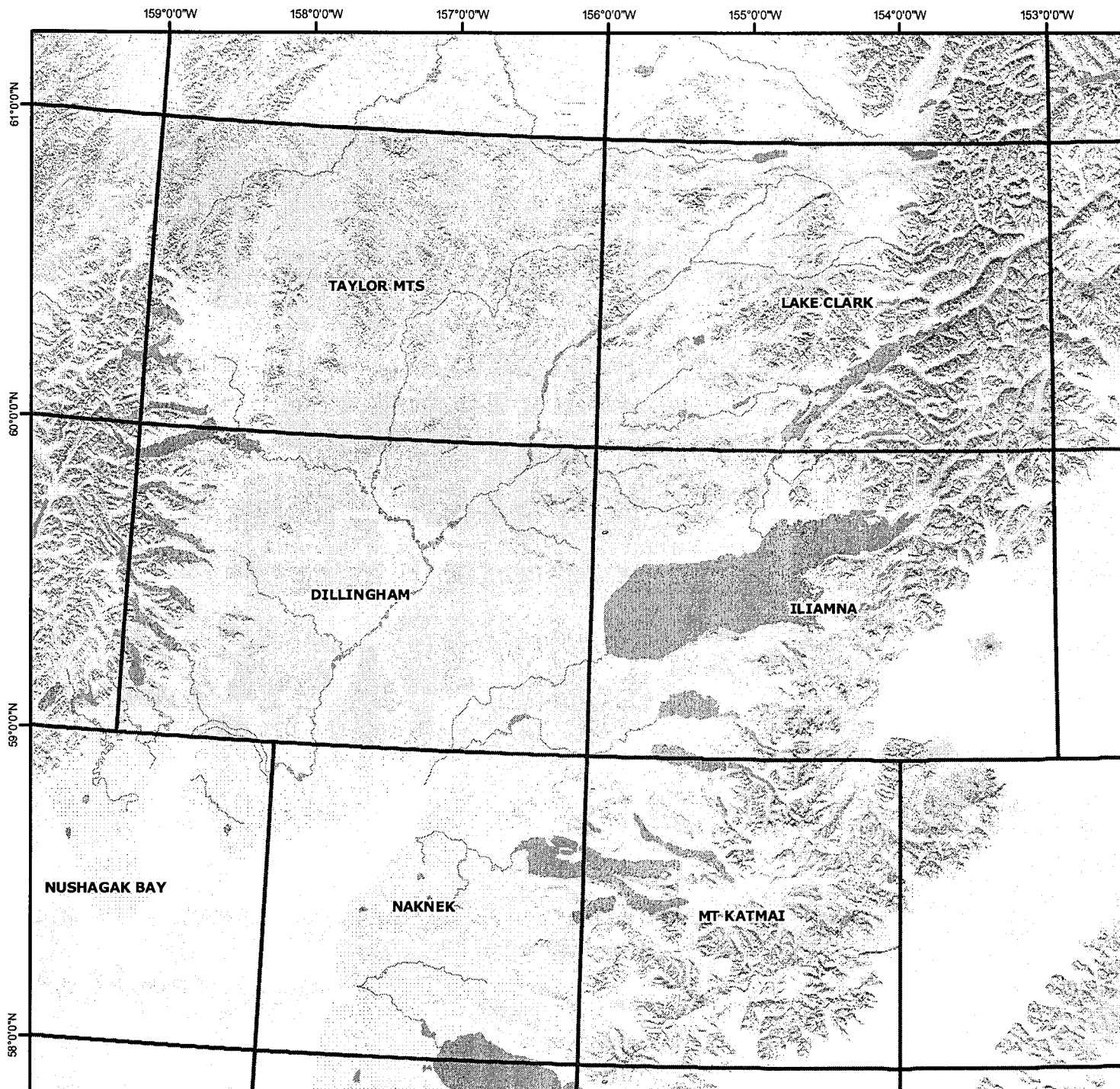
Version: 1

Author: BEESC-ME

EXHIBIT B

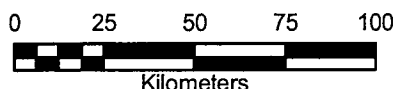
Map showing location of Expenditure Area

[see attached]



