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The following file is part of the West Oatman Project mining collection

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## REYNOLDS METALS EXPLORATION, INC.

Reynolds Metals Company • 5301 Longley Lane • Suite 157 • Reno, Nevada 89511-1805  
Telephone (702)829-8018 • Facsimile (702)829-8026

DATE: January 14, 1992  
TO: Dr. Douglas Jinks  
FROM: Ray Irwin   
RE: Termination of the West Oatman Project Agreement

During a meeting with Messrs. Malcolm Humphreys and Mical Slater of Compass Minerals Ltd. on September 24, 1991, I stressed that due to anticipated 1992 exploration budget reductions and our belief that only high risk exploration targets remained on the AL and ALX claims, Reynolds Metals must obtain relief from the upcoming work commitments or be forced to drop the AL and ALX claim groups. Either option would allow Reynolds Metals to concentrate its exploration efforts on property deemed by Reynolds' staff to have better exploration potential (i.e. the FB claims and Black Wonder area).

Prior to acquisition of the FB claims, it was advantageous to maintain a sizeable property package, if holding costs were reasonable, to restrict a third party's entry into the Moss mine area. Mr. Humphreys was not willing to reduce the work commitment nor the required total expenditure for Reynolds Metals to earn a 75% interest in the various properties. He was willing, however, to allow the work commitment to be applied anywhere within the project for the benefit of the project as a whole, as long as the total earn-in for Reynolds was raised to \$975,000.

Although Mr. Humphreys prepared a brief ammendment that addressed these proposed changes, Ms. Donna Dabney did not think that Mr. Humphreys' agreement was adequate to cover the complexities of merging properties covered by two separate agreements. As a result, Ms. Dabney prepared the "Pooling Agreement" dated October 22, 1991. This agreement was subsequently sent to Compass Minerals and, as of this date, has not been signed.

In November, it became apparent that the 1992 exploration budget would indeed be reduced and for this reason it was decided to terminate the reconnaissance portion of the Reynolds Metals/Compass Minerals joint venture covered by the Mohave Block/Boulder Batholith agreement. At this time, we still had not concluded a lease agreement with Sun River Gold, Inc. on the FB claims nor had we secured the Black Wonder property. Once again, we attempted to preserve our existing property

position that was now covered by the West Oatman agreement, the Mohave Block/Boulder Batholith agreement and the unsigned "Pooling Agreement" by yet another document, the ammendment to the Mohave Block/Boulder Batholith agreement dated December 5, 1991.

The December 5th agreement preserved the land positions at the West Oatman and Twin projects, but terminated the reconnaissance portion of the joint venture. Like the October 22nd agreement, the December 5th agreement remains unsigned and the intent of both are now being questioned by Mr. Malcolm Humphreys.

On December 13th, the FB claims were successfully leased from Sun River Gold and final negotiations are now in progress on the Black Wonder property.

Since Reynolds has yet to successfully merge the AL and ALX claims with the other properties comprising the West Oatman project under a single, consolidated agreement I recommend that Reynolds now take a different approach. Due to the reduced 1992 exploration budget and the need to maintain future project budget flexibility, as well as our belief that the remaining exploration potential on the AL and ALX claims must be classified high risk, I recommend terminating the West Oatman agreement dated December 6, 1990.

This action will simplify the maze of agreements that have been generated, will reduce Reynolds' overall assessment obligations, relieve Reynolds from an annual \$115-135,000 work commitment to Compass Minerals and allow Reynolds Metals to earn a 75% interest in the key exploration properties at West Oatman by expending \$500,000 rather than the \$975,000 required in the "Pooling Agreement".

NEVER SENT

MR. MICAL SIATER

COMPASS MINERALS, LTD

5301 LONGLEY LANE, SUITE A-1

RENO, NV 89502

RE: TERMINATION OF THE RECONNAISSANCE PORTION OF  
THE REYNOLDS METALS / COMPASS MINERALS JOINT VENTURE

DEAR MR. SIATER:

AS WAS DISCUSSED BY YOU AND MR. RAY IRWIN  
IN EARLY DECEMBER 1991, 1992 BUDGET REDUCTIONS  
FORCE REYNOLDS METALS TO TERMINATE THE  
RECONNAISSANCE PORTION OF THE REYNOLDS METALS / COMPASS  
MINERALS JOINT VENTURE AND ITS ASSOCIATED  
EXPENDITURES AS OF DECEMBER 31, 1991.

THE WEST OATMAN PROJECT CONSISTING OF THE AL  
ALX, RAL AND FB CLAIMS AND BLACK WONDER AREA  
WILL BE CONTINUED AS A JOINT VENTURE BETWEEN  
REYNOLDS METALS AND COMPASS MINERALS, LTD. THE  
SPECIFICS OF THIS BUSINESS RELATIONSHIP ARE  
COVERED UNDER THE WEST OATMAN PROJECT  
MOHAVE BLOCK / BOULDER BATHOLITH AGREEMENT DATED  
OCTOBER 22, 1991 AND REFERRED TO AS THE "POOLING  
AGREEMENT" AS WELL AS THE WEST OATMAN PROJECT  
MOHAVE BLOCK / BOULDER BATHOLITH PROJECTS  
AGREEMENT DATED DECEMBER 5, 1991.

THE TWIN PROJECT CONSISTING OF THE SMITH CLAIMS AND THE MONTANA METALLIFEROUS LEASE # M-1824-91 WILL BE CONTINUED AS A JOINT VENTURE BETWEEN REYNOLDS METALS AND COMPASS MINERALS, LTD. THE SPECIFICS OF THIS BUSINESS RELATIONSHIP ARE COVERED UNDER THE WEST CATMAN PROJECT MOHAVE BLOCK / BOULDER BATHOLITH PROJECTS AGREEMENT DATED DECEMBER 5, 1991.

REYNOLDS METALS REGRETS HAVING TO TERMINATE THE <sup>JOINT VENTURE</sup> RECONNAISSANCE EFFORT WITH COMPASS MINERALS, BUT WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK YOU FOR THE FINE <sup>RECONNAISSANCE</sup> JOB THAT YOU PERSONALLY PERFORMED AND EXPRESS OUR APPRECIATION FOR THE COOPERATION AND GOOD BUSINESS RELATIONSHIP THAT REYNOLDS AND COMPASS HAVE HAD IN THE <sup>RECONNAISSANCE</sup> JOINT VENTURE EFFORT. ON BEHALF OF REYNOLDS, WE WISH YOU AND COMPASS MINERALS LTD EVERY SUCCESS IN YOUR CONTINUED EXPLORATION PROGRAMS IN BOTH THE UNITED STATES AND AUSTRALIA.

SINCERELY

LAW DEPARTMENT MEMORANDUM


December 19, 1990

TO: Ray E. Irwin - EMERY  
FROM: Roni Doolin  
CC: Donna C. Dabney  
Douglas D. Jinks  
RE: Compass Minerals Ltd.  
Mohave County, Arizona

Attached please find a Special Warranty Deed by and between Compass Minerals Ltd. and Reynolds Metals Exploration, Inc. for recording in the land records of Mohave County, Arizona. A recording fee of \$10.00 will be required at the time of filing.

When the recorded Deed is returned to you, please take whatever steps necessary to record it with the Bureau of Land Management in Kingman, Arizona.

I greatly appreciate your assistance in this matter.

  
Roni Doolin  
Legal Assistant

**SPECIAL WARRANTY DEED**

THIS INDENTURE, made this 13<sup>th</sup> day of December, 1990, by and between **COMPASS MINERALS LTD.**, Grantor, and **REYNOLDS METALS EXPLORATION, INC.**, Grantee.

**W I T N E S S E T H :**

That Grantor, Compass Minerals Ltd., for good and valuable consideration, receipt of which is hereby acknowledged, does by these presents, convey unto Grantee, Reynolds Metals Exploration, Inc., an undivided seventy-five percent (75%) interest in and to all those certain unpatented mining claims situated in Mohave County, Arizona, known generally as the "West Oatman Project" and more particularly described in Schedule A attached hereto and incorporated herein by reference; subject to the reservations and exceptions hereinafter made and with the restrictions and upon the covenants below stated:

See Schedule A

TOGETHER WITH the tenements, hereditaments and appurtenances thereunto belonging or appertaining.

Grantor, Compass Minerals Ltd., does hereby except and reserve unto itself, its successors and assigns, the full power and authority to divest the interest hereby granted if (a) Grantee, Reynolds Metals Exploration, Inc., fails to incur exploration expenditures of at least \$475,000 in accordance with the letter agreement dated November 30, 1990 between Grantor, Compass Minerals Ltd., and Grantee, Reynolds Metals Exploration, Inc., with regard to the West Oatman Project, or (b) Grantee, Reynolds Metals Exploration, Inc., terminates the agreement referred to in clause (a) above in accordance with clause 1(h) of such agreement. Upon the expenditure of not less than \$475,000 in exploration expenditures, as defined in the letter agreement referred to above, the interest herein conveyed shall vest unconditionally in Grantee, Reynolds Metals Exploration, Inc. Upon the satisfaction of the foregoing condition, Grantor, Compass Minerals Ltd., covenants on behalf of itself and its successors and assigns to do all things as may be necessary, required or desirable to evidence of record, the complete satisfaction of the foregoing condition.

TO HAVE AND TO HOLD the said unpatented mining claims, together with the appurtenances as set forth above, unto Grantee, Reynolds Metals Exploration, Inc., and to its successors and assigns, subject, however, to the exception and reservation set forth above.

EXEMPT MINERAL RIGHTS

Grantor, Compass Minerals Ltd. hereby warrants the title against the acts of Grantor and those claiming by or through Grantor, but no others.

COMPASS MINERALS LTD.

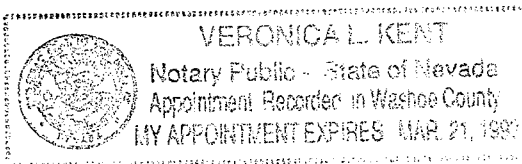
By Mical N. Slater  
Mical N. Slater, President

STATE OF Nevada )  
COUNTY OF Washoe ) ss:

This instrument was acknowledged before me this 13<sup>th</sup> day of December, 1990, by Mical N. Slater, President of Compass Minerals Ltd., a Delaware corporation, duly authorized to do business in the State of Arizona.

Veronica L. Kent  
Notary Public

My Commission expires: 03-21-93



EXEMPT MINERAL RIGHTS

When recorded, mail to:

Donna C. Dabney, Esq.  
Law Department  
Reynolds Metals Exploration, Inc.  
6601 West Broad Street  
Richmond, Virginia 23230  
(804) 281-2283

Donna C. Dabney  
Donna C. Dabney

THIS INSTRUMENT WAS PREPARED BY  
REYNOLDS METALS EXPLORATION, INC.

dcd  
gold/mining  
compass  
warranty.deed



SCHEDULE A

PROPERTY DESCRIPTION  
WEST OATMAN PROJECT


All those certain unpatented mining claims situated in Mohave County, Arizona, Township 20 North, Range 21 West and Range 20 West, more particularly described as follows:

EXEMPT MINERAL RIGHTS

<u>Claim Name &amp; Number</u>	<u>Claim Type and AMC Numbers</u>	<u>Date Located</u>
AL Nos. 27-29	Lode 283791-283793	02-08-88
AL Nos. 36-37	Lode 283800-283801	
AL Nos. 71-72	Lode 283835-283836	
AL Nos. 75-103	Lode 283839-283867	
AL Nos. 104-106	Lode 283868-283870	02-08-88
AL Nos. 159-178	Lode 283955-283974	
AL Nos. 195-247	Lode 283991-284043	
AL Nos. 350-372	Lode 296217-296239	05-09-89
ALX Nos. 1-7	Lode 303725-303731	01-23-90
AL Nos. 107-122	Lode 283871-283866	

LAW DEPARTMENT MEMORANDUM

December 9, 1991

TO: D. D. Jinks  
FROM: D. C. Dabney   
CC: R. Irwin  
RE: West Oatman/Compass Minerals

Enclosed are the following:

(a) two execution copies of the "pooling agreement" dated October 22, 1991; and

(b) two execution copies of an agreement to limit reconnaissance exploration expenditures.

