

November 24, 2003

Sabina Resources Limited
309 South Court Street
Thunder Bay, Ontario
P7J 1H1

Attention: Mr. Ewan Downie

Dear Sirs:

Re: Hackett River Property

Further to our recent discussions we are pleased to provide you with this Memorandum of Understanding (the "Agreement") confirming the business terms for Sabina Resources Limited ("Sabina") to earn an interest in those mineral properties (the "Property") as more fully identified and described in Schedule "A" to this Agreement. This Agreement also outlines the terms to cover our joint venture relationship once Sabina exercises the option and we elect to earn back an interest in the Property.

The Property is owned by the Cominco Mining Partnership ("CMP"). CMP is a partnership registered under the laws of British Columbia, whose partners are Teck Cominco Metals Ltd. and its wholly-owned subsidiary Cominco Nova Scotia Company. As you are aware, CMP holds the Property subject to an agreement with Etruscan Resources Limited ("Etruscan") which entitles Etruscan to a share of any consideration payable as outlined in the option terms set out below and to a 10% NPI royalty capped at \$2,000,000 (the "Etruscan Royalty").

Option Terms

1. CMP warrants and represents to Sabina that:
 - (a) it is the sole beneficial owner of the Property;
 - (b) it has the right to enter into this Agreement and to dispose of the Property;
 - (c) except for the Etruscan Royalty the Property is clear of encumbrances;
 - (d) except for the Etruscan Royalty, it has not done anything whereby the Property may become encumbered; and
 - (e) it has no knowledge of anything in relation to the usage or ownership of the Property prior to the date hereof whereby litigation may hereafter be commenced.
2. **The Option.** CMP hereby grants Sabina the option (the "Option") to earn a 100% interest in the Property (as encumbered by the Etruscan Royalty), subject to a 2% NSR royalty

retained by CMP (which royalty is defined and will be calculated and paid as contemplated in Schedule "B"), which Option Sabina may exercise by:

- (a) paying to Etruscan Resources on signing, the sum of \$80,000 or an equivalent sum consisting of units of Sabina as described below;
- (b) incurring \$7,000,000 in Expenditures on or before December 31, 2008, with a minimum \$1,500,000 to be incurred on or before April 30, 2005 (the "Initial Work Term"). During the Initial Work Term Sabina shall complete a minimum of 2000 meters of diamond drilling as part of its work program, which shall also include the testing at least six specific targets defined by CMP as outlined in paragraph 3;
- (c) at the end of the Initial Work Term, and if Sabina elects to continue the Option on the Property, Sabina shall make a payment of \$75,000 in either cash or, at its option, units of Sabina. Payment shall be made to CMP and Etruscan as to 50% each;
- (d) on or before December 31, 2006, Sabina shall make an additional payment of \$75,000 in either cash or, at its option, units of Sabina. Payment shall be made to CMP and Etruscan as to 50% each;
- (e) upon Sabina completing the required Expenditures under paragraph 2(b), Sabina shall deliver notice to CMP, together with a summary of Expenditures and all technical information not previously delivered to CMP, and make an additional payment of \$200,000 in either cash or, at its option, units of Sabina. Payment shall be made to CMP and Etruscan as to 50% each. Provided that if Sabina completes the Expenditures under paragraph 2(b) prior to making the cash payments or deliveries under paragraphs 2(c) and 2(d), the cash payments or deliveries under those paragraphs shall become due at the same time. For purposes of paragraphs 2(c), 2(d) and 2(e), the units will be valued at a price per unit equal to the average daily trading price of Sabina shares over the 20 trading days before the units are issued provided that the price shall not be less than the discounted market price as defined by the policies of the TSX Venture Exchange.

Each unit referred to above will comprise one Sabina treasury share and one two-year share purchase warrant. Each warrant which will entitle the warrant holder to buy one share of Sabina at a 15% premium to the price per share priced by reference to the trading price for Sabina's shares averaged over the 20 trading days ending five clear trading days before the due date for the issuance of the units as set out above provided that the price shall not be less than the discounted market price as defined by the policies of the TSX Venture Exchange. The warrants will contain anti-dilution provisions relating to all corporate events effecting capital including, without limitation, the payment of stock dividends or the issue of common shares, convertible securities or other distributions to substantially all the holders of common shares, the consolidation, subdivision or reclassification of the common shares, the issue of rights, options or warrants to substantially all the holders of common shares and the consolidation, merger, amalgamation or sale of substantially all the assets of the corporation.

Teck Cominco shall be entitled to second a geoscientist to the project at cost (i.e. salary, benefits and expenses) to Sabina, provided that the person seconded must be acceptable to Sabina and can be replaced at Sabina's request.

3. **Exploration Programs during Option Term.** During the term of the Option, Sabina will design and fund work programs to be carried out on the Property. During the Initial Work Term, Sabina's exploration program must investigate six target areas selected by CMP, to be tested by diamond drilling, with at least one drill hole per target area. CMP shall designate such areas prior to April 30, 2004. Prior to commencing a program, Sabina shall present the program's work plan and budget to CMP. This presentation will be for information purposes and solicitation of CMP's comments. Final approval of programs during the Option term rests with Sabina. Sabina will not commence or continue a program unless it holds funds sufficient to pay the third party contractors.
4. **Possession, Reporting and Access.** During the term of the Option, Sabina will:
 - (a) have the sole and exclusive possession of the Property and right to do work and explore the Property and to fund Expenditures;
 - (b) perform its obligations and conduct all operations in a workmanlike and commercially reasonable manner, in accordance with all applicable laws and in accordance with sound mining, engineering and processing methods and practices; it being understood that CMP will retain the right during the term of the Option to request a halt to activity on the Property if it is established that work is not being conducted by Sabina in accordance with applicable environmental standards and regulations. Any such delay, if satisfactorily resolved, would extend Sabina's Option term by an equal period of time;
 - (c) keep the Property free and clear from any liens or encumbrances relating to its work on the Property;
 - (d) provide CMP with copies of approvals and services it has obtained relevant to the proposed activities;
 - (e) permit CMP to have access to the Property, at its sole cost and risk, at all reasonable times to review Sabina activities on the Property;
 - (f) provide CMP with regular progress reports during periods of active exploration and with an annual summary of the work performed and the results obtained. The annual summary shall include copies of any drill records, assays, maps, plans and all other relevant factual information and materials not previously delivered together with a report on all Expenditures incurred during the period covered by the report; and
 - (g) maintain accounts of its Expenditures on the Property in accordance with accounting principles generally accepted in the mining industry and in a manner consistent with the accounts it maintains for its other joint venture projects.
 - (h) During the term of the Option, Sabina will use Teck Cominco's Exploration Research Laboratory (an accredited commercial analytical facility) for all