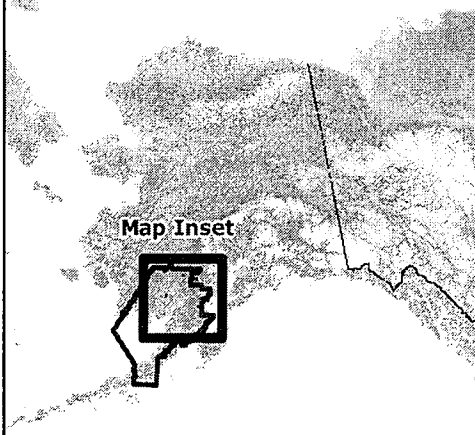
Legend

-  USGS Quadrangle
-  Expenditure Area



Scale 1:2,000,000

Alaska Albers's Equal Area
1927 North American Datum



Bristol Bay Native Corporation



EXHIBIT B

Exhibit_B_v4.mxd

Date: August 22, 2006

Version: 4

Author: BEESC-ME

EXHIBIT C

Program and Budget for First Option Year

[see attached]

[Andover needs to prepare]

EXHIBIT D

Form of Conveyance of Overriding Royalty

[see attached]

EXHIBIT E

Contents of a typical Annual Report

A typical Annual Report shall contain the following information:

- I. Executive Summary
- II. Introduction: background; goals and objectives of the Program and Budget for said year; concepts to be tested; general description of the location and types of activities conducted
- III. Background geology and previous work
- IV. Implementation of the Program: dates of activities; location of camps; personnel and contractors; work performed; sampling and laboratory techniques; etc.
- V. Results of the Program: goals and objectives achieved or not achieved; knowledge gained; new concepts developed; particular problems or obstacles (including permitting or environmental constraints) encountered or identified
- VI. Recommendations for future work
- VII. Draft Program and Budget for coming Option Year
- VIII. Appendices:
 - A. Sample and drill hole location maps at a scale of one inch = one mile or more detailed, depending on specific work conducted
 - B. Sample descriptions
 - C. Geochemical results: lab sheets showing techniques, lab and other related information
 - D. Geophysical results: information showing techniques, contractor lines and stations, and other appropriate information
 - E. Core logs

- F. Geologic maps
- G. Photos of prospects, samples, core, facilities, or other items useful in evaluating the program
- H. Other sections and topics as needed
- I. Prioritization analysis and lists (beginning in second Option Year), prepared as follows:

ANDOVER shall include as an appendix to each annual report an identification of

- (1) those portions of the BBNC Property which are of no further interest to ANDOVER for activities under this Agreement and
- (2) on separate priority lists (collectively, the "Prioritization Lists") for
 - (a) the Village Selected Property and the BBNC Selected Property (the "Selected Lands Annual Prioritization List"), and
 - (b) the BBNC Conveyed Property (the "Conveyed Lands Annual Prioritization List"),

those portions of each—listed by priority of importance in compact and contiguous tracts in units not smaller than whole sections—which are of continued interest to ANDOVER for activities under this Agreement, together with a narrative of geologic reasons for each ranking.

It is the intent of the parties that the Selected Lands Prioritization List shall be of assistance to the parties in the event of a BLM Requested Selection Reduction, thereby expediting the intent of **SECTION 10.2** of this Agreement, and as a means of identifying lands which ANDOVER will not further explore and which are thus of no further interest to ANDOVER.

BBNC and ANDOVER recognize the high risks and uncertainties involved in the interpretation of any information so provided by

ANDOVER. ANDOVER's interpretation or analysis of any information shall be made in good faith and based on its expertise, provided however that ANDOVER makes no representations or warranties respecting the accuracy or completeness of any information and shall not be liable or responsible to BBNC or third parties for any damages or injury arising out of or resulting from any information or reliance thereon unless ANDOVER knowingly makes misrepresentations.