The pooling agreement has been changed to reference the Black Wonder claims and to make the two clarifications to the agreement which were recommended by Compass.

I did not combine the two agreements since Compass has already reviewed and approved the pooling agreement.



## REYNOLDS METALS EXPLORATION, INC.

6601 W. BROAD STREET • RICHMOND, VIRGINIA 23230-1701

October 22, 1991

Compass Minerals, Ltd.  
5301 Longley Lane, Suite A-1  
Reno, Nevada 89502

### **West Oatman Project Mohave Block/Boulder Batholith Projects**

Gentlemen:

This letter is written on behalf of Compass Minerals, Ltd. ("CML") and Reynolds Metals Exploration Inc. ("RMEI") in order to set forth an amendment to the agreements between RMEI and CML with respect to the referenced projects. Specifically, this letter amends the agreement dated November 30, 1990 (RMC# 149725) between RMEI and CML with respect to the West Oatman project (the "West Oatman Agreement") and the agreement dated March 30, 1991 as amended by a letter dated March 1, 1991 (RMC# 146958 and 151775) with respect to the Mohave Block/Boulder Batholith projects (the "Mohave Agreement"). Capitalized terms not otherwise defined herein, shall have the meaning ascribed to them in the West Oatman Agreement or the Mohave Agreement, as the case may be.

The West Oatman Agreement provides that, upon RMEI's expenditure of \$475,000 in Exploration Expenses, RMEI shall acquire an absolute, vested 75% undivided interest in the AL and ALX claims listed in Schedule A hereto. The Mohave Agreement provides that RMEI shall have the right, but not the obligation, to increase its Participating Interest from 50% to 75% by agreeing to fund 100% of the expenditures for acquisition of Properties, evaluation of Properties and for Capital Costs, up to \$500,000. Pursuant to the terms of the Mohave Agreement, RMEI and CML have acquired the RAL claim group and are negotiating to acquire the FB claim group and the Black Wonder claim group listed in Schedule B hereto.

RMEI and CML wish to permit RMEI to earn a 75% interest in all of the claims subject to or which may become subject to the West Oatman Agreement and the Mohave Agreement, upon the expenditure of \$975,000 in qualifying expenses (as described in the West Oatman Agreement and in the Mohave Block agreement) on

any of the claim groups listed in Schedule A and Schedule B hereto. Therefore, intending to be legally bound, RMEI and CML agree as follows:

1. At its election, RMEI may allocate expenditures among the AL, ALX, RAL, FB and Black Wonder claim groups, as RMEI in its discretion deems to be appropriate; provided that all claim groups are maintained in good standing unless otherwise agreed.

2. The minimum annual expenditures on the combined claim groups shall satisfy the minimum annual expenditures set forth in the West Oatman Agreement; provided that the minimum annual expenditures for the year beginning December 1, 1994, and for each year thereafter until the total expenditures equal \$975,000, shall be \$135,000.

3. The West Oatman Agreement and the Mohave Agreement shall be extended until November 30, 1998, or until completing the expenditure of \$975,000, whichever is earlier. The foregoing extension, however, shall not be deemed to affect RMEI's rights to withdraw from either of the West Oatman Agreement or the Mohave Agreement (or both agreements) at any time; provided RMEI shall have, as of the date of such withdrawal, incurred the required exploration expenditures for a prorata portion of the period during which the notice was given, calculated as set forth in the West Oatman Agreement.

4. This letter is intended to amplify and expand RMEI's options under the West Oatman Agreement and under the Mohave Agreement, and nothing herein should be deemed to imply that RMEI shall not be entitled to exercise any of the options set forth therein. Without limiting the foregoing, (i) RMEI shall retain its option under the West Oatman Agreement to acquire a 75% interest upon expending \$475,000 pursuant to Clause 1(b) of that agreement; and (ii) RMEI shall retain its option under the Mohave Agreement to acquire 75% or less of respective properties under separate joint venture agreements pursuant to Clause 8 of that agreement.

5. CML acknowledges that it will not assert any rights under that certain Special Warranty Deed to RMEI dated December 13, 1990, and recorded December 26, 1990 in the land records of Mohave County, Arizona, in a manner which would be inconsistent with the terms and conditions of this amendment.

6. Except as specifically amended by this letter, the West Oatman Agreement and the Mohave Agreement remain in full force and effect.

Compass Minerals, Ltd.  
October 22, 1991  
Page 3

If this agreement is acceptable to you, please sign and return the one copy of this letter in confirmation thereof. This letter will then be a binding agreement between CML and RMEI, and their respective successors and permitted assigns.

Sincerely yours,

Ⓧ Douglas D. Jinks  
Vice President

We accept and agree:

COMPASS MINERALS, LTD.

By: \_\_\_\_\_  
Mical N. Slater, President

Date: \_\_\_\_\_, 1991

**SCHEDULE A**

All those certain unpatented mining claims situated in Mohave County, Arizona, Township 18, 19 and 20 North, Range 20 and 21 West, more particularly described below:

AL Nos 27-29	Lode 283791-283793
AL Nos 36-37	Lode 283800-282801
AL Nos 71-72	Lode 283835-283836
AL Nos 75-103	Lode 283839-283867
AL Nos 104-106	Lode 283868-283870
AL Nos 159-178	Lode 283955-283974
Al Nos 195-247	Lode 283991-284043
AL Nos 350-372	Lode 296217-296239
ALX Nos 1-7	Lode 303725-303731
AL Nos 107-122	Lode 283871-283866

**SCHEDULE B**

(1) All those certain unpatented mining claims situated in Mohave County, Arizona, Township 20 North, Range 20 West, Section 19 and in Township 20 North, Range 21 West, Section 24, Gila and Salt River Base Meridian, San Francisco Mining District more particularly described as follows:

FB Nos 1A-25A                      Lode    256158-256182

(2) All those certain unpatented mining claims situated in Mohave County, Arizona, Township 20 North, Range 20 West, and Range 21 West, Sections 19, 20, 24, 29 and 30, Gila and Salt River Base Meridian, San Francisco Mining District more particularly described as follows:

RAL Nos 1-33                        Lode    307371-307403

(3) All claims and interests in claims acquired by either Compass Minerals, Ltd. or Reynolds Metals Exploration, Inc. within Sections 29 through 32, Township 20 North, Range 20 West, or the North 1/2 of Sections 4 and 5, Township 19 North, Range 20 West, including without limitation, the USM claims and the prospecting permit listed below:

<u>CLAIM NAME</u>	<u>SERIAL</u>	<u>LEAD FILE</u>	<u>BK/PG</u>	<u>LOC. DATE</u>
USM 4	191007	191007	900/989	1-21-83
5	191008	191007	900/991	1-23-83
6	191009	191007	900/993	1-24-83
7	191010	191007	900/995	1-26-83
8	191969	191969	903/835	2-10-83
9 FRAC	198037	198037	930/911	5-19-83
10	192647	192647	907/930	2-25-83
11	192648	192647	907/932	2-18-83
12	198038	198037	930/913	5-15-83
13	198031	198030	930/917	5-15-83
4A	197695	197695	930/261	5-18-83
7A	197696	197695	930/263	5-18-83
12A FRAC	198030	198030	930/915	5-20-83
13A	198032	198030	930/919	5-21-83
36	199670	199668	938/425	6-18-83
37	199671	199668	938/427	6-18-83
38	199932	199930	938/840	6-17-83
39	199933	199930	938/842	6-18-83
53	198587	198587	933/458	5-28-83
54	198588	198587	933/460	5-31-83
55	198589	198587	933/462	6-01-83
56	198590	198587	933/464	6-01-83
50	196373	196373	928/947	5-12-83

# REYNOLDS METALS EXPLORATION, INC.

6601 W. BROAD STREET • RICHMOND, VIRGINIA 23230-1701

December 5, 1991

Compass Minerals, Ltd.  
5301 Longley Lane, Suite A-1  
Reno, Nevada 89502

## **West Oatman Project Mohave Block/Boulder Batholith Projects**

Gentlemen:

This letter is written on behalf of Compass Minerals, Ltd. ("CML") and Reynolds Metals Exploration Inc. ("RMEI") in order to set forth an amendment to the agreements between RMEI and CML with respect to the referenced projects. Specifically, this letter amends the agreement dated March 30, 1990 as amended by a letter agreement dated March 1, 1991 (RMC# 146958 and 151775) with respect to the Mohave Block/Boulder Batholith projects (the "Mohave Agreement"), and the agreement dated November 30, 1990 (RMC# 149725) with respect to the West Oatman Project (the "West Oatman Agreement"). Capitalized terms not otherwise defined herein, shall have the meaning ascribed to them in the Mohave Agreement and the West Oatman Agreement.

The purpose of this letter is to limit the scope of the Mohave Agreement to exploration and development in the area of the Twin prospect in Montana and to clarify which claims are subject to the West Oatman Agreement. The original scope of the Mohave Agreement included reconnaissance exploration in the broad areas of the Mohave Block located in Arizona, California and Nevada and the Boulder Batholith located in Montana, with the exception of certain properties listed in Exhibit A to the Mohave Agreement. The original scope of the West Oatman Agreement included the exploration and development of certain AL and ALX claims listed in Schedule 1 of that agreement.

RMEI and CML also have entered into an agreement dated October 22, 1991, (the "Pooling Agreement") which permits RMEI to pool expenditures on claims subject to the Mohave Agreement with expenditures on claims subject to the West Oatman Agreement. The Pooling Agreement lists the AL and ALX claims as being subject to the West Oatman Agreement, and RAL claim numbers 1 through 33 and FB claim numbers 1A through 25A as being subject to the Mohave



Agreement. The RAL claims and the FB claims are in the vicinity of the AL and ALX claims, and collectively comprise the West Oatman project. The parties wish to have all claims in the West Oatman project be subject to the same exploration agreement, and they wish to segregate the claims in the Twin prospect area in a separate agreement. Further, the parties wish to limit reconnaissance exploration expenditures with respect to the Mohave Block to amounts budgeted to be spent during 1991.

Therefore, intending to be legally bound, the parties agree as follows:

1. Effective on the first to occur of (a) December 31, 1991, or (b) the expenditure of the 1991 budget for reconnaissance exploration under the Mohave Agreement, the Mohave Agreement shall apply solely to the exploration and development of the Twin prospect listed in Schedule A hereto. After the effective date set forth above, the Mohave Agreement shall be referred to as the "Twin Prospect" agreement.

