Private Placement Memorandum

Up to 1000 limited partnership units issued at $50,000 per unit
for exploration of the Blackstone Mine
Elmore County, Idaho

This is an important and confidential document that you should read in its entirety and consult with your advisors about its content. The units offered herein entail substantial risk.

BLACKSTONE RESOURCE DEVELOPMENT, L.P.

Furnished to: _____ Memorandum No. _____

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

BLACKSTONE RESOURCE DEVELOPMENT, L.P.

(An Idaho Limited Partnership)

Up to $5,000,000 in Limited Partnership Units
Price per Unit: $50,000 • Minimum Investment: $50,000

The date of this Memorandum is May 1, 2011

This Private Placement Memorandum **("Memorandum")** constitutes an offering of limited partnership interests **("Offering")** only in those jurisdictions where, and to those persons whom, they may be lawfully offered for sale. You should make your own decision whether this Offering meets your investment objectives and risk tolerance level. No federal or state securities commission has approved, disapproved, endorsed, or recommended this Offering, or confirmed the accuracy or completeness of this Memorandum. It is illegal for anyone to tell you otherwise.

THESE ARE SPECULATIVE SECURITIES THAT INVOLVE A HIGH DEGREE OF RISK. ONLY INVESTORS WHO CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD CONSIDER AN INVESTMENT IN THESE UNITS.

This Memorandum is confidential and is provided to assist you and your advisors in evaluating the securities of Blackstone Resource Development, L.P. **("Partnership")**, and is not to be construed as an advertisement or a public offering. You may not copy this Memorandum, in whole or in part, nor deliver it to any person (other than your legal, tax, or financial advisors) without the General Partner's prior written consent.

	Price to Investors[1]	Sales Commissions[2]	Proceeds to Partnership[3]
Per Unit	$50,000	$4,000	$46,000
Total Maximum	$5,000,000	$400,000	$4,600,000

Introduction

[1] This Offering is being conducted on a "best efforts" basis through officers and directors of the General Partner. There is no escrow; the proceeds from this Offering will be deposited directly into the Partnership's treasury and be immediately available to the Partnership for the purposes set forth herein. See "Use of Proceeds." The General Partner reserves the right to undertake additional offerings, provided that such offerings do not affect the Partnership's right to rely on Regulation D of the *Securities Act of 1933*. The present Offering shall remain open for a period of up to 120 days from the date of this Memorandum and an additional 120 days if extended by the General Partner, unless the maximum proceeds are earlier received or the General Partner determines to cease selling efforts **("Termination Date")**. See "Plan of Distribution."

[2] At the discretion of the General Partner, securities *may* be offered and sold through placement agents registered with the National Association of Securities Dealers **("Placement Agents")**. The General Partner shall determine the commission, but not to exceed eight percent (8%) of the Offering price. Officers or directors of the General Partner will not receive any commission for sales of securities, but may receive reimbursement for reasonable out-of-pocket expenses in connection with sales.

[3] The proceeds to us do not take into account fees and expenses for legal, printing, and other costs, which are estimated to be $50,000. See "Use of Proceeds" and "Terms of the Offering."

This Memorandum relates to the Offering of limited partnership interests **("Units")** in the Partnership. Prior to consummation of the Offering, we will make available to you and each prospective investor the opportunity to ask questions of the General Partner concerning the terms and conditions of the Offering, and to obtain any additional information necessary to verify the accuracy of the information in this Memorandum, to the extent the Partnership possesses such information or can acquire it without unreasonable expense. No other persons are authorized to give any information or to make any representations in connection with the Offering.

The Units are being offered when, as, and if issued, subject to prior sale or withdrawal, cancellation, or modification of the Offering without notice and subject to the approval of certain legal matters by counsel and certain other conditions. No Units may be sold without delivery of this Memorandum.

Neither the Partnership nor any of the Units have been or will be registered under the *Securities Act of 1933,* as amended ("Securities Act"),[4] the *Investment Company Act of 1940,* as amended,[5] or the securities laws of any of the state. The offer and sale of such Units is being made in reliance upon an exemption from the registration requirements of the Securities Act and under state securities laws for offers and sales of securities that do not involve any public offering. As a result, the Units may not be resold or transferred unless they are registered under the Securities Act or such resale or transfer is exempt from the registration requirements of the Securities Act and applicable state and other securities laws. The Units are also subject to further restrictions on transfer described herein. Because of such restrictions, it is unlikely that a secondary trading market for the units will develop, and you must be prepared to bear the entire risk of your investment for an indefinite period of time. You should also note the limited withdrawal rights of limited partners described in this document.

Accredited investors only

Before purchasing Units, you must represent that you are an **"Accredited Investor"** as such term is defined in Rule 501(a) of Regulation D of the Securities and Exchange Commission.[6] In general terms, an Accredited Investor is defined as:

- A bank, insurance company, registered investment company, business development company, or small business investment company;
- An employee benefit plan, within the meaning of the *Employee Retirement Income Security Act,*[7] if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of $5 million;
- A charitable organization, corporation, or partnership with assets exceeding $5 million;
- A director, executive officer, or general partner of the company selling the securities;
- A business in which all the equity owners are Accredited Investors;
- A natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds $1 million at the time of the purchase;

[4] 48 Stat. 74 (1933), codified at 15 USC § 77a – 77mm.
[5] 54 Stat. 841 (1940), codified at 15 U.S.C. § 80a-1– 80a-64
[6] Codified at 17 CFR § 230.501 *et seq*.
[7] P.L. 93-406 (1974), 88 Stat. 829.

- A natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year; or
- A trust with assets in excess of $5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

Memorandum is not legal or tax advice
You must not construe the contents of this Memorandum or any communications from the Partnership, its General Partner, or any of their officers, employees, or agents, as legal, accounting, regulatory, or tax advice. Prior to investing in the Units, you should consult with your attorney and your investment, accounting, regulatory, and tax advisors to independently evaluate the appropriateness of such an investment for you, including the applicability of any legal restrictions.

No obligation to update
This Memorandum does not include information relating to events occurring subsequent to its date. The delivery of this Memorandum does not imply that information herein is correct as of any time subsequent to its date and we undertake no obligation to update such information.

Confidentiality
This Memorandum has been furnished on a confidential basis and may not be copied or used for any other purpose. By accepting delivery of this Memorandum, you agree to return it to us if you choose not to invest in the Partnership.

Restrictions on offer and sale of Units
The delivery of this Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Units. The delivery of this Memorandum does not constitute an offer to sell or the solicitation of an offer to buy Units in the Partnership in any jurisdiction in which such offer, solicitation or sale is not authorized, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Investment in the Partnership involves a high degree of risk and conflicts of interest that you should carefully consider before purchasing any Units. See "Risk Factors" and "Conflicts of Interest."

Forward-looking statements
All statements other than statements of historical fact contained in this Memorandum are forward-looking statements that are made pursuant to the safe harbor provisions of the *Private Securities Litigation Reform Act of 1995*.[8] When used herein, words such as "anticipates," "expects," "believes," "seeks," "goals," "intends," "estimates," "forecasts," or "projects" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements involve risks, uncertainties, and other factors that may cause the actual results of the Partnership to be materially different from that expressed or implied by the forward-looking statements. Such risks include, but are not necessarily limited to, the following:

[8] 109 Stat. 737 (1995), codified as amended in scattered sections of 15 U.S.C.

- Fluctuating prices for metals, particularly gold, silver, copper, zinc, and manganese
- Failure of exploration efforts to expand mineral reserves around the Property
- Unexpected changes in business and economic conditions
- Variances in estimates of mineral reserves and non-reserves
- Unanticipated variations in ore grade
- Unanticipated recovery, production, or transportation problems
- Changes in mining and processing costs
- Availability of skilled personnel, materials, equipment, supplies, power, and water
- Inclement weather
- Results of future exploration activities and feasibility studies
- Receipt and maintenance of government approvals and permits
- Accidents, labor disputes, and other operational hazards
- Environmental liabilities, costs, and risks
- Unanticipated title issues
- Availability of additional capital at reasonable rates, or at all
- Insurance coverage, or lack thereof, for operating risks
- Limited operating history
- Other risks set forth in the section of this Memorandum headed "Risk Factors."

These factors are not a complete list of factors that could affect us. More detailed information is provided in the other risk factors disclosed in this Memorandum.

Although we believe that the expectations reflected in forward-looking statements are reasonable, they may not prove to be correct. Accordingly, you should not place undue reliance on forward-looking statements. **All forward-looking statements in this Memorandum are qualified in their entirety by the cautionary statements in this paragraph and we undertake no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.**

Plain English

In accordance with the Securities and Exchange Commission's "Plain English" requirements,[9] words such as "we," "us," and "our" refer to Blackstone Resource Development, L.P. Words such as "you" and "your" refer to potential investors in the Partnership. We have attempted to keep "defined terms" to a minimum, but you will find these terms capitalized, bold-faced, and placed in parentheses on first reference. Subsequent capitalized references indicate that term has the specific meaning given to it on first reference. We urge you to contact us if any terms, acronyms, or statements in this Memorandum are unclear to you.

WHERE YOU CAN FIND MORE INFORMATION

[9] 17 CFR § 228 *et seq.*

The rights and obligations that you and the General Partner have toward each other are governed by a number of documents described in this Memorandum. From time to time we "incorporate by reference" certain information into this Memorandum, which means that we may disclose important information to you by referring you to other documents. Although we have attempted to summarize some of these documents for your convenience, we refer you to the actual documents for a complete description of your rights and obligations. All information that is incorporated by reference is deemed to be part of this Memorandum as if set forth in its entirety, and all document summaries are qualified in their entirety by this reference. You should not assume that the information in this Memorandum is current as of any date other than the date on the front page.

We will provide you and your advisors with the opportunity to ask questions about the terms and conditions of this Offering and to obtain any additional information that we may possess or can obtain without unreasonable effort or expense. Questions should be directed to:

Blackstone Mining Company, Ltd.
General Partner for Blackstone Resource Development, L.P.
Attention: Mr. James Hawley, President
[Address]
Boise, Idaho 83706
Telephone: (208) 555-5555
Facsimile: (208) 555-5556
jhawley@blackstonemining.com
www.blackstonemining.com

No other person has been authorized to give information or to make any representations concerning this Offering other than those contained in this Memorandum. If any such other information or representations are given or made, you must not rely on them.

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SUMMARY OF THE OFFERING

The following is a summary only and is qualified in its entirety by the more detailed information in this Memorandum, the Limited Partnership Agreement of Blackstone Resource Development, L.P**. ("Partnership Agreement")** and any other documents incorporated by reference. Unless otherwise indicated, "Partnership" means Blackstone Resource Development, L.P., an Idaho Limited Partnership, and "General Partner" means Blackstone Mining Company, Ltd., an Idaho corporation. This Offering involves a high degree of risk, conflicts of interest, and the payment of substantial compensation to the General Partner and its affiliates. It is only intended for investors who are able to bear the economic risk of loss of their entire investment and who are "accredited investors" as defined in Regulation D of the Securities and Exchange Commission.

Investment Highlights	• Property has generated substantial professional and commercial interest since 1870 • Favorable terrain and low elevation • Primary metals values in gold, silver, copper, zinc, and manganese • Stockpiles of 20,000 tons valued at $16,876,600 and possible reserves of 700,000 tons valued at $196,161,070 at current metals prices • Close proximity of ore body to the surface • 100 percent (100%) ownership of the Blackstone Mine, Volcano Mining District, Elmore County, Idaho • Strong metals prices expected to remain bullish, reflecting global inflation, a weakening United States dollar, and a recent decline in production of many precious and base metals.
The Partnership	Blackstone Resource Development, L.P.
General Partner	Blackstone Mining Company, Ltd. Management of the Partnership is vested exclusively in the General Partner.
Limited Partners	The Partnership will accept subscriptions only from individuals, corporations, and other entities that are "Accredited Investors" as defined by applicable law.
The Offering	The Partnership proposes to offer up to $5,000,000 in capital, consisting of 1,000 Limited Partnership Units.
Offering Price	$50,000 per Unit.
Minimum Investment	One Unit. No fractional units will be offered for sale.
Plan of Distribution	The Units will be sold by officers and directors of the General Partner, who will not receive any commissions from the Offering. The Partnership may retain the services of licensed broker/dealers to

	sell a portion of the Units, for which they may receive commissions not to exceed eight percent (8%) of the Offering price. There is no minimum number of Units required to be sold and there are no arrangements to escrow funds.
Capital Accounts	A separate capital account will be maintained for each partner. A Partner's capital account initially will equal the aggregate amount of cash, if any, received by the Partnership in exchange for the Units purchased in the Offering. A Partner's capital account will be increased by the dollar amount of any subsequent capital contributions made by the Partner by the Partner's allocable share of Partnership income. A Partner's capital account will be decreased by the dollar amount of any distributions made to the Partner by the Partner's allocable share of Partnership losses. In lieu of cash, the General Partner will contribute a 100% leasehold interest in the Blackstone Mine.
Use of Proceeds	The financing will be used for exploratory drilling in the projected sulfide sections of the Blackstone Mine (see "Project Summary").
Term	The Partnership's term will continue for a period of ten years from the initial closing, but may be extended for up to two additional one-year periods in the discretion of the General Partner, and for additional periods with the approval of two-thirds in interest of the Limited Partners.
Gains and Losses	Capital gains and losses for the Partnership will be determined annually and generally be allocated: (i) 80 percent to the Partners (including the General Partner to the extent of its capital contribution) in proportion to their capital contributions; and (ii) 20 percent to the General Partner. Additional distributions may be made in the discretion of the General Partner.
Expenses	The General Partner shall assume all expenses attributable to the management and administration of the Partnership, except as specifically set forth otherwise in the Partnership Agreement. Such expenses include, but are not necessarily limited to: compensation and expenses of the General Partner's employees, expenses for administrative, bookkeeping, clerical and related support services, insurance, office space and facilities, utilities, and telephones.
Classification	The Partnership will not obtain a ruling from the IRS, or an opinion from legal counsel, that it will constitute a limited partnership for federal income tax purposes. Unless the Partnership qualifies as a partnership for tax purposes, any losses allocable to the Limited Partners would not be deductible, the Partnership would itself be

	taxed on any taxable income, and any distributions to the Partners would be treated as dividends.
Liability of Limited Partners	As long as a Limited Partner does not actively participate in the operation of the Partnership, such Limited Partner will not be liable to the Partnership's creditors. Absent any contravention of the Partnership Agreement, a Limited Partner's total exposure for any debts, liabilities, obligations, damages, or judgments against the Partnership is limited to that Limited Partner's investment obligation in the Partnership.
Transferability	There is no market for the Units and no market will develop. As a result, Limited Partners will be required to hold the Units indefinitely and must be able to bear the loss of their entire investment. A Limited Partner will own only an interest in the Partnership and will not directly own any interest in the investments or any other asset or property of the Partnership.
Tax Matters	Due to the tax implications, an investment in the Partnership will generally be suitable only for taxpayers whose income is taxed at the highest marginal rate. Regardless of any tax benefits that may be obtained, a decision to purchase Units should be based primarily on an assessment of the soundness of the investment and the investor's capacity to absorb any potential loss.
Indemnification	In general, the General Partner, and each director, officer, employee, or agent of the General Partner will be entitled to indemnification by the Partnership against any costs and expenses incurred by such person in connection with any proceeding as a result of serving in any of the foregoing capacities or having served as a director, officer, employee, or agent of any organization in which the Partnership may have an interest, so long as such costs or expenses do not result from the fraud, gross negligence, or willful misconduct of such person.

DESCRIPTION OF BUSINESS

Blackstone Mining Company, Ltd. **("General Partner")** is a natural resource exploration company,[10] organized under Idaho law for the purpose of exploring and developing mining opportunities at the Blackstone Mine in Elmore County, Idaho **("Property").** The Property consists of five patented claims[11] that are owned by the General Partner and situated in the Bennett Mountains, approximately 85 miles southeast of Boise, Idaho in Sections 13, 14, and 15, T.2 S., R.10 E., Boise Meridian.[12] The Property lies at an elevation of approximately 5,800 feet and extends along the crest of a low granite ridge that rises about 1,000 feet above the broad Camas Prairie valley to the north.

Pursuant to the *Idaho Revised Limited Partnership Act*,[13] the General Partner intends to form Blackstone Resource Development, L.P. **("Partnership")** on or about the conclusion of this Offering for the express purpose of pursuing further exploration of the Property and proving up reserves that have been indicated in previous exploration efforts by other companies. See "History of the Property." To that end, the General Partner, as lessor, has conveyed a 100 percent leasehold interest in the Property under the terms of a non-freehold mining lease ("Lease"), executed on [DATE], as its contribution to the Partnership. A copy of the Lease is attached to this Memorandum and incorporated herein by reference.

Among other provisions, the Lease grants an exclusive right to the Partnership to explore, drill, ship, and sell both precious and base metals **("Minerals")** from the Property, which are believed to consist of polymetallic ore containing, among other things, gold, silver, copper, manganese, and zinc.[14] The Lease is in effect from [DATE] through December 31, 2021, with an exclusive option to renew for 10 years upon the same terms and conditions immediately preceding renewal, provided that the Partnership gives written notice of its intent to renew and is not otherwise in default of its obligations under the Lease.

The leasehold interest granted to the Partnership is subject to two limitations:

- Prior exploration and development work at the Property has resulted in stockpiles of approximately 20,000 tons. The existing stockpiles are the exclusive property of the lessor and are specifically excluded from the Lease.
- Lessor reserves all surface rights to the Property for agriculture or other purposes, provided lessor's use does not interfere with Lessee's mining operations.

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[10] Companies in the mining industry are categorized by the current activities taking place at the properties in which they own rights. An exploration stage company is one that is engaged in the search for minerals (reserves) that are not in either the development stage or production stage. A development stage company is one that is engaged in the preparation of an established commercially mineable deposit (reserve) for an extraction that is not in the production stage. A production stage company is one that is engaged in the exploitation of a mineral deposit (reserve).

[11] A patented mining claim is one which the federal government has passed title to the claimant, making the claimant the owner of the surface and mineral rights. An unpatented (sometimes called 'located') mining claim is one that is still owned by the federal government, but which the claimant has a right to possession to extract minerals.

[12] The five patented claims are designated as the Kentucky, Ohio, Iowa, Illinois, and Oregon Lode Mining Claims (Mineral Survey No. 1662), more particularly described in Book 15 of Patents at page 407, *et seq.,* in the Office of the County Recorder, Elmore County, Idaho.

[13] I.C. 53-3-301 *et seq*.

[14] Richard E. Kucera, PhD, FGAC, "Gross value of proven ore reserves at the Blackstone Mine, Elmore County, Idaho," Vancouver, B.C.: Unpublished manuscript (May 16, 1996).

In exchange for mineral rights, the Partnership has agreed to pay to the lessor a royalty of three percent (3%) of the net smelter returns[15] on all ores and concentrates mined and shipped from the Property. The Partnership has agreed to use its "best efforts"[16] to mine and extract the Minerals from the Property, and to expend a minimum of $25,000 in development work annually during the term of the Lease. The Partnership is also responsible for payment of all taxes assessed upon any property or improvements it places upon the Property. Any additional unpatented lode mining claims that the Partnership locates in or around the Property are also subject to the terms of the Lease, including payment of royalties.

Prior operations at the Property left stockpiles of approximately 20,000 tons and indicated ore bodies of 700,000 tons. As shown in Table 1 below, we believe the Property could yield economic values of $16,876,600 in stockpiles and $196,161,070 in indicated ore bodies at current metals prices.[17] The lessor will, at its own expense and for its own account, reduce the existing stockpiles to concentrate form for smelting. Existing stockpiles are the property of the General Partner and are specifically excluded from the Lease. The Partnership will not share in the profits, if any, that result from processing and refining such stockpiles.

TABLE 1
ESTIMATED VALUE OF BLACKSTONE MINE STOCKPILES AND INDICATED ORE BODIES

Stockpiled Ore (20,000 tons est.)				Indicated Ore Bodies (700,000 tons est.)			
Metal	**Percent**	**Price**	**Value/ton**	**Metal**	**Percent**	**Price**	**Value/ton**
Gold	0.05	1,410.00/oz	63.45	Gold	0.078	1,410.00/oz	109.98
Silver	8.0	33.91/oz	27 1.28	Silver	2.11	33.91/oz	71.55
Copper	4.0	4.40/lb	352.00	Copper	0.20	4.40/lb	17.60
Manganese	1.0	1.75/lb	35.00	Manganese	2.0	1.75/lb	70.00
Zinc	5.5	1.11/lb	122.10	Zinc	0.5	1.11/lb	11.10
Total			**$ 16,876,600**	**Total**			**$ 196,161,070**

Although a previous geological report on the Property makes reference to "proven" reserves,[18] a subsequent report, while not disputing these results, has also indicated the need for additional drilling.[19] Therefore, under SEC disclosure rules, our proposed mining activities must be deemed exploratory in nature; hence the reference to "indicated ore bodies" rather than "reserves." Even if these estimates prove to be substantially correct, there can be no assurance that the Partnership will be able to implement its plan of operations, that it will be profitable, or that any securities in connection with this Offering will have any value.

At various times in its history, the Property has actively produced precious metals, but we currently have no commercial production and have never recorded any revenues from

[15] The Lease defines "net smelter returns" as the gross value of product(s) shipped from the Property, less expenses incurred for insurance, shipping, handling, and/or sampling and assaying of shipped product(s), smelting/refining charges, and penalties.

[16] The Lease defines "best efforts" as the best efforts of a party without requiring such party to: (a) do any act that is unreasonable under the circumstances; (b) amend or waive any rights under the Lease; or (c) incur or expend any funds other than reasonable out-of-pocket expenses incurred in satisfying its obligations, including the fees, expenses and disbursements of its accountants, actuaries, counsel, and other professionals.

[17] Based on metals prices quoted in **[source] [date].**

[18] James Zarubica, B.Sc., "Report on the 1987 summer drilling program, Blackstone Mine Project, Elmore County, Idaho," Moscow, Idaho: Unpublished manuscript prepared for Richwell Resources, Ltd. (1987).

[19] Richard E. Kucera, PhD, FGAC, "Gross value of proven ore reserves at the Blackstone Mine, Elmore County, Idaho," Vancouver, B.C.: Unpublished manuscript (May 16, 1996).

production. You should not rely on historical mining operations as an indication that we will have future successful commercial operations.

Although we believe we have the expertise on our board to take a viable resource property into mining production, the costs and time frame for doing so are considerable, and the subsequent return on investment would be very long term. Therefore, there is a distinct possibility that, in conjunction with the General Partner, we might sell or lease any ore bodies that we may discover to a major mining company. Although major mining companies do some exploration work themselves, many of them rely on junior resource exploration companies to provide them with future reserves. Selling or leasing a reserve to major mining companies would provide an immediate return to our Partners without the long time frame and cost of putting a mine into operation ourselves, and it would also provide future capital for us to continue operations. We cannot assure you, however, that any major mining companies would be interested in partnering on the Property on commercially reasonable terms, if at all.

History of the Property

The Volcano Mining District, of which the Blackstone Mine is the largest and most prominent property, has been known since 1870 when prospectors in search of gold and silver discovered that it contained many strong mineral-bearing outcrops.[20] Since that time the Property has been the subject of intense professional interest.[21] In 1903, the Property was acquired by former Idaho Governor James H. Hawley[22] and his partner, Samuel Rich, who patented the present claims in the name of Blackstone Mining Company, Ltd.[23] The Property's primary metals values are in gold, silver, copper, zinc, and manganese.

The property lies on the north flank of the Bennett Mountains, at an average elevation of about 5,850 feet. The surrounding terrain consists primarily of eroded hills cut by dry gullies. Vegetation is mainly sagebrush, with light scrub in the valleys. There are no running creeks, but ample water can be obtained from wells drilled in the flatter country to the north of the main property.

In the early 1900s, the original Blackstone Mining Company began development by driving a 330-foot crosscut tunnel. According to company records, this work is reported to have cut a six-foot wide vein from which three carloads of hand-sorted ore were shipped. This ore returned assay values of 15 percent copper, 30 ounces silver, and .04 ounces of gold per ton.[24] Bell reports

[20] Frank E. Johnesse, M.E., "Report on the Revenue Group of lode mining claims in the Volcano Mining District, Elmore County, Idaho," Boise, Idaho: Unpublished manuscript, January 3, 1932. Johnesse was manager of the Lark Mining Company in the Wood River Mining District and a candidate for Idaho Inspector of Mines in 1920.

[21] See Robert N. Bell, "Another Butte in southern Idaho?" *Mining Truth* (November 20, 1930): 5–6.; Rhesa M. Allen, *Geology and ore deposits of the Volcano district, Elmore County, Idaho,* Moscow, Idaho: University of Idaho, unpublished M.S. thesis (1940); Rhesa M. Allen, "Geology and mineralization of the Volcano District, Elmore County, Idaho," *Economic Geology,* 47, 8 (1952): 815–821; Richard F. DeLong, *Geology of the Hall Gulch plutonic complex, Elmore and Camas counties, Idaho*, Moscow, Idaho: University of Idaho, unpublished M.S. thesis (1986); Earl H. Bennett, *The geology and mineral deposits of part of the western half of the Hailey 1°×2° Quadrangle, Idaho,* Washington, D.C.: U.S. Geological Survey Bulletin 2064-W, prepared in cooperation with the Idaho Geological Survey, Idaho State University, and the University of Idaho (2001).