EXHIBIT F
Form of Mining Lease

[see attached]

EXHIBIT G

Form of Special Warranty Deed (With Reservation)

[see attached]

SCHEDULES
(attached)

- A-1: Description of Village Selected Surface;
Description of Village Conveyed Surface and BBNC Village
Conveyed Subsurface
- A-2: Description of BBNC Selected Property;
Description of BBNC Conveyed Property other than BBNC Village
Conveyed Subsurface
- A-3: Description of Claims
- B: Description of Expenditure Area

Schedule A-1

IC PAT NO	SEC NO	MTRs	Descriptions	Village	Date	Type	Property
228/229	9	S005S049W09	inclusive, all	Koliganek	8/23/1979	12(a) IC	Kemuk
228/229	10	S005S049W10	inclusive, all	Koliganek	8/23/1979	12(a) IC	Kemuk
228/229	11	S005S049W11	inclusive, all	Koliganek	8/23/1979	12(a) IC	Kemuk
228/229	14	S005S049W14	all	Koliganek	8/23/1979	12(a) IC	Kemuk
228/229	15	S005S049W15	all	Koliganek	8/23/1979	12(a) IC	Kemuk
228/229	16	S005S049W16	all	Koliganek	8/23/1979	12(a) IC	Kemuk
391/392	2	S008S030W02	all	Kokhanok	3/18/1981	12(b) IC	Fog Lake
391/392	3	S008S030W03	all	Kokhanok	3/18/1981	12(b) IC	Fog Lake
391/392	4	S008S030W04	all	Kokhanok	3/18/1981	12(b) IC	Fog Lake
391/392	10	S008S030W10	all	Kokhanok	3/18/1981	12(b) IC	Fog Lake
391/392	11	S008S030W11	all	Kokhanok	3/18/1981	12(b) IC	Fog Lake
50-89-0747/0748	2	S008S030W02		Kokhanok	9/29/1989	12(b) Patent	Fog Lake
50-89-0747/0748	10	S008S030W10	lots 1 and 2	Kokhanok	9/29/1989	12(b) Patent	Fog Lake
50-89-0747/0748	11	S008S030W11		Kokhanok	9/29/1989	12(b) Patent	Fog Lake
50-92-0728/0729	3	S008S030W03		Kokhanok	9/30/1992	12(b) Patent	Fog Lake
50-92-0728/0729	4	S008S030W04		Kokhanok	9/30/1992	12(b) Patent	Fog Lake
50-93-0612/0613	9	S005S049W09	inclusive	Koliganek	9/30/1993	12(a) Patent	Kemuk
50-93-0612/0613	10	S005S049W10	inclusive	Koliganek	9/30/1993	12(a) Patent	Kemuk
50-93-0612/0613	11	S005S049W11	inclusive	Koliganek	9/30/1993	12(a) Patent	Kemuk
50-93-0612/0613	14	S005S049W14		Koliganek	9/30/1993	12(a) Patent	Kemuk
50-93-0612/0613	15	S005S049W15		Koliganek	9/30/1993	12(a) Patent	Kemuk
50-93-0612/0613	16	S005S049W16		Koliganek	9/30/1993	12(a) Patent	Kemuk

Schedule A-2

IC PAT NO	SEC NO	MTRs	Descriptions	Village	Date	Type	Property
515	25	S010S032W25	inclusive	BBNC		14(h)(8) IC	KUY
515	26	S010S032W26	inclusive	BBNC		14(h)(8) IC	KUY
515	27	S010S032W27	inclusive	BBNC		14(h)(8) IC	KUY
515	28	S010S032W28	inclusive	BBNC		14(h)(8) IC	KUY
515	29	S010S032W29	inclusive	BBNC		14(h)(8) IC	KUY
515	30	S010S032W30	inclusive	BBNC		14(h)(8) IC	KUY
515	31	S010S032W31	inclusive	BBNC		14(h)(8) IC	KUY
515	32	S010S032W32	inclusive	BBNC		14(h)(8) IC	KUY
515	33	S010S032W33	inclusive	BBNC		14(h)(8) IC	KUY
515	34	S010S032W34	inclusive	BBNC		14(h)(8) IC	KUY
515	35	S010S032W35	inclusive	BBNC		14(h)(8) IC	KUY
515	36	S010S032W36	inclusive	BBNC		14(h)(8) IC	KUY
515	13	S010S033W13		BBNC		14(h)(8) IC	KUY
515	14	S010S033W14		BBNC		14(h)(8) IC	KUY
515	23	S010S033W23		BBNC		14(h)(8) IC	KUY
515	24	S010S033W24		BBNC		14(h)(8) IC	KUY
515	25	S010S033W25		BBNC		14(h)(8) IC	KUY
515	26	S010S033W26		BBNC		14(h)(8) IC	KUY