2. The RAL claims, the AL and ALX claims, and the FB claims listed on Schedule B hereto, and any claims acquired in the Black Wonder Mine area listed on Schedule C hereto shall be subject to the West Oatman Agreement and shall be explored and developed in accordance with the West Oatman Agreement.

Except as specifically amended by this letter, the Mohave Agreement, the West Oatman Agreement and the Pooling Agreement remain in full force and effect.

If this agreement is acceptable to you, please sign and return the one copy of this letter in confirmation thereof. This letter will then be a binding agreement between CML and RMEI, and their respective successors and permitted assigns.

Sincerely yours,

Douglas D. Jinks  
Vice President

We accept and agree:  
COMPASS MINERALS, LTD.

By: \_\_\_\_\_  
Mical N. Slater, President

Date: \_\_\_\_\_

**SCHEDULE A**

Twin Prospect:

(1) All those certain unpatented mining claims situated in Madison County, Montana, Township 3 South, Range 5 West, Sections 10 and 15:

<u>Claim Name</u>	<u>Serial Number</u>	<u>Location Date</u>
Smith Nos 1-12	181656-181667	October 21-23, 1990
Smith Nos 21-30	181676-181685	October 21 and 28, 1990
Smith Nos 13A-20A	185158-185165	June 9, 1991

(2) The interest of Compass Minerals Ltd., as lessee, under a mineral lease (Metalliferous Lease #M-1824-91) of all of Section 16 in Madison County, Montana, Township 3 South, Range 5 West owned by the State of Montana, less and except a certain patented claim known as the Edmond Forest claim number 9338, owned by Gayle L. and Howard L. Evans.

(3) Such patented and unpatented claims, fee lands, and Bureau of Land Management lands open to location, situated in Madison County, Montana, Township 3 South, Range 5 West, Sections 9, 10, 15, and 16, as to which Reynolds Metals Exploration, Inc. and/or Compass Minerals, Ltd., may acquire rights or interests subsequent to the date of this agreement.

**SCHEDULE B**

West Oatman/Moss Mines Project:

(1) All those certain unpatented mining claims situated in Mohave County, Arizona, Township 20 North, Range 20 West, Section 19 and in Township 20 North, Range 21 West, Section 24, Gila and Salt River Base Meridian, San Francisco Mining District more particularly described as follows:

FB Nos 1A-25A                      Lode 256158-256182<sup>1</sup>

(2) All those certain unpatented mining claims situated in Mohave County, Arizona, Township 20 North, Range 20 West, and Range 21 West, Sections 19, 20, 24, 29 and 30, Gila and Salt River Base Meridian, San Francisco Mining District more particularly described as follows:

RAL Nos 1-33                      Lode 307371-307403

(3) All those certain unpatented mining claims situated in Mohave County, Arizona, Township 18, 19 and 20 North, Range 20 and 21 West, more particularly described below:

AL Nos 27-29	Lode 283791-283793
AL Nos 36-37	Lode 283800-282801
AL Nos 71-72	Lode 283835-283836
AL Nos 75-103	Lode 283839-283867
AL Nos 104-106	Lode 283868-283870
AL Nos 159-178	Lode 283955-283974
Al Nos 195-247	Lode 283991-284043
AL Nos 350-372	Lode 296217-296239
ALX Nos 1-7	Lode 303725-303731
AL Nos 107-122	Lode 283871-283866

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<sup>1</sup>As of the date of this Agreement, these claims are not controlled by Compass Minerals, Ltd. or by Reynolds Metals Exploration, Inc.

SCHEDULE C

USM CLAIMS, T20N, R20W and T20N, R21W  
MOHAVE COUNTY, ARIZONA

<u>CLAIM NAME</u>	<u>SERIAL</u>	<u>LEAD FILE</u>	<u>BK/PG</u>	<u>LOC. DATE</u>
USM 4	191007	191007	900/989	1-21-83
5	191008	191007	900/991	1-23-83
6	191009	191007	900/993	1-24-83
7	191010	191007	900/995	1-26-83
8	191969	191969	903/835	2-10-83
9 FRAC	198037	198037	930/911	5-19-83
10	192647	192647	907/930	2-25-83
11	192648	192647	907/932	2-18-83
12	198038	198037	930/913	5-15-83
13	198031	198030	930/917	5-15-83
4A	197695	197695	930/261	5-18-83
7A	197696	197695	930/263	5-18-83
12A FRAC	198030	198030	930/915	5-20-83
13A	198032	198030	930/919	5-21-83
36	199670	199668	938/425	6-18-83
37	199671	199668	938/427	6-18-83
38	199932	199930	938/840	6-17-83
39	199933	199930	938/842	6-18-83
53	198587	198587	933/458	5-28-83
54	198588	198587	933/460	5-31-83
55	198589	198587	933/462	6-01-83
56	198590	198587	933/464	6-01-83
50	196373	196373	928/947	5-12-83

That certain Arizona State prospecting permit #0898357, effective 5/16/90 obtained by Mr. Donald Newsom, located in the S 1/2 Sec. 32, T20N, R20W of Mohave County, Arizona.

Any other claims or interests acquired by Reynolds Metals Exploration, Inc. or Compass Minerals, Ltd. in Sections 29 through 32 T20N, R20W or the N 1/2 of Sections 4 and 5, T19N, R20W.

**⊕ Compass Resources NL**

ACN. 010 536 020

13 January 1992

Mr. D. D. Jinks,  
Operations Manager,  
Reynolds Metals Company,  
6601 West Broad Street,  
RICHMOND VIRGINIA 23230

Fax No: 0011 1 804 281 2467

Dear Doug,

Mike Slater advises me that you asked for some clarification of Compass Resources N.L.'s position in regard to the West Oatman and Mohave Agreements.

I must admit that we are confused about RMEI's future intentions in regard to programmes and budget for 1992 under both Agreements and were basically waiting for clarification from RMEI. In the meantime we are assuming that both Agreements are continuing.

It may be useful to refer back to the meeting on 24 September between Ray Irwin, Mike Slater and myself. That meeting was the first occasion that a problem was raised regarding RMEI meeting annual expenditure obligations set out in the "West Oatman" Agreement (AL & ALX claims). Ray advised that higher priority targets were emerging in claims acquired under the Mohave J.V. immediately adjacent to the West Oatman Agreement claims. If it was not possible to get some variation to the West Oatman expenditure obligations, Ray suggested RMEI may elect to withdraw from that JV.

I explained that Compass could not agree to waive expenditures set out in the West Oatman Agreement but accepted that it was in the interest of both companies that exploration of higher priority targets be emphasised.

At the time of those discussions in late September, it was my understanding that RMEI's preferred position was to continue under the terms of both Agreements in 1992 if the funding distribution between West Oatman and adjacent claims could be worked out.

Consequently I suggested that a short amendment to the current West Oatman Agreement be prepared allowing that some or all of the minimum annual expenditures set out for West Oatman claims could be spent on adjacent claims acquired under the Mohave Agreement. I believe Mike Slater sent you a letter outlining the variation proposed but that this was not acceptable to RMEI.

-2-

Recon  
portion Since that time Mike has indicated that RMEI has advised him verbally of its intention to withdraw from the Mohave J.V. However, no notification under the terms of that Agreement has been received and we are unsure of RMEI's intentions. We are concerned that the 1992 programme is funded appropriately and that any uncertainty that might exist in relation to the use of Mike Slater's services and JV responsibilities be resolved.

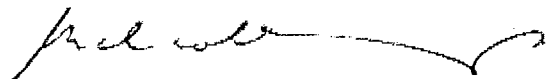
Compass considers that the following alternatives exist for the remainder of the 1992 programme.

- . RMEI continues under the terms of the current agreements. In this case Compass would like to discuss programmes and budgets as soon as possible.
- . RMEI withdraws from one or both agreements. In this event Compass expects that the appropriate notice or notices be given so that we may consider our own programme & budget for the remainder of the year.
- . RMEI may wish to progress discussions on Compass contributing to expenditure on some projects, as outlined in my letter to you of 27 November, so that a more aggressive programme can proceed. In this event Compass would welcome discussion.

Depending upon RMEI's elections we believe it would be appropriate to develop plans and agreements for specific projects as provided for in the Mohave Agreement. However, we do believe that the draft agreement provided by RMEI dated 5 December is inconsistent with our previous discussions which were aimed at achieving flexibility in allocating Oatman/West Oatman expenditures.

We look forward to your advice on these matters so that budget planning can be finalised as quickly as possible.

Yours faithfully,



Malcolm Humphreys

c.c. M. N. Slater



## REYNOLDS METALS EXPLORATION, INC.

Reynolds Metals Company • 5301 Longley Lane • Suite 157 • Reno, Nevada 89511

Telephone: (702) 829-8018

Facsimile: (702) 829-8026

DATE: November 20, 1990  
TO: Mr. Malcom Humphreys  
FROM: Ray Irwin, Reynolds Metals Exploration, Inc.  
SUBJ: Proposed Changes in West Oatman Joint Venture Agreement

I have received your proposed changes in the West Oatman joint venture agreement and have sent these proposed changes to Doug Jinks by fax.



TO RAY IRWIN -

FAX 702-829-8026

Ray I spoke with Mike Slater today and discovered that he has been down with pneumonia for the past week and will not be fit for field action for a month or so.

I told Mike I would send comments to you from my meeting in Sydney with Doug Jinks. It was good that Doug found time to call in and see us. We agreed that I would send Mike suggested revisions to a couple of clauses which are holding up signing this agreement.

I have made those changes on the November 1 agreement version of Donne Dabney and the relevant pages follow.

Please give me a call if you have questions or need clarification. Would you also pass it on to Doug if you have no questions.

Regards

Malcolm Humphreys.

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To	DR. DOUGLAS JINKS	From	RAY IRWIN
Co.	REYNOLDS METALS CO	Co.	REYNOLDS METALS EXP, INC
Dept.		Phone #	702 829-8018
Fax #		Fax #	





D R A F T

October 31, 1990

MINERALS LIMITED  
Compass Resources ~~(North America)~~ Ltd.  
d/b/a Compass Minerals, Ltd.  
5301 Longley Lane, Suite A-1  
Reno, Nevada 89502

MNS

Attn: Mr. Mical Slater, President

Re: West Oatman Project

Dear Mr. Slater:

~~MINERALS~~ This letter sets forth and confirms the terms and conditions upon which Reynolds Metals Exploration, Inc. ("Reynolds") and ~~Compass Resources (North America) Ltd.~~ ("Compass") will explore and develop the mining claims described in Schedule 1 (the "Claims"). Subject to the terms and conditions hereof, Reynolds and Compass agree as follows:

MNS

1. The parties shall explore the Claims for gold and other minerals in accordance with the following:

(a) Prior to the date on which Reynolds' 75% interest described in Clause 2 is fully vested (the "farm-in period"), the timing, methods and extent of, and budget for, such exploration shall be determined solely by Reynolds, provided Reynolds shall have incurred the Exploration Expenditures (defined in Clause 1 of Schedule 2) set forth in (b) below.

