

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

FILED FOR RECORDING
 AT THE REQUEST OF

Parr, Waddoops,
 Brown, Gree & Loveless
 2005 MAR 8 PM 3 53

LINCOLN COUNTY RECORDER
 FEE 17.00 DEP cu
 LESLIE BOUCHER

MEMORANDUM OF MINING LEASE WITH OPTION TO PURCHASE

NOTICE IS HEREBY GIVEN that, effective as of the 21st day of January, 2005 (the "Effective Date"), NORTH EXPLORATION, LLC, a Nevada limited liability company whose address is c/o Clifford Phillips, 1295 North Bluff, St. George, Utah 84770 ("Lessor"), and MGC RESOURCES INC., a Nevada corporation whose address is Attn: Alan Branham, 2778 Spokane Creek Road, East Helena, Montana 59635 ("Lessee"), have entered into a 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."

Under the terms of the Agreement, Lessor has granted to Lessee, and does hereby grant to Lessee, the exclusive right to explore, develop and mine the Property, together with an exclusive option to purchase the Property.

Lessor is entitled under the Agreement to receive certain annual payments and to receive a royalty on mineral production from the Property.

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.

The Agreement allows Lessor to transfer all or any part of its interest in the Property at any time, but Lessee is not obligated to make any payments to anyone other than Lessor 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 Lessor's 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.

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.

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, Lessor and Lessee have executed this document on the dates set forth in the acknowledgements below but effective as of the Effective Date.

Lessor:

NORTH EXPLORATION, LLC, a Nevada
limited liability company

By Charles C. Phillips
Name Charles C. Phillips
Title Member

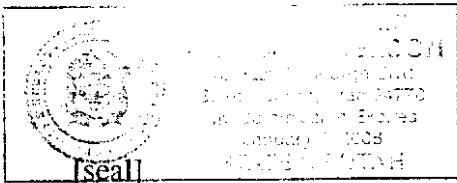
Lessee:

MGC RESOURCES INC., a Nevada
corporation

By Alan Branham
Alan Branham, President

STATE OF UTAH)
) ss.
COUNTY OF WASHINGTON)

On this 3rd day of ~~January~~ February, 2005, personally appeared before me, a Notary Public, Charles C. Phillips, the member of NORTH EXPLORATION, LLC, who acknowledged that he executed the above instrument on behalf of said company.

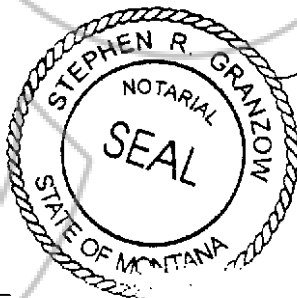


Victoria Anne Nelson
Notary Public

My commission expires:

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

On this 2 day of ~~January~~ March, 2005, 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.



Stephen R. Granzo
Notary Public

[seal]

My commission expires:

March 8 2006

EXHIBIT A

Property

The 14 unpatented lode mining claims described below, which are located in Sections 24, 25 and 26, T1N, R66E, MDM, Lincoln County, Nevada:

<u>Claim Name</u>	<u>Location Date</u>	<u>BLM Serial No.</u>	<u>Recorded At (Book/Page)</u>
BP 1	10/18/2003	NMC858715	182/84
BP 2	10/18/2003	NMC858716	182/85
BP 3	10/18/2003	NMC858717	182/86
BP 4	10/18/2003	NMC858718	182/87
BP 5	10/18/2003	NMC858719	182/88
BP 6	10/18/2003	NMC858720	182/89
BP 7	10/18/2003	NMC858721	182/90
BP 8	10/18/2003	NMC858722	182/91
BP 9	10/01/2004	Pending	192/361
BP 10	12/15/2004	Pending	195/438
BP 11	12/15/2004	Pending	195/437
BP 12	12/15/2004	Pending	195/436
BP 13	12/15/2004	Pending	195/435
BP 14	12/15/2004	Pending	195/434