analytical work associated with the Property. This will be subject to Teck Cominco's Exploration Research Laboratory providing competitive commercial rates (after factoring in transport costs) and the required analytical services.

5. ***Expenditures Defined.*** "Expenditures" include:

- (a) all costs, expenses, charges and outlays, direct and indirect, funded or incurred by Sabina on or in respect of the Property during the Option term, including, without limiting generality, all on-site costs, including but not limited to, costs for prospecting, claim staking, tenure obligations, taxes, mapping, surveying, permitting, geochemical surveys, geophysical surveys, sampling, assaying, trenching, drilling, geochemical analyses, road building, drill site preparation, drafting, report writing, consultants, and all other project expenditures, but excluding any cash payment made to CMP or delivery of units of Sabina under paragraph 2; and
- (b) a charge of 10%, reduced to 5% on amounts in excess of \$150,000 on any single third party contract, on the expenditures set out in paragraph 2 for administrative services and head office services provided by Sabina. This charge is intended as a reimbursement of the costs of the time incurred by head office management and support functions in respect of approval of programs on the Property, which is not billed as cost under paragraph 5(a). The charge has been established on the basis that the party acting as operator of the Property shall not profit nor suffer loss by virtue of providing these services. This charge shall not be subject to audit but may be reviewed by the parties from time to time.

6. ***Title to Property.*** During the Option term, title to the Property will remain registered in the name of CMP or its nominee. However, Sabina will do such work (and file it to the maximum extent possible) or make such payments as may be necessary to keep title to the Property in good standing and CMP will provide such assistance in support of the filing or payment as may be required by virtue of it being the title holder. Upon Sabina exercising the option, CMP will transfer title to the Property to Sabina to hold in trust for the parties as their interests in the joint venture may be from time to time.

7. ***Indemnity.*** Sabina shall indemnify CMP against and agrees to hold it harmless from any and all damages, claims, losses, liabilities, fines, penalties and expenses (including without limitation, reasonable expenses of investigation and solicitors' fees and expenses on a lawyer and own-client basis in connection with any action, suit or proceeding brought against CMP, cost of studies, surveys, clean-up and any other environmental expenses) incurred or suffered by CMP arising out of the operations, including negligent or wilful misconduct, of Sabina, its officers, employees, agents, servants, subcontractors, invitees and licensees.

This indemnity specifically includes the direct obligation of Sabina to perform any remedial or other activities required, ordered, recommended or requested by any governmental agency or official which are necessary to avoid injury or liability to any person, or to prevent pollution.

8. **Assignment.** Prior to the formation of the joint venture under paragraph 14 or the expiry of CMP's earn-back right under paragraph 11, Sabina shall not assign, sell, dispose or encumber its interest in the Property or rights under the Agreement. During this period CMP shall have the right to assign their interest in the Property or rights under the Agreement but only after first offering to sell such interest to Sabina under terms similar to those outlined in paragraph 26. The restrictions on assignment shall not apply to transfers to affiliated corporations.
9. **Insurance.** Sabina shall provide, maintain and pay for the following insurance which shall be placed with such insurance company or companies and in such form as may be acceptable to CMP:
- (a) comprehensive General Liability Insurance, in an amount not less than \$3 million inclusive of any one occurrence, covering claims for property damage which may arise directly or indirectly out of the operations of Sabina, under this Agreement including coverage for liability arising out of products, whether manufactured or supplied by Sabina, contingent employer's liability, contractual liability and forest fire fighting expenses. If helicopter or fixed wing aircraft are used in performance of the work contemplated by this Agreement, policies pertaining to aircraft liability (having a limit of not less than \$US 1 million per seat inclusive for any one accident or occurrence; and insuring against claims for personal injury including death) and hull coverage should be included;
 - (b) automobile insurance in an amount not less than \$2million inclusive of any one occurrence on Sabina's owned and non-owned vehicles, covering claims for property damage arising out of the operations of Sabina, under this Agreement.

Sabina shall ensure that the policy of insurance referred to in paragraph 9(a):

- (i) defines "additional insureds" as CMP and its directors, officers, employees and agents, but only with respect to the services of the Carrier;
- (ii) includes a standard form of crossliability clause;
- (iii) contains a clause waiving the insurer's right of subrogation against CMP; and
- (iv) indicates that the insurer will give CMP at least 30 days' prior written notice of cancellation or termination of the coverage; and

prior to commencing the work will cause its insurer to send a certificate of insurance evidencing this coverage to CMP's Manager, Corporate Risk and Insurance at 600 - 200 Burrard Street, Vancouver, B.C. V6C 3L9, fax: (604) 685-3066.

The requirement for insurance in the amounts and for the coverage as stated in this paragraph shall not limit the liability of Sabina to CMP as contemplated in this Agreement. Sabina will obtain insurance in such greater amounts and for such greater coverage as it deems prudent to protect itself and CMP hereunder.

Sabina shall cause its contractors to maintain the same insurance and to provide certificates of insurance, all as set out above.

