

# **POGO MINE PROJECT**

## **MILLSITE LEASE ADL 416949**

issued to

**Teck-Pogo Inc.**

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**EXHIBITS**

- Exhibit A: Millsite Area Land Description  
Exhibit B: Parent Entity Guaranty

POGO PROJECT  
MILLSITE LEASE

ADL No. 416509

1. Parties. This Millsite Lease ("this Lease"), executed this \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_, is issued by the State of Alaska ("State"), acting by and through the Department of Natural Resources, Division of Mining, Land and Water ("Division") pursuant to AS 38.05.255, to Teck-Pogo Inc. ("Teck-Pogo"), an Alaska corporation the address of which is 3520 International Street, Fairbanks, Alaska 99701.
  
2. Definitions. For the purposes of this Lease, the following terms have the following meanings:
  - a. "Annual Rent" means the annual rent required by AS 38.05.255 as determined pursuant to Section 6 herein.
  - b. "Director" means the Director of the Division, unless otherwise indicated.
  - c. "Division" means the Division of Mining, Land and Water within the State of Alaska Department of Natural Resources, and its successor agencies unless otherwise indicated.
  - d. "Effective Date" means the date that this Lease is executed by the Director, Division of Mining, Land and Water unless specified otherwise by the Director.
  - e. "Facility" or "Facilities" means any and all structures, excavations, or improvements constructed or in the process of being constructed in or on the Millsite Area pursuant to the Plan of Operations, including but not limited to buildings, roads, utility lines and equipment, pipelines, impoundments, reservoirs, pits, waste dumps, and wells.
  - f. "Hazardous Substance" means the same herein as in AS 46.03.826(5), with "oil" as defined in AS 46.03.826(7).
  - g. "Lessee" means Teck-Pogo Inc., an Alaska corporation, in its capacity as Operator under the Pogo Joint Venture Agreement and thus as agent for the Participants under the Pogo Joint Venture Agreement, its successors and assigns.

- h. "Millsite Area" means those State lands described in Exhibit A attached hereto and incorporated by reference herein.
- i. "Millsite Operations" means those activities that are conducted in or on the Millsite Area pursuant to and in compliance with the Plan of Operations, environmental systems management plans, project management system, or other plans requested and approved by the Division, along with such activities reasonably associated therewith, which in this Project include but are not limited to the following:
  - i. processing, storing, removing, transporting, and selling or otherwise disposing of minerals mined pursuant to Mining Rights;
  - ii. placing, constructing, erecting, installing, maintaining, repairing, using, replacing, and removing excavations, openings, ditches, drains, stockpiles, waste rock dumps, roads, haulageways, buildings, structures, machinery, equipment, and other Facilities at locations specified in the Plan of Operations, on or below the surface of the Millsite Area, as may be reasonably necessary or desirable for the purpose of engaging in the activities described in Subsection 2(i)(i) above;
  - iii. reclaiming the Millsite Area in conformance with the provisions of this Lease and the Reclamation Plan; and
  - iv. any and all other actions in or on the Millsite Area that may be reasonably necessary or desirable to carry on Millsite Operations, including temporary use of surface water run-off at the mine site to be used for dust control purposes within the Millsite Area, subject to the limitations and restrictions of any and all other leases, permits, authorizations, statutes, laws, regulations, and ordinances existing at the time of the action.
- j. "Mining Operations" means those activities constituting the normal and reasonable exercise of Mining Rights under an approved Plan of Operations.
- k. "Mining Rights" means the working interest in any and all mining claims, mining leases, or any other mining properties, either collectively or individually, that are owned or controlled or otherwise exercisable by Lessee and that are located within the Millsite Area, now or at any time during the period when the Plan of Operations is in effect for the Millsite Area; as used herein, "working interest" means the exclusive right to exploit those minerals that on State lands are subject to AS 38.05.185 - .275.

l. "Operator" means the party acting from time to time as "Operator" under the Pogo Joint Venture Agreement. As of the Effective Date of this Lease, the "Operator" under the Pogo Joint Venture Agreement is Teck-Pogo. The Pogo Joint Venture Agreement provides, *inter alia*, that the "Operator" thereunder "shall have full right, power and authority to do everything necessary or desirable to carry out the purposes of the Participant in connection with [the Joint Venture Agreement]".

m. "Parent Entity" means, with respect to each initial Participant, the following parent corporation thereof (as outlined in Exhibit B hereto):

SMM Pogo: Sumitomo Metal Mining Co. Ltd. (a corporation organized under the laws of Japan)

SC Pogo: Sumitomo Corporation (a corporation organized under the laws of Japan)

Teck-Pogo: Teck Cominco Limited (a corporation organized under the laws of Canada).

n. "Participant" means any of the joint venture participants under the Pogo Joint Venture Agreement, being at the Effective Date of this Lease SMM Pogo, SC Pogo, and Teck-Pogo.

o. "Participating Interest" means at the Effective Date of this Lease the percentage interest that a Participant will hold in the assets of the Pogo Joint Venture after Teck-Pogo earns its interest in accordance with the Pogo Joint Venture Agreement, and after Teck-Pogo earns such interest means the percentage interest of each Participant in the assets of the Pogo Joint Venture determined from time to time in accordance with those the Pogo Joint Venture. The Participating Interests of the Participants as of the Effective Date of this Lease are as follows:

SMM Pogo:	51%
SC Pogo:	9%
Teck-Pogo:	40%

Teck-Pogo will advise the State within 30 days of any change of the Participating Interests of the Participants.

- p. "Plan of Operations" means: the Pogo Project Plan of Operations (October 2003 Update) and Pogo Project Reclamation Plan (October 2003 Update), submitted to the Division by Lessee in accordance with 11 AAC 86.150, for the conduct of Mining Operations and Millsite Operations as updated, revised, or amended by Lessee and approved by the Division; other documents of the Pogo Project Documentation Series for Permitting Approval; and other plans as required by other state or federal statutes or regulations or by the Division under this Millsite Lease.
- q. "Pogo Joint Venture" means the joint venture constituted pursuant to the Pogo Joint Venture Agreement.
- r. "Pogo Joint Venture Agreement" means that certain unrecorded Pogo Earn-In and Joint Venture Agreement made and entered into effective as of December 16, 1997, among Sumitomo Metal Mining America Inc. ("SMM America"), SC Minerals America Inc. ("SCM America"), Teck Resources Inc. ("TRI"), and Teck Corporation, as said unrecorded Pogo Earn-In and Joint Venture Agreement has been *amended and supplemented* by the following:
- (1) that certain unrecorded Assignment of Pogo Earn-In and Joint Venture Agreement and Amendment No. 1 to Pogo Earn-In and Joint Venture Agreement, dated May 25, 2000, among SMM America, SCM America, TRI, Teck Corporation, SMM Pogo, SC Pogo, and Teck-Pogo;
  - (2) that certain unrecorded Amendment No. 2 to Pogo Earn-In and Joint Venture Agreement dated December 30, 2001, among Teck-Pogo, Teck Cominco Limited (formerly Teck Corporation), SMM Pogo and SC Pogo; and
  - (3) that certain unrecorded Amendment No. 3 to Pogo Earn-In and Joint Venture Agreement dated December 16, 2002, among Teck-Pogo, Teck Cominco Limited, SMM Pogo and SC Pogo.
- A memorandum of the Pogo Joint Venture Agreement was recorded on March 28, 2001, at Book 1246, Pages 615-675, Fairbanks Recording District.
- s. "Pollution" means the same herein as in AS 46.03.900(19) with respect to water, land, or subsurface land and the same herein as in AS 46.03.900(2) with respect to air.
- t. "Reclamation" means rehabilitation of the lands within the Millsite Area pursuant to AS 27.19 and in accordance with the Reclamation Plan.