(b) Reynolds shall undertake exploration of the Claims in accordance with this Agreement, and Reynolds shall incur \$475,000 in Exploration Expenditures unless Reynolds terminates this Agreement in accordance with Clause 1(h) in accordance with the following schedule:



Mr. Mical Slator  
October 31, 1990  
Page 2

Exploration Expenditure	Period
\$ 50,000	December 1, 1990 through <del>November 30</del> <sup>JUNE</sup> 30, 1991
\$150,000	December 1, 1991 through November 30, 1991
115,000	December 1, 1991 through November 30, 1992
125,000	December 1, 1992 through November 30, 1993
135,000	December 1, 1993 through November 30, 1994

MNS

(c) If, during any one-year exploration period, Reynolds pays or incurs Exploration Expenditures:

(i) Less than the Exploration Expenditure required for such period, Reynolds shall, as a condition to the exercise of the right to continue such exploration during the next succeeding one-year period, pay to Compass the difference between the required amount and the Exploration Expenditures actually incurred; or

(ii) Greater than the Exploration Expenditures required for such period, the difference between the Exploration Expenditures actually paid by Reynolds and the required Exploration Expenditures shall be applied to the Exploration Expenditures for the next succeeding one-year period.

(d) After the farm-in period, Reynolds shall act as the exploration manager, (the "Exploration Manager") on behalf of the joint venture referred to in Clause 3. The Exploration Manager shall prepare and submit, for approval in accordance with the terms of this Agreement, a program of work and associated budget prior to the commencement of each phase of exploration. The Exploration Manager shall conduct the exploration of the Claims in accordance with each approved program of work and within 20%, plus or minus, of the approved budget.

(e) All exploration of the Claims shall be conducted in accordance with the following:

(i) Exploration of the Claims shall be conducted in a good, workmanlike and efficient manner, in accordance with sound mining and other applicable industry standards and practices, and in accordance with the terms and provisions of this Agreement.



Mr. Mical Slater  
 October 31, 1990  
 Page 4

(iii) Such additional insurance coverage as it may reasonably deem to be desirable to protect itself and the non-manager against liability to third parties.

(g) Reynolds shall indemnify and hold harmless Compass from and against any and all costs, claims, liabilities, damages and expenses arising out of the gross negligence or willful misconduct of Reynolds hereunder.

(h) Reynolds may, upon 30 days' written notice, withdraw from this Agreement and terminate all of its rights and obligations under this Agreement at any time; provided Reynolds shall have, as of the date of such withdrawal, incurred \$50,000 in Exploration Expenditures AND NET PRO RATA EXPENDITURE COMMITMENTS FOR PERIODS COMMENCING JUNE 1 1991 THROUGH NOVEMBER 30 1994.

(i) Reynolds agrees to pay to Compass \$20,000 upon receipt and review by Reynolds of evidence satisfactory to Reynolds that (a) the Claims were properly laid out and monumented; (b) all required location and validation work was properly performed; (c) location notices and certificates were properly recorded and filed with appropriate governmental agencies; (d) all assessment work required to hold the unpatented mining Claims has been performed through the assessment year ending September 1, 1990; (e) all affidavits of assessment work and other filings required to maintain the Claims in good standing have been properly and timely recorded or filed with appropriate governmental agencies; (f) the Claims are free and clear of defects, liens and encumbrances; and (g) there are no conflicting claims.

2. Compass shall convey to Reynolds, an undivided 75% interest in the Claims upon the execution of this Agreement, subject to a right reserved to Compass to terminate Reynolds' interest in the Claims if (a) Reynolds fails to incur Exploration Expenditures of at least \$475,000 in accordance with Clause 1 of this Agreement; or (b) Reynolds terminates this Agreement in accordance with Clause 1(h) of this Agreement. Upon the expenditure of not less than \$475,000 in Exploration Expenditures in accordance with Clause 1, Reynolds' 75% undivided interest in the claims shall vest absolutely in fee simple absolute. Compass shall promptly do all things as may be necessary or required to complete and perfect conveyance of the Claims to Reynolds, to confirm the absolute vesting of Reynolds' interest, to obtain all approvals and consents required by law or otherwise and to have the same registered and recorded with all appropriate authorities.

^



MNS



## REYNOLDS METALS COMPANY

6601 W. BROAD STREET • RICHMOND, VIRGINIA 23230-1701  
MAILING ADDRESS: P.O. BOX 27003 • RICHMOND, VIRGINIA 23261-7003

LAW DEPARTMENT  
Tel. No.: (804) 281-2283

TELEX: 442-7015 REYLA  
TELECOPY: (804)281-3740  
CABLE: REYMETCO

December 6, 1990

VIA EMERY

Mr. Mical Slater, President  
Compass Minerals Ltd.  
5301 Longley Lane, Suite A-1  
Reno, Nevada 89502

Re: West Oatman Project

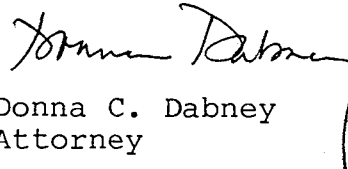
Dear Mr. Slater:

Enclosed are two copies of a Farm-In Agreement which have been signed on behalf of Reynolds Metals Exploration, Inc. If they appear to be in order, please send one fully-executed original of this Agreement to my attention.

In addition, I have enclosed a Special Warranty Deed which is required by the terms of the Farm-In Agreement. Please also execute this Deed as indicated, have your signature acknowledged by a notary public, date the Deed as of the date you execute it and return the original Deed to me.

If you have any questions concerning this matter, please do not hesitate to call me.

Very truly yours,

  
Donna C. Dabney  
Attorney

brm  
Enclosures

cc: D. D. Jinks

# REYNOLDS METALS EXPLORATION, INC.

6601 W. BROAD STREET • RICHMOND, VIRGINIA 23230-1701  
MAILING ADDRESS: P.O. BOX 27003 • RICHMOND, VIRGINIA 23261-7003

November 30, 1990

Compass Minerals Ltd.  
5301 Longley Lane, Suite A-1  
Reno, Nevada 89502

Attn: Mr. Mical Slater, President

Re: West Oatman Project

Dear Mr. Slater:

This letter sets forth and confirms the terms and conditions upon which Reynolds Metals Exploration, Inc. ("Reynolds") and Compass Minerals Ltd. ("Compass") will explore and develop the mining claims described in Schedule 1 (the "Claims"). Subject to the terms and conditions hereof, Reynolds and Compass agree as follows:

1. The parties shall explore the Claims for gold and other minerals in accordance with the following:

(a) Prior to the date on which Reynolds' 75% interest described in Clause 2 vests unconditionally (the "farm-in period"), the timing, methods and extent of, and budget for, such exploration shall be determined solely by Reynolds, provided Reynolds shall have incurred the Exploration Expenditures (defined in Clause 1 of Schedule 2) set forth in (b) below.

(b) Reynolds shall undertake exploration of the Claims in accordance with this Agreement, and Reynolds shall incur \$475,000 in Exploration Expenditures unless Reynolds terminates this Agreement in accordance with Clause 1(h), in accordance with the following schedule:

<u>Exploration Expenditure</u>	<u>Period</u>
\$ 50,000	December 1, 1990 through May 31, 1991
\$ 50,000	June 1, 1991 through November 30, 1991
\$115,000	December 1, 1991 through November 30, 1992
\$125,000	December 1, 1992 through November 30, 1993
\$135,000	December 1, 1993 through November 30, 1994

(c) If, during any exploration period, Reynolds pays or incurs Exploration Expenditures:

(i) Less than the Exploration Expenditure required for such period, Reynolds shall, as a condition to the exercise of the right to continue such exploration during the next succeeding period, pay to Compass the difference between the required amount and the Exploration Expenditures actually incurred; or

(ii) Greater than the Exploration Expenditures required for such period, the difference between the Exploration Expenditures actually paid by Reynolds and the required Exploration Expenditures shall be applied to the Exploration Expenditures for the next succeeding period.

(d) After the farm-in period, Reynolds shall act as the exploration manager, (the "Exploration Manager") on behalf of the joint venture referred to in Clause 3. The Exploration Manager shall prepare and submit, for approval in accordance with the terms of this Agreement, a program of work and associated budget prior to the commencement of each phase of exploration. The Exploration Manager shall conduct the exploration of the Claims in accordance with each approved program of work and within 20%, plus or minus, of the approved budget.

(e) All exploration of the Claims shall be conducted in accordance with the following:

(i) Exploration of the Claims shall be conducted in a good, workmanlike and efficient manner, in accordance with sound mining and other applicable industry standards and practices, and in accordance with the terms and provisions of this Agreement.

(ii) Compass, at its own risk and expense, and its duly authorized agents, at their own risk and expense, shall have access at all reasonable times to the Claims and all data, books and other records (including source accounting data) relating to the Claims, except proprietary information, methods or processes by which any results or conclusions relating to such data may be obtained, provided such access shall not unreasonably interfere with the obligations of Reynolds hereunder and, further

Mr. Mical Slater  
Compass Minerals Ltd.  
December 6, 1990  
Page 3

provided, that Compass, notwithstanding the provisions of Clause 1(g), shall indemnify and hold harmless Reynolds from and against all costs, claims, liabilities, damages and expenses that Reynolds may incur or suffer as a result of the presence of such person or persons on the Claims, including without limitation, injury (including injury causing death) to the same.

(iii) Reclamation of, and all costs, claims and liabilities associated with, any surface disturbance of the Claims in existence on the date of this Agreement shall be borne solely by Compass, including without limitation, any bonding requirements; provided however, that should Reynolds elect to use access roads or other improvements to the Claims in existence on the date of this Agreement, then reclamation and other costs, claims and liabilities shall be borne as set forth in the following sentence. Surface disturbance created by, or at the direction of, or used by Reynolds after the date of this Agreement shall be at the expense of Reynolds if Reynolds' 75% interest in the Claims does not vest unconditionally in Reynolds pursuant to Clause 2; or at the expense of the joint venture if Reynolds' 75% interest in the Claims does vest unconditionally in Reynolds pursuant to Clause 2.

(f) Reynolds shall procure and maintain the following minimum insurance coverage:

(i) Comprehensive General Liability Insurance which shall include personal injury and property damage coverage of not less than \$2,000,000 per occurrence;

(ii) Owned and Non-Owned Automobile Liability coverage of not less than \$2,000,000 per occurrence; and

(iii) Such additional insurance coverage as it may reasonably deem to be desirable to protect itself and the non-manager against liability to third parties.

Mr. Mical Slater  
Compass Minerals Ltd.  
December 6, 1990  
Page 4

(g) Reynolds shall indemnify and hold harmless Compass from and against any and all costs, claims, liabilities, damages and expenses arising out of the gross negligence or willful misconduct of Reynolds hereunder.

(h) Reynolds may, upon 30 days' written notice, withdraw from this Agreement and terminate all of its rights and obligations under this Agreement at any time; provided Reynolds shall have, as of the date of such withdrawal, incurred the required Exploration Expenditures, as set forth in Clause 1(b) for a prorata portion of the period during which the notice was given. For purposes of this Clause, the term "period" means any six-month or twelve-month period of time set forth in Clause 1(b), and the prorata portion of Exploration Expenditures for any such period shall be determined by multiplying the Exploration Expenditures required during such period by a fraction, the denominator of which shall be the number of days in such period, and the numerator of which shall be the number of days in such period which have elapsed to (and including) the date Reynolds withdraws from this Agreement.

(i) Reynolds agrees to pay to Compass \$20,000 upon receipt and review by Reynolds of evidence satisfactory to Reynolds that (a) the Claims were properly laid out and monumented; (b) all required location and validation work was properly performed; (c) location notices and certificates were properly recorded and filed with appropriate governmental agencies; (d) all assessment work required to hold the unpatented mining Claims has been performed through the assessment year ending September 1, 1990; (e) all affidavits of assessment work and other filings required to maintain the Claims in good standing have been properly and timely recorded or filed with appropriate governmental agencies; (f) the Claims are free and clear of defects, liens and encumbrances; and (g) there are no conflicting claims.