Notwithstanding paragraph 4(b), Sabina shall, and it shall cause its contractors to, comply with all laws in respect of Workers' Compensation and all other laws in effect with reference to employing, safeguarding, insuring, protecting and paying all labour employed or used by Sabina or its contractors, and, prior to commencing the work, the Contractor shall provide CMP with evidence of insurance and such other proofs as CMP may reasonably require.

10. **Termination of Agreement Prior to First Option.** Sabina may, on notice to CMP, at any time prior to exercising the Option, terminate this Agreement. Thereupon, Sabina shall have no further obligations, financial or otherwise except for the issuance of units or making of the cash payment under paragraph 2 and further, except that it shall, as it relates to its activities on the Property:
 - (a) leave the Property in a condition which is in compliance with all laws;
 - (b) deliver to CMP, all information and data obtained from the Property, including information files, maps, drawings and analytical reports;
 - (c) have paid all its contractors and suppliers so that no liens attach to the Property; and
 - (d) at the date of its notice of termination, tenure to the Property will be in good standing for at least 12 months.
11. **CMP Earn-Back.** Within 90 days of the date Sabina has exercised the Option and delivered notice to CMP under paragraph 2(e), CMP may, upon notice to Sabina, elect to either:
 - (a) earn back (the "Initial Earn-Back") an interest in the Property, as follows:
 - (i) CMP may earn a 51% interest by incurring \$11,250,000 in Expenditures;
 - (ii) within 90 days of CMP delivering notice to Sabina that it has earned a 51% interest in the Property, CMP may elect to earn an additional 14% (for an aggregate 65% interest) in the Property by funding completion of a Feasibility Study, as defined in paragraph 12; or
 - (b) not to proceed with the Initial Earn-Back as outlined in paragraph 11(a), in which case Sabina will continue to solely fund exploration of the Property until it has incurred additional Expenditures of \$5,000,000 on the Property. Upon completing the additional Expenditures, Sabina will give notice to CMP, which notice will include a summary of Expenditures and all technical information not previously delivered to CMP. At any time up to 90 days following receipt of Sabina's notice that it has completed these additional Expenditures, CMP may, by notice to Sabina, elect to earn back (the "Alternate Earn-Back") into the Property. If so elected CMP may earn a 60% interest in the Property by paying Sabina the sum of \$1,000,000 with its election notice, fund all Expenditures to the completion of a Feasibility Study, as defined in paragraph 12, and paying to Sabina an additional sum of \$1,000,000 upon completion of the Feasibility Study.

In either case, if Sabina proposes to participate in mine construction and requires support, CMP and Sabina will discuss terms under which CMP may provide support for arranging Sabina's share of the debt financing.

CMP may give notice to Sabina at any time that it is terminating this right to earn back an interest, whereupon CMP will retain either its 51% interest in the Property if it has earned such an interest under paragraph 11(a)(i) or the 2% NSR reserved to it as contemplated in paragraph 2.

If CMP earns an interest under paragraph 11, the NSR royalty reserved to CMP under paragraph 2 will be extinguished.

12. **Feasibility Study Defined.** "Feasibility Study" means a comprehensive report prepared in good faith that shows the feasibility of placing the Property or part thereof into commercial production. The report shall contain all geological, engineering, operating, economic and other relevant factors which are to be examined in sufficient detail that Teck Cominco, acting reasonably, considers the report could reasonably serve as the basis for an application to an independent commercial financial institution to finance the development of the Property for commercial production. The report shall examine the following matters: ore reserves; mining methods; metallurgy and processing (including metal recovery); environment, tailings and waste disposal; capital and operating cost estimates; manpower, social and community affairs; transportation methods and costs; marketing; project financing alternatives; a sensitivity analysis; such other matters as are appropriate. The report shall include at least the following information:
- (a) a description of that part of the Property to be covered by the proposed mine;
 - (b) the estimated recoverable reserves of minerals and the estimated composition and content thereof;
 - (c) the proposed procedure for development, mining and production;
 - (d) results of ore amenability tests;
 - (e) the nature and extent of the facilities proposed to be acquired which may include mill facilities, if the size, extent and location of the ore body makes such mill facilities feasible, in which event the study shall also include a preliminary design for such mill;
 - (f) the total costs, including capital budget, which are reasonably required to purchase, construct and install all structures, machinery and equipment required for the proposed mine, including a schedule of timing of such requirements;
 - (g) all environmental impact studies and costs;
 - (h) the period in which it is proposed the Property shall be brought to commercial production;
 - (i) such other data and information as are reasonably necessary to substantiate the existence of an ore deposit of sufficient size and grade to justify development of a

mine, taking into account all relevant business, tax and other economic considerations; and

- (j) working capital requirements for the initial four months of operation of the Property as a mine or such longer period as may be reasonably justified in the circumstances.
13. **First Offer on Products.** Should CMP elect not to earn back into the Property under paragraph 11, then CMP will have a right of first offer to purchase 50% of all products from the Property or any processing facility built thereon or any processing facility treating ores from the Property. The right of first offer shall provide for Sabina to provide CMP with a notice of its intent to sell products (the offer) and the details thereof and CMP shall have 30 days to negotiate and conclude a purchase agreement with Sabina for such offer. Thereafter, Sabina shall be free to enter into marketing agreements with other parties on terms no less favourable to Sabina than the terms offered by CMP.

Joint Venture Terms

14. **Initial Interests.** A joint venture will be formed on the later of:

- (i) the date CMP exercises the Initial Earn-Back contemplated in paragraph 11(a) (for clarity upon CMP ceasing to sole funding Expenditures); or
- (ii) the date CMP exercises its Alternate Earn-Back contemplated in paragraph 11(b).