- u. "Reclamation Plan" means the Pogo Project Reclamation Plan for the Millsite Area submitted by Lessee and approved by the Division in compliance with AS 27.19 and the regulations promulgated pursuant thereto, as updated, revised, or amended by Teck-Pogo and approved by the Division thereafter.
- v. "SC Pogo" means SC Pogo, LLC, an Alaska limited liability company.
- w. "SMM Pogo" means SMM Pogo, LLC, an Alaska limited liability company.
- x. "State" means the State of Alaska as sovereign and owner of the lands within the Millsite Area, and, where the context requires, the agencies or authorized representatives thereof.
- y. "Teck-Pogo" means Teck-Pogo Inc., an Alaska corporation.
- z. "Temporary Closure" means a suspension or cessation of both Mining Operations and Millsite Operations on the Millsite Area for a period not exceeding three (3) years in duration.
- aa. "Transfer" means, as the context requires,
  - i. to sell, grant, assign, encumber, pledge, or otherwise commit or dispose of, or
  - ii. a sale, grant, assignment, encumbrance, pledge or other commitment or disposition.

3. Grant of Lease.

- a. Pursuant to AS 38.05.255, as amended, and for and in consideration of the Annual Rent described in Section 6 herein and subject to the reservations, exceptions, exclusions, limitations, conditions, and other provisions contained in this Lease, the State, by and through the Division, hereby grants and leases to Lessee and its successors and assigns for the term set forth in Section 5 below and solely for the purpose stated in Subsection 3(b) herein, the following described State lands within the Fairbanks Recording District:
  - See Exhibit A.
- b. This Lease is granted for the purpose of conducting Millsite Operations on the Millsite Area in compliance with the terms and conditions of this Lease.
- c. All rights granted pursuant to this Lease are subject to any valid existing rights within the Millsite Area and the requirement of reasonable multiple concurrent use as

provided for in the Constitution of the State of Alaska, AS 38.05.255, and AS 38.05.285; however, pursuant to 11 AAC 86.145, Lessee may restrict public access to those areas of the Millsite Area where such restriction is necessary for public safety or to prevent unreasonable interference with Millsite Operations.

- d. This Millsite Lease is conditioned upon the lessee receiving authorization from the Department of Environmental Conservation to dispose of tailings under Solid Waste Permit ( No. 0131-BA002).

4. Reserved Rights.

- a. The State, for itself and others, reserves all rights not expressly granted to the Lessee by this Lease. These reserved rights include but are not limited to:
  - 1. the right to explore for, develop, lease, and remove from the Millsite Area minerals not otherwise owned or controlled by the Lessee;
  - 2. the right to establish or grant easements and rights-of-way upon, through, or in the Millsite Area for any lawful purpose, including roads, railroads, well sites, pipelines, utility lines, drill holes, shafts, and tunnels necessary or convenient for the use of the lands included within the Millsite Area for purposes other than activities engaged in pursuant to this Lease, or necessary or convenient for access to or the use of other land for any purpose; and
  - 3. the right to manage and to convey to third parties by grant, lease, permit, or otherwise, any and all interests in the lands included within the Millsite Area other than those granted by this Lease, provided that any such grant, lease, permit or other conveyance of rights is made subject to the provisions of this Lease.
- b. The rights reserved pursuant to Subsection 4(a) above shall not be exercised in any manner that unreasonably interferes with Lessee's activities engaged in pursuant to this Lease. The Division shall provide Lessee with prior written notice of the State's intent to exercise any rights reserved under Subsection 4(a) of this Lease and the opportunity to comment on the proposed exercise of any such reserved rights. The parties shall work cooperatively to identify potential conflicts, and the Division shall require as a condition of the exercise by the State or any other party of any such

reserved rights, such stipulations as appear necessary to protect public safety or to prevent unreasonable interference with the rights of the Lessee.

5. Term.

The term of this Millsite Lease commences on the Effective Date and shall continue, unless sooner terminated in accordance with the provisions of this Lease, until completion of all requirements under and pursuant to the Plan of Operations approved by the Division for lands within the Millsite Area.

6. Annual Rent.

a. Rent accrues beginning with the Effective Date of this Lease and annually thereafter so long as this Lease is in effect. Lessee shall pay an Annual Rent as follows:

- i.* The Annual Rent for the first five years hereunder shall be the market rental value of the land without improvements installed or constructed by the Lessee, based on the appraised market value of the land as determined by an appraisal of the Millsite Area to be carried out at Lessee's expense by an independent appraiser selected by Lessee from an approved list of appraisers provided by the Division and in accordance with the additional appraisal instructions issued by the Division. The appraisal is subject to review and approval by the Division. The effective date of appraisal will be the Effective Date of this lease. Rent accrues as of the effective date of the lease, regardless of when the appraisal is approved by the Division
- ii.* The Annual Rent for each succeeding five year period (e.g., starting in the sixth year of this Lease, the eleventh year, etc.) hereunder shall be calculated as the then-existing Annual Rent amount multiplied by a ratio, the numerator of which is the Consumer Price Index for All Urban Consumers (CPI-U) published by the U.S. Department of Labor, Bureau of Statistics, as it existed on the first day of the month before the rent adjustment is due, and the denominator of which is the CPI-U published by the U.S. Department of Labor, Bureau of Labor Statistics, as it existed on the first day of the month in which the rent to be adjusted became effective.



*iii.* disposed of in accordance with the stipulations in the Plan of Operations Approval.

8. Reclamation Bond.

- a. During the term of this Lease, prior to commencement of any activities by Lessee on the Millsite Area resulting in land disturbance and prior to January 1 of each subsequent year that this Lease is in effect, Lessee shall furnish to the Division a reclamation bond which meets the requirements and standards of AS 27.19, the regulations thereunder and the Reclamation Plan, securing Lessee's performance of the Reclamation Plan. Lessee, for itself, its assigns and subrogees specifically waives any right to challenge the amount of the bond based on the bond amount exceeding seven hundred and fifty dollars (\$750) per mined acre.
- b. The reclamation bond amount for the first five years of this Lease shall be mutually agreed upon prior to issuance of this Lease. Thereafter, the reclamation bond amount shall be redetermined at intervals and for intervals of no more than five years. At least 90 days prior to the expiration of a reclamation bond interval, Lessee shall supply to the Division all relevant information concerning Lessee's operations and reclamation planned for the Millsite Area for the succeeding interval. The Division shall notify Lessee of the bond amount for the succeeding interval at least 45 days prior to the expiration of the current bond interval.
- c. Lessee shall provide evidence of bond renewal or a surety's commitment for a new bond no later than 15 days prior to the expiration of the existing bond. Failure to provide such evidence of renewal or commitment timely is a breach of this Lease.

9. Insurance.

- a. During the term of this Lease, Lessee shall maintain the following policies of insurance written by insurance companies with a financial rating of "Very Good" as rated in the most recent edition of Best's Insurance Reports or the equivalent of that rating as approved and accepted by the Division, and authorized to provide insurance in Alaska.