[22] Governor of Idaho from January 2, 1911 to January 6, 1913.

[23] The General Partner, Blackstone Mining Company, Ltd, was formed as an Idaho corporation in 1987 and is the successor-in-interest to the corporation of the same name formed by Hawley and Rich in 1903.

[24] George I. Vasilhoff, M.M.E., P.E., "Preliminary report on the Blackstone Mine Property," Boise, Idaho: Unpublished manuscript, October 1984.

the deposit was a "sheared quartz fissure richly stained with manganese oxide and copper carbonate" and was developed by a 100-foot-long tunnel.[25]

In 1936, the Volcano Mining Company operated the Property under lease and shipped 54 tons of ore to the United States Smelter at Salt Lake City, Utah. Table 2 shows the following returns, based on Blackstone Mining Company records.

TABLE 2
VOLCANO MINING COMPANY SHIPMENTS FROM THE PROPERTY (1936)

Tons shipped	Copper (%)	Silver (oz/ton)	Gold (oz/ton)
22.82	2.60	11.0	
31.17	2.30	5.5	0.01

1984 operations

During the summer of 1984, DeLong mapped about 11 square miles of the Bennett Mountain area which included the Blackstone Property. The southern part of the map consists mainly of granodiorite intrusive of tertiary age in contact to the north and east with tertiary and quarternary volcanics. The main mass of tertiary intrusive has several windows exposing older (cretaceous) intrusive consisting mainly of granodiorites and related rocks which form the main body of the Idaho batholith. The tertiary intrusive is also cut by a number of east-west striking dikes and quartz veins of tertiary or later origin.

Known mineralization as exposed by exploration and development is confined to an east-west striking zone of structural weakness in the cretaceous intrusive, which lies mainly in section 14 and extends into sections 13 and 15. Principal minerals present are chalcopyrite, galena, sphalerite, and magnetite associated with quartz monzonite, and carrying varying silver and gold values. Surface mineralization is entirely in the oxide form of the base metals but some chalcopyrite has been noted in the pit about 60 feet below the original surface.
Another large exposure of the cretaceous intrusive occurs mainly in sections 13 and 18, to the southeast of the known mineral zone. Although this area has not been sampled in detail, DeLong considered it favorable for similar mineral deposition to the known zone.[26]

In late fall of 1984, Vasilhoff completed a preliminary engineering report on the Property, consisting of an examination of the pit area and a surface showing to the east of the main pit. He reported the pit itself was an east-west striking trench about 600 feet long with a width at the bottom of about 60 feet, with the deepest part of the pit at the east end, about 60 feet below the original surface. About 180 feet at the east end had been cleaned sufficiently to permit sampling of in situ mineralization.

Vasilhoff cut six samples from the pit floor over varying widths using a light sample pick. The samples, each 15 to 20 pounds, were crushed to 1/4" size, split to about five pounds each and submitted to Chemex Laboratories[27] in Reno, Nevada for assay. The results are summarized in Table 3.

[25] Bell, (1930).
[26] Vasilhoff (1984); DeLong, (1986).
[27] Now known as ALS Group, a subsidiary of Campbell Brothers, Ltd.

TABLE 3
RESULTS OF PRELIMINARY SAMPLING (Vasilhoff, 1984)

Sample	Copper (%)	Lead (%)	Zinc (%)	Silver (oz/ton)	Gold (oz/ton)	Location
7751	1.48	0.24	0.36	12.00	.003	W.pit, 44' N-S ch.
7753	0.64	4.24	3.01	3.90	.003	E.pit, 35' N-S ch.
7754	0.40	0.13	0.27	2.80	.003	E.end 90'W37'N.ch.
7755	0.51	0.10	0.17	3.90	.003	E.end 90'W16'N.S.ch
7756	0.76	0.18	0.11	5.07	.006	E.end+120'W,30'N-S
7757	0.40	1.78	2.17	4.94	.003	Grab from ore clump
7758	0.02	0.05	0.06	0.17	.003	Grab from discovery pit

Based on the results of the preliminary sample, Vasilhoff had the mine staff cut 10 channel samples across the pit floor over a strike length of 180 feet with each sample being 45 feet in a north-south direction. These samples were crushed and split in the same manner as the previous samples, with a split of each being submitted to Chemex Laboratories. The results are shown in Table 4.

TABLE 4
RESULTS OF SUBSEQUENT SAMPLING (Vasilhoff, 1984)

Sample	Silver (oz/ton)	Gold (oz/ton)
1	2.57	0.008
2	2.57	0.012
3	4.33	0.006
4	5.91	0.010
5	8.51	0.012
6	7.53	0.016
7	4.82	0.020
8	7.84	0.016
9	17.28	0.018
10	8.52	0.003

According to Vasilhoff's report, the material mined from the pit was entirely oxidized, but a few small pockets of unoxidized chalcopyrite were found in the lowest part of the pit. The transition zone from oxide to sulfide mineralization is expected at the water table horizon, expected to be from 300 to 500 feet below the present surface.

Working under a mining lease from Blackstone Mining Co., Ltd., Circa, Inc., began small shipments of concentrates in 1984 from a mill built at Mountain Home, Idaho to process about 10,000 tons of ore from the Blackstone open pit that had been mined in the preceding two years. Five persons were employed at the mill, and about $1 million was reportedly spent on the Property and mill. Hambro Resources optioned the property from Circa in 1985 and drilled nine holes at the Property. Richwell Resources conducted more drilling in 1987, resulting in approximately 4,000 tons containing in excess of 10 ounces of silver; 4 percent copper; 12 percent zinc; and .04 percent gold. According to one estimate, the Property produced a total of 838 ounces of silver and unspecified amounts of lead and copper from 1902 to the present.[28]

Surface development to date consists of a 100 x 600 foot open pit located near the eastern end of the five-patented-claim block. The open pit is developed on two east-west trending structures.

[28] Bennett, (2001).

Quartz veins and stockwork are developed along these structures. The adjacent country rock is intensely altered. At the surface, the southern structure hosts a stockwork that contains sulfides and intense alteration. The sulfides consist of pyrite, chalcopyrite, sphalerite, and galena as the major phases. In thin section, bornite or digenite rims can be seen around most of the calchopyrite. Surrounding the stockwork are three distinct zones of alteration with some mineralization. The zones from the stockwork outward are: a sulfide-epidote zone, a sulfide-sericite zone, and a sericite-manganese oxide zone.

The alteration in the sulfide-epidote zone is pervasive and extensive, with all original textures being destroyed. Alteration minerals include epidote, chlorite, and sericite. This alteration forms a three-meter wide zone around the stockwork. Silicification within this zone is relatively minor, but there are veins of quartz and epidote, with relict sphene. The mineralogy and style of alteration is similar to that of the fragments in the stockwork. The epidote ranges in size from 25 microns up to 1 millimeter. The finer-grained epidote is spatially associated with the veinlets. Sericite occurs as a fine-grained felty mass evenly distributed through the rock, and ranges in size from less than 2 to 200 microns. Chlorite also occurs as fine-grained patches throughout the rock. Apatite is present in this zone of alteration and is associated with the quartz veinlets. Calcite is present in this zone and is associated with the epidote and iron oxides. Iron oxides are most abundant near the outer edge of this zone where they comprise as much as 35% of the rock. The sulfides were probably pyrite, chalcopyrite, and galena.

The sulfide-sericite zone of alteration has an elongate, elliptical shape that varies in width from three to thirteen meters. Alteration is both selectively pervasive and veinlet-controlled. Alteration minerals include fine-grained patches that are up to two millimeters in diameter. The sericite is well developed and occurs as fine-grained masses in the rock. The grains are 1 to 40 microns in size. Some of the sericite is associated with the quartz stringers. Sericite also replaces epidote in this zone. The sulfides were probably pyrite and chalcopyrite.

The sericite-manganese oxide zone is the most widespread alteration associated with the deposit. The zone encloses other zones of alteration, but is not uniform in width. The alteration is both selectively pervasive and veinlet-controlled. The former is dominant near the stockwork. Sericite is 1 to 500 microns in size and is an alteration product of the plagioclase and potassium feldspar. Manganese oxide occurs as disseminated grains throughout the zone. The manganese oxide is a soft, sooty material that does not have a dinstinctive X-ray defraction pattern. Electron microprobe analysis indicates a significant amount of zinc associated with the manganese. The biotite occurs as fine grain aggregates associated with the iron oxides. This type of alteration also forms a linear zone north of the main structure. Nine of the ten holes intersected at least one of the two known structures. Data from the tenth hole was not available to the author. Other minor, parallel structures were intersected in several of the holes.

The south structure, which is exposed in the pit, hosts well developed quartz veins at depth, up to 15' wide at depth. Sericite-pyrite alteration forms halos around the veins. Several minor zones of sulfide-epidote were intersected in some drill holes. The geologic target for silver mineralization appears to be the quartz veins and adjacent altered host rock. Cross-sections and plan views of the deposit show a series of at least 10 east-west trending structures, most of which have a significant amount of fault gouge. The quartz veins occurring along these structures have a pinch and swell structure. The veins generally have a greater vertical than horizontal extent. These

quartz bodies form shutes and pods. The structures and quartz veins strike in an east-west direction and dip north between 50º and 70º.

At the surface, the southern structure is about 70' wide and the northern structure is about 40' wide. At depth, the two structures converge with a well developed zone of altered rock between them. The combined thickness of the structures is 90' to 130'. Horizontal extent of the body is about 600' in the drilled out area. Faults and altered host rock are exposed at the surface, 200' to 300' west of the current development. The vertical extent of the structures is at least 300' to 400', down dip, as indicated by drill holes nine and ten.

The Blackstone ore body is most likely an intrusion from the Idaho Batholith, meaning the Property could have commercial ore values as deep as 6,000 below the outcrop. Most of the previous exploratory drilling has been confined to the vadose (dry) zone of the Property containing oxidized ore, meaning the metals values from this area have leached down into the lower reaches of the ore body. The last exploratory drilling was a 1,700-foot vertical hole from the outcrop's apex that yielded low metallic values and heavy alteration containing low values of copper and zinc. The current phase of financing will be used for exploratory drilling in the projected sulfide sections of the Property, between 700 and 1,000 vertical feet below the outcrop level. See "Use of Proceeds."

USE OF PROCEEDS

The following tables show the intended sources and uses of the proceeds of the Offering, depending upon the number of Units sold. There is no minimum number of Units required to be sold and there are no arrangements to escrow funds. Pending investment as follows, the net proceeds of the Offering may be invested in investment-grade securities, federal or state government securities, short-term certificates of deposit, money market funds, or other short-term interest-bearing investments.

GROSS OFFERING PROCEEDS

	$ 0	***$ 0***	***$ 0***	***$ 0***
Offering expenses	(0)	(0)	(0)	(0)
Broker/Dealer Fee (up to 8 percent of gross proceeds)	(0)	(0)	(0)	(0)
Offering Expenses	50,000	50,000	50,000	50,000
Net Proceeds	**0**	**0**	**0**	**0**

NET OFFERING PROCEEDS

	$ 0	***$ 0***	***$ 0***	***$ 0***
Capital Expenditures				
Equipment Costs	0	0	0	0
Consumable Material	0	0	0	0
Drilling				
Defining Exploration	0	0	0	0
Drilling	0	0	0	0
Assays	0	0	0	0
Report Drilling	0	0	0	0
Reserve Definition				
Drilling	0	0	0	0
Operating Costs				
Labor Cost	0	0	0	0
Metallurgical Testing	0	0	0	0
Security	0	0	0	0
Feasibility	0	0	0	0
Environmental Impact Studies	0	0	0	0
Camp Expenditure	0	0	0	0
Travel	0	0	0	0
Consulting	0	0	0	0
General and Administration Expenses				
License Maintenance Fee	0	0	0	0
Automobile Expense	0	0	0	0
Bank Service Charges	0	0	0	0
Communication Expenses	0	0	0	0
Wages and Salary	0	0	0	0
Management and Directors Fees	0	0	0	0
Meals and Entertainment	0	0	0	0
Office and Administration	0	0	0	0
Postage and Delivery	0	0	0	0
Professional Fees	0	0	0	0
Promotions and Shareholder Relations	0	0	0	0
Transfer and Filing Fees	0	0	0	0
Travel and Accommodations	0	0	0	0
Total	**0**	**0**	**0**	**0**

RISK FACTORS

Overview

The exploration for and development of mineral deposits involves significant financial risks that even a combination of careful evaluation, experience, and knowledge cannot eliminate. An investment in a company with a short history of operations such as ours involves an unusually high amount of risk, including, but not limited to the risks enumerated in this section.

While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines with commercially feasible reserves. Even if mineral deposits are found, those deposits may be insufficient in quantity and quality to return a profit from production, or it may take a number of years until production is possible, during which time the economic viability of the project may change. As such, investment in the Partnership entails a high degree of risk and is suitable only for sophisticated persons of substantial financial means who have no need of liquidity in their investments, and who fully understand and are capable of bearing the risks of an investment in the Partnership, up to and including a complete loss of their investment.

You should carefully consider the following risk factors together with other information in this Memorandum. If any of the following risks materialize, we may not be able to achieve our business objectives.

Risks related to the mining business in general

- **Our mineral reserves may be significantly lower than expected, if they exist at all.** Although prior exploration efforts suggest the strong possibility of commercially valuable reserves at the property, we choose not to use the term "proven" mineral reserves, as that term is defined by the Securities and Exchange Commission (see below). There is currently no commercial production at the Property and you should not rely on historical mining operations as an indication that we will have successful commercial operations in the future. Even if we prove reserves on the Property, we cannot guarantee that we will be able to develop and market them, or that such production will be profitable.

  "Reserves" are defined by the Securities and Exchange Commission's *Industry Guide 7*[29] as that part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination.

  "Proven Reserves" are defined as reserves for which:
  - Quantity is computed from dimensions revealed in outcrops, trenches, workings, or drill holes; and
  - Grade and quality are computed from the results of detailed sampling; and

[29] *Indußstry Guide 7* contains the Security and Exchange Commission's basic mining disclosure policy. The definitions and disclosure instructions apply to all public mining entities and their public disclosures pursuant to the rules of Regulation S-K. Adopted in Release No. FR-39, July 30, 1992, effective August 13. 1992, 57 *Federal Register* 36442.

- The sites for inspection, sampling, and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established.

"Probable reserves" are defined as reserves for which quantity, grade, and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

The probability is very remote that an individual prospect will ever have a "proven" mineral reserve that meets the definition of the Securities and Exchange Commission. Although the Property has been extensively studied and surveyed by professional engineers and geologists in the past, we have no recent evaluations to determine whether any mineral deposits that might exist can be mined profitably at current market rates. Therefore, our proposed mining activities must be deemed exploratory in nature.

The estimation of ore reserves is not an exact science and depends upon a number of subjective factors. Any "reserve" figures presented in this Memorandum are estimates from the written reports of technical personnel and mining consultants who were contracted in previous attempts to develop the Property. Reserve estimates are a function of geological and engineering analyses that require us to forecast production costs, recoveries, and metals prices. The accuracy of such estimates depends on the quality of available data and of engineering and geological interpretation, judgment, and experience. Estimated ore reserves may not be realized in actual production and our operating results may be negatively affected by inaccurate estimates.

Assumptions about silver and gold market prices are subject to great uncertainty as those prices have fluctuated widely in the past. Declines in the market prices of silver or gold may render reserves containing relatively lower grades of ore uneconomic to exploit, and we may be required to reduce reserve estimates or discontinue operations altogether.

- **If we confirm commercial concentrations of gold, silver, or other minerals on the Property, we may still be unable to achieve commercial production.**
  Even if commercial quantities of minerals are discovered, we can provide no assurance that a ready market will exist for the sale of these minerals. Numerous factors beyond our control may affect the marketability of any substances discovered, including:
  - Market fluctuations;
  - Proximity and capacity of markets and processing equipment; and
  - Government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, and environmental protection.

  The exact effect of these factors cannot be accurately predicted, but any combination of them could result in our not receiving an adequate return on invested capital.

- **We expect to operate at a loss for the foreseeable future.**

We expect to incur losses until such time, if ever, as the Property enters into commercial production and generates sufficient revenues to fund continuing operations. The development of new mining operations will require the commitment of substantial resources for operating expenses and capital expenditures, which may increase in subsequent years if we add personnel and equipment necessary for exploration, development, and commercial production. The amounts and timing of expenditures will depend on a number of factors, many of which are beyond our control, including:

- Progress of ongoing exploration and development;
- Results of consultants' analyses and recommendations;
- Rate at which operating losses are incurred;
- Execution of joint venture agreements with strategic partners; and
- Acquisition of additional properties.

The cumulative effect of these factors makes it impossible to predict when, if ever, the Partnership will show a profit from operations on the Property.

- **Our operations may be adversely affected by hazards associated with the mining industry, some of which may not be fully covered by insurance.**
  Mining involves significant production and operational risks, including those related to:
  - Uncertain mineral exploration success;
  - Unexpected geological or mining conditions;
  - Difficulty developing new deposits;
  - Interruptions due to inclement weather or unfavorable climate conditions;
  - Equipment or service failures;
  - Delays in installing and commissioning plants and equipment;
  - Environmental hazards;
  - Industrial accidents;
  - Labor disputes; and
  - Other general operating risks outside our control.

  Commencement of mining can also reveal mineralization or geologic formations, including higher than expected content of other minerals that can be difficult to separate from precious metals, which can result in unexpectedly low recovery rates.

  Any of the foregoing occurrences could result in personal injury, damage to the Property or the environment, reduced production, monetary losses, and possible legal liability. Insurance for many environmental risks is not generally available to mining companies, and we currently have no such insurance. Any liabilities that we incur for these risks and hazards could be significant and the costs of rectifying the hazard may exceed our asset value.

- **We are a mineral exploration company with a limited operating history and expect to incur operating losses for the foreseeable future.**
  The Partnership has never earned any revenues and has never been profitable. Prior to completing exploration on the Property, we may incur increased operating expenses without

realizing any revenues. There are numerous difficulties normally encountered by mineral exploration companies, and these companies experience a high rate of failure. The likelihood of success must be considered in light of the problems, expenses, difficulties, and delays encountered in connection with exploration of the Property. These potential problems include, but are not limited to: unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. We have no history upon which to base any assumption that our business will prove successful, and we can provide no assurance that we will generate any operating revenues or ever achieve profitable operations.

- **Our operations may not be economically feasible due to the cyclical nature of certain factors.**
  The economic feasibility of any development project is based upon, among other things:
  - Completion of favorable feasibility studies;
  - Volatile metals prices;
  - Issuance and maintenance of necessary permits;
  - Estimates of the size and grade of ore reserves;
  - Proximity to infrastructures and other resources such as water and power;
  - Metallurgical recoveries;
  - Production rates;
  - Capital and operating costs; and
  - Receipt of adequate financing.

  Once developed, the commercial viability of a mineral deposit depends on a number of factors, including:
  - Particular attributes of the deposit, such as size, grade and proximity to infrastructure;
  - Government regulations including taxes, royalties and land tenure;
  - Land use;
  - Importing and exporting of minerals;
  - Environmental protection; and
  - Mineral prices.

  Consideration must also be given to the adequacy of infrastructure, including:
  - Reliability of roads, bridges, power sources and water supply;
  - Unusual or infrequent weather phenomena; and
  - Government or other interference in the maintenance or provision of such infrastructure.

  All of the foregoing factors are highly cyclical. While the exact effects of these factors cannot be predicted, any one or a combination of them could cause our business to fail.

- **We will depend on third-party refiners for processing.**

We plan to market our gold and silver concentrates to third-party refineries in the United States. We presently do not have smelting contracts with any of these refineries. If and when such contracts are in place, the loss of any single refinery could have a material adverse effect if alternative refineries were unavailable. We cannot assure you that alternative refineries would be available if the need for them were to arise, or that such refineries would offer sufficiently attractive terms for their services. In either event, we could experience delays or disruptions in sales that would materially and adversely affect results of operations.

- **Access to the Property may be restricted due to its location and weather conditions.** Although the Property is accessible by road at a relatively low elevation, the climate in the area is hot and dry in the summer, and cold and subject to snow in the winter, which could at times hamper accessibility depending on the winter season precipitation levels. As a result, our exploration and mining plans could be delayed for several months each year. Such delays could affect our anticipated business operations and increase our expenses.

Risks related to the metals market

- **Our performance may be subject to variations in the prices of gold, silver, and other minerals.**
  Our revenues will primarily be derived from the sale of gold and silver, and to a lesser extent, copper, zinc, and manganese. As a result, our earnings will be directly related to the prices of these metals. Silver and gold are commodities, and their prices are particularly volatile.

  As shown in the following table, during 2010 the price of silver ranged from a low of $14.78 per ounce to a high of $30.64 per ounce,[30] and the price of gold ranged from a low of $1,058 per ounce to a high of $1,421 per ounce.[31] The market prices of silver and gold on May 1, 2011, the date of this Memorandum, were $xx.xx per ounce of silver, $x,xxx.xx per ounce of gold, $xxx per pound of copper, $xxx per pound of zinc, and $xxx per pound of manganese.

THREE-YEAR SILVER AND GOLD PRICES FOR THE YEAR ENDED DECEMBER 31,						
	2010		*2009*		*2008*	
	Low	High	Low	High	Low	High
Silver	$30.64	$14.78	$19.28	$10.45	$20.70	$8.81
Gold	$1,421.00	$1,058.00	$1,212.50	$810.00	$1,011.25	$712.50

  Metals prices, particularly gold and silver, are affected by many factors beyond our control. These factors include, but are not necessarily limited to:
  - Expectations for inflation
  - Speculation
  - Relative exchange rate of the U.S. dollar
  - Global and regional demand and production
  - Global political and economic conditions

[30] As reported by Handy and Harman.
[31] As reported by the London Metal Exchange.

- Production costs in major producing regions
- Bullion sales by private and government holders
- Interest rates
- Returns on other asset classes
- Currency values.

In addition to the foregoing, precious-metal exchange-traded funds **("ETFs")**[32] have substantially facilitated the ability of large and small investors to buy and sell precious metals and have thus become significant holders of gold and silver. Net inflows of investments into and out of these funds are amplifying the historical volatility of gold and silver prices.

The profitability of a mineral exploration project could be significantly affected by changes in the market price of the relevant minerals. In recent decades, there have been periods of both worldwide overproduction and periods of worldwide underproduction of many mineral commodities. A surplus or a shortage of any mineral can result in significant price change for that mineral commodity. In order to maintain profitable operations, an operating mine must sell its gold and silver for more than its cost of producing it. The lower the price of the metal, the more difficult it is to make a profit. Because mining costs are relatively fixed, the lower the market price of gold, silver, and other metals, the greater the chance that investors might be unwilling to provide us with necessary funds and that we would have to cease our operations.

Environmental and regulatory risks

- **We are subject to substantial governmental regulation at federal, state, and local levels that could delay or suspend our operations.**
  Various levels of governmental regulations govern, among other things, development, production, labor standards, occupational health, waste disposal, use of toxic substances, mine safety, and other matters. Obtaining the necessary government permits can be a complex and time-consuming process involving numerous jurisdictions. With respect to the regulation of mineral exploration and processing, various jurisdictions have established performance standards, air and water quality emission standards, and other requirements for various aspects of the operations, including health and safety standards. Legislation and regulations also establish requirements for decommissioning, reclamation, and rehabilitation of mineral exploration properties following the cessation of operations and may require that some properties be managed for long periods of time.

  Permits are necessary for exploration activities and we will likely need to file for permits to conduct our exploration program. These permits are usually obtained from either the Bureau of Land Management or the United States Forest Service. Obtaining such permits usually

[32] Precious-metal ETFs are securities that are traded as stocks on one or more stock exchanges, including Zurich, Mumbai, London, Paris, and New York. An ETF trades at approximately the same price as the net asset value of its underlying assets. ETFs have risen in popularity because they provide investors a way to take positions in precious metals without having to learn how to purchase futures or other derivative products. The number of ETFs grew from 19 in 1997 to almost 819 in 2009 (Robert Hum, "ETFs by the numbers," CNBC.com, January 12, 2010. Accessed April 28, 2011).

requires the posting of small bonds for subsequent remediation of trenching, drilling, and bulk sampling.

Governmental authorities and private parties may bring lawsuits based upon damage to property and injury to persons resulting from the environmental, health, and safety impacts of prior and current operations, including operations conducted by other mining companies many years ago at sites located on the Property. These lawsuits could lead to the imposition of substantial fines, remediation costs, penalties, and other sanctions. Substantial costs and liabilities, including environmental restoration after the closure of mines, are inherent in our operations. We cannot assure you that any such law, regulation, enforcement or private claim would not have a negative effect on our financial condition and operations.