Upon formation of the joint venture, each of the parties will own an interest in the Property and be deemed to have incurred Expenditures all as follows:

- (a) if CMP exercises the Initial Earn-Back under paragraph 11(a)(i) but not under paragraph 11(a)(ii), CMP will own a 51% interest and Sabina will own a 49% interest. CMP shall have deemed Expenditures equal to 51% of all Expenditures incurred by both parties from the date hereof until the formation of the joint venture and Sabina shall have deemed Expenditures equal to 49% of all Expenditures incurred by both parties from the date hereof until the formation of the joint venture;
- (b) if CMP exercises the Initial Earn-Back under both paragraphs 11(a)(i) and 11(a)(ii), CMP will own a 65% interest and Sabina will own a 35% interest. CMP shall have deemed Expenditures equal to 65% of all Expenditures incurred by both parties from the date hereof until the formation of the joint venture and Sabina shall have deemed Expenditures equal to 35% of all Expenditures incurred by both parties from the date hereof until the formation of the joint venture;
- (c) if CMP exercises its Alternate Earn-Back under paragraph 11(b) CMP will own a 60% interest and Sabina will own a 40% interest. CMP shall have deemed Expenditures equal to 60% of all Expenditures incurred by both parties from the date hereof until the formation of the joint venture and Sabina shall have deemed Expenditures equal to 40% of all Expenditures incurred by both parties from the date hereof until the formation of the joint venture.

Each party shall bear a share of the Costs and liabilities incurred by the joint venture which is proportionate to its interest as that may be adjusted from time to time as contemplated below.

15. **Management Committee.** A management committee will be formed to approve programs of exploration and development formulated by the Operator. The management committee is comprised of two representatives and two alternate representatives of each party. Each party's representatives are collectively entitled to a vote which is proportionate to its party's interest. Management committee decisions are to be made by simple majority with the Operator having a casting vote in the event of a tie.
16. **Operator.** CMP will be the initial Operator of the joint venture. The party acting as Operator will remain operator so long as it maintains at least a 50% or the largest single interest. The Operator is responsible for the daily direction of exploration, development and mining activities which it carries out on behalf of the joint venture.
17. **Costs Defined.** "Costs" include:
 - (a) all costs, expenses, charges and outlays, direct and indirect, made or incurred by the Operator on or in respect of the Property; and
 - (b) a charge for administrative services provided by the Operator and its affiliated corporations and not recovered directly in (a) above, which charge shall be as follows: 10%, reduced to 5% on amounts in excess of \$150,000 on any single third party contract of exploration costs and 3% of mine construction costs and mine operating costs. This charge is intended as a reimbursement of the costs of the time incurred by head office management and support functions in respect of approval programs on the Property, which is not billed as cost under paragraph 17(a). The charge has been established on the basis that the party acting as operator of the Property shall not profit nor suffer loss by virtue of providing these services. This charge shall not be subject to audit but may be reviewed by the parties from time to time.
18. **Exploration Programs.** After formation of the joint venture, the Operator will propose draft exploration programs for management committee approval and carry out approved programs. Each party may elect to contribute its proportionate share of the costs required to conduct the program. If a party elects not to contribute its share of Costs (and the other party elects to contribute the shortfall thereby created), the interests of the parties will be adjusted so that each party holds an interest proportionate to its deemed Expenditures and contribution to total Costs. If a party's interest is so reduced to less than 10%, paragraph 22 shall apply. However, if any program is completed with less than 80 percent of the budgeted costs having been incurred, the non-contributing party may contribute its proportionate share of the actual costs incurred and thereby maintain its interest.
19. **Mandatory Program.** If, in any year there is no approved program and circumstances are such that the Operator must incur costs in order to maintain the Property, the Operator shall be entitled to propose a program (the "mandatory program") to incur those costs.

- 10 -

The mandatory program shall be deemed to be approved and each of the parties shall be obligated to contribute its proportionate share of Costs. A party which fails to contribute its share of Costs of a mandatory program shall have its interest converted to a royalty of 10% net profits calculated as contemplated in Schedule "C".

20. **Feasibility Study.** Any decision to place the Property into production is to be based on a Feasibility Study prepared by the Operator, or by CMP under paragraph 11(a)(ii) or 11(b), and approved by the management committee.
21. **Production Decision.** The management committee may approve a Feasibility Study and the giving of a notice to each of the parties that a decision has been made to construct a mine on the Property. Each party may commit to contribute its proportionate share, or some lesser share, of the Costs required to construct and to operate the mine. Each party which elects to contribute will hold an interest equivalent to its committed percentage contribution. Each party which elects not to contribute paragraph 22 shall apply.
22. **Conversion to a Royalty.** A party whose interest is diluted below 10% as contemplated in paragraph 18 or 25(b) or a party which elects not to contribute as contemplated in paragraph 21 will be deemed to have assigned and conveyed its interest to the other party and in return it will receive a royalty of 10% net profits calculated as contemplated in Schedule "C".
23. **Operating Plans.** A mine shall be operated on the basis of annual operating plans approved by the management committee; provided that the management committee may temporarily suspend or permanently terminate operations pursuant to a suspension or closure plan approved by it.
24. **Distribution of Production.** A party contributing to mine construction and operating Costs is entitled to receive, in kind, its proportionate share of any minerals produced and to separately dispose of the same. As long as CMP is Operator Sabina shall grant CMP the right to market Sabina's share of products produced from the Property.
25. **Payment of Costs.** The Operator may invoice each party which has elected to contribute for exploration or mine construction Costs incurred or to cash call reasonably in advance of requirements. If a party does not pay the amount invoiced within 30 days, the amount in default shall bear interest at Prime (as quoted by the Bank of Montreal main branch, Vancouver, B.C.) plus 2% calculated monthly from the initial due date. The Operator may demand payment and if payment is not made within 30 days of demand then:
 - (a) in the case of mine construction Costs the other party may elect to advance the amount of the defaulted payment and the party advancing the amount in default will have a lien upon and security interest in the defaulting party's interest (including any share of production to which the defaulting party may be entitled); and may realize upon such security in any manner permitted by law including a sale of such interest, applying the proceeds to the costs of realization, the payment in default and accrued interest.