- i.* Commercial General Liability Insurance with a combined single limit (including umbrella liability coverage) of not less than Five Million Dollars (\$5,000,000.00) per occurrence/annual aggregate, which shall include, but not be limited to: Premises and Operations, Independent Contractors, Owners and Contractors Protective, Products/Completed Operations, Contractual including the indemnification clauses in Section 21, Explosion, Collapse and Underground Property Damage, Personal Injury, and Incidental Malpractice and Errors and Omissions Coverage. This insurance shall insure against claims which may arise out of or result from Lessee's operations related to the Millsite Area whether such operations be conducted by Lessee or by its contractors or subcontractors, or by any entity directly or indirectly employed by either of them, or by anyone for whose acts any of them may be liable.
- ii.* Auto Liability Insurance with a combined single limit (including umbrella liability coverage) of not less than Five Million Dollars (\$5,000,000.00) per occurrence/annual aggregate, which shall include, but not be limited to: All vehicles owned, hired, or used by Lessee for Millsite Operations, both on and away from the Millsite Area.
- iii.* Professional Liability Insurance providing coverage for all errors and omissions or negligent acts of any design/project professional involved in the Pogo Mine Project for which this Lease is issued, with coverage limits of not less than Five Million Dollars (\$5,000,000.00) per claim and project aggregate for the lead design contractor and Two Million Dollars (\$2,000,000.00) per claim and project aggregate for all other design subcontractors. The requirements of this Subsection 9(a)(iii) shall be deemed satisfied for the term of this Lease if equivalent coverage is provided under the Commercial General Liability insurance required in accordance with Subsection 9(a)(i) above, where such equivalency is evidenced by the State's written confirmation and approval thereof.

- iv. Statutory Alaska Workers' Compensation and Employer's Liability Insurance with a limit of not less than Five Million Dollars (\$5,000,000.00) in compliance with the laws of Alaska, and where applicable, insurance which complies with any other statutory obligations, whether federal or state, pertaining to the compensation (including Voluntary Compensation) of employees of Lessee injured as a result of Millsite Operations. The Worker's Compensation Insurance shall contain a waiver of subrogation clause in favor of the State.
  - v. Pollution Liability Insurance, if available at a reasonable cost, with combined single limits not less than Ten Million Dollars (\$10,000,000.00) per occurrence for any claim arising out of or related to any event or happening directly or indirectly caused by or resulting from the dispersal, discharge, escape, release, removal or saturation of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, gasses, contaminants, or pollutants into the atmosphere, or in, onto, upon, or into the surface or subsurface of soil, water or watercourses, objects, or any tangible or intangible matter, whether sudden and accidental or gradual.
  - vi. All Risk Property Insurance, if available at a reasonable cost, (including earthquake and flood), including business interruption, on all structures, buildings, and equipment on or affixed to or otherwise connected to the Millsite Area, in such amounts and with such deductibles as under good business practices are ordinarily provided for on similar buildings and equipment, but in no event in an amount less than the replacement value of all the insurable structures, buildings, improvements, and equipment on or in the Millsite Area. During course of construction, Lessee shall provide or cause significant contractors to provide "All Risks" Builders' Risk Insurance.
- b. Where the State has an insurable interest in the Millsite Area or Millsite Operations, the State shall be named as additional insured on all of Lessee's insurance policies

covering the Millsite Area and all activities related to the Millsite Area whether actually occurring on the Millsite Area or not, and on all insurance policies taken out and maintained by all significant contractors and subcontractors under contracts with Lessee for work on the Millsite Area. Alternatively, appropriate waivers of subrogation in favor of the State may be obtained with respect to all such insurance policies to affect the same purpose. Such insurance coverage or waivers of subrogation shall not cover or apply to the State where the sole proximate cause of the injury or damage is the reckless act or failure to act or willful misconduct by the State or anyone acting on behalf of the State. Where the State is named as an additional insured, this insurance shall be considered to be primary of any other insurance carried by the Division through self-insurance or otherwise. All such insurance where the State is named as an additional insured must include a "cross liability" or "severability of interest" clause or endorsement.

- c. Certificates of Insurance shall be provided to the Division. The certificates shall provide that thirty (30) days advance written notice by certified mail will be given to the Division before cancellation or material change in the coverage. The Division shall also be notified of renewals. Upon request, the Lessee shall furnish proof that is acceptable to the Division that the required insurance coverages are in place and fully comply with this section.
- d. The requirements for insurance coverages of the kinds and with the limits stated in this Section shall not be construed as a representation that such insurance coverage is adequate or that it imposes any limit on Lessee's liability as against the State.
- e. Required insurance is subject to annual review and adjustment by the Division in consultation with the Division of Risk Management, which may require reasonable changes based on changes in risks. If a change in coverage is required by the Division, the Division shall provide to Lessee a written explanation for any change and Lessee may appeal any change pursuant to 11 AAC 02 *et seq.*

- f. Lessee shall pay all deductibles where applicable under these insurance policies.

10. Commencement of Millsite Operations.

- a. No particular Millsite Operation shall commence in or on the Millsite Area until:
  - i. the Plan of Operations is approved by the Division;
  - ii. the initial reclamation bond is received and approved by the Division;
  - iii. all insurance policies, policy endorsements, and certificates of insurance required by Section 9 herein are received and approved by the Division;
  - iv. any and all other permits or authorizations necessary for the particular Millsite Operation are received by Lessee; and
  - v. the executed guaranties of the Parent Entities are received and approved by the Division.
  
- b. Except for activities approved by previous permits and plans of operation, prior to beginning construction, and as a requirement of the Plan of Operations, Lessee shall provide site development plans and a construction schedule for review by the Division. The Facilities to be reviewed shall be limited to improvements that could have an impact on the long term value of the State's land. Areas of specific interest include: grading, drainageways, waste dumps, buried utilities, environmental controls or Facilities which are not specifically being reviewed by other regulatory agencies, soil or rock cuts or embankments which are not otherwise being reviewed , the general layout of the surface plant, and all geotechnical, hydrologic, and other engineering reports providing the basis for design of the above Facilities. The plans provided shall be those intended for construction of the specified Facilities. If significant changes are made in the design drawings before or during construction, revised drawings shall be submitted for review. Construction plans and reports submitted for review shall be prepared in accordance with state law.
  
- c. The extent of review by the Division shall normally be limited to assuring general conformance with the terms of this Lease, the Plan of Operations, an environmental audit pursuant to Section 13 herein, and other appropriate decision documents. This

review is not intended to consist of detailed technical review of any Facility. However, the Division may require additional information, if deemed necessary prior to authorizing construction. There will normally be no review of detailed architectural, structural, process, mechanical, or electrical plans. It is understood that Lessee's project design and construction documents will conform to all applicable state and local codes, regulations, and statutes. Compliance also includes plan submittal to the State Fire Marshal, mechanical department, and electrical department when required by law.

- d. Following review, the Division will advise Lessee in writing if and when Lessee is authorized to proceed with construction. Lessee shall not proceed with construction prior to receiving appropriate authorization. An authorization for construction may be issued by the Division for individual or groups of project components, although complete submittals are desirable, when possible. The final requirements under this Section 10 shall be coordinated with Lessee and other appropriate agencies.

11. Maintenance; Obligations; Breach.

- a. Lessee shall maintain the Millsite Area in good condition, including but not limited to, all Facilities and all of Lessee's personal property located in or on the Millsite Area. In addition to the obligations set forth in this Lease, Lessee shall take all prudent precautions to prevent pollution of the groundwater, surface water, air, and land; to prevent or suppress grass, brush, or forest fires; and to prevent erosion or destruction of the lands, features, and resources within the Millsite Area.
- b. Lessee shall conduct all Millsite Operations in compliance with the Plan of Operations or other plans approved by the Division for lands within the Millsite Area, the Reclamation Plan, all other permits or authorizations issued by local, state, and federal agencies, and all applicable laws, statutes, regulations, and ordinances including but not limited to environmental statutes and regulations.

- c. Failure to commence to cure a breach of any obligation set forth in this Lease upon notice from the Division pursuant to Section 27 and within the time allowed after notice by this Lease pursuant to Section 19 constitutes a material breach of this Lease and may result in termination.