- **We face substantial requirements for environmental compliance that could be cost-prohibitive.**
  Exploration activities are subject to various levels of federal and state laws and regulations relating to protection of the environment, including requirements for closure and reclamation of mineral exploration properties. Some of the laws and regulations include the *Clean Air Act,*[33] the *Clean Water Act,*[34] the *Comprehensive Environmental Response, Compensation and Liability Act,*[35] the *Emergency Planning and Community Right-to-Know Act,*[36] the *Endangered Species Act,*[37] the *Federal Land Policy and Management Act,*[38] the *National Environmental Policy Act,*[39] the *Resource Conservation and Recovery Act,*[40] and all related state laws in Idaho.

  Environmental regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, and set forth limitations on the generation, transportation, storage, and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for mining companies. We may incur environmental costs that could have a material adverse effect on our financial condition and results of operations. Any failure to remedy an environmental problem could require us to suspend operations or enter into interim compliance measures pending completion of the required remedy.

  As part of its operating plan to address the preceding concerns, we intend to minimize surface disturbance and negative impact to the highest degree. We will not use cyanide heap leaching or mercury amalgamation. All surface operations will incorporate conventional equipment and methods enhancing those with current, proven, state-of-the-art equipment and technology. This will further reduce capital and operating costs and maximize the recovery of

[33] 77 Stat. 392 (1963), codified as amended at 42 U.S.C. § 7401.
[34] 86 Stat. 816 (1972), codified at 33 U.S.C. § 1251 *et seq.*
[35] 94 Stat. 2767 (1980), codified at 42 U.S.C. § 9601 *et seq.*
[36] 100 Stat. 1733 (1986), codified at 42 U.S.C. § 11004-11049.
[37] 87 Stat. 884 (1973), codified at 16 U.S.C. §1531.
[38] Pub.L. 94-579 (1976), codified at 43 U.S.C. § 1701-1787.
[39] 83 Stat. 852 (1969), codified at 42 U.S.C. § 4321 *et seq.*
[40] Pub.L. 94-580, codified at 42 U.S.C. § 6901 *et seq.*

minerals. Our goal is to exceed *Federal Mine Safety and Health Act*[41] rules and regulations, establishing the safest possible work environment. Despite these efforts, it is possible we could incur liability.

We do not anticipate discharging water into active streams, creeks, rivers, lakes or any other bodies of water without an appropriate permit. We also do not anticipate disturbing any endangered species or archaeological sites or causing damage to the Property. Recontouring and revegetation of disturbed surface areas will be completed pursuant to the applicable permits. The cost of remediation work varies according to the degree of physical disturbance. It is difficult to estimate the cost of compliance with environmental laws since the full nature and extent of our proposed activities cannot be determined at present.

Future expenditures related to closure, reclamation, and environmental expenditures are difficult to estimate due to:

- Uncertainties relating to the costs and remediation methods that will be required in specific situations;
- Possible participation of other potentially responsible parties; and
- Changing environmental laws and regulations.

Obtaining environmental protection permits, including the approval of reclamation plans, may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. We may also be required to maintain reserves for costs associated with mine closure, reclamation of land, and other environmental matters. There can be no assurance that all necessary permits will be obtained and, if obtained, that the costs involved will not exceed our estimates.

Risks related to this Offering

- **There is no firm commitment to purchase the Offering and the majority of the financial risk will fall on investors in this Offering.**
  This Offering is being conducted on a "best efforts" basis. There is no firm commitment on the part of any underwriter or other third party to purchase the securities offered hereby, and there is no minimum number of Units required to be sold. If only a small number of Units are sold (and absent funding from any other source), the amount received from investors may not provide any significant benefit to the Partnership. Even if all Units offered are sold, the Partnership may need to obtain additional capital until the time, if ever, that the Partnership is able to earn a profit. Investors will not be entitled to any return of subscription proceeds accepted by the Partnership except in accordance with applicable law. Investors purchasing Units in this Offering will incur a majority of the financial risk associated with the Partnership.

- **The Offering price has been arbitrarily determined.**

[41] Pub.L. 91-173 (1969) as amended by Pub.L. 95-164 (1977), codified at 30 U.S.C. § 801 *et seq*.

The Offering price and other terms and conditions relative to the securities offered hereby have been arbitrarily determined by the General Partner and do not necessarily bear any direct relationship to assets, earnings, book value, or other objective criteria of value. Among the factors considered were estimates as to the future prospects of the Partnership and its operations, expenses, and potential revenues. Such estimates were prepared by the General Partner based on its experience. There can be no assurances these projections will be achieved.

- **The Units are illiquid.**
  There is no market for the Units and no market will develop. As a result, the Units will be restricted securities upon issuance and cannot be resold without an applicable exemption from the registration requirements of federal and state securities laws. Furthermore, the Partnership Agreement sets forth significant restrictions on the transferability of a Unit. The General Partner has not obligated itself to repurchase, redeem or withdraw the Units from the Limited Partners, nor has it established a procedure or plan for such repurchase, redemption or withdrawal. Therefore, you will be required to hold the Units indefinitely and must be able to bear the loss of your entire investment. You will own only an interest in the Partnership and will not directly own any interest in the Investments or any other asset or property of the Partnership.

Risks related to the Partnership itself

- **Limited Partners face a potential loss of limited liability.**
  Under applicable law, as long as you do not actively participate in the operation of the Partnership, you generally are not liable for the debts and obligations of the Partnership beyond the amount of the capital contributions you are required to make under the Partnership Agreement. To the extent you participate in the control of the Partnership, you may become personally liable as a general partner for partnership obligations. Although the Partnership Agreement prohibits you from participating in the management or control of the Partnership, if you were to take any action that was deemed participation in management or control of the Partnership, you could be subjected to general and unlimited liability as a general partner. Assuming compliance with the Partnership Agreement and all applicable laws, your liability as a Limited Partner will be limited to no more than the amount of your commitment.

- **Limited Partners will have no managerial control of the Partnership.**
  As a Limited Partner, you will have no voice in the management or conduct of the affairs of the Partnership. The General Partner will have the sole and absolute right and authority to act for and on behalf of the Partnership in connection with all aspects of the business. The Limited Partners will be bound by all agreements made by the General Partner on behalf of the Partnership. Moreover, the General Partner will have no liability to the Partnership or Limited Partners for any loss or liability caused by any act or omission of the General Partner, unless such loss or liability arises from an act or omission that:
  - Constituted gross negligence;
  - Was not for a purpose believed in good faith to be in the best interests of the Partnership;
  - Was performed or omitted in bad faith;

- Constituted fraud or willful misconduct; or
- Constituted a breach of the General Partner's standard of care and resulted in a material adverse impact upon the Partnership and the other Partners.

As a result, you should not invest unless you are willing to entrust all aspects of Partnership management to the General Partner.

- **The death or incapacity of an organizer would be extremely detrimental to the Partnership.**
  The General Partner has full discretionary authority to identify, structure, execute, administer, monitor and liquidate Partnership Investments. Accordingly, no person should invest in the Partnership unless such person is willing to entrust all aspects of the management and investment decisions of the Partnership to the General Partner. Each of our officers and employees is important to our success. If any of them, particularly Mr. Hawley or Ms. Green, became unable or unwilling to continue in their respective positions and we were unable to find suitable replacements, our business and financial results could be materially negatively affected.

- **The Partnership could be reclassified by the Internal Revenue Service, causing Limited Partners to lose some or all of their tax advantages.**
  The Partnership will not obtain a ruling from the IRS, or an opinion from legal counsel, that it will constitute a limited partnership for federal income tax purposes. Unless the Partnership qualifies as a partnership for tax purposes, the Partnership's losses allocable to the Limited Partners would not be deductible by the Limited Partners, the Partnership would itself be taxed on any taxable income, and distributions to the Partners would be treated as dividends to the extent of earnings and profits of the Partnership.

- **The Offering documents were not prepared at arm's length.**
  The Partnership Agreement and this Memorandum were prepared at the direction of Mr. Hawley and Ms. Green, managers of the General Partner, and have not been negotiated by diverse parties in an arm's length transaction.

IMPORTANT INFORMATION FOR RESIDENTS OF CERTAIN STATES

For residents of all states

The presence of a legend for any given state reflects only that a legend may be required by that state and should not be construed to mean an offer or sale may be made in a particular state. If you are uncertain as to whether or not offers or sales may be lawfully made in any given state, you are hereby advised to contact the company. The securities described in this Memorandum have not been registered under any state securities laws (commonly called "Blue Sky" laws). These securities must be acquired for investment purposes only and may not be sold or transferred in the absence of an effective registration of such securities under such laws, or an opinion of counsel acceptable to the company that such registration is not required.

For Alabama residents

These securities are offered pursuant to a claim of exemption under the *Alabama Securities Act.* A registration statement relating to these securities has not been filed with the Alabama Securities Commission. The commission does not recommend or endorse the purchase of any securities, nor does it pass upon the accuracy or completeness of this private placement memorandum. Any representation to the contrary is a criminal offense.

For Alaska residents
The securities offered have not been registered with the Administrator of Securities of the state of Alaska under provisions of 3 AAC 08.500-3 AAC 08.504. The investor is advised that the administrator has made only a cursory review of the registration statement and has not reviewed this document since the document is not required to be filed with the administrator. The fact of registration does not mean that the administrator has passed in any way upon the merits, recommended, or approved the securities. Any representation to the contrary is a violation of 45.55.170. The investor must rely on the investor's own examination of the person or entity creating the securities and the terms of the Offering, including the merits and risks involved in making an investment decision on these securities.

For Arizona residents
These securities have not been registered under the *Arizona Securities Act* in reliance upon an exemption from registration pursuant to A.R.S. section 44-1844 (1) and therefore cannot be resold unless they are also registered or unless an exemption from registration is available.

For Arkansas residents
These securities are offered in reliance upon claims of exemption under the *Arkansas Securities Act* and section 4(2) of the *Securities Act of 1933.* A registration statement relating to these securities has not been filed with the Arkansas Securities Department or with the Securities and Exchange Commission. Neither the department nor the commission has passed upon the value of these securities, made any recommendations as to their purchase, approved or disapproved this Offering, or passed upon the adequacy or accuracy of this memorandum. Any representation to the contrary is unlawful.

For California residents
The sale of the securities which are the subject of this offering has not been qualified with Commissioner of Corporations of the state of California and the issuance of such securities or payment or receipt of any part of the consideration therefore prior to such qualifications is unlawful, unless the sale of securities is exempted from qualification by section 25100, 25102, or 25104 of the *California Corporations Code.* The rights of all parties to this offering are expressly condition upon such qualifications being obtained, unless the sale is so exempt.

For Colorado residents
The securities have not been registered under the *Securities Act of 1933*, as amended, or the *Colorado Securities Act of 1991* by reason of specific exemptions thereunder relating to the limited availability of the offering. These securities cannot be resold, transferred or otherwise disposed of to any person or entity unless subsequently registered under the securities act of 1933, as amended, or the *Colorado Securities Act of 1991*, if such registration is required.

For Connecticut residents
Shares acquired by Connecticut residents are being sold as a transaction exempt under section 36-409(b)(9)(a) of the *Connecticut Uniform Securities Act.* The shares have not been registered under said act in the state of Connecticut. All investors should be aware that there are certain restrictions as to the transferability of the shares.

For Delaware residents
If you are a Delaware resident, you are hereby advised that these securities are being offered in a transaction exempt from the registration requirements of the *Delaware Securities Act.* The securities cannot be sold or transferred except in a transaction

For District of Columbia residents
These securities have not been approved or disapproved by the securities bureau of the District of Columbia nor has the commissioner passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

For Florida residents
The shares described herein have not been registered with the Florida Division of Securities and Investor Protection under the *Florida Securities Act.* The shares referred to herein will be sold to, and acquired by the holder in a transaction exempt under section 517.061 of said Act. The shares have not been registered under said Act in the state of Florida. In addition, all offerees who are Florida residents should be aware that section 517.061(11)(a)(5) of the Act provides, in relevant part, as follows: "when sales are made to five or more persons in [Florida], any sale in [Florida] made pursuant to [this section] is voidable by the purchaser in such sale either within 3 days after the first tender of consideration is made by the purchaser to the issuer, an agent of the issuer or an escrow agent or within 3 days after the availability of that privilege is communicated to such purchaser, whichever occurs later." the availability of the privilege to void sales pursuant to section 517.061(11) is hereby communicated to each Florida offeree. Each person entitled to exercise the privilege to avoid sales granted by section 517.061 (11) (a)(5) and who wishes to exercise such right, must, within 3 days after the tender of any amount to the company or to any agent of the company (including the selling agent or any other dealer acting on behalf of the partnership or any salesman of such dealer) or an escrow agent cause a written notice or telegram to be sent to the company at the address provided in this confidential executive summary. Such letter or telegram must be sent and, if postmarked, postmarked on or prior to the end of the aforementioned third day. If a person is sending a letter, it is prudent to send such letter by certified mail, return receipt requested, to assure that it is received and also to evidence the time it was mailed. Should a person make this request orally, he must ask for written confirmation that his request has been received.

For Georgia residents
These securities are offered in a transaction exempt from the registration requirements of the *Georgia Securities Act* pursuant to section 9(m). The securities cannot be sold or transferred except in a transaction that is exempt under the Act, or pursuant to an effective registration statement under the Act, or in a transaction that is otherwise in compliance with the Act.

For Hawaii residents

Neither this prospectus nor the securities described herein have been approved or disapproved by the Commissioner of Securities of the state of Hawaii nor has the commissioner passed upon the accuracy or adequacy of this prospectus.

For Idaho residents
These securities evidenced hereby have not been registered under the *Idaho Securities Act* in reliance upon exemption from registration pursuant to section 301345(1) or (8) thereof and may not be sold, transferred, pledged or hypothecated except in a transaction which is exempt under said Act or pursuant to an effective registration under said Act.

For Illinois residents
These securities have not been approved or disapproved by the Secretary of the State of Illinois nor has the state of Illinois passed upon the accuracy or adequacy of the prospectus. Any representation to the contrary is unlawful.

For Indiana residents
These securities are offered pursuant to a claim of exemption under section 23-2-1-2 of the *Indiana Securities Law* and have not been registered under section 23-2-1-3. They cannot therefore be resold unless they are registered under said law or unless an exemption form registration is available. Until such exemption is granted, any offer made pursuant hereto is preliminary and subject to material change.

For Iowa residents
Iowa residents must meet the following standards: (1) you must have a net worth of $450,000 (exclusive of home, automobiles, and furnishings), in conjunction with a minimum purchase; or (2) you must have a net worth of $1,000,000 (exclusive of home, automobiles and furnishings), or $10,000 (exclusive of home, automobiles and furnishings), and a 50 percent tax bracket, in conjunction with a minimum purchase; or (3) you must be an "accredited investor" as defined in section 203.501(a)(4), (5), (6) or (7) of the federal Regulation D.

For Kansas residents
If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 81-5-6 of the *Kansas Securities Act* and may not be re-offered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

For Kentucky residents
If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under rule 808 of the *Kentucky Securities Act* and may not be re-offered for sale, transferred, or resold except in compliance with such Act and applicable rules promulgated thereunder.

For Louisiana residents
If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration

under rule 1 of the *Louisiana Securities Law* and may not be re-offered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

For Maine residents
If you are a Maine resident and you accept an offer to purchase these securities pursuant to this memorandum, you are hereby advised that these securities are being sold pursuant to an exemption from registration with the Bank Superintendent of the State of Maine under section 874-a(3) of title 32 of the *Maine Revised Statutes of 1964,* as amended, which exemption relates to transactions by an issuer not involving any public offering within the meaning of section 4(2) of the *Securities Act of 1933,* as amended, and the rules and regulations thereunder, including transactions exempt from registration under rule 504 of the Securities and Exchange Commission or any successor rule adopted under the *Securities Act of 1933,* as amended, and any transactions which constitute non-public offerings under rules and regulations adopted by the Bank Superintended pursuant to section 106, 807 or 873, subsection 6 of said title 32. These securities may be deemed restricted securities and as such the holder may not be able to resell the securities unless pursuant to registration under state or federal securities laws or unless an exemption under such laws exists.

For Maryland residents
If you are a Maryland resident and you accept an offer to purchase these securities pursuant to this memorandum, you are hereby advised that these securities are being sold as a transaction exempt under section 11-602(9) of the *Maryland Securities Act.* The shares have not been registered under said act in the state of Maryland. All investors should be aware that there are certain restrictions as to the transferability of the shares.

For Massachusetts residents
These securities have not been approved or disapproved by the securities division of the commonwealth of Massachusetts nor has the secretary of the commonwealth passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

For Michigan residents
These securities are being offered in a transaction exempt from the registration requirements of the *Michigan Securities Act.* The securities cannot be sold or transferred except in a transaction exempt under the Act, or pursuant to an effective registration statement under the act or in a transaction that is otherwise in compliance with the Act.

For Minnesota residents
These securities being offered hereby have not been registered under chapter 80a of the Minnesota securities laws and may not be sold, transferred, or otherwise disposed of except pursuant to registration, or an exemption therefrom.

For Mississippi residents
The shares are offered pursuant to a claim of exemption under the *Mississippi Securities Act.* A registration statement relating to these securities has not been filed with the Mississippi Secretary of State or with the Securities and Exchange Commission. Neither the secretary of state nor the commission has passed upon the value of these securities, or approved or disapproved this

offering. The secretary of state does not recommend the purchase of these or any other securities. Each purchaser of the securities must meet certain suitability standards and must be able to bear an entire loss of this investment. The securities may not be transferred for a period of one (1) year except in a transaction that is exempt under the *Mississippi Securities Act* or in a transaction in compliance with the *Mississippi Securities Act.*

For Missouri residents
The securities offered herein will be sold to, and acquired by, the purchaser in a transaction exempt under section 4.g of the *Missouri Securities Law of 1953,* as amended. These securities have not been registered under said act in the state of Missouri. Unless the securities are so registered, they may not be offered for sale or resold in the state of Missouri, except as a security, or in a transaction exempt under said act.

For Montana residents
In addition to the investor suitability standards that are otherwise applicable, any investor who is a Montana resident must have a net worth (exclusive of home, furnishings and automobiles) in excess of five (5) times the aggregate amount invested by such investor in the shares.

For Nebraska residents
If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under chapter 15 of the *Nebraska Securities Law* and may not be re-offered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

For Nevada residents
If any investor accepts any offer to purchase the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 49:3-60(b) of the Nevada Securities Law. The investor is hereby advised that the Attorney General of the State of Nevada has not passed on or endorsed the merits of this offering and the filing of the offering with the bureau of securities does not constitute approval of the issue, or sale thereof, by the Bureau of Securities or the Department of Law and Public Safety of the State of Nevada. Any representation to the contrary is unlawful. Nevada allows the sale of securities to 25 or fewer purchasers in the state without registration. However, certain conditions apply, i.e., there can be no general advertising or solicitation and commissions are limited to licensed broker-dealers. This exemption is generally used where the prospective investor is already known and has a preexisting relationship with the company. (See NRS 90.530.11.)

For New Hampshire residents
Neither the fact that a registration statement or an application for a license under this chapter has been filed with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-b is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the secretary of state has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make,

or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

For New Jersey residents
If you are a New Jersey resident and you accept an offer to purchase these securities pursuant to this memorandum, you are hereby advised that this memorandum has not been filed with or reviewed by the Attorney General of the State of New Jersey prior to its issuance and use. The Attorney General of the State of New Jersey has not passed on or endorsed the merits of this offering. Any representation to the contrary is unlawful.

For New Mexico residents
These securities have not been approved or disapproved by the Securities Division of the New Mexico department of banking nor has the securities division passed upon the accuracy or adequacy of this private placement memorandum. Any representation to the contrary is a criminal offense.

For New York residents
This document has not been reviewed by the Attorney General of the State of New York prior to its issuance and use. The Attorney General of the State of New York has not passed on or endorsed the merits of this offering. Any representation to the contrary is unlawful. The company has taken no steps to create an after market for the shares offered herein and has made no arrangements with brokers of others to trade or make a market in the shares. At some time in the future, the company may attempt to arrange for interested brokers to trade or make a market in the securities and to quote the same in a published quotation medium, however, no such arrangements have been made and there is no assurance that any brokers will ever have such an interest in the securities of the company or that there will ever be a market therefore.

For North Carolina residents
In making an investment decision, investors must rely on their own examination of the person or entity creating the securities and the terms of the offering, including merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the forgoing authorities have not confirmed accuracy or determined adequacy of this document. Representation to the contrary is unlawful. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the *Securities Act of 1933*, as amended, and applicable state securities laws, pursuant to registration or exemption therefrom. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time.

For North Dakota residents
These securities have not been approved or disapproved by the Securities Commissioner of the State of North Dakota nor has the commissioner passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

For Ohio residents
If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration

under section 107.03(2) of the *Ohio Securities Law* and may not be re-offered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

For Oklahoma residents
These securities are offered for sale in the state of Oklahoma in reliance upon an exemption from registration for private offerings. Any filing with the Oklahoma Securities Commission is permissive only and does not constitute an approval, recommendation or endorsement, and in no sense is to be represented as an indication of the investment merit of such securities. Any such representation is unlawful.

For Oregon residents
The securities offered have not been registered with the corporation commission of the State of Oregon under provisions of OAR 815 division 36. The investor is advised that the commissioner has not reviewed this document since the document is not required to be filed with the commissioner. The investor must rely on the investor's own examination of the company creating the securities, and the terms of the offering including the merits and risks involved in making an investment decision on these securities.

For Pennsylvania residents
Each person who accepts an offer to purchase securities exempted from registration by section 203(d), directly from the issuer or affiliate of this issuer, shall have the right to withdraw his acceptance without incurring any liability to the seller, underwriter (if any) or any other person within two (2) business days from the date of receipt by the issuer of his written binding contract of purchase or, in the case of a transaction in which there is no binding contract of purchase, within two (2) business days after he makes the initial payment for the securities being offered. If you have accepted an offer to purchase these securities made pursuant to a prospectus which contains a notice explaining your right to withdraw your acceptance pursuant to section 207(m) of the *Pennsylvania Securities Act of 1972* (70 PS § 1-207(m), you may elect, within two (2) business days after the first time you have received this notice and a prospectus to withdraw from your purchase agreement and receive a full refund of all moneys paid by you. Your withdrawal will be without any further liability to any person. To accomplish this withdrawal, you need only send a letter or telegram to the issuer (or underwriter if one is listed on the front page of the prospectus) indicating your intention to withdraw. Such letter or telegram should be sent and postmarked prior to the end of the aforementioned second business day. If you are sending a letter, it is prudent to send it by certified mail, return receipt requested, to ensure that it is received and also evidence the time when it was mailed. Should you make this request orally, you should ask written confirmation that your request has been received. No sale of the securities will be made to residents of the state of Pennsylvania who are nonaccredited investors if the amount of such investment in the securities would exceed twenty (20 percent) of such investor's net worth (excluding principal residence, furnishings therein and personal automobiles). Each Pennsylvania resident must agree not to sell these securities for a period of twelve (12) months after the date of purchase, except in accordance with waivers established by rule or order of the commission. The securities have been issued pursuant to an exemption from the registration requirement of the *Pennsylvania Securities Act of 1972.* No subsequent resale or other disposition of the securities may be made within 12 months following their initial sale in the

absence of an effective registration, except in accordance with waivers established by rule or order of the commission, and thereafter only pursuant to an effective registration or exemption.

For Rhode Island residents
These securities have not been approved or disapproved by the Department of Business Regulation of the State of Rhode Island nor has the director passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

For South Carolina residents
These securities are being offered pursuant to a claim of exemption under the *South Carolina Uniform Securities Act.* A registration statement relating to these securities has not been filed with the South Carolina Securities Commissioner. The commissioner does not recommend or endorse the purchase of any securities, nor does it pass upon the accuracy or completeness of this private placement memorandum. Any representation to the contrary is a criminal offense.

For South Dakota residents
These securities are being offered for sale in the state of South Dakota pursuant to an exemption from registration under the *South Dakota Blue Sky Law,* chapter 47-31, with the director of the Division of Securities of the Department of Commerce and Regulation of the State of South Dakota. The exemption does not constitute a finding that this memorandum is true, complete, and not misleading, nor has the director of the Division of Securities passed in any way upon the merits of, recommended, or given approval to these securities. Any representation to the contrary is a criminal offense.

For Tennessee residents
These securities have not been registered with the Commissioner of Insurance of Tennessee. Such registration does not constitute a recommendation or endorsement of any security nor does the commissioner pass upon the accuracy or adequacy of the information contained in this memorandum.

For Texas residents
The securities offered hereunder have not been registered under applicable Texas securities laws and, therefore, any purchaser thereof must bear the economic risk of the investment for an indefinite period of time because the securities cannot be resold unless they are subsequently registered under such securities laws or an exemption from such registration is available. Further, pursuant to §109.13 under the *Texas Securities Act,* the company is required to apprise prospective investors of the following: a legend shall be placed, upon issuance, on certificates representing securities purchased hereunder, and any purchaser hereunder shall be required to sign a written agreement that he will not sell the subject securities without registration under applicable securities laws, or exemptions therefrom.