- 11 -

- (b) in the case of exploration Costs the defaulting party shall undergo double dilution and the Operator may elect to have the defaulting party forfeit their right to participate in the next subsequent exploration program. If a party's interest is so reduced to less than 10%, paragraph 22 shall apply.
- 26. **Right of First Offer.** After the formation of the joint venture a party wishing to dispose of its interest will, by notice, first offer to sell it to the other party for a price and on terms which the disposing party establishes. If the other party does not accept the offer within 90 days the disposing party shall then have 180 days to dispose of its interest to a third party for the same or greater price and on the same terms or terms no more favourable to the third party. The right of first offer shall not apply to transfers to affiliated corporations.
- 27. **General**
 - (a) A party shall be entitled to surrender its interest to the other parties on notice to them. A surrender of interest shall not release a party from liabilities accrued prior to the effective surrender date.
 - (b) The joint venture shall continue so long as at least two parties have a participating interest.

Terms Applicable to Both the Option and Joint Venture

The following terms apply to both the option and joint venture phases:

- 28. **Area of Interest.** Both during the Option term and subsequently, there shall be an area of interest which will comprise those lands included within one kilometre of the outermost boundary of the Property. If either party stakes or acquires any surface or water rights or mineral properties within the area of interest, it will offer to have those rights or properties included in this Agreement. The other party shall have 30 days to elect whether to accept that offer and, where appropriate, pay its share of the costs of acquisition; failing which election and payment, the acquiring party may retain the rights or properties so acquired free of the terms of this Agreement. This Agreement shall not restrict the rights of either party to acquire mineral rights or other properties outside the area of interest.
- 29. **No Partnership.** The rights and obligations of the parties shall be several and the parties shall hold interest in the Property as tenants in common. No party shall institute any proceedings to partition the Property. Nothing contained in the agreement shall be construed as creating a partnership or in imposing any fiduciary duty on any party.
- 30. **Tax Benefits.** Costs incurred during the option or under the joint venture shall be for the account of the party incurring the same and it shall be entitled to all tax benefits with respect thereto.

31. **Force Majeure.** A party shall be entitled to claim force majeure if it is delayed or prevented from performing any obligation by reason of any cause, excluding lack of finances, beyond its reasonable control.
32. **Property Access.** At all times during the term of this Agreement the duly authorized representative of each party shall, at its and their sole risk and expense and at reasonable intervals and times, have access to the Property and to all technical records and other factual engineering data and information relating to the Property which are in the possession of the Operator.
33. **Reporting.** While exploration programs are being carried out, the Operator shall furnish the non-Operator quarterly progress reports, except for quarters during which no program is being carried out, and with a final report on the conclusion of each exploration program. If information believed to be material is obtained during the performance of a program the Operator shall furnish the non-Operator with immediate reports. Upon mine construction commencing the Operator shall provide monthly progress reports to the non-Operator.
34. **Press Releases.**
- (a) A party proposing a press release relating to the Property, or the terms of this Agreement, work thereon or the activities of the parties or their affiliates with respect thereto, shall provide a copy to the other party for its information and comments using its best efforts to ensure it is provided at least 2 Business Days prior to release. Any comments that the receiving party may make shall not be considered certification by the other party of the accuracy of the information in such press release, or a confirmation by it that the content of such press release complies with the rules, policies, by-laws and disclosure standards of the applicable regulatory authorities or stock exchanges. If the receiving party fails to provide comments within said time period the providing party may, subject to §34(b) make the proposed press release.
 - (b) Each party shall obtain prior approval of the other party before issuing any press release or public statement using the other party's name, the name of any of the officers, directors or employees of the other party, or the name of any of its subsidiaries. The foregoing prohibition shall not apply if disclosure of the other party's name is required, in the opinion of counsel to a party, by applicable public disclosure requirements however in such a case the party wishing to make the disclosure must provide a copy to the other party for its information and comments using its best efforts to ensure it is provided at least 2 Business Days prior to release. However, such approval shall not be considered certification by the other party of the accuracy of the information in such press release, or a confirmation by it that the content of such press release complies with the rules, policies, by-laws and disclosure standards of the applicable regulatory authorities or stock exchanges.

35. **Further Assurances.** Each of the parties shall do all such further acts and execute and deliver such further deeds and documents as shall be reasonably required in order fully to perform the terms of this Agreement.
36. **Entire Agreement.** This is the entire agreement between the parties relating to the Property and supersedes all previous negotiations and communications related to the terms set out in this letter.
37. **Captions.** The captions in this Agreement have been provided for ease of reference and shall be disregarded in interpreting this Agreement.
38. **Governing Law.** The Agreement shall be governed by the laws of British Columbia.

If the terms set out above are satisfactory please sign the two copies of this Agreement and return one copy to CMP. Upon receipt of the signed copy, this Agreement shall become a binding and enforceable agreement which will continue in effect until such time as it is replaced by a more formal and comprehensive agreement prepared by CMP and agreed upon by Sabina and CMP.