12. Inspection and Entry by the Division.

- a. Lessee shall permit the Division or its agents to enter into and upon the Millsite Area and Facilities at all reasonable times without notice, subject to such safety and security procedures as Lessee may from time to time adopt, for the purpose of inspecting the Millsite Area and the activities thereon including but not limited to activities involving Hazardous Substances.
- b. Each year that this Lease is in effect, during the first (1) calendar quarter following that year, Lessee shall meet with the Division and provide an update and briefing describing the activities of the year immediately preceding and activities planned for the immediately upcoming year with a copy of the update and briefing materials to be provided ten (10) days prior to the meeting. At the Division's discretion, this information may be made public in the context and format mutually agreed upon by Lessee and the Division.
- c. At least once a year, the Division will inspect the Millsite Area and all activities thereon for compliance with the terms of this Lease. This inspection may, at the discretion of the Division, be conducted as a joint agency inspection.
- d. At any time upon the Division's written request, Lessee shall promptly make any and all records, documents, or other information required to be kept or maintained by law, regulation, or ordinance available to the Division for inspection and copying as reasonably required by the Division to determine Lessee's compliance with local, state, and federal laws applicable to Millsite Operations. For information purposes the lessee the Division shall agree on what, if any, routine site information may be of assistance

and available to Division personnel for period updates as development of the project occurs.

13. Environmental Audit.

- a. The Plan of Operation shall be updated annually if necessary. Prior to and in preparation for termination of this Lease and/or every fifth year of operation, and as partial satisfaction of the requirements of the Reclamation Plan, an environmental audit shall be conducted at Lessee's expense. The Division and Lessee should mutually select a qualified auditor. In the event that the Division and the Lessee cannot reach mutual agreement on the choice of the auditor, the Division shall have the final say. To qualify, the auditor must:
  - i. certify that no relationship exists through professional, financial, or personal reasons that could bias the auditor's judgment or the audit results and that no self-serving interest in the outcome of the audit exists;
  - ii. demonstrate a commitment to professional and ethical standards generally accepted in the environmental auditing profession; and
  - iii. demonstrate a professional proficiency in the specific areas of hardrock mining, associated environmental issues, and current federal/state regulatory programs and climate, and an appropriate working knowledge and appreciation of management principles, quantitative methods, and computerized information systems.
  
- b. The scope of the first audit to be conducted during the fifth (5) year of this Lease will be to determine if both the environmental and project management systems of Lessee and the regulatory controls imposed on Lessee provide reasonable assurances that environmental and project management objectives are being met and that the systems and controls are functioning as intended. The scope of subsequent audits may be revised as mutually agreed upon prior to initiation of each audit to address specific issues or objectives not previously identified in the environmental management plans of Lessee or Lease terms. Identification of such issues or objectives may be accomplished, at the discretion of the Division, through a joint Lessee/Division public

meeting prior to the audit. The scope of the final audit will address how effectively closure objectives are being met, and will evaluate the integrity of the plugs for the underground workings.

- c. The audit will be an objective, systematic, and documented review of the conditions, operations, and practices related to environmental requirements and environmental management of the Millsite Operations conducted under this Lease. The objectives of the audit will be to evaluate:
  - i.* Lessee's compliance with all federal, state and local permits and authorizations;
  - ii.* Lessee's compliance with internal environmental policies, plans, and procedures, and established environmental management systems and policies, which are subject to updating, amendment, or revision upon mutual agreement of the parties. The lessee shall provide the Division with an initial list of such plans, procedures, and policies prior to commencement of Millsite Operations;
  - iii.* the reliability and integrity of information relating to environmental reporting and compliance;
  - iv.* the adequacy of state oversight to protect state resources.
- d. The State and Lessee will use the audit results to assist in updating, renewing, or issuing authorizations and permits, in updating policies, plans, and procedures, and in determining compliance with permits and authorizations.

14. Taxes and Liens.

- a. During the term of this Lease, Lessee shall be solely responsible for paying any and all real property taxes, assessments, and similar charges levied by the State, any municipality, or any other governmental entity upon the interest in the Millsite Area granted to Lessee by this Lease. Lessee shall have the right to contest, in courts or otherwise, the validity or amount of any such taxes, assessments, or charges if Lessee deems them to be unlawful, unjust, unequal, or excessive, or to undertake such other steps or proceedings as Lessee may deem reasonably necessary to secure a cancellation, reduction, readjustment, or equalization thereof before Lessee shall be

required to pay them, but in no event shall Lessee permit or allow its interest in the Millsite Area granted by this Lease to be lost or the State's title to the Millsite Area to be clouded or encumbered as a result of the nonpayment of any such taxes, assessments, or charges.

- b. During the term of this Lease, Lessee shall be solely responsible for paying for all labor and services performed upon or materials furnished to the Millsite Area by, for, or at the request of Lessee. Lessee shall keep its interest in the Millsite Area granted by this Lease and the State's title to and interest in the Millsite Area free and clear of any and all mechanic's, mining, labor, or materialmen's liens arising out of or resulting from the performance of labor or services upon or the furnishing of materials to the Millsite Area by, for, or at the request of Lessee, except those liens arising by operation of law for which payment is not yet due. Lessee shall have the right to contest, in the courts or otherwise, the validity or amount of any such lien that may be filed. If and when requested by the Division, Lessee shall post and record notices of nonresponsibility for the benefit of the State pursuant to AS 34.35.065 and AS 34.35.150 and any other similar applicable laws.
- c. During the term of this Lease, Lessee shall not allow the State's title to or interest in the Millsite Area to be encumbered by any judgments entered by a court of law against Lessee or Lessee's agents or contractors. If a lis pendens is filed arising from pending or actual litigation against Lessee or its agents or contractors that encumbers or purports to encumber the State's title to or interest in any lands within the Millsite Area lands, Lessee shall diligently and with best efforts seek to effect immediate removal of said lis pendens.

15. Temporary Closure.

- a. Lessee shall notify the Division in writing at least thirty (30) days prior to any planned Temporary Closure of ninety (90) days or longer. Lessee shall notify the Division of any unanticipated Temporary Closure expected to last ninety (90) days or more within ten (10) days of the first day of the Temporary Closure. The notice shall state the

nature and reason for the Temporary Closure, the anticipated duration of the Temporary Closure, what actions will be taken to comply with Subsection 15(b), and any event which would reasonably be anticipated to result in the resumption or abandonment of Millsite Operations. Millsite Operations must resume for not less than ninety (90) consecutive days in order to terminate the running of the Temporary Closure. If a Temporary Closure extends beyond three (3) years, the Division may deem Millsite Operations to be permanently abandoned or ceased, and whereupon final Reclamation must commence unless otherwise agreed by the parties.

- b. Lessee shall ensure that the Millsite Area and Facilities are maintained in a safe condition during a Temporary Closure and Lessee shall not allow the Millsite Area or Facilities to be degraded / eroded or Facilities to fall in a state of disrepair during or as a result of the Temporary Closure. Action shall be taken to prevent or mitigate any impacts to ground water quality as a result of metals leaching or acid rock drainage. All collection, treatment and monitoring activities required under Millsite Operations shall continue to be performed under any temporary closure.

16. Abandonment or Cessation of Operations. Not later than 90 days after the permanent cessation or abandonment of Millsite Operations, Lessee shall notify the Division of the cessation of Millsite Operations.
17. Post-Lease Land Conditions. The parties agree that the conditions to which lands in the Millsite Area must be returned after cessation of Millsite Operations shall be as provided for in the current Reclamation Plan as approved by the Division. Because such conditions have formed and will continue to form a material basis for the planning, design, and conduct of both the Mining Operations and Millsite Operations described in and approved in the current approved Plan of Operations, any additional cost of incorporating and effecting a significant change in such agreed upon post-Lease land conditions, including but not limited to significant topographic or slope changes not necessary to meet the objectives set forth in the current approved Reclamation Plan, such that the Reclamation Plan must be modified to accommodate such change, where such change does not arise or

result from a material change in facts or conditions as understood at the time of approval by the parties or a change in law or regulation, shall be paid for by the requesting party.

