

FILED FOR RECORDING  
AT THE REQUEST OF

Parr Waddays Brown Gee + Loveless

2004 SEP 7 PM 3 06

LINCOLN COUNTY RECORDER  
FEE \$19.00 DEP  
LESLIE BOUCHER

AFTER RECORDING, PLEASE RETURN TO:  
MGC Resources Inc.  
Attn: Alan Branham, President  
2778 Spokane Creek Road  
East Helena, MT 59635

**RATIFICATION OF MINING LEASE WITH OPTION TO PURCHASE**

THIS RATIFICATION OF MINING LEASE WITH OPTION TO PURCHASE ("Ratification") is made as of the 3rd day of June, 2004 ("Effective Date"), by and between DONALD B. POTTS and DONALD B. POTTS as Trustee of the DON POTTS TRUST U/D/T 4-4-96 ("Owners"), whose address is 503 Sandy Avenue, Yerington, Nevada 89447, and MGC RESOURCES INC., a Nevada corporation ("Lessee"), whose address is Attn: Alan Branham, 2778 Spokane Creek Road, East Helena, Montana 59635.

RECITALS

A. Effective as of June 3, 2004, Donald B. Potts and Lessee entered into a written Mining Lease with Option to Purchase (the "Agreement") concerning the real property in Lincoln County, Nevada described in *Exhibit A* attached hereto and incorporated herein, including any amendments or relocations thereof and all ores, minerals, surface and mineral rights and all water rights and improvements, easements, licenses, rights-of-way, permits and other interests appurtenant thereto, which property is referred to collectively in the Agreement and herein as the "Property." A Memorandum of Mining Lease with Option to Purchase was recorded in the official records of Lincoln County on June 25, 2004 at Book 187, page 457, to provide public notice of the Agreement.

B. At the time of execution of the Agreement, the parties thereto believed the Property to be owned by Donald B. Potts personally. The parties now understand that the Property, or portions thereof, was then owned and may now be owned by Donald B. Potts as Trustee of the Don Potts Trust U/D/T 4-4-96.

C. The parties hereto desire to confirm and ratify the ongoing existence and good standing of the Agreement without interruption in the term or effectiveness thereof.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and set forth in the Agreement, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereto, incorporating the Recitals set forth above, agree as follows:

1. Ratification of Agreement by Owners. Owners, as the owners of the Property, do hereby ratify and affirm the Agreement and do hereby acknowledge and agree that the Agreement shall be deemed to be amended as of the Effective Date such that the lessor under the Agreement shall be the Owners identified herein. In addition, Owners do hereby exclusively lease and option the Property to Lessee in accordance with the terms and conditions of the Agreement. Owners further acknowledge and agree that the Agreement remains in full force and effect with Lessee as the lessee thereunder, and that the Agreement is currently in good standing.

2. Ratification of Agreement by Lessee. Lessee does hereby ratify and affirm the Agreement and does hereby acknowledge and agree that the Agreement shall be deemed to be amended as of the Effective Date such that the lessor under the Agreement shall be the Owners identified herein. Lessee further acknowledges and agrees that it is the lessee of the Property pursuant to the Agreement and that the Agreement remains in full force and effect.

3. Allocation of Payments. Donald B. Potts is hereby designated as Owners' agent to receive from Lessee all payments due or payable to Owners under the terms of the Agreement and all such payments may be made payable to Mr. Potts and tendered by mailing or delivering the same to Mr. Potts in accordance with the Agreement. Lessee shall have no obligation to allocate or apportion any payment among the parties constituting Owners, it being said agent's obligation to properly do so after payment is made to the agent by Lessee. The Owners, by their execution of this Ratification, consent to the payment provisions set forth herein.

4. All Other Terms and Conditions to Remain Unchanged. The terms and conditions of the Agreement shall remain unchanged except as specifically modified hereby.

5. Public Notice. For purposes of public notice, the parties hereto acknowledge and disclose that:

A. Under the terms of the Agreement, Owners have granted to Lessee, and do hereby grant to Lessee, the exclusive right to explore, develop and mine the Property, together with an exclusive option to purchase the Property.

B. Owners are entitled under the Agreement to receive certain annual payments and to receive a royalty on mineral production from the Property.

C. The term of the Agreement is for an initial period of ten years from and after the Effective Date, which period may be extended in Lessee's discretion for another ten years, and so long thereafter as Lessee continues to be engaged in Mining Operations (as defined in the Agreement), unless sooner terminated as provided in the Agreement.

D. The Agreement allows Owners to transfer all or any part of their interest in the Property at any time, but Lessee is not obligated to make any payments to anyone other than Owners or recognize any other owner or lessor until proper documentation of the transfer has been recorded in Lincoln County and received by Lessee. Lessee cannot assign, convey,

encumber, sublease, license or otherwise transfer any of its rights under the Agreement without Owners' prior written consent, which consent cannot be unreasonably withheld, but Lessee may encumber its interest under the Agreement for purposes of financing operations on the Property.