2. Compass shall convey to Reynolds an undivided 75% interest in the Claims upon the execution of this Agreement, subject to a right reserved to Compass to terminate Reynolds' interest in the Claims if (a) Reynolds fails to incur Exploration Expenditures of at least \$475,000 in accordance with Clause 1 of this Agreement; or (b) Reynolds terminates this Agreement in accordance with Clause 1(h) of this Agreement. Upon the expenditure of not less than \$475,000 in Exploration Expenditures in accordance with Clause 1, Reynolds' 75% undivided interest in the



Mr. Mical Slater  
Compass Minerals Ltd.  
December 6, 1990  
Page 5

claims shall vest unconditionally. Compass shall promptly do all things as may be necessary or required to evidence of record the complete satisfaction of the condition.

3. Upon the unconditional vesting of Reynolds' 75% interest described in Clause 2, all further exploration and development shall be conducted, all mineral deposits in the Claims shall be mined, and all ore shall be processed by Reynolds and Compass as a joint venture. Attached are Reynolds' standard terms and conditions which relate to joint ventures and which explain and amplify these arrangements and form part of this letter. The parties shall incorporate the provisions of Schedule 2, together with a project plan for the venture, the methods to be adopted, and all other relevant matters, in a formal joint venture agreement; provided, however, execution of such an agreement shall not be a condition to the commencement of the joint venture, nor shall this Clause affect the validity and binding legal nature of this Agreement.

4. Compass represents, warrants and covenants to Reynolds that:

(a) Compass is the sole beneficial or record owner of the Claims and has good and marketable title to the same, free of all liens, claims or encumbrances except as set forth herein.

(b) Compass has all rights and authority necessary to enter into this Agreement and to grant to Reynolds the rights and interests contemplated herein, and the execution of this Agreement and the grant of such rights shall not conflict with the articles of incorporation of Compass or constitute a default or breach under any contract, covenant or agreement to which Compass is a party.

(c) Compass shall not grant or convey any rights or interests associated with, or create or permit to be created any liens, claims or encumbrances of any kind or nature affecting, the Claims during the term of, and except as provided in, this Agreement.

(d) Compass shall, within 15 days of the date of this Agreement, use its best efforts to provide to Reynolds copies of all material information and data relating to the Claims in the possession or control of Compass.

Mr. Mical Slater  
Compass Minerals Ltd.  
December 6, 1990  
Page 6

5. Reynolds represents and warrants to Compass that Reynolds has all rights and authority necessary to enter into this Agreement and the execution of this Agreement shall not conflict with the articles of incorporation of Reynolds or constitute a default or breach under any contract, covenant or agreement to which Reynolds is a party.

6. All information obtained by or related to the exploration and development of the Claims shall be the joint property of Compass and Reynolds, and all such information and all other information related to this Agreement and the relationship created hereby shall be kept confidential except as mutually agreed by Compass and Reynolds or as required by law or the rules of any stock exchange on which the shares of Compass or Reynolds or a parent company of either of them are quoted.

7. This Agreement may be terminated in accordance with the following:

(a) Either party may terminate this Agreement if the other (i) fails to pay or incur the amounts required to be paid or incurred thereby hereunder or (ii) is otherwise in material default hereunder; provided, however, that the terminating party has first delivered to the other written notice of the default and the other has not, within 30 days of the date of receipt such notice, remedied such monetary default or undertaken, and is proceeding expeditiously, to cure such other default.

(b) In the event of the termination of this Agreement, Reynolds shall deliver to Compass within 90 days of such termination copies of all reports, maps, assay results and other relevant factual (but not interpretive) technical data compiled by or in the possession of Reynolds with respect to the Claims not theretofore furnished to or in the possession of Compass.

8. The following provisions contained in Schedule 2 shall apply to this Agreement during the farm-in period:

Clause 1	-	Exploration Expenditures
Clause 6	-	Transfers
Clause 9	-	Notices
Clause 10	-	Arbitration
Clause 11	-	Force Majeure

The schedules attached to this Agreement are incorporated herein and deemed to form part of this Agreement.

Mr. Mical Slater  
Compass Minerals Ltd.  
December 6, 1990  
Page 7

9. Time shall be the essence hereof. Each party shall do all such acts, provide all such things, execute all such deeds, bills or sale, assignments, endorsements, instruments, evidences of transfer and other documents and give all such assurances as shall be necessary or appropriate in connection with the performance of this Agreement.

10. This Agreement shall be construed in accordance with and governed by the laws of the State of Arizona. This Agreement contains the entire understanding between the parties dealing with the subject matter hereof and entirely supersedes all negotiations, correspondence, letter of intent, letters, prior agreements or understandings relating hereto.

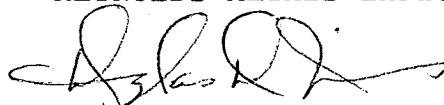
11. Compass agrees to execute a memorandum or short form of this Agreement which shall not disclose financial information contained herein, to be prepared and recorded by Reynolds.

If this offer is acceptable to you, please sign where indicated and return one copy to us. Upon execution, this document will constitute a legal binding agreement between Reynolds and Compass.

We look forward to working with you.

Sincerely yours,

REYNOLDS METALS EXPLORATION, INC.



Douglas D. Jinks  
Vice President

Accepted and agreed:

COMPASS MINERALS LTD.

By: Mical Slater

Title: President

Date: 12/13/90

## SCHEDULE 1

### CLAIMS

Claims located in Mohave County, Arizona in T18, 19 and 20N, R20 and 21W, more particularly described below:

<u>Claim Name &amp; Number</u>	<u>Type of Claim</u>	<u>AMC Numbers</u>
<u>West Oatman</u>		
AL Nos. 27-29	Lode	283791-283793
AL Nos. 36-37	Lode	283800-283801
AL Nos. 71-72	Lode	283835-283836
AL Nos. 75-103	Lode	283839-283867
AL Nos. 104-106	Lode	283868-283870
AL Nos. 159-178	Lode	283955-283974
AL Nos. 195-247	Lode	283991-284043
AL Nos. 350-372	Lode	296217-296239
ALX Nos. 1-7	Lode	303725-303731

## SCHEDULE 2

### TERMS AND CONDITIONS OF EXPLORATION & FARM-IN AGREEMENT

1. Exploration Expenditures. "Exploration Expenditures" include all costs and expenses incurred in accordance with approved budgets for the purpose of ascertaining the existence, location, quantity, quality or commercial value of ores, minerals and mineral resources produced from the Claims, or mine development thereof, including, without limitation, all amounts in respect of:
  - 1.1 Reconnaissance, sampling, drilling, trenching, assays, laboratory fees, earth moving, clearing, transportation, equipment and all prospecting, exploration and mine development activities of every nature.
  - 1.2 Costs incurred to comply with any applicable federal, state or local law in connection with the Claims or any exploration activities thereon, including without limitation, federal and state mining laws.
  - 1.3 Legal expenses and all other costs of investigation or procuring evidence incurred in connection with exploration activities.
  - 1.4 Rental of equipment.
  - 1.5 Insurance, fuel and taxes (except income taxes).
  - 1.6 Temporary site offices and living accommodation on site and telephone, electricity, water, catering, sanitary and other services therefor.
  - 1.7 Air and road transport for personnel.
  - 1.8 Salaries and wages paid by the Exploration Manager to its employees, prorated, if necessary, for time actually spent on the exploration and mine development, plus an amount equal to 35% of such salaries and wages to cover fringe benefits and other costs attributable to such employees.

- 1.9 Contracts with contractors for any of the foregoing.
  - 1.10 Consultants' fees and charges.
  - 1.11 All such other reasonable direct and indirect costs not identified above but incurred by Reynolds for the purpose of exploration or mine development of the Claims.
2. Capital Costs.
- 2.1 "Capital Costs" means all costs of a type which are treated as capital costs in accordance with accounting principles generally accepted in the United States. Without limiting the generality of the foregoing, "Capital Costs" include:
    - 2.1.1 Development Costs, being all costs in excess of \$475,000 incurred in prospecting or exploration before the commencement of mining operations, the cost of studies of the feasibility of releasing the value of any minerals that may be found in the Claims and the cost of all other work preliminary to the establishment of a mining operation.
    - 2.1.2 Construction Costs, being all direct and indirect costs and expenses of, or attributable to, developing, procuring, acquiring and constructing the property, plant and equipment for the venture including start-up costs and capital spares.
    - 2.1.3 Replacement Costs, being all direct and indirect costs and expenses of, or attributable to, providing property, plant and equipment (including capital spares) to replace any of the same or any parts of the same which have been previously installed and of which replacement is necessary, appropriate or desirable except parts and equipment which are replaced in the course of ordinary management as a result of normal wear and tear.
  - 2.2 Notwithstanding the foregoing, "Capital Costs" do not include working capital for inventories of operating supplies and products of the venture both in store and in process and for other purposes.
  - 2.3 All Capital Costs shall be borne by the joint venturers in proportion to the ownership interests in the Claims owned thereby ("Shares"); provided, however, at any time after the farm-in period any party may, at any time, elect not to pay any portion or all of its Share

of Capital Costs falling due for payment, in accordance with the procedures established for the venture, after the effective date of its notice, by not less than 30 days' notice of election to the other party. Such an election shall be irrevocable.

2.3.1 Upon such election, the other party, at its sole option, may, but in no event shall be required to, continue the venture and pay all or part of such Capital Costs as the electing party does not pay, in which event the electing party's ownership interest shall be reduced and the continuing party's ownership interest shall be increased in accordance with the following formula:

$$A = B/C \times 100$$

Where: A = New percentage ownership interest of a party.

B = That party's actual and deemed expenditure for Capital Costs as of the date of calculation.

C = The total of the actual and deemed expenditure of all parties for Capital Costs as of the date of calculation.

For purposes of this Clause, the actual and deemed expenditure, as at the date Reynolds acquires its 75% ownership interests in the Claims, will be deemed to be:

Reynolds	- \$475,000	(75%)
Compass	- \$158,333	(25%)

### 3. Operating Costs.

3.1 "Operating Costs" means the actual direct costs, expenses, losses and charges incurred for the purposes of the venture and of mining the ore and producing the products. Without limiting the generality of the foregoing, "Operating Costs" include:

3.1.1 The cost of prospecting and exploration incurred after the commencement of mining operations.

3.1.2 The cost of necessary repairs and maintenance of property, plant and equipment.

3.1.3 Restoration agreements and obligations.

3.1.4 The cost of maintaining and defending the Claims.

- 3.1.5 Management fees payable to the managing joint venturer in accordance with Clause 4.5.
- 3.2 Notwithstanding the foregoing, "Operating Costs" do not include:
  - 3.2.1 Development Costs, Construction costs, Replacement Costs and the other amounts included in Capital Costs.
  - 3.2.2 Any indirect expenses, such as interest on any monies borrowed by any party for the purpose of participating in the venture, depreciation, head office expenses of each party, and any portion of the remuneration of directors, executives or staff of any party, except when directly related to and incurred for purpose of the management, administration and operation of the venture.
  - 3.2.3 Costs attributable to consultation or negotiation between the parties.
- 3.3 All Operating Costs shall be borne by the joint venturers in proportion to their Shares.