For Utah residents
These securities are being offered in a transaction exempt from the registration requirements of the *Utah Securities Act.* The securities cannot be transferred or sold except in transactions that are exempt under the Act or pursuant to an effective registration statement under the Act, or in a transaction that is otherwise in compliance with the Act.

For Vermont residents
These securities have not been approved or disapproved by the Securities Division of the State of Vermont nor has the commissioner passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

For Virginia residents
If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction under section 13.1-514 of the *Virginia Securities Act* and may not be re-offered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

For Washington residents
The Administrator of Securities has not reviewed the offering or private placement memorandum and the securities have not been registered in reliance upon the *Securities Act of Washington,* chapter 21.20 RCW, and therefore, cannot be resold unless they are registered under the *Securities act of Washington,* chapter 21.20 RCW, or unless an exemption from registration is made available.

For West Virginia residents
If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 15.06(b)(9) of the *West Virginia Securities Law* and may not be reoffered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

For Wisconsin residents
In addition to the investor suitability standards that are otherwise applicable, any investor who is a Wisconsin resident must have a net worth (exclusive of home, furnishings and automobiles) in excess of three and one-third (3 1/3) times the aggregate amount invested by such investor in the shares offered herein.

For Wyoming residents
All Wyoming residents who subscribe to purchase shares offered by the company must satisfy the following minimum financial suitability requirements in order to purchase shares:
(1) a net worth (exclusive of home, furnishings and automobiles) of two hundred fifty thousand dollars ($250,000.00); and
(2) the purchase price of shares subscribed for may not exceed twenty percent (20 percent) of the net worth of the subscriber; and
(3) "taxable income" as defined in section 63 of the internal revenue code of 1986, as amended, during the last tax year and estimated "taxable income" during the current tax year subject to a federal income tax rate of not less than thirty-three percent (33 percent).
In order to verify the foregoing, all subscribers who are Wyoming residents will be required to represent in the subscription agreement that they meet these Wyoming special investor suitability requirements.

COMPETITION

We have no direct competition for the extraction of minerals from the Property, since no other mining company has an interest in the Property at this time. Since the potential products are traded in the open market, we have no control over the competitive conditions in the industry. There is no backlog of orders.

Nonetheless, the mineral extraction business in general is highly competitive. Numerous larger mining companies actively seek out and bid for mining prospects and properties as well as for the services of third-party providers and supplies, such as mining equipment, transportation equipment and smelters, upon which we rely. Many of these companies not only explore for, produce, and market minerals, but also carry out smelting and refining operations and market the resulting products worldwide. Most of our competitors have longer operating histories and substantially greater financial and personnel resources than we do.

MANAGEMENT TEAM

James H. Hawley
Mr. Hawley is the author and co-developer of the VisioNET™ software and network platform. Mr. Hawley's business experience includes executive officer and director positions with two public companies, restructuring of two international insurance companies and CEO of a privately held high-speed Internet distribution company. Mr. Hawley also has over 15 years of experience in radio and television broadcasting holding management, creative and "on-air" personality positions with several commercial broadcasting organizations, including the writing and production of award winning radio and television commercials for a variety of regional and national accounts. Mr. Hawley is fluent in several computer-programming languages, including Pascal, DOS, Basic, HTML, Java Script and C++. He is also skilled in Ethernet and Microsoft networking, systems integration, and circuit design. In 1997 Mr. Hawley and Marilyn Green, the Company's Vice Chair, formed CMJ Technologies, Inc. which later became VisioNET Television Network. Mr. Hawley attended Seattle University where he studied journalism and political science for four years with a final year at Boise State University. He also studied French culture and language as an exchange student at the Cite Universitaire in Etampes, France.

Marilyn K. Green
Ms. Green is the co-developer of the VisioNET™ system. Prior to co-founding the Company, Ms. Green was a managing executive with Integrated Resources Equity Corporation and Royal Alliance, a Sun America Company and member of the New York Stock Exchange. Her previous experience includes serving as principal in William J. Green & Co., and as a registered representative with Paulson Investment Company, Portland, Oregon. Prior to working in the securities profession, she served as a mortgage underwriter for Far West Securities in Spokane. Ms. Green has managed the Company's finance and business development from its start-up.

DIRECTOR AND EMPLOYEE COMPENSATION

As of the date of this Memorandum, the Partnership does not have any full-time or part-time employees. We do not currently pay director fees to any of our directors, but may begin compensating outside directors at a reasonable fee for meetings attended at such time as we may have one or more outside directors. Meetings of directors are generally held once a month for a total of approximately twelve meetings per year.

We have not entered into any employment agreements and there can be no such assurances that we will be able to enter into such agreements upon terms and conditions sufficient to attract and retain key personnel. We may enter into written employment agreements with other later retained management personnel and possibly other later retained key personnel on such terms and conditions as may be deemed reasonable by the General Partner.

TERMS OF OFFERING

The Units in this Offering have not been registered under the Securities Act or any state securities laws. The availability of exemptions from the securities laws depends to a large extent upon the investment intent of the investors. Accordingly, you will be required to acknowledge, among other things, that the purchase is for investment, for your own sole account, and without any view to resale or other distribution thereof. Since the sale of the securities is not registered, the securities will be restricted and may not be resold without registration, except under specific exemptions from the securities registration requirements.

There is no firm commitment by any person to purchase or sell any of the Units and there is no assurance that any Units offered will be sold. There is no minimum number of Units that are required to be sold in this Offering. All proceeds from the sale of the Units will be delivered to the Partnership. The General Partner may terminate this Offering at any time.

CERTAIN TAX CONSIDERATIONS

Introduction

The following paragraphs summarize certain federal income tax aspects of an investment in the Partnership. The discussion is based on certain provisions of the *Internal Revenue Code* **("Code")**, applicable Treasury Regulations **("Regulations")**, published Revenue Rulings and Revenue Procedures, current administrative positions of the IRS, and existing judicial decisions, all of which are subject to changes or modifications at anytime. You should bear in mind that we will not request any rulings from the IRS on the tax consequences described below or any other issues. A court might reach a different conclusion on the issues addressed if the matter were contested. Future legislation, administrative action or court decisions may significantly change the conclusions expressed herein, and any such legislation, action or decisions may have a retroactive effect with respect to the contemplated transactions.

You must not construe the contents of this Memorandum or any communications from the Partnership, its General Partner, or any of their officers, employees, or agents, as legal, accounting, regulatory or tax advice. Prior to investing in the Units, you should consult with your attorney and your investment, accounting, regulatory, and tax advisors to independently evaluate the appropriateness of such an investment for you, including the applicability of any legal restrictions.

IRS Circular 230 Disclosure
The following tax discussion is not given in the form of a "covered opinion" within the meaning of Circular 230 issued by the Secretary of the Treasury.[42] As such, we are required to inform you that you cannot rely upon any discussion in this Memorandum for the purpose of avoiding United States federal tax penalties. The tax consequences of an investment in the Partnership are particularly complex, and the tax summary in this Memorandum was written to support the marketing of this Offering. Accordingly, you should not consider any tax discussions in this Memorandum as a substitute for careful tax planning, and you should seek professional advice based on your particular circumstances from an independent advisor.

The income tax laws applicable to partnerships are extremely complex, and the following summary is not exhaustive and does not constitute tax advice. Prospective Limited Partners purchasing Units with a view to deriving tax benefits should obtain an independent opinion from an experienced professional advisor regarding the tax risks and effects of both federal and state tax laws upon an investment in the Partnership. No representation is made as to the tax consequences of the operation of the Partnership.

Tax Considerations
An investment in the Partnership may involve complex federal income tax considerations that will differ for each Limited Partner. Under certain circumstances, the Limited Partners could be required to recognize taxable income in a taxable year for federal income tax purposes, even if the Partnership does not have cash or property available to be distributed to the Partners during such taxable year. See Section VIII below, "Certain U.S. Federal Income Tax Considerations". Certain prospective limited partners may be subject to federal and state laws, rules and regulations which may regulate their participation in the Partnership or their engaging directly, or indirectly through an investment in the Partnership, in investment strategies of the type which the investment managers may utilize from time to time (e.g., leverage). See Section 14, "Taxation". As partners in a partnership, the limited partners will recognize their allocable shares of taxable income or loss from the Partnership, without regard to the fact that the Partnership does not anticipate making corresponding distributions, Thus, unless withdrawals are made, limited partners may have to rely upon resources independent of their limited partnership interests to pay their obligations to the federal, state and local tax authorities. Because the Partnership will utilize leverage in its investment program any tax-exempt investor will recognize unrelated business taxable income and may, thus, be subject to tax despite its tax-exempt status.

Tax status of the Partnership
The federal income tax consequences of an investment in the Partnership will depend in part upon the Partnership being recognized as a partnership for federal income tax purposes and not

[42] Codified at 31 CFR § 10.

as an association taxable as a corporation. Pursuant to Treasury regulations, we intend to elect to have the Partnership classified as a partnership for federal income tax purposes, but we will not seek a ruling from the IRS, nor an opinion of counsel to that effect. The following discussion assumes that the Partnership will be treated as such for federal income tax purposes.

Publicly traded partnerships

The *Revenue Act of 1987* **("1987 Act")** enacted various provisions that affect any partnership classified as a "publicly traded partnership." As discussed below, we do not believe the Partnership should be classified as a publicly traded partnership.

Section 721(a) of the Code provides generally that no gain or loss is recognized by a partnership or any of its partners upon the contribution of property to the partnership in exchange for a partnership interest. Under section 721(b) of the Code, this general non-recognition rule does not apply to gain realized on a transfer of property to a partnership if:

- More than 80 percent of the value of the partnership's assets (excluding cash and nonconvertible debt obligations) immediately after the transfer are held for investment and are readily marketable stocks or securities; and
- The transfer results, directly or indirectly, in diversification of the transferor's interests.

A transfer of stocks or securities to a partnership will not be treated as a diversification of the transferor's interests for these purposes, and will not trigger recognition of gain, if each transferor transfers a diversified portfolio of stocks and securities, which is generally defined as a portfolio in which not more than 25 percent of the value is invested in the stocks or securities of any one issuer (other than the Government) and not more than 50 percent of the value is invested in the stocks and securities of five or fewer non-government issuers.

Section 701 of the Code provides that no federal income tax will be paid by the partnership as an entity. Each limited partner will report on his federal income tax return his allocable share, determined by the partnership agreement, of the income, gains, losses, deductions and credits of the partnership, whether or not any actual distribution is made to such partner during his taxable year. A limited partner will generally be entitled to deduct on his personal income tax return his allocable share of partnership losses, if any, but only to the extent of the tax basis of his partnership interest at the end of the partnership year in which such losses occur. A partner's right to currently deduct losses from the partnership's operations will be further limited to the amount for which the Partner is considered "at risk."

Section 702 of the Code generally provides that the taxable revenue of the partnership will be computed in the same manner as the taxable revenue of an individual. The character of any items of revenue, including but not limited to income, gain, loss, deduction or credit included in the partnership's tax return will be reported as though the partner realized those items directly from the same source as the partnership. The partnership agreement will determine the Partner's share of such items.

Section 704 of the Code provides that a partner's share of any item of income, gain, loss, deduction or credit will be governed by the partnership agreement unless the agreement does not allocate such item or unless the allocation does not have substantial economic effect. We believe

the allocations under the partnership agreement have substantial economic effect within the meaning of Section 704 of the Code. Our Partnership Agreement provides that we may make amendments to the extent necessary to comply with the substantial economic effect test. In the event the allocations are determined not to have substantial economic effect, then each partner's share of an item will be allocated in accordance with the partner's respective interest in the partnership. This could result in a partner recognizing a greater or lesser amount of an item than he would have recognized under the Partnership Agreement. The timing in which a partner recognizes a particular item could also be different than he would have recognized under the Partnership Agreement.

Partnership not a dealer

Because the Partnership will purchase and sell securities for its own account and not for the account of others, will not hold itself out as a dealer, and will not maintain an inventory of securities for tax purposes, we anticipate that the operations of the Partnership will not be such as to render the Partnership a dealer. There can be no assurance that the IRS will not determine that, for tax purposes, the Partnership should be treated as a dealer. In the event the IRS were to prevail on this issue, transactions which would otherwise have received capital gain or loss treatment may result in ordinary income or loss.

Partner's deduction of Partnership losses

Under Section 704(d) of the Code, a Partner is permitted to deduct his share of Partnership losses only to the extent of his adjusted basis in his Partnership interest at the end of the Partnership year in which the losses occurred. Any excess of Partnership losses over the Partner's adjusted basis must be carried over and may be deducted in subsequent taxable years at the time, and to the extent that the Partner's basis in his Partnership Interest exceeds zero.

Generally, a Partner's tax basis for his interest in the Partnership at a particular time represents the sum of (a) the total amount of money he contributed to the Partnership, plus (b) the adjusted basis of any property contributed by him, plus (c) the Partner's share of partnership net income, minus (d) the Partner's share of partnership tax losses and distributions, plus (e) the Partner's pro rata share of certain Partnership liabilities.

Under the Section 752 Regulations, how the Partnership's liabilities are allocated to The Partners depends on whether the liability is recourse or non-recourse. A liability that is recourse to the Partnership is allocated among the General Partners in the manner that they share losses. A non-recourse liability is allocated to a limited partner except to the extent a limited partner is required to contribute additional capital to the Partnership. Non-recourse liabilities are allocated among the Partners based on their sharing of profits of the Partnership.

Limitation of losses to amounts at risk

Section 465 of the Code limits certain taxpayers' losses from certain activities to the amount they are "at risk" in the activities. Taxpayers subject to the "at risk" rules are individuals, an S corporation and certain closely held corporations. The activities subject to the "at risk" limitations are all activities except the holding of real estate. A Partner subject to the "at risk" rules will not be permitted to deduct in any year losses arising from his interest in the Partnership

to the extent the losses exceed the amount he is considered to have “at risk” in the Partnership at the close of that year.

A taxpayer is considered to be “at risk” in any activity to the extent of his cash contribution to the activity, his basis in other property contributed to the activity and his personal liability for repayments of amounts borrowed for use in the activity. With respect to amounts borrowed for use in the activity, the taxpayer is not considered to be “at risk” even if he is personally liable for repayment if the borrowing was from a person who has an “interest” in the activity other than an interest as a creditor. Even if a taxpayer is personally liable for repayment of amounts borrowed for use in the activity, and even if the amount borrowed is borrowed from a person whose only interest in the activity is an interest as a creditor, a taxpayer will not be considered “at risk” in the activity to the extent his investment in the activity is protected against loss through guarantees, stop loss agreements, or other similar arrangements.

Each Limited Partner will be at risk initially for the amount of his capital contribution. A Partners amount "at risk" will be increased by his income from the Partnership and will be decreased by his losses from the Partnership and distributions to him. If a Partner's amount “at risk” decreases to zero, he can take no further losses until he has an "at risk" amount to cover the losses. A Partner is subject to a recapture of losses previously allowed to the extent that his amount “at risk” is reduced below zero (limited to loss amounts previously allowed to the Partner over any amounts previously recaptured). The potential recapture effects of distributions of Partnership debts, if any, are uncertain, and the ultimate interpretation of the new recapture mechanism may have adverse affects upon a Limited Partner.

Passive losses
Section 469 of the Code prohibits individuals, trusts, estates, personal service corporations, and certain closely held C corporations from deducting “passive activity losses” from other income. A passive activity is one that involves the conduct of any trade or business in which the taxpayer does not materially participate. Limited Partnership interests are treated as interests in a passive activity without regard to whether the taxpayer materially participates in the activity. Proposed and Temporary Treasury Regulations provide that the trading of personal property such as stocks, bonds and other securities, for the account of owners of interests in the activity, will not be treated as a passive activity. Temp. Reg. ¤ 1 .469-1T(e)(6). Accordingly, a Limited Partner's distributive share of items of income, gain, deduction, or loss from the Partnership will not be available to offset passive losses from sources outside the Partnership. Partnership gains allowable to Limited Partners will, however, be available to offset losses with respect to "portfolio" investments. Moreover, any Partnership losses allocable to Limited Partners will be available to offset other income, regardless of source. Final Treasury Regulations may modify the Proposed and Temporary Regulations and such regulations may be retroactive in effect.

Sale of Units
Although the sale and transfer of a Limited Partnership Unit is severely restricted under the Partnership Agreement, in the event a Limited Partner does sell its Partnership Unit, the gain or loss recognized by a Limited Partner who is neither a dealer in securities nor in partnership interests should be treated as capital gain or loss. Gain or loss realized from the sale of a Partnership Unit which has been held for less than one year will generally be taxable as short-

term capital gain or loss. Gain or loss realized from the sale of a Partnership Unit that has been held for more than one year will generally be taxable as long-term capital gain or loss. That portion of the selling Partner's gain allocable to "unrealized receivables" as defined in Section 751 would be treated as ordinary income. Included in "unrealized receivables" is any market discount bond and short-term obligations, but only to the extent they would have given rise to ordinary income if the selling Partner's proportionate share of the Partnership's properties had been sold at that time. Transfers of Partnership Units by reason of death, gifts, transfers in certain tax free transactions and involuntary conversions in certain circumstances will not be subject to ordinary income treatment.

If the sale or other transfer of a Partnership Unit was made other than at the end of any taxable year, the profits and losses of the Partnership for the entire taxable year will be allocated between the transferor and the transferee based on the period of time during the taxable year that the Partnership Unit was owned.

Termination will cause the Partnership's taxable year to end with respect to all Partners and could have potentially adverse federal income tax consequences, including a change in the adjusted tax basis of Partnership property and the bunching of taxable income within one taxable period.

Profit motive

Section 183 of the Code provides limitations for deductions attributable to an “activity not engaged in for profit.” The term “activity not engaged in for profit” means any activity other than one that constitutes a trade or business or one that is engaged in for the production or collection of income or for the management, conservation, or maintenance of property held for the production of income. The determination of whether an activity is engaged in for profit is based on all the facts and circumstances and no one factor is Determinative.

Section 183 of the Code creates a presumption that an activity is engaged in for profit if, for any three or more years out of five consecutive taxable years, the gross income derived from such activity exceeds the deductions attributable thereto. Thus, while it is the general intention of the Partnership to seek and maintain economic profit, if the Partnership fails to produce a profit in at least three of five consecutive years, this presumption will not be available and the possibility of successful challenge by the IRS substantially increased. If Section 183 of the Code is successfully asserted by the IRS, no deduction will be allowed.

Since the test of whether an activity is deemed to be engaged in for profit is based on the facts and circumstances existing from time to time, no assurance can be given that Section 183 of the Code may not be applied in the future to disallow deductions taken by the investors with respect to their interest in the Partnership.

It should be noted that if the IRS were to challenge the Partners' deduction of Partnership losses for lack of profit motive, each Partner could have the burden of proving that the Partnership did in fact enter into the transaction with a reasonable expectation of profit and that his own investment in the Partnership was made with the requisite profit motive.

Alternative minimum tax
In certain cases a Partner's tax savings from the deduction of losses from the Partnership may be reduced by the alternative minimum tax **("AMT")**.

Potential investors in the Partnership should consult their personal tax advisors to determine whether an investment in the Partnership may subject them to the alternative minimum tax or an increased alternative minimum tax.

Reimbursement of costs
The General Partner will be entitled to reimbursement for certain expenditures relating to the business of the Partnership. Pursuant to Section 707(c) of the Code, a payment to a partner for services, determined without regard to the income of the partnership, is deductible by the partnership if it is an ordinary and necessary business expense that is reasonable in amount. Therefore, there can be no assurance that the IRS will not take the position that the fees payable to the General Partner or the amounts reimbursed to the General Partner are not deductible by the Partnership in whole or in part. Due to the factual nature of the issue, the General Partner cannot predict the outcome of any challenge as to the reasonableness of the fees paid to the General Partner or as to the characterization of the fees for federal income tax purposes.

Under The Tax Reform Act of 1986, investment expenses (e.g., investment advisory fees) of an individual are deductible only to the extent they exceed 2 percent of his adjusted gross income. Pursuant to Temporary Regulations issued by the Treasury Department, this limitation on deductibility would not apply to an individual Limited Partner's share of the investment expenses of the Partnership to the extent that the Partnership is engaged in a trade or business within the meaning of the Code.

Whether the Partnership will be held to be engaged in a trade or business or in an investment activity will depend on the extent and nature of the Partnership's trading activity in any taxable year. This issue is largely resolved on an analysis of facts, any of which will be known only in the future. Moreover, it is unclear what legal standards would be applied to those facts.

The consequences of this limitation will vary depending upon the personal tax situation of each taxpayer. Accordingly, non-corporate Limited Partners should consult their tax advisors with respect to the application of this limitation.

Adjustment of cost basis of Partnership assets
The Partnership may agree, in the sole discretion of the General Partner, to make the election permitted under Section 754 of the Code to have the cost basis of its assets adjusted in the case of a distribution of property or in the case of a transfer of any Partnership Unit or interest therein.

In the case of such a transfer, such election will affect only the transferee party by requiring an adjustment of the basis of Partnership property which will reflect the difference between the cost to him of the Partnership Unit and his proportionate share of the Partnership's basis for its underlying property. Such adjustment may produce a difference between the amount of gains or losses on sales and other dispositions of Partnership property reportable by the transferee Partner, and the amount thereof reportable by other Limited Partners. Because the Partnership may have

"unrealized receivables" (as defined in Section 751 of the Code) at the time of any transfer, the failure to make such an election may have adverse tax consequences to a potential transferee. Thus, if the General Partner does not agree in advance to make the election under Section 754 of the Code, the number of prospective transferees of a Partnership Unit may be limited. It should also be noted that once the election under Section 754 of the Code is made, it is applicable to all other and subsequent transfers and may not be revoked without the consent of the IRS.

Limitations on interest deductions
Section 265(a)(2) of the Code disallows any deduction for interest paid by a taxpayer on indebtedness incurred or continued for the purpose of purchasing or carrying tax-exempt obligations. In Revenue Procedure 72-18, 1972-l C.B. 740, the IRS stated that the proscribed purpose will he deemed to exist with respect to indebtedness incurred to finance a "portfolio investment," and that a limited partnership interest will be regarded as a "portfolio investment." Therefore, in the case of a Limited Partner owning tax-exempt obligations, the IRS might take the position that his allocable portion of any interest expense of the Partnership, or any interest expense incurred by him to purchase or carry a Partnership Unit, should be considered as incurred to enable him to continue to carry tax-exempt obligations, and that the Limited Partner would not be allowed to deduct all or a portion of such interest.

In general, Section 163(d) of the Code limits the amount of investment interest (other than qualified residence interest and interest expense taken into account in determining income or loss arising from passive activities) that a non-corporate taxpayer can deduct in any taxable year to the net investment income of the taxpayer for the year. Net investment income is the excess of gross income from property held for investment plus any net short-term gain attributable to the disposition of property held for investment over investment expenses (other than interest) which are directly connected with the production of investment income. Net investment income does not include any income that is considered to arise from passive activities.

In the case of the Partnership, each Partner must take into account separately his share of the Partnership's investment interest. If a Partner cannot deduct his investment interest because of the limitations imposed by Section 163(d) of the Code, such excess may be carried forward to future years, when the same limitations would apply.

SUMMARY OF THE PARTNERSHIP AGREEMENT

The following discussion of the Partnership Agreement is qualified in all respects by reference to the complete text of that Agreement.

Organization of the Partnership
Blackstone Resource Development, L.P. was formed as an Idaho limited partnership in by the filing of a Certificate of Limited Partnership in the office of the Secretary of State of the State of Idaho in accordance with the requirements of the *Idaho Revised Uniform Limited Partnership Act* (the “Act”), and shall continue until December 31, 2021 unless extended or sooner terminated under the terms of the Partnership Agreement.
Management of Partnership Business

Full control over the management, operation and policy of the Partnership is vested in the General Partner, who has the sole power to act on behalf of the Partnership and to carry out any and all of the purposes and objectives of the Partnership. The Limited Partners take no part in the management of the Partnership's business and have no power to act for, or to bind, the Partnership. The General Partner is empowered to admit additional general partners to the Partnership with the unanimous written consent of the Limited Partners.

Rights and Duties of Partners
The General Partner is required to devote such of its time and activity to the management of the affairs of the Partnership as it, in its sole discretion, shall deem necessary. The Partnership Agreement does not preclude the General Partner from engaging in business activities of any kind or nature for its own account or for the account of others (including but not limited to securities trading). The Partnership and the Limited Partners are not entitled to any interest in any of the activities of the General Partner. The General Partner may owe fiduciary obligations to one or more other business entities which may conflict with its obligations to the Partnership; provided, however, the General Partner will not undertake any act detrimental to the best interests of the Partnership or which would make it impossible to carry on the business of the Partnership.

The specific authorized duties of the General Partner include, without limitation, all of the following:
(a) to buy, sell and trade securities and all other Partnership property;
(b) to open and maintain various forms of trading accounts with broker/dealers and to pay all associated fees and transaction charges;
(c) to engage personnel, professional and otherwise, necessary to conduct the Partnership's business and affairs;
(d) to open and maintain bank accounts; borrow money; mortgage, pledge, assign or grant a security interest in securities or other property of the Partnership; and
(e) to do any other act necessary or advisable for the conduct of the business of the Partnership.