18. Removal and Reclamation.

- a. The removal of all Facilities constructed or placed on the Millsite Area shall be in accordance with the approved Reclamation Plan. Unless otherwise provided in the Reclamation Plan, Lessee must reclaim land concurrently with the conduct of Millsite Operations.
- b. All Reclamation not accomplished concurrently must be initiated immediately upon a determination by the Division that a Temporary Closure has resulted in permanent abandonment or cessation pursuant to Subsection 15(a) herein, or within three years after permanent abandonment or cessation of Millsite Operations pursuant to Section 16 herein, whichever occurs first.

19. Termination for Breach.

- a. If Lessee shall breach any of the material terms, covenants, or conditions contained in this Lease and said breach, except as provided in Subsections 19(b) and 19(c) herein, shall not be cured to the satisfaction of the Division within sixty (60) days after written notice of such breach has been personally served or mailed by certified mail to Lessee and any assignee of this Lease for security purposes of which the Division has been previously notified by certified mail, the Division may commence an action for forfeiture of Lessee's interest in this Lease.
- b. If a material breach, except as provided in Subsection 19(c) herein, cannot be reasonably cured within sixty (60) days of the written notice, Lessee shall notify the Division within fourteen (14) calendar days of its receipt of the written notice that the breach cannot be cured within sixty (60) days and shall notify the Division of Lessee's timetable to cure the breach. The timetable for cure is subject to Division approval, which approval shall not be unreasonably withheld. Lessee shall commence to cure

the breach within thirty (30) days of the notice of breach, and shall proceed diligently and in good faith to continue to cure the breach to the satisfaction of the Division.

- c. If Lessee shall fail to timely pay the Annual Rent and said failure is not cured within ten (10) days after written notice of such failure has been personally served or mailed by certified mail to Lessee and any assignee of this Lease for security purposes of which the Division has been previously notified by certified mail, the Division may initiate an action for forfeiture of Lessee's interest in this Lease. If a good faith attempt to pay the Annual Rent is made and the payment is deficient solely due to the amount paid being less than the amount actually due, Lessee shall have thirty (30) days to cure such default after notice is given as described in this Section.
- d. Notice of breach or failure under this Section shall specify the default and the applicable Lease provision(s) and shall demand that Lessee cure the default to the satisfaction of the Division within the applicable timeframe.
- e. Except when the breach is the failure to pay the Annual Rent, Lessee may request, in writing, a hearing within fourteen (14) calendar days of Lessee's receipt of a notice of breach. Upon receipt of Lessee's request for a hearing, the time to cure the breach or breaches cited as the cause for proposed action for forfeiture of the interest in this Lease shall be extended until the Director issues a final decision on the proposed action for forfeiture of Lessee's interest in this Lease. Such extension shall not affect Lessee's obligation to proceed to cure any violation or any other responsibilities, obligations, or performance under this Lease or any other permit or authorization affecting the Millsite Area.
- f. The Division will hold the hearing provided for above in subsection (e) within ten (10) business days of the Division's receipt of Lessee's request unless mutually agreed otherwise by the parties. The hearing shall be conducted informally and recorded electronically. The parties may appear in person or through counsel, present evidence

and witnesses in their own behalf, and cross-examine opposing witnesses. The Director's decision may be appealed pursuant to 11 AAC 02 *et seq.*

- g. Upon termination or forfeiture of this Lease, the parties shall be relieved of further rights, obligations, and liabilities under this Lease except for rights, obligations, and liabilities incurred or accrued prior to the date of termination or forfeiture. The termination or forfeiture of this Lease shall not affect Lessee's obligations under the Plan of Operations or any other plan of operations, the Reclamation Plan, or any other permit, lease, or authorization issued by the Division or other agency of federal, state, or local government. If this Lease is terminated prior to completion of Reclamation, Lessee shall complete the requirements of the Plan of Operations or other approved plans of operations, the Reclamation Plan, and such other requirements as the Division may reasonably require to protect the health, safety, and welfare of the public.

20. Release of Interests.

- a. Upon receipt of the Division's written concurrence that all accrued Lease obligations and responsibilities have been satisfied with respect to the lands within the Millsite Area, the Lessee shall release and relinquish to the State the lands within the Millsite Area. During the term of this Lease, the Lessee may release and relinquish to the State at any time any State lands subject to this Lease that the Lessee determines are no longer necessary for the Lessee's Millsite Operations, by obtaining the Division's written concurrence described in this Section. Such release and relinquishment shall be effective as of the date of the Division's written concurrence. The Annual Rent shall be adjusted *pro rata* on an acreage basis to reflect the decrease in acreage leased pursuant to this Lease.
- b. Upon the relinquishment, expiration, termination, or forfeiture of any right or interest in this Lease or in the use of all or any part of the State lands subject to this Lease, Lessee shall promptly execute and deliver to the State a valid instrument of release in recordable form, which must be executed and acknowledged with the same formalities as this Lease. The instrument of release must contain, among other things, appropriate recitals, a description of the pertinent rights and interests, and express representations

and warranties by Lessee that it is the sole owner and holder of the right or interest described therein and that such right or interest is free of all liens, equities, or claims of any kind requiring or that may require the consent of a third party claiming in whole or in part by, through, or under Lessee, for the valid release or extinguishment thereof, except for such that are owned or claimed by third parties that have joined in the execution of the release. The form and substantive content of each instrument of release must be approved by the Division, but in no event shall any such instrument operate to increase the existing liabilities and obligations of the Lessee furnishing the release.

21. Indemnification.

- a. Lessee assumes all responsibility, risk, and liability for all Millsite Operations and other activities conducted by Lessee in connection with the project described in the Plan of Operations, including but not limited to construction, reclamation, and environmental and Hazardous Substance risks and liabilities, whether accruing during or after the term of this Lease. Lessee shall defend, indemnify, and hold harmless the State and its employees from and against any and all suits, claims, actions, losses, costs, penalties, and damages of whatever kind or nature, including all attorney's fees and litigation costs, arising out of, in connection with, or incident to any act or omission by or on behalf of Lessee on the Millsite Area, including acts or omissions of independent contractors, unless the sole proximate cause of the injury or damage is the negligence or willful misconduct of the State or anyone acting on the State's behalf. This indemnification shall survive the termination of the Lease.

22. Guaranty.

- a. Teck-Pogo shall cause the Parent Entities to provide several guaranties in respect of the performance by Teck-Pogo of their obligations and responsibilities under this Lease, including the Reclamation Plan and all permits and authorizations issued by federal, state, and local governments. The guaranty shall be in the form shown in Exhibit B hereto.

- b. Teck-Pogo shall cause each of the Parent Entities to provide to the Division an opinion of counsel dated the same day as the date of execution of their respective guarantee and satisfactory in form and substance to the Division stating:
  - i. Parent Entity is a corporation duly organized, validly existing and in good standing under the laws of the relevant jurisdiction;
  - ii. The Parent Entity has full power and authority to execute said guaranty of the performance of Teck-Pogo of its obligations and responsibilities pursuant to this Lease, which power and authority have been duly authorized by all proper and necessary corporate action, and the execution, delivery, and performance by the guarantor of its obligations under this Lease do not require any shareholder approval, and do not contravene any law, regulation, rule, or order binding upon it or its Articles of Incorporation or Bylaws; and
  - iii. The Parent Entity's execution of said guaranty of the performance of all obligations and responsibilities pursuant to this Lease constitutes the valid, legal, and binding obligation of Parent Entity enforceable in accordance with its terms, subject to (1) applicable bankruptcy, insolvency, moratorium, or other similar laws affecting the enforcement of creditors' rights generally; (2) laws imposing duties to act in good faith or in a commercially reasonable manner, and (3) laws respecting or affecting the procedural or remedial provisions of this Lease.
- c. Teck-Pogo shall cause each of the Parent Entities to provide to the Division within 30 days of the date of execution of this Lease a copy of Parent Entities most recent audited annual financial statements filed with securities regulatory authorities having jurisdiction.