#### 4. Management.

- 4.1 The joint venture shall be managed by a management committee, comprised of one representative from each of Compass and Reynolds, which shall meet not less frequently than semiannually. Decisions regarding the nature, size, extent, design, methods, operation, procedures, accounting and management of the joint venture, and all other matters relating to the joint venture, shall be determined by the management committee by the vote of the representatives of joint venturers holding a majority of the Shares. All votes of the management committee shall be binding on all joint venturers.
- 4.2 The managing joint venturer shall manage the project, and shall have such authority as may be necessary to manage the project, in a good and efficient manner in accordance with the joint venture agreement, the budgets for the joint venture and the direction of the management committee.
- 4.3 The managing joint venturer shall provide to the other joint venturer:
  - 4.3.1 Quarterly reports, within one month of the end of each quarter, summarizing the exploration carried out, the analyses of any samples and any studies made during such quarter, the



expenditures made thereon and any recommendations, proposals and other matters determined by the management committee.

- 4.3.2 Annual reports, within one month of the end of each year, containing the information required by the reporting requirements of all applicable mining acts, laws, statutes and regulations.
- 4.3.3 Proposed annual programs of work and budgets, not less than 90 days prior to the commencement of each such annual period, for consideration by the management committee.
- 4.4 At Reynolds' option and so long as Reynolds owns not less than 50% of the Shares, Reynolds (or Reynolds' designee or nominee) shall manage the operations of the joint venture, including without limitation the exploration, development, mining, processing and refining of the mineral deposits and ores within the Claims.
- 4.5 The managing joint venturer shall receive, as compensation for the services provided hereunder, a management fee calculated as follows if the managing joint venturer does not employ an outside engineering firm to supervise the construction of property, plant and equipment for the venture:

$$MF = (.01 \times CC) + (.0075 \times OC)$$

The managing joint venturer shall receive, as compensation for the services provided hereunder, a management fee calculated as follows if the managing joint venturer does employ an outside engineering firm to supervise the construction of property, plant and equipment for the venture:

$$MF = .0075 \times OC$$

Where: MF = management fee.

CC = direct Capital Costs (as defined in Clause 2.1).

OC = Operating Costs (as defined in Clause 3.1).

5. Claims and Products. All Claims and all ores, minerals and mineral resources produced from the Claims under this Agreement (the "Products"), shall be owned by the parties in proportion to their Shares.

## 6. Transfers.

- 6.1 Except as permitted by this Agreement, no party hereto shall, directly or indirectly, transfer, sell or assign its rights or interests in the Claims, this Agreement, the joint venture, or any part thereof or any interest therein, except with the prior written consent of the other party.
- 6.2 No party shall create, and no party shall suffer, cause or permit, any charge, lien, mortgage or other encumbrance to be created or to exist over any of the Claims except, after the farm-in period, by way of a lien on the whole, and not a part, of such party's rights and interests therein, which is made expressly subject to the lien and security interest created in Clause 7.2.1.1 and the rights otherwise arising under this Agreement.
- 6.3 No party may sell, except as a whole pursuant to a bona fide written offer from a third party, any of its rights or interests in the Claims, this Agreement or the joint venture. Any party that receives a bona fide written offer from a third party which it intends to accept (a "Seller") shall give the other party notice of the price, terms and conditions of the offer and the name and address of the offeror. Such notice shall constitute an offer by the Seller to sell all such rights and interests at the same price and on the same terms and conditions to the other party, which offer may not be withdrawn for 45 days from the date of service of the notice. If the offer is not accepted by the other party as to the entire interest offered, the Seller may, after the expiration of such 45-day period and during the following 60 days only, sell such rights and interests as a whole, but only at the price and on the terms and conditions stated in such notice, to the offeror on condition that the purchaser be bound by, and enter into an agreement with the other party to be bound by, the provisions of this Agreement. If the proposed sale to a third party is not consummated in 60 days, the transaction shall again become subject to the foregoing right of first refusal, unless the other venturer waives such right in writing.
- 6.4 Notwithstanding the foregoing, any party may transfer, sell or assign all its rights and interest in the Claims, this Agreement or the joint venture, as a whole but not a part thereof, to an affiliate provided such affiliate will be bound by and will and does enter into an agreement with the other party to be bound by the provisions of this Agreement.

## 7. Defaults.

7.1 Each of the following shall constitute a default for the purposes of this Agreement:

7.1.1 A party fails to pay into the bank account for the venture its Share of any Capital Costs or Operating Costs as and when the same is due and payable and such amount remains unpaid for a period of seven days following a demand from the other party.

7.1.2 A party commits any other material breach of this Agreement and, if such breach is capable of remedy, fails to remedy the same within 14 days of a demand from the other party that such breach be cured.

7.2 Upon a default and subject to Clause 7.3, the party not in default may, by notice to the defaulting party, declare such party to be in default and, in addition to all remedies available at law or in equity, exercise from time to time one or more of the following remedies:

7.2.1 Take delivery and sell, in priority to the holder of any charge, lien, mortgage or other encumbrance created by the defaulting party, the defaulting party's Share of the Products and apply the proceeds of sale, less a service fee of 10% of the price realized, towards payment of the amount in default, current Operating Costs or Capital Costs and all other amounts then due and payable under this Agreement. The balance of such proceeds, if any, shall be delivered to the defaulting party.

7.2.1.1 For purposes of this Clause, each party hereby grants a lien in favor of the other upon its interest in the Claims and a security interest in its rights under this Agreement and the proceeds therefrom, to secure its performance of this Agreement including reasonable attorneys' fees and all other reasonable costs and expenses incurred in enforcing such lien or security interest or both. The difference between the full value of the defaulting party's Products and the price realized under this clause (after application of the 10% service fee) constitutes a pre-estimate of the liquidated damages that will be sustained by the non-defaulting party by reason of breach of this Agreement by the defaulting party.

7.2.1.2 Each party shall undertake all such further acts as may be necessary to record the lien and perfect the security interest created hereby.

7.2.2 Upon 90 days' notice to the defaulting party, expel that party and purchase the Share of the defaulting party in the Claims, this Agreement, the joint venture and all other assets of the venture (the "Defaulting Party's Interest") at a price equal to the fair value of the Defaulting Party's Interest, less 10%.

7.2.2.1 In the event of a dispute as to the fair value of the Defaulting Party's Interest, the value shall be determined by an independent valuer selected by the parties or, in the further event of a dispute as to the valuer, by arbitration in accordance with Clause 10 at the request of any party, and the period for purchasing the Defaulting Party's Interest shall be extended until 30 days after notice to the parties of the value fixed by the independent valuer or arbitrator. An independent valuer shall act as an expert valuer and not as an arbitrator and may take into account written representations provided by any party. The fees and charges of an independent valuer shall be paid by the parties in proportion to their ownership interests.

7.2.2.2 The difference between the value of the Defaulting Party's Interest and the purchase price under this Clause constitutes a pre-estimate of the liquidated damages that will be sustained by the non-defaulting parties by reason of breach of this Agreement by the defaulting party.

7.2.3 Upon notice to the defaulting party, treat a default in the payment of Capital Costs as an election not to pay the same for the purpose of Clause 2.3.

7.3 If any applicable law stipulates that notice must be given or a lapse of time permitted, and the period thereof is not otherwise specified, the period of one day is fixed as the period during which (i) a default must continue before notice is given or demand made requiring payment of amounts under this Agreement and

(ii) the notice or demand must remain unsatisfied before the non-defaulting party's rights, powers or remedies may be exercised.

**8. Relationship of Parties.**

8.1 The rights, obligations and liabilities of the parties hereto shall be several and not joint nor collective. Ownership of the Claims and all other rights and property held for the purposes of this Agreement shall be held as tenants in common. Nothing herein contained shall be construed as creating a partnership of any kind, joint association or trust (except as expressly provided), each party being individually responsible only for its Share of the venture's obligations.

8.2 The parties will be entitled to all Products in kind in proportion to their Shares.

8.3 Each of the parties hereto hereby waives its rights to a partition of the real or personal property (including the Claims) held for the purposes of this Agreement and, during the continuation of this Agreement, no party shall at any time commence any action at law or in equity to partition the real or personal property (including the Claims) held for the purposes of this Agreement.

9. **Notices.** Any notice, consent, offer, demand, or other instrument required or authorized to be given to or served on any party hereunder shall be in writing and may be given by telecopy, registered or certified mail, or in any other permanently recorded form, and shall be deemed sufficiently given if addressed to the party intended as the recipient thereof at the address of such party stated in the letter to which this Schedule is annexed or to such other address as such party may specify as its address for this purpose by notice in writing to the other parties. Any instrument so sent shall be deemed to have been served:

9.1 If by telecopy on the day of its dispatch.

9.2 If by mail to an address in the same country in which it is posted, on the fifth day following the day of posting.

10. **Arbitration of Disputes.** All disputes between the parties, their successors and assigns, arising under this Agreement, which the parties are unable to resolve within 20 days, may at any time (within applicable statutes of limitation) thereafter be submitted to arbitration by written demand of any party. To demand arbitration any party (the "demanding party") shall give written notice to the other party (the "responding party"). Such notice shall specify the nature

of the issues in dispute, the amount involved, and the remedy requested. Within 20 days of the receipt of the notice, the responding party shall answer the demand in writing, specifying the issues that party disputes. Each party shall select one qualified arbitrator within 10 days of receipt of the responding party's answer. Each of the arbitrators shall be a disinterested person qualified by experience to hear and determine the issues to be arbitrated. The arbitrators so chosen shall select a neutral arbitrator within 10 days of their selection. If the named arbitrators cannot agree on a neutral arbitrator, the arbitrators shall make application to any court of competent jurisdiction in the State of Arizona, with a copy to both parties, requesting that court to select and appoint the third arbitrator. The court's selection shall be final and binding on the parties. If either party does not name an arbitrator, the arbitrator named by either party shall serve as sole arbitrator. Immediately upon appointment of the third arbitrator, each party shall present in writing to the panel of three arbitrators (with a copy to the other party) their statement of the issues in dispute. Any questions of whether a dispute should be arbitrated under this Section shall be decided by the arbitrators. The arbitrators, as soon as possible, but not more than 30 days after their appointment; shall meet at a time and place reasonably convenient for the parties, after giving each party at least 10 days' notice. The arbitration hearing shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association, as amended. In the event of conflict between the provisions of this Agreement and the provisions of the commercial arbitration rules of the American Arbitration Association, the provisions of this Agreement shall prevail. The failure of a party to appear at the hearing shall not operate as a default. The attendance of all arbitrators shall not be required at all hearings. Actions of the arbitrators shall be by majority vote. After hearing the parties in regard to the matter in dispute, taking such evidence and making such other investigation as justice requires and as the arbitrators deem necessary, they shall decide the issues submitted to them within 10 days thereafter and serve a written and signed copy of the award upon each party. Such award shall be final and binding on the parties, and confirmation thereon may be applied for in any court of competent jurisdiction by any party. If the parties settle the dispute in the course of the arbitration, such settlement shall be approved by the arbitrators on request of either party and become the award. Fees and expenses of the arbitration shall be shared by the parties in proportion to their Shares. Each party shall bear its own attorneys' fees.

