

the Lessee does hereby lease, hire and take of and from the Lessors, all the right, title, interest and estate of the Lessors in and to the mining property, mines and unpatented mining claims situated in the Cortez Mining District, Eureka County, Nevada, known as and called:

Scorpion
Scorpion No. 1
Scorpion No. 2
Scorpion No. 3

For a more particular description whereof reference is hereby made to the records thereof in the Office of the County Recorder of Eureka County, State of Nevada.

The Lessors and the Lessee hereby covenant and agree with each other as follows:

1. The term of this lease shall be for the period of five (5) years, beginning April 1, 1956, and ending on the 31st day of March, 1961, unless sooner terminated or renewed, as hereinafter provided. The Lessee shall have the option to renew this lease for additional five year terms under the same terms and under the same conditions PROVIDED the Lessee is not in default and provided the lease is in good standing.

2. Upon the expiration of the term hereby created, either by lapse of time or by termination by the Lessors or by the Lessee as hereinafter provided, the Lessee shall immediately surrender to the Lessors possession of all the property which is the subject of this lease, in like good order and condition as at the date of the execution of this lease, except as the condition thereof may have been changed by operations properly conducted thereon in purchase of the provisions hereof.

3. The Lessee shall have and it is hereby given the right, so long as it keeps and performs all of the terms, conditions and covenants of this lease, on its part to be kept and performed, and while this lease remains in force, and prior to any termination as herein provided, to prospect and explore said property for all minerals, either by drill holes, prospect shafts or otherwise, and to mine, operate and extract and reduce minerals from the same, and this lease is made for that purpose.

4. During the initial five year period the Lessee shall prospect, develop or operate the said claims as continuously as possible, it being understood that the Lessee shall be excused from said obligations in the event of adverse weather conditions, acts of God, labor strife or other factors beyond its control.

Generally the Lessee shall enter upon said mine and premises and shall and will at its own cost and expense work the same in a substantial, systematic, proper and miner-like fashion, according to the prevailing rules of good and economical mining and take out the greatest amount of all minerals possible, with due regard to the safety, development and preservation of the said premises as a workable mine; do all things necessary to promote the usefulness of said mining property as a workable mine and to develop the same, and do no act thereon during the term of this lease which would impair mining operation or impair the operating condition of said mining claims, and generally, shall so conduct operations as to conform to the laws of the United States and of the State of Nevada and the local rules and regulations of miners in said mining district, and shall do no act and suffer no default which might in any manner involve the said Lessors or their ownership in said mining property in liability of any kind or character. The Lessee agrees to perform annual labor on unpatented mining claims and execute and file proof of the same.

5. The Lessee shall and will pay to the Lessors as a production royalty, 10% of the net smelter returns, payable monthly. The Lessee shall keep accurate records of all ores mined, treated or shipped from the property and shall make available net smelter returns and render statements thereof to the Lessors. The phrase "net smelter returns" for

the purpose of this lease shall be defined as the gross returns on the ores or concentrates less smelter treatment charges, railway freight charges, sampling and assay charges.

PROVIDED, HOWEVER, the Lessee shall have a prospecting period of one year from the date of this lease during which time the Lessee shall actively prospect by geophysical work, mapping, excavating or other approved development methods, weather permitting. During the prospecting period the only payments required shall be on the basis of the aforesaid royalty from actual production, if any. Thereafter the Lessee shall pay to the Lessors a minimum royalty of Five Hundred Dollars (\$500.00) per month including production royalties until the lease expires, is terminated or the property purchased, as hereinafter provided.

6. The Lessee shall and will keep the said premises free and clear of all liens of mechanics, laborers, miners and materialsmen, or other furnishing work, labor, supplies or materials at its instance or request for or in connection with its operations, and keep and save harmless the Lessors of and from all claims for work or labor done or materials used or furnished to be used at the instance or request of the Lessee on said premises, or any part thereof, and of and from all expenses incurred by the Lessors in resisting or defending against any claim served against the said property by such mechanics, laborers, miners, and materialmen, or others.