Indemnification
The Partnership indemnifies the General Partner from and against any and all claims or liabilities whatsoever, including reasonable attorneys fees, arising out of or in connection with any action taken or omitted by the General Partner pursuant to the authority granted under the Partnership Agreement, except where attributable to the willful misconduct of the General Partner, and except that the General Partner shall not be exonerated, exculpated or indemnified from any violations of federal or state securities laws, or any other intentional or criminal wrongdoing.

Books and Records
The General Partner keeps proper and complete books of account of the business of the Partnership. The books of the Partnership are kept in accordance with the method followed by the Partnership for federal income tax purposes and otherwise in accordance with generally accepted accounting principles applied in a consistent manner. Each Partner, or his representative, is entitled to inspect such books at the principal place of business of the Partnership, at any reasonable time during business hours. All expenses in connection with the

keeping of the books and records of the Partnership are borne by the Partnership as an ordinary business expense.

Within 90 days after the close of each calendar year, the General Partner delivers to each Partner, certified financial statements of the Partnership audited by independent certified public accountants selected by the General Partner.

Capital contributions
Each Limited Partner will contribute to the Partnership the capital contributions, in cash, all as specified in his or its Subscription Agreement. No additional capital contribution will be required of any Limited Partner, except as may be required by law or in respect of any negative balance in a Limited Partner's Capital Account resulting from an impermissible distribution in contravention of the terms of the Partnership Agreement.

Capital accounts
An individual Capital Account is maintained for the General Partner and for each of the Limited Partners. Any contribution by a Partner to the capital of the Partnership is credited to his Capital Account and all withdrawals by or distributions to each Partner is debited to his Capital Account. Such Capital Accounts also reflect the share of the Profits and Losses (as defined in the Partnership Agreement) of the Partnership allocated to each Partner in proportion to his respective Percentage Interest.

Determination and Allocation of Profits and Losses: Distributions in Kind and Cash
The Profits or Losses of the Partnership as of the end of each accounting period will be allocated to each Partner in the proportion which his Capital Account as of the beginning of that accounting period bore to the aggregate of all the Capital Accounts as of the beginning of that accounting period. Profits and Losses of the Partnership will be determined on the accrual basis of accounting and will be deemed to include net unrealized profits or losses on securities positions as of the end of each accounting period.

Investments held by the Partnership may be distributed in kind to the Partners in proportion to their respective Percentage Interests. Pro rata distributions in cash may be made at any time by the General Partner to the Partners.

Voluntary and required withdrawal by Partners
Upon 90 calendar days prior written notice to the Partnership, any Partner may withdraw, in whole or in part, its Capital Account as of the last day of any calendar quarter; provided, however, during the twelve-month period commencing on the date of admission to the Partnership, a Partner may only withdraw sufficient capital to satisfy tax payment obligations on any income allocable to that Partner's Capital Account; and provided, further, the General Partner, in its sole discretion, may permit a Partner to make a withdrawal prior to the first anniversary of its initial investment in the Partnership subject to a 3 percent withdrawal fee, payable to the Partnership. The Capital Account of a withdrawing Partner shall be paid to him within 10 days after the availability of the financial statements of the Partnership for the calendar quarter in which such withdrawal of capital is effective. Such payment to a withdrawing Partner may be made in cash or securities or a combination thereof, in the sole determination of the

General Partner. The withdrawing Partner shall bear any legal, accounting or administrative expenses incurred by the Partnership as a result of such withdrawal.
The General Partner may, at any time in its sole discretion, upon 30 calendar days prior written notice to any Limited Partner, require that such Limited Partner withdraw from the Partnership as of the end of any calendar quarter or any calendar year. Any legal, accounting or administrative expenses incurred by the Partnership as a result of such required withdrawal shall be borne by the Partnership.

Transfer of Partnership Units
The Limited Partners are prohibited from pledging, selling, assigning or transferring all or any part of their Limited Partner Unit without the prior written consent of the General Partner. No person may become a substituted Limited Partner without the prior written consent of the General Partner.

Bankruptcy of General Partner
In the event of bankruptcy of the General Partner, the Partnership shall terminate, unless within 30 days following such event, a majority-in-interest (as defined in the Partnership Agreement) of the Limited Partners elect one or more successor General Partners to continue the management and conduct of the business of the Partnership. In the event the Limited Partners do not so elect, they shall elect one or more successor General Partners to manage the liquidation of the Partnership. Limited Partners who do not consent to any election to continue the Partnership may withdraw from the Partnership.

Termination of Partnership; Liquidation and Winding Up
The Partnership will continue until December 31, 2021 or until the bankruptcy of the General Partner unless a majority-in-interest of the Limited Partners elect to continue the Partnership, or the election of the General Partner to terminate the Partnership, with the written consent of a majority-ininterest of the Limited Partners. Upon such termination, the affairs of the Partnership shall be wound up and the Partnership liquidated by the General Partner. Distributions in liquidation may be made in cash, or in kind and shall be ratably in accord with the Partners' respective Percentage Interests.

The term of the Partnership may be extended for a maximum of twenty years beyond December 31, 2011 by written agreement of the General Partner and a majority-in-interest of the Limited Partners.

Amendment of the Partnership Agreement
The Partnership Agreement may be amended by the General Partner acting alone in any manner that does not adversely affect any Limited Partner. The Partnership Agreement may also be amended by action of both the General Partner and Limited Partners owning a majority in interest of the Capital Accounts of all the Limited Partners in any manner that does not discriminate among the Limited Partners. Any such amendment requiring action by the Limited Partners will contain sufficient information and instructions regarding the proposal to be voted on.

INTELLECTUAL PROPERTY

The Partnership has no intellectual property such as patents or trademarks. It has not incurred any research or development expenditures since inception.

LITIGATION

Nether the General Partner nor the Partnership are presently a party to any material litigation, nor to our knowledge is any litigation threatened or contemplated against either entity that might materially affect the business or its assets.

DESCRIPTION OF UNITS

We are offering a maximum of 1,000 Limited Partnership Units at a price of $50,000 per Unit. There is no minimum requirement as to the number of Units sold. The Units are equal in all respects, and upon completion of the Offering, the Units will comprise the only representation of ownership that the Partnership will have issued and outstanding.

Each Limited Partner is entitled to one vote for each unit held on each matter submitted to a vote of the Limited Partners. Units are not redeemable and do not have conversion rights. The Units are and will be, fully paid and non-assessable.

In the event of the dissolution, liquidation or winding up of the Partnership, the assets then legally available for distribution to the Limited Partners will be distributed ratably among such Limited Partners in proportion to their Units.

Limited Partners are only entitled to profit distributions proportionate to their units of ownership when and if declared by the General Partner out of funds legally available for that purpose. To date, we have not given any such profit distributions. Future profit distribution policies are subject to our discretion and will depend upon a number of factors, including among other things, the capital requirements and the financial condition of the Partnership.

TRANSFER AGENT AND REGISTRAR

The General Partner will act as its own transfer agent and registrar for the Units.

PLAN OF DISTRIBUTION

This Offering is being conducted on a “best efforts” basis through officers and directors of the General Partner. There is no escrow. The proceeds from this Offering will be deposited directly into the Partnership’s treasury and be immediately available to the Partnership for the purposes set forth in this Memorandum.

At our sole discretion, Units may be offered and sold through placement agents registered with the National Association of Securities Dealers ("Placement Agents"). We will determine the commission to be paid, provided it does not exceed 8 percent of the Offering price. Officers or directors of the General Partner will not receive any commission for sales of securities, but they may receive reimbursement for reasonable out-of-pocket expenses in connection with sales.

We reserve the right to undertake additional offerings, provided that such offerings do not affect the Partnership's right to rely on Regulation D of the Securities Act. The present Offering shall remain open for a period of up to 120 days from the date of this Memorandum and an additional 120 days if extended by the General Partner, unless the maximum proceeds are earlier received or we determine to cease selling efforts. There can be no assurance that all or any of the Units will be sold.

RESTRICTIONS ON TRANSFER

The Units offered hereby are "securities" as defined in the Securities Act and state securities laws. The Securities Act provides, among other things, that no sale of any securities through the use of federal jurisdictional means may be made except pursuant to a registration statement that has been filed with the Securities and Exchange Commission and has become effective, unless such sale (or the security sold) is specifically exempted from registration. State securities laws have analogous provisions.

The Units in this Offering have not been registered under the Securities Act. Neither the Securities and Exchange Commission nor any state securities commission or regulatory authority has passed upon or endorsed the merits of this Offering. The Offering will be made privately to a limited number of investors:

- In reliance upon the "private placement" exemption from registration provided in Section 4(2) of the Securities Act and Regulation D of the Securities and Exchange Commission; and
- Where available, upon appropriate exemption from state registration or qualification under such state requirements.

To assure requirements for such exemption, the Units will be offered and sold only to persons who meet the qualifications set forth in the section titled "Investor Suitability Standards."

Units may not be transferred by a Limited Partner except in compliance with the Partnership Agreement and applicable federal and state securities laws. Such compliance may require one or more filings with federal and state authorities. Neither the Partnership nor the General Partner has any obligation to assist or to participate in such transfer. Pursuant to the Partnership Agreement, the Units are transferable only with the consent of the General Partner, which consent may be withheld in its sole and absolute discretion.

REPORTS TO LIMITED PARTNERS

Prior to April 1, we will furnish you with tax information concerning the Partnership's operations for the previous year. Within 90 days after the end of each calendar year, we will furnish you with an annual report containing financial statements of the Partnership audited by independent public accountants. The Partnership has adopted a fiscal year ending on December 31.

We may in the future elect to deliver such notices and documents by e-mail to the address in the Partnership's records or by posting them on a password-protected website. When delivering documents by e-mail, the Partnership will generally distribute them as attachments to e-mails in Adobe's Portable Document Format **("PDF")**. If you do not wish to receive such documents electronically, or wish to change the method of notice, you should notify us in writing.

PATRIOT ACT REQUIREMENTS

Before making an investment, all investors will be required to warrant that they are not, nor are they acting as an agent or representative, intermediary, or nominee for, a person identified on the list of blocked persons maintained by the Office of Foreign Assets Control, U.S. Department of Treasury. In addition, investors must comply with all applicable U.S. laws, regulations, directives, and executive orders relating to anti-money laundering, including *The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001,*[43] and Executive Order 13224 of September 23, 2001, blocking property and prohibiting transactions with persons who commit, threaten to commit, or support terrorism.

ANTI-MONEY LAUNDERING PROVISIONS

As part of our legal responsibility for preventing money laundering, we may require detailed verification of your identity and source of payment. We reserve the right to request such information as we deem necessary in this connection. In the event of delay or failure to produce any information required for verification purposes, we may refuse to accept the subscription or require mandatory redemption of your Units. In the event of a mandatory redemption, subscription monies will be returned to the originating account from which the funds were received. In such case, you will bear the results of any decrease in the net asset value of the Partnership from the date of subscription to the date of mandatory redemption. You will have no claim whatsoever against the Partnership or the General Partner for any form of losses or other damages incurred as a result of such refusal to accept the subscription or redemption.

We also reserve the right to refuse to make any withdrawal payment to a subscriber if we suspect or are advised that the payment of withdrawal proceeds to such subscriber might result in a breach of applicable anti-money laundering or other laws or regulations. If this occurs, you would have no claim whatsoever against the Partnership or the General Partner for any form of losses or other damages incurred as a result of such refusal to pay.

[43] Pub.L. 107-56 (2001), 115 Stat. 272.

SUBSCRIPTION PACKAGE

INSTRUCTIONS TO SUBSCRIBERS

Persons wishing to subscribe for limited partnership interests ("Interests") in Blackstone Resource Development, L.P. are required to complete the documents in this Subscription Booklet. **Please do not remove any of the documents.** Corporations, partnerships and trust subscribers should follow the "Special Subscription Instructions and Certificate for Corporation, Partnership and Trust Subscribers" contained in these instructions.

1. **Subscription Agreement.** Please complete the Subscription Agreement in the following manner:

(a) Complete paragraphs 8 and 9 by inserting the amount of your subscription and other information called for in those paragraphs.

(b) Complete paragraph 10, the Purchaser Questionnaire, in accordance with the instructions contained in the introduction to the Subscription Agreement/Purchaser Questionnaire.

(c) Complete the appropriate Counterpart Signature Page and obtain an acknowledgment.

(d) If the subscriber is a corporation, partnership or trust, special procedures are required for execution and additional documentation may be required as set forth in the Subscription Agreement and below.

You must demonstrate that you are an "accredited investor" (as that term is defined in Regulation D of the Securities and Exchange Commission). Please follow the Instructions to the Subscription Agreement. If you have questions concerning any of the information called for, you may ask your lawyer, accountant, or the General Partner for assistance. The information provided by you is confidential and will not be reviewed by anyone other than the General Partner and its counsel, unless required by a government agency.

2. **Counterpart Signature Page.** The Counterpart Signature Page must be signed and dated by each Investor. In the case in which the Interests will be held in joint ownership, both Investors must sign.

3. **Purchase Price.** A check on the amount of $50,000 per Unit (each Unit consists of one Interest) as payment of the purchase price for Interest(s) should accompany the completed Subscription Documents.

4. **Delivery Instructions.** Investors should send all of the documents included in this subscription booklet and a check made payable to Blackstone Resource Development, L.P. to:

Blackstone Resource Development, L.P.
Address
Boise, Idaho 83701
Attention: James Hawley

SPECIAL SUBSCRIPTION INSTRUCTIONS AND CERTIFICATE FOR CORPORATION, PARTNERSHIP AND TRUST SUBSCRIBERS

If the subscriber is a corporation, partnership, trust or other entity, the following instructions must be followed. Additional information may also be required in some cases.

1. Corporations, partnerships and trusts must have the subscription documents completed and executed by the authorized corporate officer, general partner, or trustee who is making the investment decision on behalf of the corporation, partnership, or trust.

2. Corporations, partnerships and trusts must provide the following additional information:

(a) Corporations. Attach a copy of the currently effective charter and a copy of the corporate resolution authorizing the investment.

(b) Partnerships. Attach a copy of the partnership agreement (the agreement should include the date of formation of the partnership and a list of all the partners).

(c) *Trusts.* Attach a copy of the trust instrument or will authorizing investments by the trustee.

3. The authorized corporate officer, general partner or trustee must date, sign and fill in the Counterpart Signature Page for entities.

INSTRUCTIONS TO SUBSCRIPTION AGREEMENT

Blackstone Resource Development, L.P.

This Subscription Agreement must be completed by all Investors according to the directions below.

1. Please read carefully paragraphs 1 through 7. If you cannot make the representations contained in paragraph 2, and if applicable, paragraph 6, you cannot subscribe for Interests.

2. Complete paragraph 8 by inserting the number of Units, the total amount of your subscription, and the amount of your check.

3. Complete paragraph 9 by checking the type of ownership of your Interests and indicating the exact name in which title to the Interests is to be held.

4. Complete paragraph 10 as follows:*

(a) *Section A*—All investors must complete Section A.

(b) *Section B*—All investors must complete Section B as follows:

(i) Item B.1—This item must be initialed by *all* investors.

(ii) Item B.2—Individuals who have substantial individual income or net worth may qualify as accredited investors. Paragraphs (a), (b) and (c) in Item B.2 set forth three separate ways to qualify as an accredited investor. If you qualify under any of these tests, you must initial any one or more of the spaces that apply to you.

(iii) Item B.3—Partnerships, corporations or other entities may qualify as "accredited investors" if they meet the tests set forth for such entities in Item B.3 of Section B. If you are completing this Agreement in connection with an investment by a partnership, corporation or other entity that qualifies as an "accredited investor," you should initial either one of the appropriate tests for entities. If you choose Item B.3(b) for partnerships, corporations or other entities, you must complete Item B.5 of Section B.

(iv) Item B.4—Trusts may qualify as accredited investors if they meet the tests set forth in Item B.4 of Section B. If you are completing this Agreement in connection with a trust that qualifies as an "accredited investor," you should initial either one of the appropriate tests for trusts. If you choose Item B.4(b) for trusts, you must complete Item B.5 of Section B.

(v) Item B.5—This item must be completed by accredited corporations, partnerships, trusts or other entities choosing Item B.3(b) or Item B.4(b) of Section B.

(vi) Item B.6—This item must be completed by *all* accredited investors.

(b) *Sections C and D*—All investors must complete Sections C and D.

5. Complete the appropriate signature page in accordance with the notes to the signature pages. There are different signature pages for individuals, corporations, partnerships and trusts.

* If this agreement is being completed on behalf of a corporation, partnership, or trust, or for individuals subscribing as joint tenants or tenants-in-common, the person making the investment decision must complete it. If joint tenants or tenants-in-common are not married or are each making the investment decision, a separate questionnaire must be completed for each person.

SUBSCRIPTION AGREEMENT

To the Board of Directors of Blackstone Mining Company, Ltd.
as General Partner of Blackstone Resource Development, L.P.
Address
Boise, Idaho 83701

Ladies and Gentlemen:

1. **Subscription.** The undersigned hereby applies to become a Limited Partner in Blackstone Resource Development, L.P. (the "Partnership"), an Idaho limited partnership, with Blackstone Mining Company, Ltd., an Idaho corporation, as the General Partner (the "General Partner") and to purchase the limited partnership interests (the "Interests") indicated below in accordance with the terms of this agreement and the Agreement of Limited Partnership (the "Partnership Agreement") attached to the Private Offering Memorandum dated May 1, 2011, relating to the Interests (such Private Offering Memorandum, including all financial statements, exhibits and schedules contained therein or attached thereto, and any amendments and supplements thereto, is herein called the "Memorandum"). Terms not otherwise defined in the Subscription Agreement/ Purchase Questionnaire are as defined in the Memorandum. **This subscription may be rejected by the General Partner in its sole discretion.**

If this Agreement is being completed on behalf of a corporation, partnership or trust, it should be completed and executed by an authorized corporate officer, general partner or trustee.

2. **Representations and warranties.** The undersigned represents and warrants as follows:

a. The undersigned has received the Memorandum, and has carefully reviewed the Partnership Agreement and the Memorandum, and has relied on the information contained therein, information otherwise provided to him in writing by the Partnership, or information from books and records of the Partnership. The undersigned understands that all documents, records and books pertaining to this investment have been made available for inspection by him, and that the books and records of the Partnership will be available upon reasonable notice, for inspection by investors during reasonable business hours at its principal place of business. The undersigned has had a reasonable opportunity to ask questions of and receive answers from the General Partner, or a person or persons acting on its behalf, concerning the offering of the Interests, and all such questions have been answered to the full satisfaction of the undersigned. No oral representations have been made or oral information furnished to the undersigned in connection with the offering of the Interests that were in any way inconsistent with the Memorandum. The undersigned understands that the General Partner reserves the right to reject any subscription, in whole or in part, and no subscription will be binding unless and until accepted by the General Partner.

b. The undersigned is an "accredited investor" as that term is defined in Regulation D of the Securities and Exchange Commission, 17 CFR § 230.501 *et seq*.

c. The undersigned (i) has adequate means of providing for his current needs and possible personal contingencies, (ii) has no need for liquidity in this investment, (iii) is able to bear the substantial economic risks of an investment in the Interests for an indefinite period, and (iv) at the present time, can afford a complete loss of such investment.

d. The General Partner and its principals will receive substantial compensation in connection with the Partnership irrespective of the success of its operations and, in the future, may be engaged in businesses that are competitive with the Partnership. The undersigned agrees and consents to these activities of the General Partner and its affiliates even though there are conflicts of interest inherent in such activities and even though the undersigned will have no interest in such activities. The undersigned agrees and understands that the General Partner, and its officers, may engage in other businesses in addition to the business of the Partnership, and these other businesses may be competitive or conflict with the business of the Partnership, and in which no Partner will have any rights as a result of his participation in the Partnership.

e. The undersigned recognizes that the Partnership is newly organized and has no financial or operating history and that the Interests as an investment involve significant risks, including those set forth in the Memorandum.

f. The undersigned understands that the sale of the Interests has not been registered under the *Securities Act of 1933*, as amended (the "Act"), in reliance upon an exemption there-from for nonpublic offerings. The undersigned understands that the Interests must be held indefinitely unless the sale thereof is subsequently registered under the Act, as amended, or an exemption from such registration is available. The undersigned further understands that the Partnership is under no obligation to register the Interests on his behalf or to assist him in complying with any exemption for registration.

g. The undersigned understands that neither the Securities and Exchange Commission nor any state securities commissioner has passed on or endorsed the merits of this offering. The undersigned will not transfer the Interests without registering them under applicable state securities laws unless the transfer is exempt from registration under such laws.

h. The Interests are being purchased solely for the undersigned's own account for investment and not for the account of any other person and not for distribution, assignment or resale to others and no other person has a direct or indirect beneficial interest in such Interests.

i. The undersigned realizes that the undersigned may not be able to sell or dispose of his Interests as there will be no public market. In addition, the undersigned understands that his right to transfer the Interests will be subject to the conditions set forth in the Partnership Agreement, which includes restrictions against transfer unless the transfer is not in violation of the Act and applicable state securities laws (including investor suitability standards), and the General Partner consents to such transfer. The undersigned realizes that the General Partner will not consent to a transfer of an Interest unless the transferee meets the financial suitability standards required of an initial subscriber or unless such conditions are waived by the General Partner, and that the General Partner has the right, in its absolute discretion, to refuse to consent to the transfer of an Interest. The undersigned understands that legends will be placed on any certificates or other documents evidencing the Interests with respect to the above restrictions on the assignment, resale or other disposition of the Interests and that stop transfer instructions have or will be placed with respect to the Interests so as to restrict the assignment, resale or other disposition thereof.

j. The General Partner has answered all inquiries that the undersigned has made of it concerning the Partnership or any other matters relating to the formation and proposed operation of the Partnership and the offering and sale of Interests. No statement, printed material or inducement contrary to the information contained in the Memorandum has been given or made by or on behalf of the General Partner to the undersigned.

k. The undersigned has not been furnished any offering literature other than the Memorandum, the documents attached as exhibits thereto, and other materials that the Partnership or the General Partner may have provided at the request of the undersigned; and the undersigned has relied only on the information contained in the Memorandum and such exhibits and the information furnished or made available to the undersigned by the Partnership or the General Partner, as described in subparagraphs a, and 1.

l. The undersigned has not distributed the Memorandum to anyone, and no one other than the undersigned has used the Memorandum.

m. The undersigned, if a corporation, partnership, trust or other entity, is organized under the laws of a state of the United States and is authorized and otherwise duly qualified to purchase and hold the Interests. Such entity has its principal place of business as set forth on the signature page hereof and has not been formed for the specific purpose of acquiring Interests unless all of its equity owners qualify as accredited individual investors. Beneficiaries of a trust will *not* be considered equity owners.

n. All information which the undersigned has provided to the Partnership or the General Partner concerning himself, his financial position and his knowledge of financial and business matters, or, in the case of a corporation, partnership, trust or other entity, the knowledge of financial and business matters of the person making the investment decision on behalf of such entity, including all information contained herein, is correct and complete as of the date set forth at the end hereof and may be relief upon, and if there should be any material adverse change in such information prior to this subscription being accepted, the undersigned will immediately provide the Partnership with such information.

o. The undersigned, if an individual, is a citizen of the United States of America, and at least 21 years of age.

p. The undersigned understands that the discussion of the tax consequences arising from investment in the Partnership as set forth in the Memorandum is very general in nature and the tax consequences to the undersigned of investment in the Partnership depend on his individual circumstances.

q. The undersigned understands that there can be no assurance that the Internal Revenue Code or accompanying regulations will not be amended or applied in such a manner as to deprive the Partnership and its partners of some or all of the tax benefits they might expect to receive, or that some of the deductions claimed by the Partnership or the allocation of items of income, gain, loss, deduction or credit among the partners may not be challenged by the Internal Revenue Service.

r. The undersigned understands that all projections and forward-looking statements set forth in the Memorandum are based on various estimates, assumptions and projections of the General Partner, are in no sense guaranteed by the General Partner, and are subject to the caveats set forth in the Memorandum.

s. The undersigned understands and agrees that the following restrictions and limitations are applicable to his purchase and any resale or other transfer he may make of the Interests:

    (i) The Interests shall not be sold or otherwise transferred unless the applicable provisions of the Agreement are satisfied.

(ii) **THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE *SECURITIES ACT OF 1933,* AS AMENDED. WITHOUT SUCH REGISTRATION, SUCH SECURITIES MAY NOT BE SOLD OR OTHERWISE TRANSFERRED AT ANY TIME WHATSOEVER, EXCEPT UPON DELIVERY TO THE PARTNERSHIP OF AN OPINION OF COUNSEL SATISFACTORY TO THE GENERAL PARTNER OF THE PARTNERSHIP THAT REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER OR THE SUBMISSION TO THE GENERAL PARTNER OF SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY TO THE GENERAL PARTNER TO THE EFFECT THAT ANY SUCH TRANSFER WILL NOT BE IN VIOLATION OF THE *SECURITIES ACT OF 1933,* AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS OR REGULATIONS.**

(III) Stop transfer instructions will be placed with respect to the Interests so as to restrict resale, or other transfer thereof, subject to the further items hereof, including the provisions of the legend set forth in subparagraph (ii) above.