23. Modifications.

- a. Any request by Lessee for modification of this Lease must be made by written application to the Division. The application must contain a detailed description, justification, maps, plats, and cross-sections as necessary, and copies of concurrent applications for modification of the Plan of Operations or other approved plan of operations, Reclamation Plan, and any other affected permits or authorizations. The Division may request further information and data based on the individual

modification requested. For any major or significant modification to this Lease, including but not limited to an increase in Millsite Area acreage, a decrease in Millsite Area acreage greater than forty (40) acres cumulative except where such decrease is the result of relinquishment upon completion of Reclamation and all other accrued obligations, or any change in use, the Division, at its option and in its discretion or at Lessee's request, may give public notice, solicit public comment, and hold public hearings. No modification is effective until approved in writing by the Division.

- b. Any revisions, changes, or updates to other permits or authorizations issued by federal, state, or local governments that affect the Millsite Area are automatically incorporated into the responsibilities, requirements, and obligations of this Lease unless otherwise provided in writing by the Division.

24. Conveyance by State.

- a. The State may convey all or a portion of its ownership of the Millsite Area at any time to any entity allowed by law. Notice of such conveyance shall be given by certified mail to Lessee no later than thirty (30) days prior to such conveyance. If all or a portion of the State's ownership of the Millsite Area is conveyed or transferred to any other entity the conveyance shall identify this Lease as an encumbrance on the interest conveyed and said conveyance shall be subject to this Lease.
- b. Neither parties' rights, obligations, or responsibilities under this Lease shall be increased or decreased by virtue of any conveyance unless mutually agreed otherwise by the parties. Upon any conveyance of the Millsite Area by the State the provisions of AS 38.05 and 11 AAC that are in effect on the date of such conveyance and which govern the Lease and the conduct of Millsite Operations hereunder shall be deemed to be incorporated into this Lease as if fully set forth herein and shall continue to govern the administration, management, and operation of this Lease.

25. Transfer by Lessee.

- a. Lessee may Transfer all or part of its interest in, to, or under this Lease solely as provided in this Section 25.

- b. Lessee may Transfer all or part of its interest in, to, or under this Lease only in conjunction with a similar Transfer of all or part of its interest in, to, or under some or all of the valid Mining Rights.
- c. No Transfer permitted by this Section shall, as between the State and Lessee, relieve Lessee of any liability, whether accruing before or after such Transfer, which arises out of Millsite Operations conducted prior to such Transfer.
- d. Lessee may Transfer less than its entire undivided interest in, to, or under this Lease if such Transfer covers all lands within the Millsite Area, but Lessee may not Transfer any interest in, to, or under this Lease that covers less than all of the lands within the Millsite Area.
- e. Except for a Transfer pursuant to Subsection 25(h) below, no Transfer of any interest in, to, or under this Lease is effective without the express written approval of the Division. The Division is not bound by any Transfer made without its express written approval.
- f. The Division Director will approve a Transfer of this Lease or any interest therein if this Lease is in good standing and the party to whom Lessee proposes to Transfer this Lease or any interest therein:
  - i.* is qualified to assume or acquire all other permits and authorizations necessary to conduct Millsite Operations;
  - ii.* is not on notice of default by any governmental regulatory agency on any lease, reclamation bond, or other permit within Alaska, and is not subject to an enforcement action, of which the Division Director has knowledge, for default or breach on any mining lease, reclamation bond, permit, or similar authorization issued by an entity other than the State, including the United States and other states;



26. Corporate Authority; Authorized Representatives.

- a. Lessee shall deliver to the Division upon the execution of or approval of transfer of interest in this Lease a certified copy of a resolution of its board of directors authorizing execution or acceptance of this Lease and naming the officers that are authorized to execute or accept this Lease on behalf of the corporation.
- b. The Division Director and the person executing or accepting transfer of interest in this Lease on behalf of Lessee will be the authorized representatives of the respective principals for the purposes of administering and enforcing this Lease. The State or Lessee may change the authorized representative or the address to which notices to that representative are to be sent by a notice given in accordance with Section 27 below. Upon commencement of Millsite Operations or approval of transfer of interest in this Lease, Lessee shall also designate by name, job title, and address, an agent and alternate agent who will be present in Alaska during all Millsite Operations.

27. Notice.

- a. All notices or other communications required or permitted under this Lease shall be in writing and shall be given
  - i. by personal delivery to the respective addressee;
  - ii. by electronic communication, with the original paper document sent immediately by registered or certified mail, return receipt requested;
  - iii. by registered or certified mail, return receipt requested; or
  - iv. by a commercial courier service that maintains a record of delivery.

Until changed as provided for herein, all such notices shall be sent to the following respective addresses:

The State:  
Director  
Division of Mining, Land and Water  
Department of Natural Resources  
550 W. 7th Avenue, Suite 1070  
Anchorage, AK 99501-3579

or

Facsimile: (907) 269-8904  
(Telephone: (907) 269-8600)

Teck-Pogo:

*for personal delivery:*

Teck-Pogo Inc.  
3520 International Street  
Fairbanks, Alaska 99701  
Attention: General Manager

*for mail delivery:*

Teck-Pogo Inc.  
3520 International Street  
Fairbanks, Alaska 99701  
Attention: General Manager

or

Facsimile: (907) 455-8326  
Telephone: (907) 455-8325

- b. Any notice shall be effective and deemed delivered:
- i.* if by personal delivery or commercial courier service, on the date of delivery if delivered during normal business hours or on the next business day following delivery if not delivered during normal business hours;
  - ii.* if by electronic communication, on the day of receipt at the office of the addressee if received during normal business hours or on the next business day following receipt if not received during normal business hours; and
  - iii.* if solely by mail, on the day of actual receipt at the address of the recipient if delivered by the postal service during normal business hours or on the next business day following receipt if not delivered during normal business hours.

28. Statutes and Regulations. This Lease is subject to all applicable federal and state statutes, including federal, state, and local statutes, regulations, and ordinances in effect on the Effective Date, and, to the extent constitutionally permissible, new statutes, regulations,

and ordinances enacted or promulgated after the Effective Date, and changes to existing statutes and regulations made after the Effective Date.

29. Payment to Multiple Parties. In the event that payments initially due to the State under this Lease become payable to two or more parties due to conveyance of lands within the Millsite Area by the State, all parties to whom payment is due shall execute and deliver to Lessee a document executed by all of those parties designating the amounts of payment due each party and the name and address of each party to whom to payment is due. Until Lessee receives such designation, Lessee shall continue to make all payments to the Division and Lessee shall have no responsibility to see to the division of payments made to the Division in accordance with the provisions of this Section.
30. Denial of Warranty. The State makes no warranties whatsoever, express or implied, including but not limited to any warranties regarding any prior encumbrances on or conditions of the Millsite Area, any warranties regarding title to the Millsite Area, any warranties regarding access to the Millsite Area, any warranties regarding quiet enjoyment of the Millsite Area, or any warranties regarding fitness of the Millsite Area for any use. Lessee is not entitled to any refund of prior Annual Rent(s) paid that are excess due to failure of or deficiency in title.
31. Recording. Upon the execution, acknowledgment, and delivery of this Lease, Teck-Pogo at its sole cost may cause this Lease or a memorandum of this Lease signed by all parties hereto to be recorded in the Fairbanks Recording District.
32. Venue; Controlling Law. The venue for any appeal or civil action relating to this Lease shall be in the Fourth Judicial District, state of Alaska. This Lease shall be interpreted and construed in accordance with the laws of the state of Alaska.
33. Waiver or Forbearance. The receipt or acceptance of the Annual Rent by the Division, with or without knowledge of any breach of the Lease by Lessee, or of any default on the part of Lessee in the observance or performance of any of the terms, conditions or

covenants of this Lease, shall not be deemed to be a waiver of any of the Division's rights concerning any other defaults unless the contrary effect is expressed in writing and signed by the Division. Any waiver by the Division of any default of Lessee's performance under this Lease must be in writing and shall not be a waiver of any other default concerning the same or any other provision of the Lease. No delay or omission in the exercise of any right or remedy of the Division on any default by Lessee shall impair such right or remedy or be construed as a waiver.