Yours truly,

COMINCO MINING PARTNERSHIP

By: 
[Title: _____]

Agreed to this 3rd day of
December, 2003

SABINA RESOURCES LIMITED

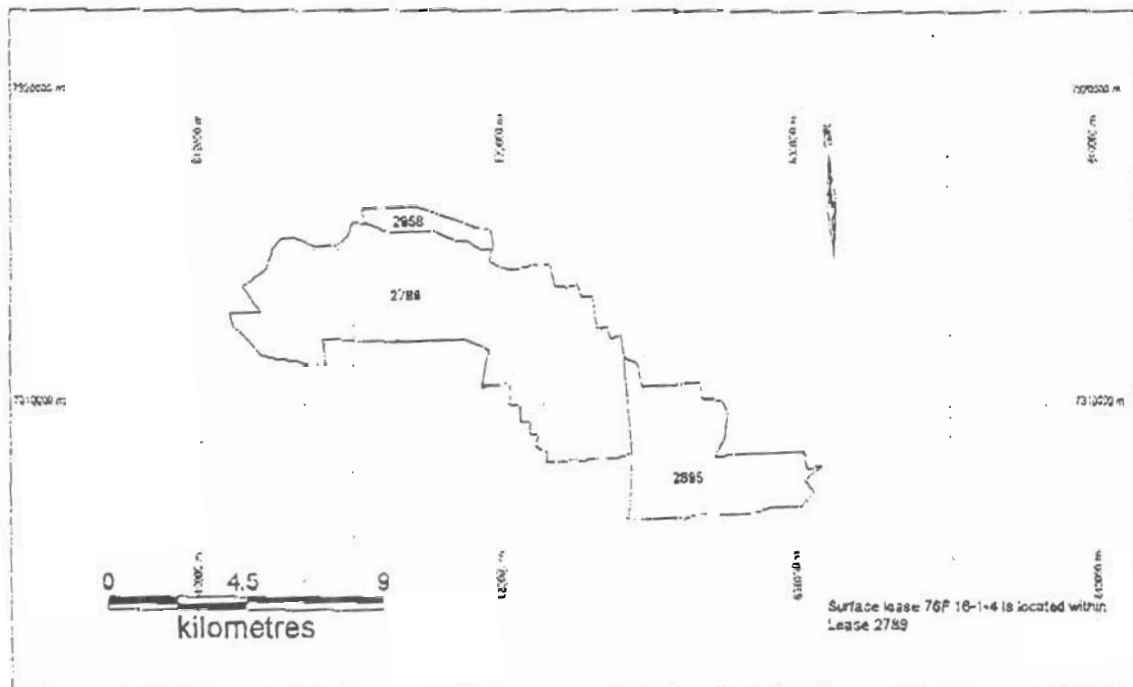
By: 
[Title: CHAIRMAN]

This is SCHEDULE A to the Agreement
between **COMINCO MINING PARTNERSHIP**
and **SABINA RESOURCES LIMITED**
dated November 24, 2003

The Property

The Property consists of three (3) Mining Leases and one (1) Surface Lease as further described below.

<u>Lease</u>	<u>Area (acres)</u>	<u>Rental due</u>	<u>Renewal due</u>
2789	12521	Feb 9, 2004	Feb 9, 2018
2895	4312	Jan 4, 2004	Jan 4, 2021
2958	811	Sept 18, 2004	Sept 18, 2021
76F 16-1-4	10.32	Mar. 30, 2004	Mar.30,2007 (Surface lease)



Schedule B - 1

This is SCHEDULE B to the Agreement
between COMINCO MINING PARTNERSHIP
and SABINA RESOURCES LIMITED
dated November 24, 2003

NET SMELTER RETURNS**1. DEFINITION**

1.01 "Net Smelter Returns" for purposes of the Agreement are defined as follows:

- (a) where all or a portion of the ores or concentrates derived from the Property are sold as ores or concentrates, the Net Smelter Returns shall be the gross amount received from the purchaser following sale thereof after deduction, if applicable under the sale contract, of all smelter charges, penalties and other deductions, and after deducting all costs of transporting and insuring the ores or concentrates from the mine to the smelter or other place of final delivery; or
- (b) where all or a portion of the said ores or concentrates derived from the Property are treated in a smelter and a portion of the metals recovered therefrom are delivered to, and sold by Royaltypayor, the Net Smelter Returns shall be the gross amount received from the purchaser following sale of the metals so delivered, after deduction of all smelter charges, penalties and other deductions, and after deducting all costs of transporting and insuring the ores or concentrates from the mine to the smelter, and, if applicable under the smelter contract, all costs of transporting and insuring the metals from the smelter to the place of final delivery by the purchaser.

Where any ores or concentrates are sold to, or treated in, a smelter owned or controlled by Royaltypayor, the pricing for that sale or treatment will be established by Royaltypayor on an arms-length basis so as to be fairly competitive with pricing, net of transportation, insurance, treatment charges and other related costs, then available on world markets for product of like quantity and quality.

2. PAYMENT OF NET SMELTER RETURNS

- 2.01 Royaltypayor shall calculate the Net Smelter Returns and the sums to be disbursed to the Royaltyholder as at the end of each calendar quarter.
- 2.02 Royaltypayor shall, within 60 days of the end of each calendar quarter, as and when any Net Smelter Returns are available for distribution:
 - (a) pay or cause to be paid to the Royaltyholder that percentage of the Net Smelter Returns to which the Royaltyholder are entitled under the Agreement;

Schedule B - 2

- (b) deliver to the Royaltyholder a statement indicating:
- (i) the gross amounts received from the purchaser contemplated in subsection 1.01 of this Schedule B;
 - (ii) the deductions therefrom in accordance with subsection 1.01 of this Schedule B;
 - (iii) the amount of Net Smelter Returns remaining; and
 - (iv) the amount of those Net Smelter Returns to which the Royaltyholder are entitled;
- supported by such reasonable information as to the tonnage and grade of ores or concentrates shipped as will enable the Royaltyholder to verify the gross amount payable by the smelter or other purchaser.