(iv) During the term of the Partnership, the legend and stop transfer instructions described in subparagraphs (ii) and (iii) above will be placed with respect to any new certificate(s) or other document(s) issued upon presentment by the undersigned of certificate(s) or other document(s) for transfer.

t. The undersigned certifies, under penalties of perjury, (i) that the taxpayer identification number shown on the signature page of this Subscription Agreement is true, correct and complete, and (ii) that the undersigned is not subject to backup withholding either because the undersigned has not been notified that he is subject to backup withholding as a result of a failure to report all interest or dividends, or because the Internal Revenue Service has notified the undersigned that he is no longer subject to backup withholding.

3. Adoption of Partnership Agreement. The undersigned hereby adopts, accepts and agrees to be bound by all the terms and provisions of the Partnership Agreement and to perform all obligations therein imposed upon a Limited Partner with respect to the Interests purchased. Upon acceptance of this subscription by the General Partner and the recording of a certificate of limited partnership of the Partnership, which includes the subscriber as a Limited Partner, the undersigned shall become a Limited Partner for all purposes.

4. Special power of attorney. The undersigned, by executing the Limited Partner's Signature and Power of Attorney Page to the Partnership Agreement, irrevocably makes, constitutes and appoints the General Partner his true and lawful attorney-in-fact, for him and in his name, place and stead for his use and benefit, with the power and authority set forth in the Partnership Agreement and in the Signature and Power of Attorney Page.

5. Indemnification. The undersigned agrees to indemnify and hold harmless the Partnership, the General Partner, their officers, directors and affiliates or anyone acting on behalf of the Partnership and the General Partner from and against all damages, losses, costs and expenses (including reasonable attorneys' fees) which they may incur by reason of the failure of the undersigned to fulfill any of the terms or conditions of this Subscription Agreement, or by reason of any breach of the representations and warranties made by the undersigned herein or in connection with the Partnership, or in any document provided by the undersigned to the Partnership or the General Partner.

6. Additional representations and warranties of certain subscribers. The undersigned understands that this offering of Interests in the Partnership has not been reviewed by the securities authorities of the State of Idaho because of the offeror's representations that this is intended to be a nonpublic offering pursuant to Rule 505 of Regulation D and that if all of the conditions and limitations of Regulation D are not complied with, the offering will be resubmitted to such authorities for amended exemption. The undersigned understands that any offering literature used in connection with this offering has not been prefiled or reviewed by any governmental agency. The Interests are being purchased for the undersigned's own account for investment, and not for distribution or resale to others. The undersigned agrees that the undersigned will not sell or otherwise transfer these securities unless they are registered under the *Securities Act of 1933* or unless an exemption from such registration is available. The undersigned represents that the undersigned has adequate means of providing for the undersigned's current needs and possible personal contingencies, and that the undersigned has no need for liquidity of this investment.

It is understood that all documents, records and books pertaining to this investment have been made available for inspection by the undersigned's attorney and/or the undersigned's accountant and the undersigned, and that the books and records of the issuer will be available upon reasonable notice for inspection by investors at reasonable hours at its principal place of business.

7. Miscellaneous.

a. The undersigned agrees not to transfer or assign this Agreement, or any of the undersigned's interest herein, and further agrees that the transfer or assignment of the Interests acquired pursuant hereto shall be made only in accordance with the Partnership Agreement and all applicable laws.

b. The undersigned agrees that the undersigned may not cancel, terminate or revoke this Agreement or any agreement of the undersigned made hereunder and that this Agreement shall survive the death or disability of the undersigned and shall be binding upon the undersigned's heirs, executors, administrators, successors and assigns.

c. Notwithstanding any of the representations, warranties, acknowledgements or agreements made herein by the undersigned, the undersigned does not thereby or in any other manner waive any rights granted to the undersigned under federal or state securities laws.

d. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by all parties.

e. This Agreement shall be enforced, governed and construed in all respects in accordance with the laws of the State of Idaho.

f. Within five days after receipt of a written request from the Partnership, the undersigned agrees to provide such information and to execute and deliver such documents as reasonably may be necessary to comply with any and all laws and ordinances to which the Partnership is subject.

8. Subscription and method of payment. The minimum subscription for this offering is one Unit (consisting of one Interest), unless otherwise permitted by the General Partner. The undersigned hereby subscribes for the following number of Interests and encloses payment as follows:

_____
(Number of Units each unit consisting of one Interest)

Interests at $50,000 per Unit
for an aggregate price of $_____
payable by check or money order payable to Blackstone Resource Development, L.P.

9. Form of ownership. Please *initial* the form of ownership you desire for the Interests.

_____ Individual (One signature required.)

_____ Joint Tenants with right of survivorship (Both parties must sign.)

_____ Tenants in Common (Both parties must sign.)

_____ Community Property (One signature required if Interests are held in one name, i.e., managing spouse; two signatures required if Interests are held in both names or if purchaser is a resident of [Texas].)

_____ Corporation (Signature of authorized party or parties.)

_____ Partnership (Signature of general partner and additional signatures if required by partnership agreement.)

_____ Trust (Trust must sign as follows:
_____[*trustee name*]_____ as trustee for _____[*trust name*]____
dated _____.)

_____ Other Entities (As required by applicable papers.)

Please PRINT the exact name(s) of the purchaser(s) as it (they) should appear on the instruments.

_____
_____

10. Purchaser questionnaire. The information on the following pages is furnished by the undersigned subscriber in order for the Partnership to determine whether the undersigned will be a qualified purchaser of Interests in the Partnership, pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Act"), and Regulation D ("Regulation D"). The undersigned understands that the following information will be relied upon for purposes of such determination, and that the Interests will not be registered under the Act, in reliance upon the exemption from registration provided by Section 4(2) of the Act and Regulation D.

All information contained in this questionnaire will be treated confidentially. However, the undersigned agrees that this agreement may be presented to such parties as the Partnership deem appropriate if called upon to establish that the proposed offer and sale of the Interests is exempt from registration under the Act or meets the requirements of applicable state securities laws. The undersigned hereby authorizes the Partnership to obtain such report and to verify employment and banking references requested herein.

SECTION A

GENERAL INFORMATION

(All Investors must complete this section)

ITEM A.1 Name _____

Additional Investor (i.e., joint tenant) _____
Home Address _____
_____

Home Telephone _____

Social Security/Tax I.D. # _____

ITEM A.2 Employer _____

Business Address _____
_____

Business Telephone _____

Occupation _____

ITEM A.3 Send mail to: [ ] Home [ ] Office

Complete for tenants in common and joint tenants ONLY if the information differs from that given above.

ITEM A.4 Home Address _____
_____

Home Telephone _____

Social Security/Tax I.D. # _____

ITEM A.5 Employer _____

Business Address _____

Business Telephone _____

Occupation _____

ITEM A.6 If investment as joint tenants or tenants in common, indicate relationship, if any, between or among tenants:

_____
_____

SECTION B

ACCREDITED INVESTOR PAGE

ITEM B.1. All Accredited Investors must initial the following statement.

_____ (a) I understand that the representations contained in this Section B are made for the purpose of qualifying me as an accredited investor as that term is defined by Regulation D for the purpose of inducing a sale of securities to me. I hereby represent that the statement or statements initialed below are true and correct in all respects. I understand that a false representation may constitute a violation of law, and that any person who suffers damage as a result of a false representation may have a claim against me for damages.

ITEM B.2. Accredited individual investors must initial one or more of the following statements.

_____ (a) I certify that I am an accredited investor because I had individual income (exclusive of any income attributable to my spouse) of more than $200,000 in each of the most recent two years and I reasonably expect to have an individual income in excess of $200,000 for the current year.

_____ (b) I certify that I am an accredited investor because I have an individual net worth, or my spouse and I have a combined individual net worth, in excess of $1,000,000. For purposes of this questionnaire, "individual net worth" means the excess of total assets at fair market value, including home and personal property, over total liabilities.

_____ (c) I certify that I am an accredited investor because I have subscribed for the purchase of at least two Interests, and I have an individual net worth, or my spouse and I have a combined individual net worth, of at least five times the aggregate amount for which I subscribed. For purposes of this paragraph (c), "net worth" means the excess of total assets at fair market value, including home and personal property, over liabilities.

ITEM B.3 Accredited partnerships, corporations, or other entities that are not trusts must initial at least one of the following statements:

_____ (a) The investor certifies that it has subscribed for the purchase of at least two Interests and it has a net worth as defined below of at least five times the amount subscribed and the investor was not formed for the specific purpose of investing in the Partnership. As used in the foregoing sentence, "net worth" means the excess of total tangible assets at current value less total liabilities.

_____ (b) The investor certifies that all of the equity owners of the investor are accredited individual investors as defined in either Item B.2(a) or B.2(b) above. Item B.5 must be completed by all equity owners.

ITEM B.4. Accredited trusts must initial at least one of the following statements:

_____ (a) The investor certifies that it has subscribed for the purchase of at least two interests, and it has a net worth of at least five times the aggregate amount subscribed for and the investor was not formed for the specific purpose of investing in the Partnership. As used in the foregoing sentence, "net worth" means the excess of total tangible assets at current value over total liabilities.

_____ (b) The investor certifies that it is a revocable trust which may be amended or revoked at any time by the grantors, and all the grantors are accredited individual investors as defined in either Item B.2(a) or Item B.2(b) above.

Item B.5 must be completed by all grantors as equity owners of the trust.[4]

ITEM B.5 Accredited corporations, partnerships, trusts or other entities choosing Item B.3(b) OR Item B.4(b) above must provide the following information:

I hereby certify that set forth below is a complete list of all owners of equity in _____ [*name of entity*], a _____ [*type of entity*] formed pursuant to the laws of the State of _____. I also certify that each such owner has initialed the space opposite his name and that each such owner understands that by initialing that space he is representing that he is an accredited individual investor satisfying the test for accredited individual investors indicated under "Type of Accredited Investor."

Name of Equity Owner	Type of Accredited Investor	Initials
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

[4] If the equity satisfies Item B.2(a) of Section B for accredited individual investors, insert "One" under "Type of Accredited Investor." If the equity owners satisfies Item B.2(b) of Section B for accredited individual investors set forth on the same page, insert "Two." If the equity owner satisfies both tests, insert "Both."

SECTION C

INVESTMENT EXPERIENCE OF INVESTOR, TRUSTEE, OR REPRESENTATIVE

(All Investors must complete this section)

ITEM C.1 Indicate by checkmark which of the following categories best describes the extent of your prior experience in the areas of investment listed below:

	5+ years experience	2 to 5 years experience	1 year experience	No experience
Corporate stocks	[ ]	[ ]	[ ]	[ ]
Corporate bonds	[ ]	[ ]	[ ]	[ ]
Real estate	[ ]	[ ]	[ ]	[ ]
Limited partnerships	[ ]	[ ]	[ ]	[ ]
Stock in privately held companies	[ ]	[ ]	[ ]	[ ]

ITEM C.2 Do you make your own investment decisions with respect to the investments listed above?

[ ] Yes [ ] No

ITEM C.3 What are your principal sources of investment knowledge or advice? (Check all that apply.)

[ ] First-hand experience [ ] Financial publication(s) [ ] Broker(s)

[ ] Investment Adviser(s) [ ] Attorney(s) [ ] Accountant(s)

ITEM C.4 Please briefly describe any additional investment experience in business ventures, experience with the Company, or any other investment experience that would indicate your ability to evaluate an investment in this business venture.

_____

_____

_____

_____

_____

_____

SECTION D

FINANCIAL STATUS OF INVESTOR, TRUSTEE, OR REPRESENTATIVE

(All Investors must complete this section)

ITEM D.1 Please indicate your estimated net worth exclusive of principal residence, furnishings of principal residence and personal automobiles (computation of net worth may be accomplished with reference to fair market value of assets).

[ ] More than $5 million

[ ] $1,000,001 - $4,999,999

[ ] $500,000 - $999,000

[ ] $250,000 - $499,000

[ ] Under $250,000

ITEM D.2 Please indicate your estimated net worth, including principal residence, furnishings of principal residence and personal automobiles (computation of the value of the subscriber's principal residence may be accomplished with reference to fair market value of residence).

[ ] More than $5 million

[ ] $1,000,001 - $4,999,999

[ ] $500,000 - $999,000

[ ] $250,000 - $499,000

[ ] Under $250,000

ITEM D.3 Gross Income*

Please provide your actual or projected individual annual adjusted gross income for the past two years, the current year, and the next year.

	More than $200,000	More than $150,000	More than $100,000	More than $50,000
2009	[ ]	[ ]	[ ]	[ ]
2010	[ ]	[ ]	[ ]	[ ]
2011**	[ ]	[ ]	[ ]	[ ]
2012**	[ ]	[ ]	[ ]	[ ]

ITEM D.4 What is your total anticipated investment in the Partnership? $_____

* Gross income for these purposes means adjusted gross income (as reported for federal income tax purposes) increased by the following amounts: (i) the amount of any tax exempt interest income received, (ii) the amount of losses claimed for depletion and (iii) any amount by which income from long term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of Section 1202 of the *Internal Revenue Code.*

** Reasonably anticipated.

ITEM D.5 Do you have adequate liquid assets (defined as cash, cash equivalents, and marketable securities) to meet your current needs and personal contingencies without considering the assets you propose to invest in the Partnership? [ ] Yes [ ] No

ITEM D.6 Have you filed for or been involved in personal bankruptcy within the past five years?
[ ] Yes [ ] No

ITEM D.7 Are there any lawsuits outstanding or threatened against you, or are there any claims against you that could materially affect your net worth as reported in this questionnaire? If yes, please provide details in item D.9 below. [ ] Yes [ ] No

ITEM D.8 Is an investment in the Partnership suitable and appropriate for you? [ ] Yes [ ] No

ITEM D.9 Please note any other matter of a financial nature that is relevant to an analysis of your financial position:

– _____
_____

– _____
_____
_____
_____

The Counterpart Signature Pages for this document are located on the following pages.

[The rest of this page is intentionally blank.]

FOR INDIVIDUAL INVESTORS

COUNTERPART SIGNATURE PAGE TO SUBSCRIPTION AGREEMENT AND CONFIDENTIAL STATEMENT OF INVESTOR SUITABILITY

Blackstone Resource Development, L.P.
an Idaho Limited Partnership

This page is the Individual Counterpart Signature Page for the Subscription Agreement and Confidential Statement of Investor Suitability pursuant to a prospective investment in Blackstone Resource Development, L.P. Execution of this Signature Page constitutes execution of such documents.

Dated this _____ day of _____, 200_.

If the Interest is to be owned by joint tenants or tenants in common, *all* tenants must sign. If the Interest is to be owned as community property, one signature is required if the Interest is held in one name (i.e., by managing spouse) and two signatures if the Interest is held in both names.

_____	_____
Investor #1 name printed	Investor #2 (or spouse) name printed
_____	_____
Signature	Signature

The signature page for entity investors follows on the next page.

The rest of this page is intentionally blank,

FOR ENTITY INVESTORS

COUNTERPART SIGNATURE PAGE TO SUBSCRIPTION AGREEMENT AND CONFIDENTIAL STATEMENT OF INVESTOR SUITABILITY

Blackstone Resource Development. L.P.
an Idaho Limited Partnership

The undersigned hereby certifies that:

(a) The Prospective Purchaser has been duly formed and is validly existing, with full power and authority to invest in Blackstone Resource Development, L.P.

(b) The Prospective Purchaser's Limited Partnership Agreement, Subscription Agreement, and Counterpart Signature Page have been duly and validly authorized, executed and delivered by the Prospective Purchaser and, upon the Prospective Purchaser's admission to Blackstone Resource Development, L.P. as a Limited Partner, will constitute the valid, binding and enforceable agreements of the Prospective Purchaser.

This page is the Entity Counterpart Signature Page for the Subscription Agreement and Confidential Statement of Investor Suitability pursuant to a prospective investment in Blackstone Resource Development, L.P. Execution of this Signature Page constitutes execution of such documents.

Dated this _____ day of _____, 200___.

_____
Signature of authorized corporate officer, general partner or trustee

_____ _____
Domicile and type of entity (e.g., Idaho corporation) Title

_____ _____
Date Name of Prospective Purchaser

Please attach a signed copy of the corporate resolution authorizing the investment.

STATE OF)
) ss:
COUNTY OF)

On this _____ day of _____, 20___, before me personally appeared _____ known to me to be the person(s) who executed the foregoing Subscription Agreement and Confidential Statement of Investor Suitability, and acknowledged that the same was executed as his/her/their free act and deed.

_____
Notary Public for _____
Residing at _____
My commission expires _____

EXHIBIT A

LIMITED PARTNERSHIP AGREEMENT OF
BLACKSTONE RESOURCE DEVELOPMENT, L.P.

LIMITED PARTNERSHIP AGREEMENT

Table of contents

AGREEMENT OF LIMITED PARTNERSHIP OF
BLACKSTONE RESOURCE DEVELOPMENT, L.P.

The securities represented by this document have been acquired for investment and have not been registered under the *Securities Act of 1933,* as amended. Without such registration, such securities may not be sold, pledged, hypothecated or otherwise transferred at any time, except upon delivery to the partnership of an opinion of counsel satisfactory to the general partners that registration is not required for such transfer or upon the submission to the general partners of the partnership of such other evidence as may be satisfactory to the general partners to the effect that any such transfer will not violate the *Securities Act of 1933,* as amended, or applicable state securities laws, rules, or regulations.

THIS AGREEMENT OF LIMITED PARTNERSHIP ("Agreement") Blackstone Resource Development, L.P. is made and entered into by and among Blackstone Mining Company, Ltd., an Idaho corporation ("General Partner") and identified as such on Schedule A attached, and those other persons who execute this Agreement or counterparts hereof as limited partners (whether singular or plural, "Limited Partner") and are identified as such on Schedule A attached hereto. By this reference, Schedule A, as it may be amended from time to time, is incorporated herein as if set forth in its entirety.

WITNESSETH

WHEREAS, the parties executing this Agreement or counterparts hereof desire to operate the Partnership as a limited partnership under the provisions of the *Idaho Revised Limited Partnership Act* for the purposes and on the terms and conditions hereinafter set forth;

NOW, THEREFORE, the General Partner and Limited Partner hereby associate themselves in the Partnership as a limited partnership do hereby agree as follows:

1. DEFINITIONS

1.1 *"Act"* means the *Idaho Revised Limited Partnership Act,* I.C. 53-3-301 et seq., as now in effect and as may be hereafter amended.

1.2 *"Affiliate"* or *"Affiliated Person"* means, when used with reference to a specified person, (i) any person that directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with the specified person; (ii) any person that is an officer, general partner. or trustee or with respect to which the specified person serves in a similar capacity; (iii) any person which, directly or indirectly, is the beneficial owner of 10 percent or more of any class of voting securities of, or otherwise has a substantial beneficial interest in, the specified person or of which the specified person is directly or indirectly the owner of 10 percent or more of any class of voting securities or in which the specified person has a substantial beneficial interest, and (iv) any relative or spouse of the specified person. "Person" means any individual, partnership, corporation, trust or other entity. Affiliate or Affiliated Person of the Partnership or the General Partner does not include a person who is a partner in a partnership with the Partnership or with any other Affiliated Person, which person is not otherwise an Affiliate or Affiliated Person of the Partnership or the General Partner.

1.3 *"Agreement"* means this Agreement of Limited Partnership, as amended, modified or supplemented from time to time.

1.4 *"Capital Account"* means the account established for each Partner, including such adjustments as may from time to time be made to such account in accordance with the provisions of this Agreement.

1.5 *"Capital Investment"* means (i) with respect to any Limited Partner, $50,000 per Unit (as defined below), and (ii) with respect to any General Partner, the total amount of money and other capital contributed or deemed contributed to the Partnership by the General Partner.

1.6 *"General Partner"* means Blackstone Mining Co., Ltd., an Idaho corporation, in its capacity as such or any successor to all of part of its interest in the Partnership.

1.7 *"Gross Proceeds of the Offering"* means the aggregate of Capital Investments of Limited Partners received and retained by the Partnership from the Offering contemplated in Section 4.5.

1.8 *"Initial Closing"* means the closing of the purchase and sales of Units contemplated in Section 4.5.

1.9 *"Limited Partners"* means the other parties who execute this Agreement or counterparts hereof as Limited Partners and any party admitted as a substituted Limited Partner.

1.10 *"Losses"* means any deduction, expenditure, or charge actually incurred by the Partnership or which, because of generally accepted accounting procedures, is deemed incurred by the Partnership.

1.11 *"Net Cash Flow"* means the gross cash proceeds of the Partnership less the portion thereof used to pay or establish reserves for all Partnership expenses, debt payments, capital improvements, replacements, and contingencies, all as reasonably determined by the General Partner. Net Cash Flow shall not be reduced by depreciation, amortization, cost recovery deductions, or similar allowances, but shall be increased by any reductions of reserves previously established.

1.12 *"Offering"* means the offering of Units contemplated in Section 4.5.

1.13 *"Offering Documents"* means the private placement memorandum and other documents distributed in connection with the offering of Units contemplated in Section 4.5.

1.14 *"Organizational and Offering Expenses"* means those expenses incurred in connection with the formation, registration, and qualification of the Partnership, and the placement, distribution, and issuance of the Units, and any other expenses actually incurred and directly related to the offering and sale of the Units including such expenses as: (i) qualification fees, filing fees, and applicable taxes; (ii) the costs of qualifying, printing, amending, supplementing, mailing and distributing the Offering Documents used in connection with the issuance and marketing of the Units, including telephone and telegraphic costs; (iii) salaries and direct expenses of officers and employees of the General Partner and its Affiliates while directly engaged in organizing the Partnership and in registering, marketing, distributing, processing and establishing records of the Units; and (iv) accounting and legal fees incurred in connection therewith.

1.15 *"Partners"* means the General Partner and all Limited Partners, where no distinction is required by the context in which the term is used.

1.16 *"Profits"* means income or gain actually incurred by the Partnership or which, because of generally accepted accounting procedures, is deemed incurred by the Partnership.

1.18 *"Units"* means interests in the Partnership. Each Unit carries an offering price of $50,000.

2. FORMATION

2.1 The parties hereby form a Limited Partnership ("Partnership") pursuant to the *Idaho Revised Limited Partnership Act,* I.C. 53-3-301 et seq. The rights and liabilities of the Partners shall be as provided in that Act except as herein otherwise expressly provided.

2.2 This Certificate of Limited Partnership shall be filed with the Idaho Secretary of State; thereafter the partners shall execute and cause to be filed and otherwise published such original or amended certificates evidencing the formation and operation of this Limited Partnership as may be required under the laws of the State of Idaho and of any other states where the Partnership shall conduct business.

2.3 The General Partner is hereby authorized and empowered by all the Limited Partners to prepare, file, and publish either the original or any amended or modified Certificates of Limited Partnership as may be necessary or desirable and each Limited Partner specifically designates and appoints the General Partner, for and on his or her behalf, as his or her attorney for the exclusive purposes of signing and attesting to such original or amended Certificates of Limited Partnership.

2.4 The purpose of the Partnership shall be to engage in any and all business activities for which limited partnerships may be lawfully formed and organized under the Act.

3. NAME AND PLACE OF BUSINESS

3.1 The name of the Limited Partnership shall be Blackstone Resource Development, L.P.

3.2 The business of the Partnership shall be conducted under that name and under such variations of the name as may be necessary to comply with the laws of other states within which the Partnership may do business.

3.3 The General Partner shall promptly execute and duly file, with the proper offices in each state in which the Partnership may conduct the activities authorized in this Agreement, one or more certificates as required by the statutes in effect as to each such state in which such activities are so conducted.

3.4 The principal place of business shall be located at [address]. The General Partner may from time to time change the principal place of business; in such event, the General Partner shall notify the Limited Partners in writing within 20 days of the effective date of such change. The General Partner may in its discretion establish additional places of business of the Partnership.

3.5. The name and address of the General Partner of the Partnership is: Blackstone Mining Company, Ltd., [address].

3.6 The name and address of the initial registered agent of the Partnership is: [name and address].

3.7 There are no other General Partners of this Partnership and no other person or entity has any right to take part in the active management of the business affairs of the Partnership.

3.8 The names and addresses of the General Partner and the names, addresses and capital contributions of the Limited Partners are set forth in Schedule A attached hereto, as it may be amended from time to time, and incorporated herein by reference.

4. TERM OF PARTNERSHIP

4.1 Unless sooner terminated as herein provided, the term of the Partnership shall be from the date hereof and continue for a period of 10 years from the Initial Closing, but may be extended for up to two additional one-year periods in the discretion of the General Partner, and for additional periods with the approval of two-thirds in interest of the Limited Partners.