Schedule A-3

ADL	Meridian	MTRs	Twp	Rng	Sec	Qtr1	Recording District 1	Recording District 2
642070	Seward	S005S049W20	5 N	49 W	20	NW	BRISTOL BAY RECORDING DISTRICT	
642071	Seward	S005S049W19	5 N	49 W	19	NE	BRISTOL BAY RECORDING DISTRICT	
642072	Seward	S005S049W19	5 N	49 W	19	NW	BRISTOL BAY RECORDING DISTRICT	
642073	Seward	S005S049W19	5 N	49 W	19	SW	BRISTOL BAY RECORDING DISTRICT	
642074	Seward	S005S049W19	5 N	49 W	19	SE	BRISTOL BAY RECORDING DISTRICT	
642075	Seward	S005S049W20	5 N	49 W	20	SW	BRISTOL BAY RECORDING DISTRICT	
642078	Seward	S005S049W29	5 N	49 W	29	NW	BRISTOL BAY RECORDING DISTRICT	
642079	Seward	S005S049W30	5 N	49 W	30	NE	BRISTOL BAY RECORDING DISTRICT	
642080	Seward	S005S049W30	5 N	49 W	30	NW	BRISTOL BAY RECORDING DISTRICT	
642081	Seward	S005S049W30	5 N	49 W	30	SW	BRISTOL BAY RECORDING DISTRICT	
642082	Seward	S005S049W30	5 N	49 W	30	SE	BRISTOL BAY RECORDING DISTRICT	
642083	Seward	S005S049W29	5 N	49 W	29	SW	BRISTOL BAY RECORDING DISTRICT	
642085	Seward	S005S049W32	5 N	49 W	32	NW	BRISTOL BAY RECORDING DISTRICT	
642086	Seward	S005S049W31	5 N	49 W	31	NE	BRISTOL BAY RECORDING DISTRICT	
642087	Seward	S005S049W31	5 N	49 W	31	NW	BRISTOL BAY RECORDING DISTRICT	
642090	Seward	S005S049W31	5 N	49 W	31	SE	BRISTOL BAY RECORDING DISTRICT	
642091	Seward	S006S049W06	5 N	49 W	6	NE	BRISTOL BAY RECORDING DISTRICT	
642092	Seward	S006S049W06	5 N	49 W	6	SE	BRISTOL BAY RECORDING DISTRICT	
642093	Seward	S006S049W07	5 N	49 W	7	NE	BRISTOL BAY RECORDING DISTRICT	
642094	Seward	S006S049W07	5 N	49 W	7	NW	BRISTOL BAY RECORDING DISTRICT	
642100	Seward	S006S050W12	5 N	50 W	12	SE	BRISTOL BAY RECORDING DISTRICT	
642101	Seward	S006S049W07	5 N	49 W	7	SW	BRISTOL BAY RECORDING DISTRICT	
654351	Seward	S005N032W28	5 N	32 W	28	SW	ILIAMNA RECORDING DISTRICT	
654352	Seward	S005N032W28	5 N	32 W	28	SE	ILIAMNA RECORDING DISTRICT	
654353	Seward	S005N032W27	5 N	32 W	27	SW	ILIAMNA RECORDING DISTRICT	
654354	Seward	S005N032W27	5 N	32 W	27	SE	ILIAMNA RECORDING DISTRICT	
654355	Seward	S005N032W26	5 N	32 W	26	SW	ILIAMNA RECORDING DISTRICT	
654356	Seward	S005N032W26	5 N	32 W	26	SE	ILIAMNA RECORDING DISTRICT	
654357	Seward	S005N032W28	5 N	32 W	28	NW	ILIAMNA RECORDING DISTRICT	
654358	Seward	S005N032W28	5 N	32 W	28	NE	ILIAMNA RECORDING DISTRICT	
654359	Seward	S005N032W27	5 N	32 W	27	NW	ILIAMNA RECORDING DISTRICT	
654360	Seward	S005N032W27	5 N	32 W	27	NE	ILIAMNA RECORDING DISTRICT	