11. Force Majeure. Neither party shall be liable to the other party and neither party shall be deemed in default hereunder for any failure or delay to perform any of its covenants and agreements caused by or arising out of any act not reasonably within the control of such party or its agents or contractors, excluding lack of funds but including, without limitation, acts of God, strikes, lockouts or other industrial disputes, acts of the public enemy, war, insurrection, riots, fire, storm, flood, explosion, government restriction, the inability to obtain governmental approvals or unavailability of equipment. The party asserting the existence of any such event shall give prompt notice to the other party of the commencement and termination of one of the same. No right of a party shall be affected for failure or delay of that party to meet any condition of this Agreement if the failure or delay is caused by one of the events referred to above. All times provided for in this Agreement shall be extended for a period commensurate with the period of the delay and, so far as possible, the party affected shall take all reasonable steps to remedy the delay caused by the events referred to above; provided however that nothing contained in this paragraph shall require any party to settle any dispute or to test any law or governmental regulation.

**SPECIAL WARRANTY DEED**

THIS INDENTURE, made this 13<sup>th</sup> day of December, 1990, by and between **COMPASS MINERALS LTD.**, Grantor, and **REYNOLDS METALS EXPLORATION, INC.**, Grantee.

**W I T N E S S E T H :**

That Grantor, Compass Minerals Ltd., for good and valuable consideration, receipt of which is hereby acknowledged, does by these presents, convey unto Grantee, Reynolds Metals Exploration, Inc., an undivided seventy-five percent (75%) interest in and to all those certain unpatented mining claims situated in Mohave County, Arizona, known generally as the "West Oatman Project" and more particularly described in Schedule A attached hereto and incorporated herein by reference; subject to the reservations and exceptions hereinafter made and with the restrictions and upon the covenants below stated:

See Schedule A

TOGETHER WITH the tenements, hereditaments and appurtenances thereunto belonging or appertaining.

Grantor, Compass Minerals Ltd., does hereby except and reserve unto itself, its successors and assigns, the full power and authority to divest the interest hereby granted if (a) Grantee, Reynolds Metals Exploration, Inc., fails to incur exploration expenditures of at least \$475,000 in accordance with the letter agreement dated November 30, 1990 between Grantor, Compass Minerals Ltd., and Grantee, Reynolds Metals Exploration, Inc., with regard to the West Oatman Project, or (b) Grantee, Reynolds Metals Exploration, Inc., terminates the agreement referred to in clause (a) above in accordance with clause 1(h) of such agreement. Upon the expenditure of not less than \$475,000 in exploration expenditures, as defined in the letter agreement referred to above, the interest herein conveyed shall vest unconditionally in Grantee, Reynolds Metals Exploration, Inc. Upon the satisfaction of the foregoing condition, Grantor, Compass Minerals Ltd., covenants on behalf of itself and its successors and assigns to do all things as may be necessary, required or desirable to evidence of record, the complete satisfaction of the foregoing condition.

TO HAVE AND TO HOLD the said unpatented mining claims, together with the appurtenances as set forth above, unto Grantee, Reynolds Metals Exploration, Inc., and to its successors and assigns, subject, however, to the exception and reservation set forth above.



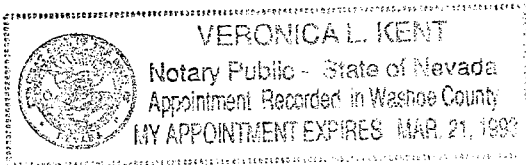
Grantor, Compass Minerals Ltd. hereby warrants the title against the acts of Grantor and those claiming by or through Grantor, but no others.

COMPASS MINERALS LTD.

By Mical N. Slater  
Mical N. Slater, President

STATE OF Nevada )  
COUNTY OF Washoe ) ss:

This instrument was acknowledged before me this 13<sup>th</sup> day of December, 1990, by Mical N. Slater, President of Compass Minerals Ltd., a Delaware corporation, duly authorized to do business in the State of Arizona.



Veronica L. Kent  
Notary Public

My Commission expires: 03-21-93

When recorded, mail to:

Donna C. Dabney, Esq.  
Law Department  
Reynolds Metals Exploration, Inc.  
6601 West Broad Street  
Richmond, Virginia 23230  
(804) 281-2283

Donna C. Dabney

THIS INSTRUMENT WAS PREPARED BY  
REYNOLDS METALS EXPLORATION, INC.

dcd  
gold/mining  
compass  
warranty.deed

SCHEDULE A

PROPERTY DESCRIPTION  
WEST OATMAN PROJECT

All those certain unpatented mining claims situated in Mohave County, Arizona, Township 20 North, Range 21 West and Range 20 West, more particularly described as follows:

<u>Claim Name &amp; Number</u>	<u>Claim Type and AMC Numbers</u>	<u>Date Located</u>
AL Nos. 27-29	Lode 283791-283793	02-08-88
AL Nos. 36-37	Lode 283800-283801	
AL Nos. 71-72	Lode 283835-283836	
AL Nos. 75-103	Lode 283839-283867	
AL Nos. 104-106	Lode 283868-283870	02-08-88
AL Nos. 159-178	Lode 283955-283974	
AL Nos. 195-247	Lode 283991-284043	
AL Nos. 350-372	Lode 296217-296239	05-09-89
ALX Nos. 1-7	Lode 303725-303731	01-23-90

FAX NO: (02) 415 2219

FACSIMILE COVER SHEET

DATE: 18 October, 1990  
TO: Mike Slater  
FROM: Malcolm  
PAGES (including this page)

Nike,

Attached are our comments on your proposed CML RMEI agreement for Catman.

Please let us have any comments ASAP as we believe this matter should be concluded expeditiously.



All filing fees and documents regarding claims should be RMEI's responsibility during the JV, starting with the 1990 BLM filing.

Post-It™ brand fax transmittal memo 7671		# of pages ▶ 4
To DR. Douglas Jinks	From RAY IRWIN	
Co. REYNOLDS METALS CO	Co. REYNOLDS METALS CO	
Dept.	Phone # (702) 829-8018	
Fax #	Fax # (702) 829-8026	



Clause 1.(b) Minimum commitment is required. We suggest a 4 year maximum period with minimum year 1 expenditure of \$100,000 gradually escalating so that \$475,000 is spent by end year 4

1 C(i) OK

1 C(ii) OK

1 (d) We would expect a 15% operation variation to be acceptable. However if you feel 20% is OK we could accept that other than for minimum commitment in year 1.

1 e(ii) We would consider a possible scenario to include Mike Slater carrying out some work or supervising work as an agent of RMEI or CML contracting on behalf of the joint venture. The operator must be responsible under this scenario and would in normal cases be covered by his normal liability insurance.

It would be acceptable to have the type of indemnification clause requested if CML its employees or agents were not involved in any joint venture programme whether by virtue of being part of that approved programme or budget or during the course of verifying, assessing or obtaining background to input into that or future programmes and budgets.

1 e(iii) As far as we are aware the only reclamation requirements prior to RMEI's involvement would be access to LAG's drill pads and the pads themselves.

We believe the choice is up to RMEI as to whether we have LAG reclaim the current access to the satisfaction of authorities or leave it to become RMEI's responsibility. If RMEI decides the former then it will have to meet the expense of duplication of tracks and pads and this cost should not form part of the interest earning if use of such access is required in year 1 of the project. The rationale behind this is that it should be obvious if RMEI wishes to use the tracks and it is gaining a benefit from earlier J.V. work.

1 (b) Withdrawal from the project shall not limit the minimum expenditure commitment in year 1 and shall be subject to pro rata

commitments in subsequent years.

1 (i)

It is reasonable to expect this agreement to be completed by the end of October. We believe the \$20,000 payment should be made within a reasonable extension beyond that point in time and suggest a specific date to encourage expediting this process. Therefore we propose 14 November, 1990 for payment to be made. If not made in that time we should keep our options open. It would be possible to pay the \$20,000 into an interest bearing trust account to be released on agreement being signed if there are delays.

In regard to claim verification it is reasonable for CML to confirm to the best of its knowledge that the claims are valid and without lien however it is up to RMEI to carry out what land checks it requires and satisfy itself on all these issues to the detail it believes is necessary.

Clause 2 (a) Presumably this is acceptable to CML and is normal practice. Let us know if its a problem.

Clause 3

We are somewhat confused by different references to joint ventures in the draft agreement and partnership proposal in the subsequent RMEI Law Department memorandum.

As advised if RMEI sees benefit in a tax partnership agreement we believe that it should be additional to the joint venture agreement and CML/CRNL should be indemnified against any negative consequences that result from a tax partnership agreement if any. This is the type of thing we did in EXXON. If RMEI want to discuss this further one of their lawyers should talk to Phil Cohen on the subject.

Notwithstanding RMEI's lawyers advice, we do not like th3c idea of a general partnership, even with limited liabilities, and wish to maintain the relationship as a contract joint venture.

Clause 4 (d)

I believe this provision would be breached by the odd map that I have or you have. It needs something like "reasonably requested by Reynolds" to prevent it immediately and consistently being

breached.

Clause 6 Last line after "Reynolds" insert "or a parent company thereof" i.e. covers CRNI's obligations.

Clause 7 (b) This needs to be related to the revised terms of Clause 1(b) and 1(h).

## SCHEDULE 2

Clause 1. Ok

Clause 1.11 line 1 after "such" insert "reasonable".

Clause 2. Ok

Clause 3. Ok

Clause 4.1 Quarterly meetings preferred.

4.5 We have some problem with the management fee concept and do not believe that it needs to be finalized during the RMCI sole spending period. As an example if an Engineering company was awarded a turnkey contract to design procure and construct the building of a \$50 million plant the formula proposed would see a \$500,000 windfall profit to RMCI under the capital provisions of the management fee proposed. At least that's our reading of it. Given RMCI were acting in the engineering company role then there would not be a problem.

6.3 We would prefer the first refusal right provision to be 60 days or 90 days and equal or both parties i.e. 60 days or 90 days for the first refusal right then 60 days or 90 days to execute the same deal if the first refusal right was not accepted.



*WJH*  
*cc: Ray Ives - FAX*

27 November 1991

Mr. D. Jinks,  
Reynolds Metals Company,  
6601 W. Broad Street,  
RICHMOND VIRGINIA USA

Dear Doug,

Re: Oatman Mohave Projects

I have been keeping in touch with the progress of the RMEI/CML program at Oatman and look forward to the drill program that I understand is scheduled for early 1992.

Our legal adviser has been out of town for sometime but we will get back to Mike Slater this week concerning our comments on the amendment to the Oatman/Mohave agreement that you provided.

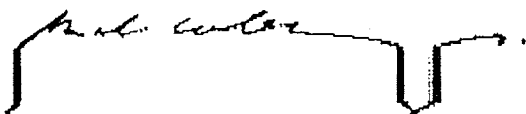
Basically we will not have a problem allowing flexibility of expenditure between land blocks acquired under both agreements. However, we will likely have some minor clarification changes to the draft you provided.

On another point I am quite concerned that we conclude the acquisition agreements for the FB claims and Black Wonder claims as soon as possible. Now that Magma is active at Moss Mine we may expect them to approach other claim holders in the area. I understand that the FB deal is just about signed up but Black Wonder is not as advanced. If there are unavoidable delays at Reynolds in getting a signed agreement over the Black Wonder prospect then I would like to offer our assistance. We would be more than happy to do whatever is required to secure a signed agreement on this property within 2 weeks.

