

4. Royalty Share.

(a) In the event that PAYNE exercises its option to extend the Exploration Lease into a Mining Lease and then conducts mining operations on the Premises, PAYNE shall pay to AMC on or before the 25th day of each calendar month an earned royalty share equal to six percent (6%) of the gross value received by PAYNE during the preceding calendar month from the sale of all ore, concentrates, minerals or metals mined by PAYNE from the Premises. Payment of the earned royalty share shall be made in accordance with the following terms and conditions:

(i) The term "gross value" as used herein shall have the meaning set forth in paragraph numbered 4(b) of this Agreement.

(ii) Each such payment of earned royalty share by PAYNE to AMC shall be accomplished by a copy of each settlement sheet or remittance statement pertaining to the sales on which such payment is based, including any assay made.

(iii) PAYNE may arrange with any buyer to make any appropriate payment under this Agreement directly to AMC and to transmit copies of settlement sheets and remittance statements directly to AMC.

(iv) PAYNE shall pay to AMC after the payment of the Seventy-Five Thousand Dollars (\$75,000.00) upon the exercise of the option, an annual minimum royalty in the amount of Seventy-Five Thousand Dollars (\$75,000.00) for a second year of the Mining Lease regardless of whether the earned royalties based upon a percentage of gross values would otherwise be due and payable pursuant to the terms of this Agreement. During each subsequent year after the first two payments of Seventy-Five Thousand Dollars (\$75,000.00), the minimum annual royalty shall be One Hundred Thousand Dollars (\$100,000.00). The earned royalty share becoming due from time to time hereunder and based upon a percentage of gross value as defined herein shall