654361	Seward	S005N032W26	5 N	32 W	26	NW	ILIAMNA RECORDING DISTRICT	
654362	Seward	S005N032W26	5 N	32 W	26	NE	ILIAMNA RECORDING DISTRICT	
654363	Seward	S005N032W21	5 N	32 W	21	SW	ILIAMNA RECORDING DISTRICT	
654364	Seward	S005N032W21	5 N	32 W	21	SE	ILIAMNA RECORDING DISTRICT	
654365	Seward	S005N032W22	5 N	32 W	22	SW	ILIAMNA RECORDING DISTRICT	
654366	Seward	S005N032W22	5 N	32 W	22	SE	ILIAMNA RECORDING DISTRICT	
654367	Seward	S005N032W23	5 N	32 W	23	SW	ILIAMNA RECORDING DISTRICT	
654368	Seward	S005N032W23	5 N	32 W	23	SE	ILIAMNA RECORDING DISTRICT	
654369	Seward	S005N032W21	5 N	32 W	21	NW	ILIAMNA RECORDING DISTRICT	
654370	Seward	S005N032W21	5 N	32 W	21	NE	ILIAMNA RECORDING DISTRICT	
654371	Seward	S005N032W22	5 N	32 W	22	NW	ILIAMNA RECORDING DISTRICT	
654372	Seward	S005N032W22	5 N	32 W	22	NE	ILIAMNA RECORDING DISTRICT	
654373	Seward	S005N032W23	5 N	32 W	23	NW	ILIAMNA RECORDING DISTRICT	
654374	Seward	S005N032W23	5 N	32 W	23	NE	ILIAMNA RECORDING DISTRICT	
654375	Seward	S005N032W16	5 N	32 W	16	SW	ILIAMNA RECORDING DISTRICT	
654376	Seward	S005N032W16	5 N	32 W	16	SE	ILIAMNA RECORDING DISTRICT	
654377	Seward	S005N032W15	5 N	32 W	15	SW	ILIAMNA RECORDING DISTRICT	
654378	Seward	S005N032W15	5 N	32 W	15	SE	ILIAMNA RECORDING DISTRICT	
654379	Seward	S005N032W14	5 N	32 W	14	SW	ILIAMNA RECORDING DISTRICT	
654380	Seward	S005N032W14	5 N	32 W	14	SE	ILIAMNA RECORDING DISTRICT	
654381	Seward	S005N032W16	5 N	32 W	16	NW	ILIAMNA RECORDING DISTRICT	
654382	Seward	S005N032W16	5 N	32 W	16	NE	ILIAMNA RECORDING DISTRICT	
654383	Seward	S005N032W15	5 N	32 W	15	NW	ILIAMNA RECORDING DISTRICT	
654384	Seward	S005N032W15	5 N	32 W	15	NE	ILIAMNA RECORDING DISTRICT	
654385	Seward	S005N032W14	5 N	32 W	14	NW	ILIAMNA RECORDING DISTRICT	
654386	Seward	S005N032W14	5 N	32 W	14	NE	ILIAMNA RECORDING DISTRICT	
654387	Seward	S005N033W22	5 N	33 W	22	SW	ILIAMNA RECORDING DISTRICT	
654388	Seward	S005N033W22	5 N	33 W	22	SE	ILIAMNA RECORDING DISTRICT	
654389	Seward	S005N033W23	5 N	33 W	23	SW	ILIAMNA RECORDING DISTRICT	
654390	Seward	S005N033W23	5 N	33 W	23	SE	ILIAMNA RECORDING DISTRICT	
654391	Seward	S005N033W24	5 N	33 W	24	SW	ILIAMNA RECORDING DISTRICT	
654392	Seward	S005N033W24	5 N	33 W	24	SE	ILIAMNA RECORDING DISTRICT	
654393	Seward	S005N033W22	5 N	33 W	22	NW	ILIAMNA RECORDING DISTRICT	
654394	Seward	S005N033W22	5 N	33 W	22	NE	ILIAMNA RECORDING DISTRICT	
654395	Seward	S005N033W23	5 N	33 W	23	NW	ILIAMNA RECORDING DISTRICT	

