

# CONFIDENTIAL

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Memo

*4/11/03  
Mark was told to set up  
Digby office  
& have Paul Buxton sign  
ch.*

To: Bill Clayton jr.  
From: Paul Buxton

April 10th 2003

I met with John yesterday and again this morning to review the status at Whites Point and the planned work program.

Early next week it is intended to start sufficient work on the quarry to satisfy the terms and conditions of the permit ie: to commence operations within one year of the issuance of the permit. The work will consist of a part of the environmental controls as shown on the approved drawings for the 4 Ha site including part of the sedimentation pond, drainage ditches, burning brush and grubbing and leveling the first bench. We will also clean off the area of the first blast.

Mark has advised that he will be sending over three pieces of equipment with operators on Monday the 14th - a small dozer, backhoe and small loader. Large equipment is not required at this stage but cleaning the blast site will require an excavator rather than a backhoe. Three labourers will be taken on for burning and handwork.

It is my intent to keep payroll records in the Digby office together with equipment timesheets.

Mark has indicated that he will be on hand to supervise the work but frankly I doubt that will happen and John has advised me to ensure that either David Kern or myself are on site for much of the time to direct operations.

We do not as yet have a blasting permit but I intend to carry out a pre-blast survey of the 19 wells that may be affected by blasting or at least on those wells where permission will be given to carry out the survey.

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We will carry out the test blast on receipt of the permit and the completion of the pre-blast survey. It is anticipated that approximately 8,000 tons of rock will be produced by the test blast.

We require some rock for the environmental control structures - 6" - 8" (gabions), 12" - 18" for rip-rap etc. However, there has been significant discussion re: abandoning the Whites Cove Road and constructing a new access to the quarry via the Kieschnick property. This would have the value of providing us with a private, lockable access and leaving the Whites Cove Road to deteriorate and hence restricting access to the quarry. I think this is something we should give serious consideration to. If a new access is determined to be the best way to go we should bring in a portable crusher and crush sufficient 2" minus for the road bed.

On another note, I have mentioned to John that Southern Stone are apparently in arrears with the Fixed Rates/Royalties section of their Lease Agreement with the Johnsons and Linebergers ie: the same Lease Agreement assigned to Nova Stone Exporters Inc. This Lease Agreement requires the payment, after the first year of the Lease, by Southern Stone of US\$48,000 per year or Royalties if the quarry is operative. The Lease was signed on Nov. 27th 2001 and hence the payments should have started in Dec. 2002 on a monthly basis.

Under the terms of the Lease there is a section on Default which essentially states that if there is a default and the "Owners" have notified Southern Stone and if the default is not rectified in 30 days the "Owners" have the right to terminate the Lease Agreement forthwith.

So if Southern Stone is in Default because Nova Stone has not funded Southern Stone the Lease could be terminated.

Mark did tell me that it was his view that the Johnsons and Linebergers should be responsible for the cost of the work surrounding the 50'x 50' parcel and there may be some validity to this argument but I think Mark should be cautious about the status of the Lease Agreement.

It is possible that there is a valid reason to claim "force majeure" due to permitting difficulties but if this is the case the "Owners" need to be notified of this claim.

I believe that the issue of Payments under the Lease should be raised with Mark.

Interestingly enough while I was researching the above from documents originally given to me by Mark for the purposes of arranging a 4 Ha permit I reviewed the Schedule A attached to the Lease Agreement. Schedule A is the description of the Lineberger and Johnson parcel acquired from Alan Denton. Nowhere in the description does it mention a 50'x 50' parcel of land excepted from the main parcel. It may be that the original land

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up a conference  
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transaction between Alan Denton and the Johnsons and Linebergers was flawed and that the Johnsons and Linebergers, Southern Stone and Nova Stone have a claim against the Dentons. I will check into this further.

Paul .

Copy to John Wall for info.