Additionally in order to carry out a more aggressive exploration program in the Oatman area we would be happy to treat Black Wonder as a separate project under the Mohave agreement and fund exploration and land payments on a 50:50 basis.

Please let me know if we can help in any way as I am concerned to ensure Magma does not slip under our guard and secure properties that are of interest to RMEI/CML and which are subject to verbal agreements only.

Yours sincerely,



Malcolm Humphreys



## REYNOLDS METALS EXPLORATION, INC.

Reynolds Metals Company • 5301 Longley Lane • Suite 157 • Reno, Nevada 89511

Telephone: (702) 829-8018

Facsimile: (702) 829-8026

DATE: August 15, 1990

TO: Dr. Douglas Jinks

FROM: Ray Irwin

SUBJECT: Proposed terms for the Acquisition of Compass Minerals' West Oatman Project

=====  
During discussion with Compass Minerals on August 14, 1990 the following proposed joint venture terms were agreed to for Reynolds' acquisition of the West Oatman project:

- 1) Reynolds would pay Compass Minerals \$20,000 upon signing of the agreement.
- 2) Reynolds would agree to a \$475,000 work commitment (\$100,000 to be expended the first year) which would earn Reynolds a 75% interest in the West Oatman claim block. Reynolds has the right to withdraw or cancel this agreement at any time but will have no interest in the property until the \$475,000 has been expended.
- 3) Following Reynolds' expenditure of the \$475,000, Compass would have to proportionally share expenditures or have their 25% interest diluted down by the same formula defined in the Reynolds/Compass Minerals joint venture agreement.



*Copy*





## REYNOLDS METALS EXPLORATION, INC.

Reynolds Metals Company • 5301 Longley Lane • Suite 157 • Reno, Nevada 89511

Telephone: (702) 829-8018

Facsimile: (702) 829-8026

DATE: June 25, 1990

TO: Dr. Douglas Jinks

FROM: Ray Irwin *RI*

SUBJECT: Acquisition of Compass Minerals' West Oatman Project

=====  
As a result of Mike Winston's encouraging rock chip geochemical values shown on the accompanying map and widespread silicification in the form of individual Quartz veins, silicified breccias, and quartz stockworks of varying vein density, the Reno office recommends that Reynolds acquire Compass Minerals' West Oatman project.

Rather than lease the claims, Compass would prefer a joint venture structured as follows:

- 1) Reynolds would serve as operator.
- 2) Compass would receive an initial cash payment of \$20,000.
- 3) A work commitment of \$100,000 the first year with a \$500,000 expenditure over 3 years for Reynolds to earn a 75% interest in the property.

# ↕ Compass Minerals, Ltd.

Mical N. Slater, President • 5301 Longley Lane, Suite A-1 • Reno, Nevada 89502 • Telephone (702) 825-1135 Telecopy (702) 825-3005

25 June

Malcolm -

1. Ray has agreed to the following terms at West Octman
  - \$20K front end payment
  - \$500K total work commitment (on CML block) to gain 75%
  - 100K 1<sup>st</sup> year commitment, after which they will go for the 75% or walk -- no interim percentage
2. Ray is also going after 5 patented claims around The Moss Mine, and he is having a surveyor corner the claims that I pegged D. Mer on. This will be a separate project covered by our Exploration Agreement.
3. I sent off a "plan of operation" for Gold Hill today. It mimics the PD plan, but I think we may want to modify it a bit on the basis of our previous work and data recently received from P.D. We can make our final decisions re: drill hole locations, depths, et upon your surface review of this enigmatic prospect.
4. Auditors plan to see me on 6 July and then start the audit 18 July. They should have final numbers to you by 31 July.
5. I will be in the office for another couple hours (~7:00 PM) if you wish discuss anything prior to my leaving on vacation (26 June - 1 July)

Talk to you later

Regards,  
Mike

Oatman Projects, Mohave County, Arizona  
-This project recently relinquished by LAC-

Acquisition

Purchase of 249 AL claims	\$23963
Pegging 7 ALX claims (MNS)	683 (400)
Pegging 22 SO claims by MHB	1378
Pegging 33 RAL claims (MNS)	720 (720)

Note: These claims have not  
yet been perfected nor  
recorded--50% of all  
costs covered by RMEI

Exploration

Mapping and Sampling by MHB (&MNS)	17200 (5500)
Geochemical	3500

TOTAL \$47444

Annual holding costs -assessment- \$31100

Gold Hill Project, San Bernardino County, California  
-This project recently relinquished by PD-

Acquisition

Titlework	\$3500
Pegging 156 WHIP claims (RMS)	18195
Pegging 18 WHIPX claims (MNS)	2533 (2100)

Exploration

Mapping and Sampling by MHB (and MNS)	11200 (1000)
Geochemical	1350

TOTAL \$36778

Annual holding costs -assessment- \$15600

**T E L E C O P I E R**

**TO:** Malcolm Humphreys, Compass/Australia  
**FROM:** Douglas D. Jinks, Reynolds/Richmond  
**CC:** ✓ Ray Irwin, M. Slater  
**DATE:** January 29, 1992  
**SUBJ:** COMPASS MINERALS/REYNOLDS METALS EXPLORATION J.V. MATTERS

**PAGES TRANSMITTED: 6**

Find enclosed a letter pertaining to the above. The original will follow in the mail.

I believe the letter is self-explanatory.

Your consideration and timely response will be appreciated.

Regards,



D. D. Jinks

## REYNOLDS METALS EXPLORATION, INC.

6601 W. BROAD STREET • RICHMOND, VIRGINIA 23230-1701

January 28, 1992

Mr. Malcolm Humphreys  
Compass Resources NL  
Suite 1-12 Malvern Avenue  
Chatswood NSW 2067  
Australia

### West Oatman Project Mohave Block/Boulder Batholith Projects

Dear Malcolm:

This letter is written in response to your letter of January 13, 1992 in reference to the Mohave Block/Boulder Batholith agreement dated March 30, 1990 (as amended by a letter agreement dated March 1, 1991) (the "Mohave Block/Boulder Batholith Agreement") between Compass Minerals, Ltd. ("Compass") and Reynolds Metals Exploration, Ltd. ("RMEX"), and the West Oatman agreement dated November 30, 1990 (the "West Oatman Agreement") between Compass and RMEX.

After careful consideration of your letter, and upon further reflection, RMEX has decided to take the following action:

(a) **Mohave Block/Boulder Batholith Agreement.** RMEX elects to form a joint venture with Compass in accordance with the terms of the Mohave Block/Boulder Batholith Agreement to proceed with the acquisition and exploration of the claims listed in Schedule A to this letter. Pursuant to clause 10 of the Mohave Block/Boulder Batholith Agreement, RMEX elects to acquire a 75% participating interest in the joint venture by agreeing to fund 100% of the expenditures for acquisition of properties, evaluation of properties and for capital costs, up to \$500,000. RMEX will undertake to draft a formal joint venture agreement incorporating the provisions regarding such agreement which are set forth in the Mohave Block/Boulder Batholith Agreement.

(b) **West Oatman Agreement.** Pursuant to Clause 1(h) of the West Oatman Agreement, RMEX elects to terminate the West Oatman Agreement effective February 28, 1992. RMEX undertakes to provide you with a formal quitclaim of the claims subject to the West Oatman Agreement which are also listed in Schedule B to this letter.

Compass Minerals, Ltd.  
Page 2

As you are aware, RMEX previously submitted for your review two amendments to these agreements which were intended to reflect what we understood to be the agreement of Compass and RMEX to pool exploration expenditures under the two agreements and to terminate reconnaissance exploration expenditures during 1992. Given the foregoing elections, the two amendments which we previously signed and sent to you for execution are no longer necessary. In order to avoid confusion, RMEX revokes its offer to amend the two agreements, and we request that you return the original documents so that we can dispose of them.

Please call me if you have any questions concerning the foregoing matters. We look forward to working with you to continue the exploration of these claims on a joint venture basis.

Sincerely yours,



Douglas D. Jinks  
Vice President

**SCHEDULE A****Twin Prospect:**

(1) All those certain unpatented mining claims situated in Madison County, Montana, Township 3 South, Range 5 West, Sections 10 and 15:

<u>Claim Name</u>	<u>Serial Number</u>	<u>Location Date</u>
Smith Nos 1-12	181656-181667	October 21-23, 1990
Smith Nos 21-30	181676-181685	October 21 and 28, 1990
Smith Nos 13A-20A	185158-185165	June 9, 1991

(2) The interest of Compass Minerals Ltd., as lessee, under a mineral lease (Metalliferous Lease #M-1824-91) of all of Section 16 in Madison County, Montana, Township 3 South, Range 5 West owned by the State of Montana, less and except a certain patented claim known as the Edmond Forest claim number 9338, owned by Gayle L. and Howard L. Evans.

(3) Such patented and unpatented claims, fee lands, and Bureau of Land Management lands open to location, situated in Madison County, Montana, Township 3 South, Range 5 West, Sections 9, 10, 15, and 16, as to which Reynolds Metals Exploration, Inc. and/or Compass Minerals, Ltd., may acquire rights or interests subsequent to the date of this agreement.

**West Oatman/Moss Mines Project:**

(1) All those certain unpatented mining claims situated in Mohave County, Arizona, Township 20 North, Range 20 West, Section 19 and in Township 20 North, Range 21 West, Section 24, Gila and Salt River Base Meridian, San Francisco Mining District more particularly described as follows:

FB Nos 1A-25A                      Lode 256158-256182

(2) All those certain unpatented mining claims situated in Mohave County, Arizona, Township 20 North, Range 20 West, Sections 19, 20, 29 and 30, and Township 20 North, Range 21 West, Section 24, Gila and Salt River Base Meridian, San Francisco Mining District more particularly described as follows:

RAL Nos 1-33                      Lode 307371-307403

(3) All those certain unpatented lode mining claims located in Mohave County, Arizona, known generally as the Black Wonder property and more particularly described as follows:

<u>Claim name</u>	<u>Location</u>	<u>Number</u>
USM	Sec. 25, T20N, R21W	53-56
USM	Sec. 31, T20N, R21W	4-13, 4A, 7A, 12A, 13A, 36-39
USM	Sec. 5, T19N, R20W	50

(4) That certain Arizona State prospecting permit #0898357, effective 5/16/90, located in the S1/2 Sec. 32, T20N, R20W of Mohave County, Arizona.

(5) Interests, claims or other property acquired by RMEX or Compass in the Moss Mine, or in the following areas: Township 20 North, Range 20 West, Sections 29 through 32 inclusive, and Township 19 North, Range 20 West, the N1/2 of Sections 4 and 5, Mohave County, Arizona.



**SCHEDULE B**

All those certain unpatented mining claims situated in Mohave County, Arizona, Township 19 and 20 North, Range 20 and 21 West, more particularly described below:

AL Nos 27-29	Lode 283791-283793
AL Nos 36-37	Lode 283800-282801
AL Nos 71-72	Lode 283835-283836
AL Nos 75-103	Lode 283839-283867
AL Nos 104-106	Lode 283868-283870
AL Nos 159-178	Lode 283955-283974
Al Nos 195-247	Lode 283991-284043
AL Nos 350-372	Lode 296217-296239
ALX Nos 1-7	Lode 303725-303731
AL Nos 107-122	Lode 283871-283866