Schedule A-3

ADL	Meridian	MTRs	Twp	Rng	Sec	Qtr1	Recording District 1	Recording District 2
654396	Seward	S005N033W23	5 N	33 W	23	NE	ILIAMNA RECORDING DISTRICT	
654397	Seward	S005N033W24	5 N	33 W	24	NW	ILIAMNA RECORDING DISTRICT	
654398	Seward	S005N033W24	5 N	33 W	24	NE	ILIAMNA RECORDING DISTRICT	
654399	Seward	S005N033W15	5 N	33 W	15	SW	ILIAMNA RECORDING DISTRICT	
654400	Seward	S005N033W15	5 N	33 W	15	SE	ILIAMNA RECORDING DISTRICT	
654401	Seward	S005N033W14	5 N	33 W	14	SW	ILIAMNA RECORDING DISTRICT	
654402	Seward	S005N033W14	5 N	33 W	14	SE	ILIAMNA RECORDING DISTRICT	
654403	Seward	S005N033W13	5 N	33 W	13	SW	ILIAMNA RECORDING DISTRICT	
654404	Seward	S005N033W13	5 N	33 W	13	SE	ILIAMNA RECORDING DISTRICT	
654405	Seward	S005N033W15	5 N	33 W	15	NW	ILIAMNA RECORDING DISTRICT	
654406	Seward	S005N033W15	5 N	33 W	15	NE	ILIAMNA RECORDING DISTRICT	
654407	Seward	S005N033W14	5 N	33 W	14	NW	ILIAMNA RECORDING DISTRICT	
654408	Seward	S005N033W14	5 N	33 W	14	NE	ILIAMNA RECORDING DISTRICT	
654409	Seward	S005N033W13	5 N	33 W	13	NW	ILIAMNA RECORDING DISTRICT	
654410	Seward	S005N033W13	5 N	33 W	13	NE	ILIAMNA RECORDING DISTRICT	
654411	Seward	S005N033W10	5 N	33 W	10	SW	ILIAMNA RECORDING DISTRICT	
654412	Seward	S005N033W10	5 N	33 W	10	SE	ILIAMNA RECORDING DISTRICT	
654413	Seward	S005N033W11	5 N	33 W	11	SW	ILIAMNA RECORDING DISTRICT	
654414	Seward	S005N033W11	5 N	33 W	11	SE	ILIAMNA RECORDING DISTRICT	
654415	Seward	S005N033W12	5 N	33 W	12	SW	ILIAMNA RECORDING DISTRICT	
654416	Seward	S005N033W12	5 N	33 W	12	SE	ILIAMNA RECORDING DISTRICT	
654417	Seward	S005N033W10	5 N	33 W	10	NW	ILIAMNA RECORDING DISTRICT	
654418	Seward	S005N033W10	5 N	33 W	10	NE	ILIAMNA RECORDING DISTRICT	
654419	Seward	S005N033W11	5 N	33 W	11	NW	ILIAMNA RECORDING DISTRICT	
654420	Seward	S005N033W11	5 N	33 W	11	NE	ILIAMNA RECORDING DISTRICT	
654421	Seward	S005N033W12	5 N	33 W	12	NW	ILIAMNA RECORDING DISTRICT	
654422	Seward	S005N033W12	5 N	33 W	12	NE	ILIAMNA RECORDING DISTRICT	
654423	Seward	S007N039W31	7 N	39 W	31	SW	ILIAMNA RECORDING DISTRICT	
654424	Seward	S007N039W31	7 N	39 W	31	SE	ILIAMNA RECORDING DISTRICT	
654425	Seward	S007N039W32	7 N	39 W	32	SW	ILIAMNA RECORDING DISTRICT	
654426	Seward	S007N039W32	7 N	39 W	32	SE	ILIAMNA RECORDING DISTRICT	
654427	Seward	S007N039W33	7 N	39 W	33	SW	ILIAMNA RECORDING DISTRICT	
654428	Seward	S007N039W33	7 N	39 W	33	SE	ILIAMNA RECORDING DISTRICT	
654429	Seward	S007N039W31	7 N	39 W	31	NW	ILIAMNA RECORDING DISTRICT	
654430	Seward	S007N039W31	7 N	39 W	31	NE	ILIAMNA RECORDING DISTRICT	
654431	Seward	S007N039W32	7 N	39 W	32	NW	ILIAMNA RECORDING DISTRICT	
654432	Seward	S007N039W32	7 N	39 W	32	NE	ILIAMNA RECORDING DISTRICT	
654433	Seward	S007N039W33	7 N	39 W	33	NW	ILIAMNA RECORDING DISTRICT	
654434	Seward	S007N039W33	7 N	39 W	33	NE	ILIAMNA RECORDING DISTRICT	
654435	Seward	S007N039W30	7 N	39 W	30	SW	ILIAMNA RECORDING DISTRICT	
654436	Seward	S007N039W30	7 N	39 W	30	SE	ILIAMNA RECORDING DISTRICT	
654437	Seward	S007N039W29	7 N	39 W	29	SW	ILIAMNA RECORDING DISTRICT	
654438	Seward	S007N039W29	7 N	39 W	29	SE	ILIAMNA RECORDING DISTRICT	
654439	Seward	S007N039W28	7 N	39 W	28	SW	ILIAMNA RECORDING DISTRICT	
654440	Seward	S007N039W28	7 N	39 W	28	SE	ILIAMNA RECORDING DISTRICT	
654441	Seward	S007N039W30	7 N	39 W	30	NW	ILIAMNA RECORDING DISTRICT	
654442	Seward	S007N039W30	7 N	39 W	30	NE	ILIAMNA RECORDING DISTRICT	
654443	Seward	S007N039W29	7 N	39 W	29	NW	ILIAMNA RECORDING DISTRICT	
654444	Seward	S007N039W29	7 N	39 W	29	NE	ILIAMNA RECORDING DISTRICT	
654445	Seward	S007N039W28	7 N	39 W	28	NW	ILIAMNA RECORDING DISTRICT	
654446	Seward	S007N039W28	7 N	39 W	28	NE	ILIAMNA RECORDING DISTRICT	
654447	Seward	S007N039W19	7 N	39 W	19	SW	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT
654448	Seward	S007N039W19	7 N	39 W	19	SE	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT
654449	Seward	S007N039W20	7 N	39 W	20	SW	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT
654450	Seward	S007N039W20	7 N	39 W	20	SE	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT
654451	Seward	S007N039W21	7 N	39 W	21	SW	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT
654452	Seward	S007N039W21	7 N	39 W	21	SE	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT
654453	Seward	S007N039W19	7 N	39 W	19	NW	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT
654454	Seward	S007N039W19	7 N	39 W	19	NE	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT
654455	Seward	S007N039W20	7 N	39 W	20	NW	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT
654456	Seward	S007N039W20	7 N	39 W	20	NE	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT
654457	Seward	S007N039W21	7 N	39 W	21	NW	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT
654458	Seward	S007N039W21	7 N	39 W	21	NE	KUSKOKWIM RECORDING DISTRICT	ILIAMNA RECORDING DISTRICT