5. CONTRIBUTIONS OF CAPITAL

5.1 The initial capital to be contributed by each Partner, General and Limited, shall be the sum set opposite his or her name in the attached Schedule "A," attached hereto, as amended from time to time, and incorporated herein by reference. No Limited Partner shall have any right to demand or receive the return of his capital contribution to the Partnership. It is the intent of the Partners that, except as otherwise provided in this Agreement, no Partner shall be obligated to pay any amount deemed to be a return or withdrawal of capital to or for the account of the Partnership or any creditor of the Partnership. However, if any court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, any Limited Partner is obligated to make any such payment, such obligation shall be the obligation of such Limited Partner and not of the General Partner or of the Partnership.

5.2 Each partner shall be personally liable to the Partnership for the full amount of his or her initial capital contribution. If any Partner fails or refuses to contribute the entire amount of the initial capital called for, the General Partner shall be authorized to declare the Partner's capital account forfeited and ownership interest as liquidated damages for the failure.

5.3 Except as set forth in Schedule A, the Partners shall not be obligated to make any additional contributions to the capital of the Partnership.

5.4 The General Partner is hereby authorized to raise capital for the Partnership by privately offering and selling 1,000 Units at an initial offering price of $50,000 per Unit. All subscriptions for Units shall be accepted or rejected by the General Partner within 30 days of receipt. If not rejected within that time frame, any subscriptions shall be deemed accepted. No fractional Units may be sold. No additional Units may be issued except upon the affirmative and collective vote of both the General and Limited Partners holding at least 75 percent of the total Percentage Interest held by all Partners.

5.5 The Partnership shall pay all Organizational and Offering Expenses incurred in the creation of the Partnership and the sale of Units. Such expenses may be paid directly by the Partnership or may be reimbursed by the Partnership to the General Partner or its Affiliates.

5.6 Except as may be expressly limited by the provisions of this Agreement, the General Partner is specifically authorized, as appropriate, to execute, sign, seal, and deliver in the name and on behalf of the Partnership any and all agreements, certificates, instruments, or other documents requisite to carrying out the intentions and purposes of this Agreement and of the Partnership.

5.7 The General Partner shall have sole and complete discretion in determining the terms and conditions of the offering and sale of Units and the General Partner is authorized and directed to do all things that it deems to be necessary, convenient, or advisable in connection therewith.

6. PROFITS AND LOSSES

6.1 The profits and losses of the Partnership shall be determined for each fiscal year of the Partnership in accordance with generally accepted accounting principles consistently applied. The amount of net Profits and net Losses of the Partnership to be allocated to and charged against each Partner shall be determined by the percentage set opposite his or her name in Schedule "A."

6.3 Distributions of Net Cash Flow shall be made in such amounts and at such times as the General Partner may determine but not less frequently than once each fiscal year and in an amount (to the extent available) at least equal to the Federal income tax payable by a Partner in such fiscal year by reason of such Partner's ownership interest in the Partnership assuming taxation of such Partner's income at the then-applicable maximum marginal Federal income tax rate for individuals. Distributions of Net Cash Flow shall be made to Partners in accordance with their respective Percentage Interests, and no Partner has the right to demand and receive any distribution from the Partnership in any form other than cash.

a. The General Partner shall establish reasonable reserves for working capital and to pay other costs and expenses incident to the Partnership's business and investments and for such other purposes as the General Partner may determine.

b. Cash distributions from the Partnership may be made by the General Partner to all Partners without regard to the profits or losses of the Partnership from operations; provided that no cash distributions shall be made that will impair the ability of the Partnership to pay its just debts as they mature.

c. The General Partner shall determine when, if ever, cash distributions shall be made to the Partners, pursuant to the provisions of this Agreement.
d. There shall be no obligation to return to the General Partner or the Limited Partners, any part of their capital contributed to the Partnership, as long as the Partnership continues in existence.
e. No General or Limited Partner shall be entitled to any priority or preference over any other Partner as to cash distributions.
f. No interest shall be paid to any Partner on the initial contributions to the capital of the Partnership or on any subsequent contributions of capital.

6.3 All of the Partnership's expenses shall be billed directly to and paid by the Partnership. The Partnership is specifically authorized to make reimbursements to affiliates of the Partnership or any Partners that provide goods, materials or services used for or by the Partnership. In no event shall any amount charged to the Partnership as a reimbursable expense by the affiliates of the Partnership or any Partners exceed the amount that the Partnership would be required to pay to independent parties for comparable services. Reimbursement for expenses shall be made to affiliates of the Partnership or any Partners entitled to such reimbursement regardless of whether any distributions are made to such Partners.

6.3 Any amounts held by the Partnership and not required for the purposes of its business, including reasonable reserves for contingencies, may, in the sole discretion of the General Partners, be distributed among the Partners pursuant to the terms herein. No Partner shall be entitled to make withdrawals from his individual account or have returned to him his capital contribution except in accordance with the terms of this Agreement.

7. OWNERSHIP OF PARTNERSHIP PROPERTY

7.1 All real property, including all improvements placed or located thereon, and all personal property acquired by the Partnership shall be owned by the Partnership, such ownership being subject to the other terms and provisions of this Agreement. Each Partner hereby expressly waives the right to require partition of any Partnership property or any part thereof.

8. FISCAL MATTERS

8.1 The Partnership’s books and records and all required income tax returns shall be kept or made on a calendar year basis. The General Partner shall determine whether the cash or accrual method of accounting is to be used in keeping the Partnership records.

8.2 The General Partner shall keep proper and complete records and books of account in which shall be entered fully and accurately all transactions and other matters relating to the Partnership's business as are customarily maintained by businesses of like character. The books and records shall at all times be maintained at the principal office of the Partnership and shall be open to the inspection and examination of the Partners or their duly authorized representatives during reasonable business hours for any legitimate business purpose.
a. The copying by a Partner, or his designated agent, of any part or all of such records, at the personal expense of that Partner, is specifically authorized.
b. Within 90 days after the end of each fiscal year, the General Partner shall send to each Partner a balance sheet as of the end of such fiscal year and statements of income. Partners' equity, and changes in financial position for such fiscal year, all of which shall be prepared in accordance with generally accepted accounting principles and accompanied by an auditor's report. Any Limited Partner may inspect and examine such

financial statements of the Partnership together with the books and records of the Partnership.

c. Within 60 days after December 31 of each calendar year, the General Partner shall furnish to each person who was identified to the Partnership as a holder of Units at any time during the fiscal year just ended such tax information as shall be necessary for the preparation of such holder's Federal income tax return and state income and other tax returns with regard to each jurisdiction in which the Partnership is qualified to do business.

d. All of the above duties and services to be performed by the General Partner shall be deemed an expense of the Partnership.

8.3 The funds of the Partnership shall be deposited in such bank account or accounts, or invested in such interest-bearing investments, as shall be designated by the General Partner. All withdrawals from any of such bank accounts shall be made by the duly authorized agent or agents of the General Partner, and shall be made by checks drawn against the Partnership banking account.

9. MANAGEMENT OF PARTNERSHIP AFFAIRS

9.1 The General Partner shall have sole and exclusive control of the Limited Partnership.

9.2 Subject to any limitations expressly set forth in this Agreement, the General Partner shall have the full power and authority to take such action from time to time as it may deem necessary, appropriate, or convenient in connection with the management and conduct of the business and affairs of the Partnership, including without limitation the power to:

a. Make all reasonable expenditures and pay reasonable fees to third parties in connection with the Partnership's business and investments

b. Acquire or dispose of any interest in real property for cash, securities, other property, or any combination of them, on such terms and conditions as the General Partner deems appropriate;

c. Employ and dismiss any and all employees, agents, independent contractors, managers, brokers, attorneys and accountants;

d. Finance the Partnership’s activities either with the seller of the property or by borrowing money from third parties, all on such terms and conditions as the General Partner deems appropriate. In instances where money is borrowed for Partnership purposes, the General Partner shall be authorized to pledge, mortgage, encumber, and grant security interest in Partnership properties for the repayment of such loans;

e. Do any and all of the foregoing, for cash, securities, or other property and upon such terms as the General Partner deems proper;

f. Take any and all other actions permitted under the *Idaho Revised Limited Partnership Act* that are customary and reasonably related to the business purpose of the Partnership, including the power to execute, acknowledge and deliver any and all instruments, contracts or agreements to effectuate any and all of the foregoing.

9.3 The General Partner shall exercise ordinary business judgment in managing the affairs of the Partnership.

a. Unless fraud, deceit, or a wrongful taking shall be involved, the General Partner shall not be liable or obligated to the limited Partners for any mistake of fact or judgment made by the General Partner in operating the business of the Partnership resulting in any loss to the Partnership or its Partners.

b. The General Partner does not, in any way, guarantee the return of the Limited Partners’ capital or a profit from the operations of the Partnership. Neither shall the General

Partner be responsible to any Limited Partner because of a loss of his or her investment or a loss in operations, unless it shall have been occasioned by fraud, deceit, or a wrongful taking by the General Partner.

d. The General Partner shall devote such attention and business capacity to the affairs of the Partnership as may be reasonably necessary. In this connection, the parties hereby acknowledge that the General Partner may be the manager or general partner of other partnerships and may continue to manage other partnerships, and may continue to engage in other distinct or related business.

9.4 All Partners recognize that sometimes there are practical difficulties in doing business as a Limited Partnership occasioned by outsiders seeking to satisfy themselves regarding the capacity of the General Partner to act for and on behalf of the Partnership, or for other reasons.

a. The Limited Partners hereby specifically authorize the General Partner to acquire all real and personal property, arrange all financing, enter contracts, and complete all other arrangements needed to effect the purposes of this Partnership, either in the General Partner's own name or in the name of a nominee, without having to disclose the existence of this Partnership.

b. If the General Partner decides to transact the Partnership business in his own name or in the name of a nominee, the General Partner shall place a written declaration of trust in the Partnership books and records that acknowledges the capacity in which the nominee acts and the name of the Partnership as true or equitable owner.

9.5 The General Partner may be removed by the affirmative vote of 75 percent in interest, not in number, of the Limited Partners.

a. The written notice of a General Partner's removal shall be served on the General Partner by certified mail.

b. The notice shall set forth the day on which the removal is to be effective, which date shall not be less than 30 days after the service of the notice on the General Partner.

c. On the removal of the General Partner, the Limited Partners shall elect a new General Partner on the vote of 75 percent in interest, not in number, of the Limited Partners, at a special meeting called for that purpose.

d. The removal of a General Partner shall cause the General Partner's interest in the Partnership to be converted to a Limited Partnership interest.

9.6 Nothing in this Agreement shall preclude the employment, at the expense of the Partnership, of any agent or third party to manage or provide other services in respect of the Partnership's business or its investments, subject to the control of the General Partner. Nothing contained herein shall be construed to preclude any General or Limited Partner or an affiliate thereof from serving the Partnership as an officer or employee in or any similar capacity and receiving compensation therefore. The General Partner is authorized to appoint officers for the Partnership with such titles and authority to act on behalf of the Partnership as the General Partner may determine.

9.7 The validity of any transaction, agreement or payment involving the Partnership and any Partner or any affiliate thereof not otherwise prohibited by the terms of this Agreement shall not be affected by reason of the relationship between the Partnership and such Partner or such affiliate or the approval of said transaction, agreement or payment by the General Partner; provided, however, that all transactions, agreements or payments involving the Partnership and the General Partner or any affiliate thereof shall be on terms no less favorable to the Partnership than those available to the Partnership in similar dealings with unaffiliated third parties. Subject to the foregoing proviso, the General Partner may, for any Partnership purpose it deems reasonably

necessary, cause the Partnership to lend money to any Partner or Partners and to accept loans from any Partner or Partners.

9.8 Neither the General Partner nor any officer or employee of the Partnership shall be personally liable, responsible or accountable in damages or otherwise to the Partnership or any Partner for any action taken or failure to act on behalf of the Partnership within the scope of the authority conferred on the General Partner or such officers or employees by this Agreement or by law, including for breach of fiduciary duty, except for (i) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law or this Agreement, or (ii) any transaction from which a Partner derived an improper personal benefit.

9.7 No Limited Partner may participate in the control of the Partnership's business nor shall it, in its capacity as Limited Partner, transact any business for the Partnership or have the power to act for or bind the Partnership, said powers being vested solely and exclusively in the General Partner. No Limited Partner is authorized to and shall not be permitted to do any act or deed that will cause the Limited Partner to be classified as a General Partner. No Limited Partner shall be personally liable for all or any part of the debts or other obligations of the Partnership. No Limited Partner shall have the right or power to withdraw from the Partnership (except as set forth in this Agreement) or to cause the liquidation of the Partnership or the partition of its properties.

9.8 Notwithstanding anything herein contained to the contrary, the written approval of the holders of a majority of the Limited Partner Units shall be required for each of the decision matters listed below in this Section. Each Limited Partner shall respond in writing within 15 days of any written request for approval by the General Partner to any such decision. If any Limited Partner fails to timely respond, the General Partner may send a written notice to the Limited Partner informing such Limited Partner of its failure and if such Limited Partner fails to respond within 10 days of such written notice, it shall be deemed to have approved the matter in question:

a. Amendment of this Agreement or the Certificate of Limited Partnership;
b. Dissolution and winding-up of the Partnership or the extension of the term of the Partnership or the merger or consolidation of the Partnership or the transfer of all or any portion of the Partnership Property necessary for its operations, unless replaced by property of equal or greater utility;
c. Any decision to initiate, or to approve initiation of, the commencement of a case by or against the Partnership under any bankruptcy, insolvency or reorganization statute;
d. Transfer of any Partnership Units, except as permitted by this Agreement;
e. Issuance of any securities of the Partnership except as expressly contemplated by this Agreement;
f. Any decision to reduce insurance coverage;
g. Any change in the rate or method of compensation by the Partnership of the General Partner;
h. Any other action which, pursuant to this Agreement or the Act, requires the approval of the Limited Partners.

9.9 If for any reason the General Partner fails to enforce the rights of the Partnership against a Limited Partner that is an Affiliate of the General Partner to the detriment of any Limited Partner that is not affiliated with the General Partner, then, upon written notice to the General Partner, any Limited Partner that is not Affiliated with the General Partner shall have the right to enforce such obligations on behalf of the Partnership.

10. LIABILITIES

10.1 The liability of the General Partner arising from carrying on the business affairs or operations of the Partnership or for the debts of the Partnership is unrestricted.

10.2 Except to the extent the Limited Partner may otherwise agree, the Limited Partner shall have no personal liability whatsoever to the Partnership, any Partner, or creditors of the Partnership, for the debts of the Partnership or any of its losses beyond the amount committed by such Partner to the capital of the Partnership as set forth opposite such Partner's name in Schedule A attached hereto, as it may be amended from time to time. Each Limited Partnership Interest shall be fully paid and nonassessable.

10.3 Nothing in this Agreement shall prevent or act against a loan of funds from the General Partner or a Limited Partner to the Partnership on a promissory note or similar evidence of indebtedness, for a reasonable rate of interest. Any Partner lending money to the Partnership shall have the same rights regarding the loan as would any person or entity making the loan who was not a Partner of the Partnership.

11. PROHIBITED TRANSACTIONS

11.1 During the time of organization or existence of this Limited Partnership, neither the General nor the Limited Partners shall do any one of the following:

a. Use the name of the Partnership, or any substantially similar name, or any trademark or trade name adopted by the Partnership, except in the ordinary course of the Partnership's business;
b. Disclose to any non-partner any of the Partnership business practices, trade secrets, or any other information not generally known to the business community;
c. Do any other act or deed with the intention of harming the business operations of the Partnership;
d. Do any act contrary to the Limited Partnership agreement, except with the prior written approval of all Partners;
e. Do any act that would make it impossible to carry on the intended or ordinary business of the Partnership;
f. Confess a judgment against the Partnership;
g. Abandon or wrongfully transfer or dispose of Partnership property, real or personal; or
h. Admit another person or entity as a General Partner.

11.2 The General Partner shall not use, directly or indirectly, the assets of this Partnership for any purpose other than for carrying on the business of the Partnership, for the full and exclusive benefit of all its Partners.

12. RESTRICTIONS ON TRANSFERS

12.1 No Limited Partner may voluntarily withdraw from the Partnership. However, the General Partner may withdraw for purposes of its corporate liquidation on the condition that a successor general partner is elected in accordance with this Agreement.

12.2 No partner (General or Limited), shall have the right to sell, give, pledge, assign, or transfer by any other method his/her interest, or any part thereof, in the Partnership or the assets of the Partnership except as set forth in this section. No direct or indirect sale, exchange, transfer, assignment, pledge, creation of a security interest in, or encumbrance on, or other disposition by a

Limited Partner of all or any portion of such Limited Partner's Units or any economic interest therein (including without limitation by means of any participation or swap transaction (each, a "Transfer")) shall be made except, with the prior written consent of the General Partner (which consent may be withheld in the sole discretion of the General Partner), and then only to Immediate Family Members of the transferor Limited Partner, trusts or to other investment vehicles established for the benefit of the Limited Partner or his or her Immediately Family Members or to the General Partner. The General Partner may not transfer any of its interest in the Partnership.

12.3 Any Transfer otherwise permitted under this section may only be made if: (i) such transfer would not violate the *Securities Act of 1933* or any state securities or Blue Sky or other securities laws applicable to the Partnership or the interest to be transferred; and (ii) such transfer would not cause the Partnership to become subject to the *Investment Company Act of 1940.*

12.4 The General Partner, each Limited Partner, the Partnership and their respective officers, directors, agents and control persons shall be indemnified by a Limited Partner ("Transferring Limited Partner") to the fullest extent permitted by law for any and all losses, claims, damages and expenses arising out of or reasonably incurred in connection with any claim, action or demand against the General Partner, the Partnership or any such indemnified person relating to the Partnership, its properties, business or affairs (including, without limitation, attorneys' fees and expenses and any amounts paid in settlement or compromise of any such claim, action or demand) against expenses for which the Partnership, the General Partner or such other person has not otherwise been reimbursed (including attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by them in connection with such action, suit or proceeding and arising out of, relating to, or in connection with, any Transfer of all or any portion of such Transferring Limited Partner's Units, or in connection with the admission of a substituted Limited Partner to the Partnership; provided, however, that the foregoing indemnification shall not apply if a court of competent jurisdiction makes a final decision that such claim, action or demand resulted primarily from such indemnified person's willful misconduct, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of the Partnership or such person's office.

12.5 Before a partner shall sell his interest in this Partnership, or any portion thereof, he or she shall offer all of said interest to the other partners as follows:

a. If a seller should receive a bona fide, signed offer to purchase all of his said interest he shall forthwith upon the receiving of such offer, send a written notice thereof to the other partners. This notice shall have attached to it a true and exact copy of such offer. The General Partner shall have the first right and option for a period of 30 days after receipt of such notice to elect to purchase a part or all of the seller's interest, on the same terms as contained in the offer, by giving written notice to the seller within such 30-day period. In the event that the General Partner shall elect to purchase less than all of the seller's interest, the Limited Partners shall have the next right and option for an additional period of 20 days to elect to purchase all or the remainder, as the case may be, of the seller's interest by giving written notice to the seller within such additional 20-day period. If the partners do not elect to make the purchase of seller's entire interest, subject to the following provisions, such interest may then be sold, on the same terms of said offer only, provided, however, the General Partner, in its sole and absolute discretion, approves of the purchaser becoming a Limited Partner and the purchaser (and purchaser's spouse) executing a writing whereby they agree to be bound by all of the provisions of this Agreement. If the seller wishes to sell on different terms, he must again give the notice

described above to the partners and the option rights and other provisions as above set forth shall again be applicable.

b. Should all or any portion of the seller's interest be purchased by Limited Partners, such partners shall have the right to exercise the above option in the proportion that each purchaser's ownership interest bears to all purchaser's ownership interest. If a Limited Partner wishes to purchase less than he/she would be entitled to under the preceding sentence, the excess may be purchased by the other Limited Partners in the proportion that each such purchaser's ownership interest bears to all such purchaser's ownership interest. If the seller's entire interest being offered is not purchased in accordance with the foregoing, he/she may sell or transfer such interest in accordance with the preceding paragraph of this section or may accept the offers to purchase a portion of his/her interest from the other partners and sell the remainder to an outside party, subject to the provisions of the preceding paragraph of this section concerning changing the terms of sale, approval by the General Partner, and the purchaser becoming bound hereunder.

12.6 In the event of the death or incompetence of any Limited Partner during the term of this Partnership, the Partnership shall continue in force and the legal representative and heirs of the estate of such deceased or incompetent Limited Partner shall have no right to become a Limited Partner in the place and stead of such deceased or incompetent partner and shall have no vote in the administration or management of the affairs of the Partnership; provided, however, the legal representative and heirs of the estate of any such deceased or incompetent Limited Partner shall share in the profits of the Partnership in the same manner such deceased or incompetent partner would have shared, shall bear any losses of the Partnership in the same manner as such deceased or incompetent partner would have borne in the Partnership, and shall be entitled to the liquidation proceeds payable to the deceased partner. Should such legal representative or heirs desire to become a Limited Partner, and the General Partner, in its sole and absolute discretion, approves of same, such shall occur provided the legal representative or heirs execute a writing agreement to be bound by all of the provisions of this agreement.

12.7 Except as set forth below, no Limited Partner shall sell, assign, transfer, encumber, or otherwise dispose of any interest in the Partnership without the written consent of the General Partner.

12.8 The death or legal incapacity of the Limited Partner shall not cause a dissolution of the Partnership, but the rights of such Limited Partner to share in the profits and losses of the Partnership, to receive distributions of Partnership funds and to assign a Limited Partnership Interest shall devolve upon his personal representative, subject to the terms and conditions of this Agreement, and the Partnership shall continue as a limited partnership. The estate of a deceased Limited Partner shall be liable for all the obligations of the deceased Limited Partner.

13. TERMINATION OF THE PARTNERSHIP

13.1 The General Partner, effective as of the last day of any calendar year of the Partnership, may voluntarily withdraw from the Partnership as General Partner.

a. Any such withdrawal shall have the effect of terminating the Partnership as of the close of business on that day.

b. The bankruptcy, death, incapacity, or resignation of the General Partner shall result in the termination of the Partnership as of the close of business on the last day of the calendar year in which the event occurs.

13.2 The Partnership may be terminated on any date specified in a notice of termination, signed by the General Partner and by a majority of all the Limited Partners. As used in this Agreement, a

majority of the Limited Partners means Limited Partners having in the aggregate a majority of the capital interest of the Limited Partners in the Partnership as of the time the notice of termination is issued.

13.3 In the event of the bankruptcy, death or withdrawal of the General Partner, the Partnership shall be dissolved unless within 90 days after the death, bankruptcy or withdrawal of the General Partner, the Limited Partner agrees in writing to continue the business of the Partnership and to elect, effective as of the date of such withdrawal, one or more additional General Partners.

13.4 Upon the death or legal incapacity of the General Partner, the rights of such Partner to share in the profits and losses of the Partnership, to receive distributions of Partnership funds and to assign a Partnership Interest shall, on the happening of such an event, devolve upon his personal representative, subject to the terms and conditions of this Agreement. The estate of a deceased General Partner shall be liable for all the obligations of the deceased General Partner. The death or incapacity of a Limited Partner shall have no effect on the life of the Partnership, which shall continue.

13.5 In the event of the dissolution of the Partnership for any reason, the General Partner (or if no General Partner then exists, any partner elected by the Limited Partner) shall commence to wind up the affairs of the Partnership and to liquidate its investments. The Partners shall continue to share profits and losses during the period of liquidation in the same proportion as before the dissolution. The General Partner (or any Partner then acting to liquidate the Partnership in accordance with the foregoing) shall have full right and unlimited discretion to determine the time, manner and terms of any sale or sales of Partnership property pursuant to such liquidation, having due regard to the activity and condition of the relevant market and general financial and economic conditions.

13.6 Within a reasonable time following the completion of the liquidation of the Partnership's properties, the General Partner (or any Partner then acting to liquidate the Partnership in accordance with this Agreement) shall supply to each of the Partners a statement audited by the Partnership's independent accountants which shall set forth the assets and the liabilities (if any) of the Partnership as of the date of complete liquidation and each Unit holder's pro rata portion of distributions

13.3 On the termination of the Partnership, regardless of how it is terminated, the affairs of the Partnership shall be wound up by the General Partner.

a. If for any reason there is no General Partner, or if the General Partner refuses to serve or is incapable of serving, a majority in interest, not in number, of the Limited Partners may appoint or designate a Trustee in Liquidation who shall serve to wind up the affairs of the Partnership.

b. The Trustee in Liquidation need not be a commercial corporate trustee, need not be bonded, and may be a Limited Partner. Whoever serves to wind up the affairs of the Partnership, the following procedure shall be followed:

c. On termination, the assets of the Partnership shall be applied to payment of the outstanding Partnership liabilities, although an appropriate reserve may be maintained and the amount determined by the General Partner or Trustee in Liquidation for any contingent liability, until that contingent liability is satisfied.

d. The balance of the reserve, if any, shall be distributed together with any other sum remaining after payment of the outstanding Partnership liabilities to the Partners as their interest appears on Schedule "A," unless otherwise provided in this Agreement.

e. At the time of the termination of the Partnership, no Partner, either General or Limited, shall be liable to the Partnership for the repayment of any deficit in his or her capital account resulting from the allocation of non-cash items such as depreciation to that Partner's capital account; provided, however, that any deficit resulting from cash withdrawals by the Partner shall be repaid to the Partnership and be available for distribution hereunder.