34. Severability. If any clause or provision herein contained shall be adjudicated to be invalid, it shall not affect the validity or effect of any other clause or provision of this Lease, nor constitute any cause of action in favor of either party as against the other.
35. No Third Party Beneficiaries. The parties to this Lease do not intend to create any rights under this Lease that may be enforced by third parties for their own benefit or the benefit of others.
36. Merger Clause. This Lease, including all Exhibits hereto, contains the entire agreement of the parties and is binding upon the parties, their successors and assigns.
37. Attorney's Fees. If either party commences a judicial proceeding against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to have and recover from the losing party full reasonable attorney's fees and costs of suit.
38. Successors. This Lease and each and every provision therein shall be binding on and inure to the benefit of the parties and their successors and assigns.
39. Section Titles. The section titles in this Lease are for convenience only and have no other significance.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES:

By: Robert M. Loeffler  
Printed Name: Robert Loeffler  
Title: Director  
Division of Mining, Land and Water

Date: 3/9/04  
Effective Date of Millsite Lease

LESSEE:

Teck-Pogo, Inc.  
An Alaska corporation

By: Rick Zimmer  
Printed Name: Rick Zimmer  
Title: Vice President

Date: Feb 27/04.

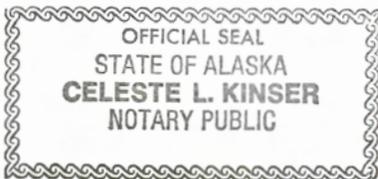
By: Karen L. Dunfee  
Printed Name: Karen L. Dunfee  
Title: Corporate Secretary

Date: Feb. 27/04

ACKNOWLEDGMENTS

State of Alaska )  
 ) ss.  
3rd Judicial District)

The foregoing instrument was acknowledged before me this 9<sup>th</sup> day of March, 2004, at Anchorage, Alaska, by Robert Loeffler in his capacity as Director, Division of Mining, Land and Water, Department of Natural Resources, State of Alaska.



Celeste L. Kinser  
Notary in and for  
the State of Alaska  
My commission expires: 4-4-2005

)  
Province of British Columbia )  
)

The foregoing instrument was acknowledged before me this 27<sup>th</sup> day of February, 2004, at Vancouver, B.C., by Rick Zimmer, the Vice President and Karen Dunfee, the Secretary of Teck-Pogo, Inc., an Alaska corporation, on behalf of the corporation.



\_\_\_\_\_  
Notary in and for  
the Province of British Columbia  
My commission does not expire.

**ANTHONY A. ZOGBKOFF**  
A Notary Public in and for the Province of British Columbia  
My commission is not limited as to time  
c/o Teck Cominco Limited 600 - 200 Burrard Street  
Vancouver, B.C. V6C 3L9  
Tel.: 604-685-3043 Fax: 604-844-2509

## **Exhibit A: Millsite Area Land Description**

The Pogo Mine Millsite Lease is described as those lands within the following townships, ranges, and sections up to, and generally to the south east of, the ordinary high water mark on the eastern bank of the Goodpaster River.

### **T5S, R14E, Fairbanks Meridian**

Section 13

W<sup>1</sup>/<sub>2</sub>SW<sup>1</sup>/<sub>4</sub>

Section 14

S<sup>1</sup>/<sub>2</sub>SE<sup>1</sup>/<sub>4</sub>; SE<sup>1</sup>/<sub>4</sub>SW<sup>1</sup>/<sub>4</sub>

Section 22

S<sup>1</sup>/<sub>2</sub>SE<sup>1</sup>/<sub>4</sub>; NE<sup>1</sup>/<sub>4</sub>SE<sup>1</sup>/<sub>4</sub>

Section 23

S<sup>1</sup>/<sub>2</sub>; NE<sup>1</sup>/<sub>4</sub>; S<sup>1</sup>/<sub>2</sub>NW<sup>1</sup>/<sub>4</sub>; NE<sup>1</sup>/<sub>4</sub>NW<sup>1</sup>/<sub>4</sub>

Section 24

W<sup>1</sup>/<sub>2</sub>W<sup>1</sup>/<sub>2</sub>

Section 25

S<sup>1</sup>/<sub>2</sub>; S<sup>1</sup>/<sub>2</sub>NE<sup>1</sup>/<sub>4</sub>; NW<sup>1</sup>/<sub>4</sub>

Section 26 (All)

Section 27

E<sup>1</sup>/<sub>2</sub>

Section 34

NE<sup>1</sup>/<sub>4</sub>; SE<sup>1</sup>/<sub>4</sub>NW<sup>1</sup>/<sub>4</sub>

Section 35

N<sup>1</sup>/<sub>2</sub>

Section 36

N<sup>1</sup>/<sub>2</sub>; N<sup>1</sup>/<sub>2</sub>SE<sup>1</sup>/<sub>4</sub>

### **T5S, R15E, Fairbanks Meridian**

Section 30

SW<sup>1</sup>/<sub>4</sub>; SW<sup>1</sup>/<sub>4</sub>NW<sup>1</sup>/<sub>4</sub>

Section 31

NW<sup>1</sup>/<sub>4</sub>; N<sup>1</sup>/<sub>2</sub>SW<sup>1</sup>/<sub>4</sub>

## **EXHIBIT B: PARENT ENTITY GUARANTEE**

### **GUARANTY OF [TECK COMINCO LIMITED/ SUMITOMO CORPORATION/SUMITOMO METAL MINING CO. LTD.]**

Teck-Pogo Inc., (“Teck-Pogo”), whose address is 3520 International Street, Fairbanks, AK 99701, is manager of the Pogo Joint Venture, established pursuant to that Earn-In and Joint Venture Agreement between Teck Resources Inc., Teck Corporation, Sumitomo Metal Mining America Inc. and SC Minerals America Inc. dated as of December 16, 1997, as amended (the “Pogo Joint Venture”).

The State of Alaska ("the State"), acting by and through its Department of Natural Resources (Division of Mining, Land and Water) has requested that Teck Cominco Limited (“Teck Cominco”), Sumitomo Corporation (“SC”) and Sumitomo Metal Mining Co. Ltd. (“SMM”) (Teck Cominco, SC and SMM being collectively referred to herein as the “Parent Companies” and individually as a “Parent Company”) give several guaranties of Teck-Pogo obligations under a Millsite Lease ("Lease") effective as of \_\_\_\_\_, 2003, by and between the State and Teck-Pogo, in its capacity as Manager of the Pogo Joint Venture, each to the extent of its Pro Rata Share of the obligations of Teck-Pogo arising under or pursuant to the Lease. For this purpose, “Pro Rata Share” means a percentage equal to the percentage of direct or indirect interest of the relevant Parent Company, or its subsidiary companies, from time to time in the Pogo Joint Venture. The Parent Companies will notify the State in writing of their respective Pro Rata Shares.