E. The Agreement is incorporated herein by this reference and made a part hereof. Copies of the Agreement are in the possession of the parties at the addresses shown in the first paragraph of this document. The execution and recording of this document shall not limit, increase, or in any manner affect any of the terms of the Agreement, or the rights, interests or obligations of the parties thereunder, except as specifically provided herein.

6. Multiple Counterparts. This document may be executed in multiple counterparts and all counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, Owners and Lessee have executed this Ratification on the dates set forth in the acknowledgements below but effective as of the Effective Date.

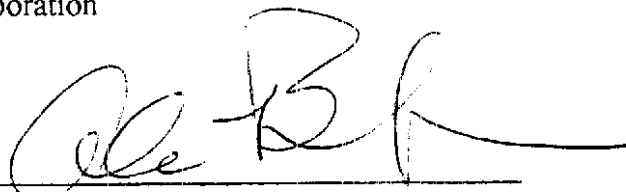
Owners:

  
\_\_\_\_\_  
DONALD B. POTTS

  
\_\_\_\_\_  
DONALD B. POTTS as Trustee of the  
DON POTTS TRUST U/D/T 4-4-96

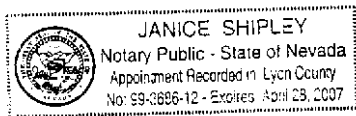
Lessee:

MGC RESOURCES INC., a Nevada  
corporation

By   
\_\_\_\_\_  
Alan Branham, President

STATE OF NEVADA )  
 ) ss.  
COUNTY OF LYON )

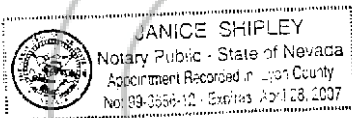
On this 10<sup>th</sup> day of August, 2004, personally appeared before me, a Notary Public, DONALD B. POTTS, who acknowledged that he executed the above instrument.



*Janice Shipley*  
Notary Public

STATE OF NEVADA )  
 ) ss.  
COUNTY OF LYON )

On this 10<sup>th</sup> day of August, 2004, personally appeared before me, a Notary Public, DONALD B. POTTS as Trustee of the DON POTTS TRUST U/D/T 4-4-96, who acknowledged that he executed the above instrument.



*Janice Shipley*  
Notary Public

STATE OF MONTANA )  
 ) ss.  
COUNTY OF LEWIS AND CLARK )

On this 30<sup>th</sup> day of August, 2004, personally appeared before me, a Notary Public, Alan Branham, the President of MGC RESOURCES INC., a Nevada corporation, who acknowledged that he executed the above instrument on behalf of said corporation.



*Jon Monro*  
Notary Public

*Exhibit A*

Property

The Property consists of certain patented and unpatented lode mining claims generally located in Sections 23, 24, 25 and 26, Township 1 North, Range 67 East, and Sections 19 and 30, Township 1 North, Range 68 East, M.D.B&M, Lincoln County, Nevada, and more particularly described as follows:

Patented Claims

Victor, Victor Extension, Apex, Financier, Michigan and Senator, Mineral Survey 3769, Patent No. 249366 dated February 23, 1912, Assessor's Parcel No. 9-011-34, and containing 100.842 acres, more or less.

Unpatented Claims

<u>Claim Name</u>	<u>Location Date</u>	<u>Book/Page</u>	<u>BLM NMC No.</u>
Bum Again #1	12/17/94	111/673	713735
Bum Again #2	12/17/94	111/674	713736
Bum Again #3	12/17/94	111/675	713737
Bum Again #4	12/17/94	111/676	713738
Bum Again #5	12/17/94	111/677	713739
Bum Again #6	12/17/94	111/678	713740
Bum Again #7	12/17/94	111/679	713741
Bum Again #8	12/17/94	111/680	713742
Bum Again #9	12/17/94	111/681	713743
Bum Again #10	12/17/94	111/682	713744
Bum Again #11	12/17/94	111/683	713745
Bum Again #12	12/17/94	111/684	713746
Bum Again #13	12/17/94	111/685	713747
Bum Again #14	12/17/94	111/686	713748
Bum Again #15	12/17/94	111/687	713749
Contact #1	12/16/94	111/688	713750
Contact #2	12/16/94	111/689	713751
Contact #3	12/16/94	111/690	713752

<u>Claim Name</u>	<u>Location Date</u>	<u>Book/Page</u>	<u>BLM NMC No.</u>
Contact #4	12/16/94	111/691	713753
Contact #5	12/16/94	111/692	713754
Contact #6	12/16/94	111/693	713755
Contact #7	12/16/94	111/694	713756
Contact #8	12/16/94	111/695	713757
Contact #9	12/16/94	111/696	713758
Contact #10	12/16/94	111/697	713759
Contact #11	12/16/94	111/698	713760
Contact #12	12/16/94	111/699	713761
Contact #13	12/16/94	111/700	713762
Contact #14	12/16/94	112/1	713763
Contact #15	12/16/94	112/2	713764
Contact #16	12/16/94	112/3	713765
Contact #17	12/16/94	112/4	713766
Contact #18	12/16/94	112/5	713767
Apex Fraction	12/16/94	112/6	713768
Contact Fraction	12/16/94	112/7	713769
Berlin Fraction	12/16/94	112/8	713770