3. ADJUSTMENTS AND VERIFICATION

- 3.01 Payment of any Net Smelter Returns by Royaltypayor shall not prejudice the right of Royaltypayor to adjust any statement supporting the payment; provided, however, that all statements presented to the Royaltyholder by Royaltypayor for any quarter shall conclusively be presumed to be true and correct upon the expiration of 12 months following the end of the quarter to which the statement relates, unless within that 12-month period Royaltypayor gives notice to the Royaltyholder claiming an adjustment to the statement which will be reflected in subsequent payment of Net Smelter Returns.
- 3.02 Royaltypayor shall not adjust any statement in favour of itself after the expiration of 12 months following the end of the quarter to which the statement relates.
- 3.03 The Royaltyholder shall, upon 30 days' notice in advance to Royaltypayor, have the right to request that Royaltypayor have its independent external auditors provide their audit certificate for the statement or adjusted statement, as it may relate to the Agreement and the calculation of Net Smelter Returns.
- 3.04 The cost of the audit certificate shall be solely for the Royaltyholder' account: unless the audit certificate discloses material error in the calculation of Net Smelter Returns, in which case Royaltypayor shall reimburse the Royaltyholder the cost of the audit certificate. Without limiting the generality of the foregoing, a discrepancy of one percent in the calculation of Net Smelter Returns shall be deemed to be material.

This is SCHEDULE C to the Agreement
between **COMINCO MINING PARTNERSHIP**
and **SABINA RESOURCES LIMITED**
dated November 24, 2003

NET PROFITS

1. OBLIGATION

- 1.01 If the Royaltyholder becomes entitled to a royalty pursuant to the Agreement, the Royaltypayor shall calculate, as at the end of each calendar quarter subsequent to the Completion Date, the Net Profits.
- 1.02 Subsequent to the Completion Date, the Royaltypayor shall within 60 days of the end of each calendar quarter:
- (a) deliver to the Royaltyholder a statement indicating:
 - (i) the Gross Receipts during the calendar quarter;
 - (ii) the deductions therefrom made in the order itemized in subsection 2.01 of this Schedule C;
 - (iii) the amount of Net Profits remaining, if any; and
 - (iv) the amount of those Net Profits, if any, to which the Royaltyholder is entitled; and
 - (b) pay or cause to be paid to the Royaltyholder that percentage of the Net Profits, if any, to which the Royaltyholder is entitled under the Agreement.
- 1.03 Nothing contained in the Agreement or this Schedule C shall be construed as conferring on the Royaltyholder any right to or interest in any Property or assets except the right to receive royalty payments from the Royaltypayor as and when due.

2. NET PROFITS DEFINED

- 2.01 "Net Profits" means the Gross Receipts minus deductions therefrom, to the extent of but not exceeding the amount of those Gross Receipts, of the then net unrecovered amounts of the following classes of Costs made in the following itemized order:
- (a) Marketing Costs;
 - (b) Distribution Costs;
 - (c) Operating Costs;
 - (d) Taxes and Royalties;
 - (e) Interest Costs;
 - (f) Capital Costs; and
 - (g) Exploration Costs.

- 2.02 For greater certainty, in calculating Net Profits at any time, each of the classes of Costs shall constitute a separate pool from which all Costs deducted on any previous quarterly calculation shall be removed and to which Costs of those classes recorded since the date of the Agreement (in the case of the first quarterly calculation) or since the date of the last quarterly calculation (in the case of any calculation subsequent to the first quarterly calculation) shall be added.
- 2.03 If the application of credits to a pool of Costs results in a negative balance in that pool of Costs, the amount of any negative balance from a Cost pool shall be applied to reduce the balances then remaining in pools itemized in subsection 2.01 of this Schedule C in the order itemized.

3. DEFINITIONS

- 3.01 In addition to the definitions provided in the Agreement and without limiting the generality thereof:
- (a) "Completion Date" means the date on which the Royaltypayor determines that the project of preparing and equipping a Mine for commercial production is complete;
 - (b) "Costs" means all items of outlay and expense whatsoever, both direct and indirect, with respect to the Property or any Mine recorded by the Royaltypayor in accordance with its accounting practices applicable from time to time and, without limiting generality, more particularly:
 - (i) "Capital Costs" means
 - (A) all Costs of preparing and equipping a Mine for commercial production which are recorded by the Royaltypayor from and including the Production Decision Date to and including the Completion Date, and all Costs of obtaining financing and providing security; and
 - (B) a charge of three percent of the Capital Costs referred to in paragraph (A) in return for its overhead functions which are not charged directly;
 - (ii) "Distribution Costs" means all Costs of
 - (A) transporting Products from a Mine or a concentrating plant to a smelter, refinery or other place of delivery designated by the purchaser and, in the case of concentrates tolled, of transporting the metal from a smelter to the place of delivery designated by the purchaser;
 - (B) handling, warehousing and insuring the Products; and
 - (C) in the case of concentrates tolled, of smelting and refining, including any penalties thereon or in connection therewith;
 - (iii) "Exploration Costs" means:

- (A) all Costs of Mining Operations recorded by the Royaltypayor prior to the Production Decision Date; and
 - (B) a charge which shall not aggregate more than 10 percent of the Exploration Costs referred to in paragraph (A), reduced to 5% on amounts in excess of \$100,000 on any single third party contract, in return for its overhead functions which are not charged directly;
- (iv) "Interest Costs" means interest computed quarterly and not in advance and being the aggregate of the interest determined for each month in the quarter as follows:
- (A) the average of the opening and closing monthly outstanding balances for each month of the net unrecovered amounts of all Costs in the classes enumerated in subsection 2.01 of this Schedule B;
- multiplied by,
- (B) the Prime Rate plus two percent;
- multiplied by,
- (C) the number of days in the month;
- divided by,
- (D) the number of days in the Year;
- (v) "Marketing Costs" means such reasonable charge for marketing of ores and concentrates sold or of concentrates tolled as is consistent with generally accepted industry marketing practices;
- (vi) "Operating Costs" means:
- (A) all Costs of Mining Operations recorded by the Royaltypayor subsequent to the Completion Date, including, without limiting generality, an amount to be established by the Royaltypayor in good faith as representing the cost of rehabilitation which will have to be spent after commercial production has terminated, it being agreed that the Royaltypayor may charge a portion of that cost to the royalty account over a reasonable period of time commencing no sooner than five years prior to the anticipated termination of commercial production; and
 - (B) a charge of three percent of the Operating Costs referred to in paragraph (A) in return for its overhead functions which are not charged directly;
- (vii) "Taxes and Royalties" means all taxes (other than income taxes), royalties or other charges or imposts provided for pursuant to any law or legal obligation imposed by any government if paid by the Royaltypayor.