Subject to the limitations set forth in the next succeeding paragraph, [**Teck Cominco/SC/SMM**] (“Guarantor”) at the request of Teck-Pogo and the State hereby irrevocably and unconditionally guarantees to the State the full performance, fulfillment and satisfaction of all of the duties, obligations and liabilities of Teck-Pogo arising under or pursuant to the Lease.

Notwithstanding the foregoing paragraph or any other provision of this Guaranty, the liability of Guarantor hereunder shall in all respects be limited to Guarantor’s Pro Rata Share of the obligations of Teck-Pogo arising under or pursuant to the Lease. The State acknowledges that the other Parent Companies have provided guaranties similar in form to this Guaranty in respect of their respective Pro Rata Shares of the obligations and liabilities of Teck-Pogo arising under or pursuant to the Lease, and that the liability of Guarantor and the other Parent Companies under their respective guaranties is in all respects several, and not joint or joint and several.

If for any reason any duty, obligation, or liability of Teck-Pogo under the Lease is not performed, fulfilled, or satisfied by Teck-Pogo within the time or in the manner required Guarantor shall perform, fulfill, or satisfy (or cause to be performed, fulfilled, or satisfied) each of such duties, obligations, and liabilities; provided, however, that (1) the State must first make demand upon Teck-Pogo before making demand on Guarantor; (2) if Teck-Pogo in good faith denies that any such duty, obligation, or liability exists or has not been performed, fulfilled, or satisfied by Teck-Pogo within the time or in the manner required, and if Teck-Pogo requests a hearing under Section 19 of the Lease, the State must proceed under Section 19 (e) and (f) of the Lease before demanding performance, fulfillment, or satisfaction from Guarantor; (3) Guarantor

shall be entitled to the benefit of any stay obtained by Teck-Pogo under Alaska law, including but not limited to a stay obtained under 11 AAC 02 or any Alaska rule of court but specifically excluding a stay imposed under bankruptcy law; and (4) Guarantor shall be entitled to any and all benefits arising by virtue of any defense, set-off, counterclaim, or cross-claim available to Teck-Pogo except failure of consideration or bankruptcy of Teck-Pogo (collectively hereinafter referred to as "defense") except that Guarantor shall be bound by any prior judicial determination, if any, concerning any such defense asserted by Teck-Pogo.

Guarantor agrees that so long as this Guaranty is in force it shall not dispose of its interest in the Pogo Joint Venture (other than to SMM or SC or their subsidiaries or affiliates) and this Guaranty shall not be discharged, limited, or reduced except upon complete performance of the duties, obligations, and liabilities of Teck-Pogo guaranteed hereby or upon the full and complete replacement hereof with either

- (A) a guaranty in the same form executed by a guarantor (1) with a debt to equity ratio of no more than 1 as revealed by the succeeding guarantor's most current year's annual financial statement audited by a certified public accountant prepared in accordance with generally accepted accounting principles and providing an unqualified opinion and (2) having or capable of having (as shown by the succeeding guarantor to the reasonable satisfaction of the State) a credit rating from Standard & Poor's or a comparable rating agency equal to or better than BBB, or
- (B) if the proposed replacement guarantor does not meet the tests set out in (A) (1) and (2) above, then (1) a guaranty executed by the proposed replacement

guarantor in the same form and (2) a letter of credit issued by a bank, in accordance with 11 AAC 97.410, in an amount equal to Guarantor's Pro Rata Share of then current reclamation estimate less amount of bonds and trust monies.

The provisions of the Lease and other state authorizations identified therein may be changed as allowed by law without the consent of or notice to Guarantor and this guaranty shall guarantee the performance of the Lease as changed. Guarantor warrants that it has adequate means to obtain from Teck-Pogo on a continuing basis information concerning the Lease and other authorizations identified therein and that it is not relying upon the State to provide such information, now or in the future.

This guaranty shall not be affected by the State's delay or failure to enforce any of its rights except to the extent such delay or failure gives rise to a defense available to Teck-Pogo.

If the Lease terminates and the State has any rights against Teck-Pogo with respect to any duty, obligation, or liability of Teck-Pogo arising under the Lease, the State can enforce those rights against Guarantor pursuant hereto, to the extent of Guarantor's Pro Rata Share.

Guarantor waives any right it may have to require the State to proceed against or exhaust any bond or other security that the State holds from Teck-Pogo or to pursue any other remedy in the State's power. Until all Teck-Pogo's obligations under the Lease have been discharged in full, Guarantor has no right of subrogation against any bond or other security that the State may

hold. Guarantor waives all presentments, notices of dishonor, notices of nonperformance, demands for performance except as specified herein, protests, notices of protest and notices of acceptance of the Guaranty.

If Teck-Pogo disposes of its interest in the Lease in whole or in part, "Teck-Pogo" as used in this guaranty, shall mean Teck-Pogo's successors or Teck-Pogo and concurrent interest holders, as applicable.

Guarantor hereby waives any defense based upon any act or omission of the State (except acts or omissions in bad faith) which materially increases the scope of Guarantor's risk, including negligent administration of the Lease and other authorizations identified therein.

This Guaranty shall be in addition to and without prejudice to any other security given by anyone (including but not limited to Teck-Pogo) to the State and held at any time by the State in connection with any such duty, obligation, and liability.

This Guaranty shall be interpreted, construed, and enforced in accordance with the laws of the State of Alaska. Venue for any civil action relating to this guarantee shall be in the Fourth Judicial District, State of Alaska.

This Guaranty shall be binding upon Guarantor and the successors and assigns of Guarantor and shall inure to the benefit of the State and its successors and assigns. All notices

required or permitted to be given pursuant to this Guaranty shall be in writing and shall be addressed respectively as follows:

GUARANTOR: Teck Cominco Limited  
#600 – 200 Burrard Street  
Vancouver, B.C. , V6C 3L9  
Canada  
Or

Facsimile: (604) 687-6100  
Telephone: (604) 687-1117

THE STATE: State of Alaska  
Department of Natural Resources  
Division of Mining, Land and Water  
Attn: Director  
550 W 7<sup>th</sup> Avenue, Suite 1070  
Anchorage, AK 99501-3577

Or

Facsimile: (907) 269-8904  
Telephone: (907) 269-8600

All notices shall be given (a) by personal delivery to the addressee, (b) by electric communication, with a confirmation sent by registered or certified mail return receipt requested, or (c) by registered or certified mail return receipt requested. All notices shall be effective and shall be deemed delivered (a) if by personal delivery, on the date of delivery if delivered during normal business hours or on the next business day following delivery if not delivered during normal business hours, (b) if by electronic communication, on the next business day following the day of receipt (said day of receipt being the day of receipt at the office of the recipient) of the electronic communication, and (c) if solely by mail, on the next business day after actual receipt.

This writing is intended by the parties to be the final expression of this Guaranty, and is intended as a complete and exclusive statement of the terms of this Guaranty. There are no conditions to the full effectiveness of this Guaranty other than those contained therein.

EXECUTED this \_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_, but effective for all purposes as to the Effective Date (as defined in the Lease) of the Lease.

ATTEST

TECK COMINCO LIMITED

By: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

VANCOUVER

)

) ss.

BRITISH COLUMBIA

)

THIS CERTIFIES that on the \_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_, at Vancouver, British Columbia, the foregoing instrument was acknowledged before me by \_\_\_\_\_, the \_\_\_\_\_ of Teck Cominco Limited, a British Columbia corporation, on behalf of said corporation.

GIVEN UNDER MY HAND and office seal the day and year last above written.

\_\_\_\_\_  
Notary Public in and for:\_\_\_\_\_

My commission expires:\_\_\_\_\_