Schedule B

Expenditure Area includes all state and federal land contained in the Dillingham, Taylor Mountains, Lake Clark, Mt Katmai, and Iliamna Quadrangles and lands described in Schedules A-1, A-2, and A-3, but not including claims comprising the Kamishak property, which is specifically described as ADL numbers:

CASE_ID	CLAIM_NAME
ADL 641828	KAM 1
ADL 641829	KAM 2
ADL 641830	KAM 3
ADL 641831	KAM 4
ADL 641832	KAM 5
ADL 641833	KAM 6
ADL 644484	KAM 10
ADL 644485	KAM 11
ADL 644486	KAM 12
ADL 644487	KAM 13
ADL 644488	KAM 14
ADL 644493	KAM 19
ADL 644494	KAM 20
ADL 644495	KAM 21
ADL 644496	KAM 22
ADL 644497	KAM 23
ADL 644498	KAM 24
ADL 644499	KAM 25
ADL 644504	KAM 30
ADL 644505	KAM 31
ADL 647850	KAM15A
ADL 647851	KAM16A
ADL 647852	KAM17A
ADL 647853	KAM18A
ADL 647854	KAM26A
ADL 647855	KAM27A
ADL 647856	KAM28A
ADL 647857	KAM29A
ADL 647858	KAM34A
ADL 647859	KAM35A
ADL 647860	KAM36A
ADL 647861	KAM37A
ADL 647862	KAM48A

The spatial extents of the Expenditure Area are as followed:

Corner #: Longitude, Latitude

Corner 1: -159°, 61°

Corner 2: -153°, 61°

Corner 3: -153°, 59°

Corner 4: -154°, 59°

Corner 5: -154°, 58°

Corner 6: -156°, 58°

Corner 7: -156°, 59°

Corner 8: -159°, 59°