13.4 Nothing contained in this Agreement shall defeat the right of either a Limited or a General Partner to require and to obtain a court-supervised winding up, liquidation, and dissolution of the Partnership. No Partner shall be entitled to demand a distribution be made in Partnership property, but the General Partner may make or direct property distributions to be made, using the property's fair market value as of the time of distribution as the basis for making the distribution.

13.5 Each Partner shall look solely to the assets of the Partnership for all distributions with respect to the Partnership and his or its capital contribution thereto and share of profits or losses thereof and shall have no recourse (upon dissolution or otherwise) against the General or Limited Partner.

13.6 Upon completing the liquidation of the Partnership and the distribution of all Partnership funds, the Partnership shall terminate and the General Partner (or any Partner then acting to liquidate the Partnership in accordance with this Agreement) shall have the authority to execute and record a certificate of cancellation of the Partnership as well as any and all other documents required to effectuate the dissolution and termination of the Partnership.

14. REPRESENTATIONS AND WARRANTIES OF LIMITED PARTNERS

14.1 Each Limited Partner warrants and represents the following:

a. That he or she recognizes that Section 4(2) of the *Securities Act of 1933,* as amended, exempts the issue and sale of securities from registration under the Act in transactions not involving any public offering, and that he or she is purchasing the Partnership interest for his or her own account, for investment, and with no present intention of distributing, reselling, pledging, or otherwise disposing of the interest.

b. That he or she is a citizen of the United States of America and is the beneficial owner of the interest standing in his or her name, and that he or she has no intention of reselling the interest to any persons other than residents of the United States of America.

c. That he or she is a sophisticated investor and the nature and amount of the capital contributions he or she agrees to make hereunder is consistent with his or her investment program, and that he or she has sufficient liquid assets to meet promptly all calls for additional contributions and to absorb the loss of the entire investment in the Partnership.

d. That he or she has been furnished with sufficient written and oral information about the Partnership, the General Partner, and the property to be purchased and developed to allow him or her to make an informed investment decision prior to purchasing an interest in the Partnership, and has been furnished access to any additional information that he or she may require.

e. That he or she is fully familiar with the business proposed by the Partnership and with the Partnership's use and proposed use of the proceeds of the sale of the Partnership Units.

f. That the offer and sale of his or her interest in the Partnership have been made in the course of a negotiated transaction involving direct communication between the Limited Partner and the General Partner on behalf of the Partnership.

g. That he or she has either: (i) had experience in business enterprises or investments entailing risk of a type or to a degree substantially similar to those entailed in an

investment in the Limited Partnership; or (ii) obtained independent financial advice with respect to the investment in the Partnership.

h. That he or she has been advised that the Partnership interest may not be sold, transferred, or otherwise disposed of in the absence of either an effective registration statement covering the interest under the *Securities Act of 1933,* or an opinion of counsel satisfactory to the Partnership and its counsel that registration is not required under the *Securities Act of 1933,* and that he or she will have no rights to require registration of the interest under the *Securities Act of 1933,* and, in view of the nature of the transaction, registration is neither contemplated nor likely.

i. That he or she agrees to hold the General Partner and the Limited Partners or any person controlling the Limited Partnership and their respective successors, assigns, or other controlling persons harmless and to indemnify them against all liabilities, costs, and expenses incurred by them as a result of any sale or distribution by him or her in violation of the *Securities Act of 1933.*

j. All representations, warranties, and indemnities made by the Limited Partner with reference to the *Securities Act of 1933* shall be deemed to be equally applicable in connection with the securities law of the State of Idaho or any other state of the United States of America.

15. COMPENSATION OF GENERAL PARTNER

15.1 Unless otherwise specified in this Agreement, no compensation shall be paid by the Partnership to the General Partner for its services as General Partner thereof, other than reimbursement for out-of-pocket expenses incurred in the course of conducting the business of the Partnership. The General Partner shall be reimbursed for (i) fees paid to others for Partnership accounting and communication services and (ii) certain other fees and expenses (including those paid to consultants, attorneys, accountants or other professionals) incurred by it on behalf of the Partnership, including, but not limited to, all fees and expenses of litigation and tax audits of the Partnership and for the outside valuation of securities or property obtained by the Partnership. Unless otherwise provided herein to the contrary, the Partnership shall bear all other expenses of its operations including fees and expenses of attorneys, accountants and experts, and interest and all expenses related to investments or potential investments and to the acquisition, holding and sale or other disposition of investments.

16. POWER OF ATTORNEY

16.1 Each Limited Partner hereby irrevocably constitutes and appoints the General Partner, with full power of substitution to its Affiliates or successors permitted hereunder, the true and lawful attorney-in-fact and agent of such Limited Partner, to execute, acknowledge, verify, swear to, deliver, record and file, in its or its assignee's name, place and stead, all in accordance with the terms of this Agreement, all instruments, documents and certificates which may from time to time be required by the laws of the state of Idaho and any other jurisdiction in which the Partnership conducts or plans to conduct its affairs in the future, including, without limitation, the power and authority to verify, swear to, acknowledge, deliver, record, and file:

a. All certificates and other instruments, including any amendments to this Agreement, which the General Partner deems appropriate to form, qualify or continue the Partnership as a limited partnership in Idaho and all other jurisdictions in which the Partnership conducts or plans to conduct its affairs;

b. Any amendments to this Agreement or any other agreement or instrument which the General Partner deems appropriate to (i) effect the addition, substitution or removal of any Limited Partner or General Partner pursuant to this Agreement or (ii) effect any other

amendment or modification to this Agreement, but only if such amendment or modification is duly adopted in accordance with the terms hereof;

c. All conveyances and other instruments that the General Partner deems appropriate to reflect the termination of the Partnership pursuant to the terms hereof,

d. All instruments relating to transfers of interests of Limited Partners or to the admission of any substitute Limited Partner undertaken as permitted hereunder;

e. Certificates of assumed name and such other certificates and instruments as may be necessary under the fictitious or assumed name statutes in Idaho and all other jurisdictions in which the Partnership conducts or plans to conduct its affairs; and

f. Any other instruments determined by the General Partner to be necessary or appropriate in connection with the proper conduct of the Partnership's business of the Partnership and which do not adversely affect the interests of any Limited Partner.

Such attorney-in-fact and agent shall not, however, have the right, power or authority to amend or modify this Agreement when acting in such capacities, except to the extent authorized herein. This power of attorney shall terminate upon the bankruptcy, dissolution, disability or incompetence of the General Partner. The power of attorney granted herein shall be deemed to be coupled with an interest, shall be irrevocable, shall survive and not be affected by the dissolution, bankruptcy or legal disability of any Limited Partner and shall extend to its successors and assigns; and may be exercisable by such attorney-in-fact and agent for all Limited Partners (or any of them) by listing all (or any) of such Limited Partners required to execute any such instrument, and executing such instrument acting as attorney-in-fact. Any Person dealing with the Partnership may conclusively presume and rely upon the fact that any instrument referred to above, and that is executed by such attorney-in-fact and agent, is authorized, regular and binding, without further inquiry. If required, each Limited Partner shall execute and deliver to the General Partner within 5 days after the receipt of a request, such further designations, powers of attorney or other instruments as the General Partner shall reasonably deem necessary for the purposes hereof.

17. MISCELLANEOUS PROVISIONS

17.1 This Agreement may be amended or modified only by a written instrument executed by Partners owning collectively at least 75 percent in interest, not in number, in the Partnership.

17.2 All notices required or permitted under this Agreement shall be in writing and shall be delivered: (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by facsimile, or (d) by a commercial overnight courier that guarantees next day delivery and provides a receipt, and such notices shall be addressed to the parties at the respective addresses set forth in Schedule "A" or at such other addresses as may have been specified by written notice delivered in accordance with this paragraph. Any notice shall be effective upon delivery, which for notice given by facsimile shall mean notice that has been received by the party to whom it is sent as evidenced by confirmation slip.

17.3 This Agreement shall be governed by and interpreted in accordance with the laws of Idaho without reference to principles of conflict of laws, and will be subject to enforcement and interpretation solely in the appropriate courts of Idaho.

17.4 This Agreement may be executed in numerous counterparts each of which shall constitute an original and which taken together shall constitute one single Agreement.

17.5 This Agreement shall be binding upon and inure to the benefit of the executors, administrators, successors and permitted assigns of the respective Partners.

17.6 The waiver of any breach, item, provision, term, covenant, and/or condition of this Agreement by the General Partners shall not constitute a continuing waiver or a waiver of any subsequent breach of the same or other provision herein.

17.7 If any provisions of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement and the application of such provisions to the other persons or circumstances shall not be affected, but rather shall be enforced to the greatest extent permitted by law.

17.8 Wherever the context requires, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in either the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter.

17.9 The parties agree to execute such other and further instruments and documents as are or may become necessary or convenient to carry out the Partnership.

17.10 This Agreement contains the entire understanding among the parties and supersedes any prior understanding and agreements between them respecting the within subject matter. There are no representations, agreements, arrangements or understandings, oral or written, between and among the parties hereto relating to the subject matter of this Agreement that are not fully expressed herein.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year appearing by their signatures on the signature pages that follow.

GENERAL PARTNER
Blackstone Mining Company, Ltd., an Idaho corporation
by

_____

President Date

Counterpart signature pages for Limited Partners follow this page.

COUNTERPART SIGNATURE PAGE TO LIMITED PARTNERSHIP AGREEMENT OF BLACKSTONE RESOURCE DEVELOPMENT, L.P.

This Counterpart Signature Page is and forms a part of the Limited Partnership Agreement of Blackstone Resource Development, L.P. (the "Agreement"). The undersigned consents to and agrees to be bound by the terms and conditions set forth in said Agreement.

Dated this _____ day of _____, 20____.

FOR INDIVIDUALS

If the Interest is to be owned by joint tenants or tenants in common, *all* tenants must sign. If the Interest is to be owned as community property, one signature is required if the Interest is held in one name (i.e., by managing spouse) and two signatures if the Interest is held in both names.

_____ _____
Investor #1 name printed Investor #2 (or spouse) name printed

_____ _____
Signature Signature

FOR ENTITIES

Please attach a signed copy of the corporate resolution authorizing the investment.

_____ _____
Name of entity printed Printed name of authorized agent for entity

_____ _____
Domicile and type of entity (e.g., "an Idaho corporation) Signature of authorized agent

_____ _____
Domicile and type of entity (e.g., "an Idaho corporation) Title of authorized agent

STATE OF)
) ss:
COUNTY OF)

On this _____ day of _____, 20___, before me personally appeared _____ known to me to be the person(s) who executed the foregoing Limited Partnership Agreement, and acknowledged that the same was executed as his/her/their free act and deed.

_____
Notary Public for _____
My commission expires _____

Schedule A
Capital Contributions of General and Limited Partners

General Partner	Contribution	No. of Units held	% Ownership
Blackstone Mining Co., Ltd. Address	$	x	x
Limited Partners	**Contribution**	**No. of Units held**	**% Ownership**
Name Address	$	x	x
Name Address	$	x	x
Name Address	$	x	x
Name Address	$	x	x
Name Address	$	x	x
Name Address	$	x	x
Name Address	$	x	x
Name Address	$	x	x
Name Address	$	x	x
Name Address	$	x	x

EXHIBIT B

MINING LEASE BETWEEN
BLACKSTONE MINING COMPANY, LTD. (Lessor)

and

BLACKSTONE RESOURCE DEVELOPMENT, L.P. (Lessee)

MINING LEASE

THIS MINING LEASE ("Lease") is made and entered into this ____ day of _____, 2011, by and between:

BLACKSTONE MINING COMPANY, LTD., an Idaho corporation with a principal business address of _____ ("Lessor");

and

BLACKSTONE RESOURCE DEVELOPMENT, L.P., an Idaho Limited Partnership with a principal business address of _____ ("Lessee").

WITNESSETH:

WHEREAS, Lessor is the owner of certain patented lode mining claims located in Sections 12, 13, 14, and 15, Township 2 South, Range 10 East, Boise Meridian, Elmore County, Idaho, designated as the Kentucky, Ohio, Iowa, Illinois, and Oregon Lode Mining Claims, more particularly described in Book 15 of Patents at page 407, *et seq.,* in the Office of the County Recorder, Elmore County, Idaho (collectively "Property");

AND WHEREAS, Lessee desires to lease said Property for the exploration, development, and mining thereof, and Lessor is willing to enter into a lease as hereinafter set forth;

AND WHEREAS, Lessee is engaged in the business of mining, processing, and selling minerals and precious and base metals (collectively "Minerals");

AND WHEREAS, Lessor desires to enter into an agreement with Lessee for the lease of the Property for the purpose of mining and removing the Minerals therein, and Lessee is willing to pay Lessor certain payments for the Minerals mined, removed, and extracted from said Property;

NOW, THEREFORE, for and in consideration of the premises, mutual covenants, and agreements of the parties hereto, and the mutual benefits they will gain by the performance thereof, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is mutually agreed by and between them as follows:

SECTION 1. LEASED PROPERTY. Lessor hereby acknowledges that it has the right to lease the Property and that it will warrant and defend Lessee's possession of the Property against the lawful claim of any person or persons, subject only to the paramount title of the United States of America. Lessor, for and in consideration of the rentals and royalties and the covenants and agreements to be observed, kept, and performed by Lessee for the term of this

Lease, does hereby exclusively lease, demise, and let unto Lessee the above described Property, including all necessary easements, licenses, and rights of way for the sole purpose of exploring, drilling, mining, extracting, removing, shipping, and marketing the Minerals.

SECTION 2. RESERVATION OF RIGHTS; STOCKPILES. Notwithstanding the foregoing grant of rights in Section 1, Lessor reserves unto itself all surface rights to the Property for agriculture or other purposes, provided Lessor's use thereof does not interfere with or restrict Lessee's actual mining operations.

Lessor further reserves unto itself the sole and exclusive right to mine, process, ship, and otherwise dispose of existing ore stockpiles on the Property, more particularly described as approximately 20,000 tons of leach-grade ore situated on the surface of the Kentucky Claim ("Existing Stockpiles"). The Existing Stockpiles are the exclusive property of Lessor and are specifically excluded from the terms and conditions of this Lease. Lessor is under no obligation to share the profits of, pay any royalties to, or otherwise compensate Lessee in any way as a result of Lessor's use or disposition of the Existing Stockpiles.

SECTION 3. TERM; RENEWAL. This Lease shall be in effect from the date of execution and continue until midnight, December 31, 2021 ("Termination Date"). Provided Lessee is not in default of any provision of this Lease, Lessee shall have the exclusive option to renew this Lease for a second term of 10 years from and after the Termination Date, and upon the same terms and conditions as are in effect at such date, provided that Lessee has given written notice of its intention to renew the Lease at least six (6) months prior to the Termination Date. Lessee may take exclusive possession of the Property upon the execution of this Lease. During the Lease period and any renewal thereof, Lessee may prospect the Property for the Minerals, and may mine, remove, process, and sell said Minerals.

SECTION 4. ROYALTIES. Lessee will pay to Lessor as rental, a royalty at the rate of three percent (3%) of the Net Smelter Returns on all ores mined and shipped as raw ore from the Property, or on concentrates produced from ore mined from said claims and shipped from a mill or other processing plant operated by Lessee or others. As used in this Lease, "Net Smelter Returns" means the gross value of product(s) shipped from the Property less expenses incurred with respect to insurance, shipping, handling, and/or sampling and assaying of shipped product(s), smelting-refining charges, and penalties. Royalty at the rate of three percent (3%) shall also be paid on any premium received from the sale of ores, concentrates, or other mineral values mined from the Property.

Royalties shall be payable to Lessor on the 20th day of each month, following the month in which said payment has been received by Lessee. At the time of making a royalty payment, Lessee shall transmit to Lessor a true and correct statement of the amount, kind, and nature of products recovered by Lessee's mining operations along with a duplicate mint or smelter return statement from any purchasers of products from the Property. Lessee agrees that it will not sell or dispose of any ore or concentrates other than to a customarily accepted and responsible firm normally engaged in the business of buying such ore or concentrates.

SECTION 5. MINIMUM DEVELOPMENT. Lessee agrees to use its Best Efforts to mine and extract the minerals and values from the Property and to this end agrees to expend a minimum of $25,000 in development work annually during the term of this Lease or any renewal

thereof. Lessee will commence actual mining operations on the Property as soon as feasible and continue the operation thereof except as weather may substantially interfere with such operations, and further excepting interruptions arising from force majeur, strikes, war, or other causes over which Lessee has no control.

As used in this Lease, the term "Best Efforts" shall mean the best efforts of a party without requiring such party to: (a) do any act that is unreasonable under the circumstances; (b) amend or waive any rights under this Lease; or (c) incur or expend any funds other than reasonable out-of-pocket expenses incurred in satisfying its obligations hereunder, including the fees, expenses, and disbursements of its accountants, actuaries, counsel, and other professionals.

SECTION 6. TAXES; INSURANCE. Lessee shall be responsible for payment of the Idaho Mines License Tax payable on its net profits from mining operations on the Property, and Lessee shall be entitled to its allowable portion of the depletion allowance. Lessee further agrees to pay all property taxes levied and assessed upon the machinery, equipment, buildings, and other property placed upon the Property by Lessee and further to pay all ad valorem taxes that may be levied and assessed upon the Property and improvements thereon.

Lessee further agrees to carry workmen's compensation insurance upon its employees as required by Idaho law, and to pay all unemployment compensation and social security taxes required to be paid by Lessee as an employer.

Lessee shall be solely responsible for payment of all labor, materials, equipment, and supplies contracted by it or furnished at its instance and request in connection with the conduct of mining operations on the Property. Lessee further agrees to indemnify and hold Lessor harmless from and against any and all claims of creditors for such labor, material, equipment, or supplies furnished by Lessee. Lessee agrees to conduct its mining operations upon the Property in conformity with federal and state laws and regulations, and further to comply with the laws regarding recording and posting of the appropriate notices.

Lessee agrees to indemnify and hold Lessor harmless against loss, damage, liability, liens, claims, expenses, costs, causes of action, suits at law or in equity, attorneys' fees and any and all liability by reason of or on account of any claim, action, suit, or proceedings against Lessor in any way related to the operations of Lessee under this Lease, which indemnification of Lessor shall also cover any action or claim of any shareholder of Lessee involving the violation or purported violation by Lessee of any federal or state securities laws.

All mining operations conducted by Lessee upon the Property shall be conducted in a good and minerlike fashion consistent with generally recognized mining practices in the district.

SECTION 7. IMPROVEMENTS. Lessee may place upon the Property such excavations, improvements, or structures as it may consider necessary, convenient, or suitable for prospecting, development, or mining. Such structures or improvements may include a mill or smelter, but in the operation of either and the handling of wastes or tailings, Lessee shall comply with all applicable county, state, and federal laws.

SECTION 8. RIGHT TO INSPECT. Lessor may at any reasonable time, without interfering with the work or operations of Lessee, go upon the Property and inspect the same and the workings of Lessee.

SECTION 9. ADDITIONAL CLAIMS. Lessee agrees that any unpatented lode mining claims it may locate in or around the Property during the term of this Lease shall be subject to all of the terms and conditions of this Lease, including but not necessarily limited to payment of royalties to Lessor.

SECTION 10. DEFAULT. The parties agree that time is of the essence of this Lease. In the event Lessee shall fail, refuse, or neglect to make any payment of royalty, or perform any other covenant incumbent upon Lessee under this Lease, Lessor may declare this Lease forfeited, which forfeiture shall be exercised in the following manner.

Lessor shall give written notice to Lessee specifying the particulars wherein Lessee is in default. Should the matter in default, as specified in such notice, not be corrected within a period of thirty (30) days from the date of mailing of such notice, then Lessor may declare this Lease terminated and all the interest of Lessee in this Lease and the demised premises shall be terminated and forfeited. Upon termination of this Lease for cause, Lessee agrees to surrender to Lessor immediate peaceable possession of the Property.

Notwithstanding any provision in this Lease, Lessee may at any time, after the first two (2) years of this Lease, terminate this Lease by giving Lessor written notice of termination. If such notice is given, the Lease shall terminate at the end of thirty (30) days from the date such written notice is delivered to Lessor as hereinafter provided. Provided, however, that Lessee shall remain obligated to make any payment of royalties due and payable prior to the termination date.

SECTION 11. MAPS; OTHER INFORMATION. During the lease period or any renewal thereof, at reasonable times during business hours and after appointment is made with Lessee, Lessee will furnish Lessor factual information which it has concerning the Property, and will allow Lessor to examine any of the maps which it has made of the Property or workings thereon. Upon any termination of this Lease, upon demand of Lessor, and within thirty (30) days thereafter, Lessee will furnish the factual information and data that it has compiled and will provide copies of all maps and reports of the Property to Lessor.

Upon termination of this Lease, and provided no monies are due and payable to Lessor, and provided Lessee is not otherwise in default under the terms of this Lease, Lessee shall have a period of ninety (90) days from the date of termination to remove from the Property all machinery, tools, and other equipment placed by it thereon, and unless removed within said period of time the same shall immediately become the property of Lessor. Lessee shall have no right to remove timbers in place, buildings, track, and air or water pipe in place.

SECTION 12. NOTICES. Any notices required or permitted to be given under this Lease shall be given in writing and shall be delivered: (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by facsimile, or (d) by a commercial overnight courier that guarantees next day delivery and provides a receipt. Notices shall be addressed as follows:

If to Lessee:
Blackstone Resource Development, L.P.
Attention: Name
Address
City, State ZIP
Fax:

If to Lessor:
Blackstone Mining Company, Ltd.
Attention: Name
Address
City, State ZIP
Fax:

or to such other address as either party may from time to time specify in writing to the other party in accordance with the terms of this Section. Any notice shall be effective only upon delivery, which for any notice given by facsimile shall mean notice that has been received by the party to whom it is sent as evidenced by a confirmation slip.

SECTION 13. ASSIGNMENT. This Lease is not assignable without the written consent of the Lessor being first had and received.

SECTION 14. IDAHO LAW GOVERNS. This Lease shall be governed by and interpreted in accordance with the laws of Idaho without reference to principles of conflict of laws, and will be subject to enforcement and interpretation solely in the appropriate courts of Idaho.

SECTION 15. RECORDING. Neither party shall record this instrument unless both parties have given their written consent. Upon termination of this Lease, Lessee agrees to execute and deliver any documents that may be necessary to clear Lessor's title to the Property from the effects of this Lease.

SECTION 16. MEDIATION. Any dispute arising from this Lease that cannot be settled through negotiation, shall be submitted to mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to arbitration, litigation, or some other dispute resolution procedure. If the parties do not reach such solution within a period of sixty (60) days, then, upon notice by either party to the other, all disputes, claims, questions, or differences shall be finally settled by binding arbitration administered by the American Arbitration Association in accordance with the provisions of its Commercial Arbitration Rules.

SECTION 17. ATTORNEYS' FEES. In the event of any dispute resolution process arising from this Lease, the prevailing party shall be entitled to recover from the non-prevailing party all reasonable expenses incurred in such litigation. In the event of a non-adjudicative settlement between the parties or a resolution of a dispute by arbitration, that process shall determine the term "prevailing party."

SECTION 18. SEVERABILITY. If any provision of this Lease is held unenforceable, such provision will be modified to reflect the parties' intent. All remaining provisions shall remain in full force and effect.

SECTION 19. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, successors, and permitted assigns.

SECTION 20. NO WAIVER. Neither the waiver by any of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure by any of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights, or privileges. The rights and remedies herein provided are cumulative and none is exclusive of any other, or of any rights or remedies that any party may otherwise have at law or in equity.

SECTION 21. HEADINGS. The headings in this Lease are for descriptive purposes only and shall not control or alter the meaning of this Lease or in any way limit or amplify the terms of this Lease.

SECTION 22. ENTIRE AGREEMENT. This Lease terminates and replaces all prior agreements, either written, oral, or implied, between the parties hereto, and constitutes the entire agreement between them.

By their signatures below, the parties accept all the terms and conditions of this Lease.

BLACKSTONE MINING CO., LTD.
an Idaho corporation ("Lessor")
by:

_____
President

BLACKSTONE RESOURCE DEVELOPMENT, L.P.
an Idaho limited partnership ("Lessee")
by:
BLACKSTONE MINING CO., LTD.
its General Partner
by:

_____
Vice-President

STATE OF IDAHO)
) ss.
County of Ada)

On this ____day of _____, 20___, before me, the undersigned, a notary public in and for the State of Idaho, personally appeared _____ and _____ _____, known to me to be the persons whose names are subscribed to the within and foregoing instrument, and, being by me first duly sworn, acknowledged that they are respectively the President and Vice President of Blackstone Mining Co., Ltd., and that they executed the same as their free and voluntary act and deed.

_____
Notary Public for Idaho
My commission expires _____

BLACKSTONE RESOURCE DEVELOPMENT, L.P.
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Boise, Idaho 83702-0391
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Facsimile (208) 555-5556
www.blackstonemining.com