- (c) "Gross Receipts" means the aggregate of all receipts, recoveries or amounts received by or credited to the Royaltypayor in connection with this Agreement including, without limiting the generality of the foregoing:
- (i) the receipts from the sale of the Royaltypayor's proportionate share of Products produced from the Mine together with interest on those receipts calculated as follows:
 - (A) the aggregate of the cumulative daily receipts for each day of the quarter;
 - divided by,
 - (B) the number of days in the quarter;
 - multiplied by,
 - (C) the Prime Rate;
 - multiplied by,
 - (D) the number of days in the quarter;
 - divided by,
 - (E) the number of days in the Year;
 - (ii) all proceeds received from the sale of the Property or assets subsequent to the Operative Date;
 - (iii) all insurance recoveries (including amounts received to settle claims) in respect of loss of, or damage to any portion of the Property or assets subsequent to the Operative Date;
 - (iv) all amounts received as compensation for the expropriation or forcible taking of any portion of the Property or assets subsequent to the Operative Date;
 - (v) the fair market value, at the Property, of those assets, if any, that are transferred from the Property for use by the Royaltypayor elsewhere subsequent to the Completion Date; and
 - (vi) the amount of any negative balance remaining after the reallocation of negative balances pursuant to subsection 2.03 of this Schedule B; to the extent that those receipts, recoveries or amounts have not been applied by the Royaltypayor as a recovery of any of the classes of Costs itemized in subsection 2.01 of this Schedule C;
- provided that where any Products are sold to, or treated in, a smelter or refinery owned or controlled by Royaltypayor, the pricing for that sale or treatment will be established by Royaltypayor on an arms-length basis so as to be fairly competitive with pricing, net of transportation, insurance, treatment charges and other related costs, then available on world markets for product of like quantity and quality.
- (d) "Mine" means the workings established and assets acquired in order to bring the Property or a portion thereof into commercial production, including, without limiting generality, development headings, plant and concentrator installations and all infrastructure, plant, housing, airport, roads and other facilities.

- (e) "Mining Operations" means every kind of work done by the Royaltypayor on or in respect of the Property in contemplation or as a consequence of the Agreement including, without limiting generality, investigating, prospecting, exploring, developing, property maintenance, preparing reports, estimates and studies, designing, equipping, improving, surveying, construction and mining, milling, concentrating, rehabilitation, reclamation, and environmental protection.
- (f) "Operative Date" means the date of the Agreement.
- (g) "Prime Rate" means the weighted average of the rates of interest for the period of calculation as stated by the Bank of Montreal, Main Office, Vancouver, British Columbia, as being charged by it on Canadian Dollar demand loans to its most creditworthy domestic commercial customers.
- (h) "Production Decision Date" means the date on which a decision is made by the Royaltypayor to establish and operate a Mine on the Property.
- (i) "Products" shall mean ores, concentrates and minerals mined from the Property, or solutions, concentrates or cathodes retrieved through leaching or solution mining or solution extraction/electrowinning or other processing of mineralized material mined from the Property.
- (j) "Trading Activities" shall have the meaning set out in section 4 of this Schedule C.

4. **TRADING ACTIVITIES**

4.01 The Royaltypayor may, but need not, engage in forward sales, futures trading or commodity options trading, and other price hedging, price protection, and speculative arrangements ("Trading Activities") which may involve the possible delivery of base or precious metals produced from the Property. The parties acknowledge and agree that the Royaltyholder shall not be entitled to participate in the proceeds or be obligated to share in any losses generated by the Trading Activities.

5. **COMMINGLING**

5.01 Ores, concentrates and derivatives mined or retrieved from the Property may be commingled with ores, concentrates or derivatives mined or retrieved from other properties. All determinations required for calculation of Net Profits, including without limitation the amount of the metals contained in or recovered from ores, solutions, concentrates or derivatives mined or retrieved from the Property, the amount of the metals contained in or recovered from commingled ores, solutions, concentrates or derivatives, gross revenues from the sale of Products, and costs and expenses allocated to the Property or Products shall be made in

accordance with prudent engineering, metallurgical and cost accounting practices.

6. **ADJUSTMENTS AND VERIFICATION**

- 6.01 Payment of any Net Profits by the Royaltypayor shall not prejudice the right of the Royaltypayor to protest the correctness of the statement supporting the payment; provided, however, that all statements presented to the Royaltyholder by the Royaltypayor for any quarter shall conclusively be presumed to be true and correct upon the expiration of 12 months following the end of the quarter to which the statement relates, unless within that 12 month period that the Royaltypayor gives notice to the Royaltyholder making claim on the Royaltyholder for an adjustment to the statement which will be reflected in subsequent payment of Net Profits.
- 6.02 The Royaltypayor shall not adjust any statement in favour of itself after the expiration of 12 months following the end of the quarter to which the statement relates.
- 6.03 The Royaltyholder shall be entitled upon notice to the Royaltypayor to request from the Royaltypayor that the auditors of the Royaltypayor provide the Royaltyholder with their opinion that any statement delivered pursuant to subsection 1.02 of this Schedule C in respect of any quarterly period falling with the 12 month period immediately preceding the date of the Royaltyholder's notice has been prepared in accordance with this Agreement.
- 6.04 The time required for giving the audit opinion contemplated in subsection 6.03 of this Schedule C shall not extend the time for the taking of exception to and making claim on the Royaltyholder for adjustment as provided in subsection 6.01 of this Schedule C.
- 6.05 The cost of the auditors opinion referred to in subsection 6.03 of this Schedule C shall be solely for the account of the Royaltyholder.