7. The Lessors shall have the right and privilege at all reasonable times to enter upon the said premises and improvements and appliances therein and thereon and to examine the work being done thereon and, at their option and at their risk, may keep an agent or representative at all times on said premises, with full right of inspection and access.

8. The Lessee shall and will post notices of nonliability of the Lessors for liens upon said premises and shall maintain on said premises during the term of this lease such notices of non-responsibility as the Lessors may require. If the Lessee fails to post and maintain such notices the Lessors shall have the right to post and maintain the same.

9. Net proceeds of mine, bullion or similar taxes levied on production shall be divided proportionately between the parties according to their respective shares.

10. The Lessee shall have and is hereby given an option to purchase the leased property and mines and mining claims thereon for the sum of Two Hundred Thousand Dollars (\$200,000.00) under the following terms and conditions:

The royalties hereinabove provided to be paid by the Lessee shall apply on the purchase price. The option to purchase given the Lessee shall be terminated in the event the Lessee is in default under the terms of this lease. All payments for royalties or on the purchase price herein shall be divided equally and remitted separately to the respective Lessors.

11. The Lessee agrees that all underground structures of every nature shall be and remain the property of the Lessors on the termination of this lease; and the Lessors agree that all tools, machinery, surface buildings, structures and bins, or installations erected on said premises by the Lessee shall be and remain the property of the Lessee on the termination of this lease; PROVIDED, HOWEVER, the Lessee shall remove the same within sixty days.

12. The Lessee shall notify the Nevada Industrial Commission of its acceptance of the provisions of the Nevada Industrial Insurance Act, or any amendments thereof, for the time being in force, and maintain and keep in force at all times during the term of this lease, or any extension hereof, compensation insurance thereunder or with some authorized carrier covering all his liability for injury or death to workmen in its employ.

13. The Lessee shall not assign this lease or any portion thereof and shall not

sublease all or any portion of said mining property, or sell any of the Lessee's right and title in said lease or any interest in the same without the written consent of the Lessors first had and obtained. PROVIDED, HOWEVER, the said consent shall not be unreasonably withheld.

14. This indenture shall bind and shall inure to the benefit of the successors and assigns of the Lessors and of the Lessee.

15. At any such time as the Lessee completes the payment of the purchase price of Two Hundred Thousand Dollars (\$200,000.00), whether by royalty payments or by lump sum payments, this lease not having otherwise been previously cancelled, the Lessors will convey and transfer all of the property described in this lease.

16. The Lessee shall have the right to terminate this lease and option to purchase at any time upon giving written notice to the Lessors sixty days in advance thereof. The Lessors in the event of default shall have the right to give written notice to the Lessee and in the event the default is not corrected within sixty days of the notice, then the lease shall automatically terminate.

IN WITNESS WHEREOF, the Lessors and the Lessee hereunto set their hands and seals the day and year first above written.

Allen Russell

Edgar L. Stephenson
Lessors.

THE STANDARD SLAG COMPANY

By L. A. Beeghly, Pres.
Lessee.

(Corporate Seal)

STATE OF NEVADA,)
) ss.
County of Washoe)

On this 7th day of April, A.D. one thousand nine hundred and fifty-six, before me, H. K. Brown, County Clerk and ex-officio Clerk of the Second Judicial District Court, in and for said Washoe County, personally appeared Edgar L. Stephenson, personally known to me to be the individual described in and who executed the annexed instrument, who duly acknowledged to me that he executed the same freely and voluntarily, and for the uses and purposes therein mentioned.

WITNESS my hand Seal of said Court, at Reno, in said county, the day and year in this certificate first above written.

(Official Seal) H. K. Brown, Clerk.

STATE OF NEVADA,)
) ss.
COUNTY OF ELKO.)

On this 3rd day of April, A.D., one thousand nine hundred and 56 personally appeared before me, Geo. R. Boucher, a Notary Public in and for the said County of Elko, Allen Russell, known to me to be the person described in and who executed the foregoing instrument, who acknowledged to me that he executed the same freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the County of Elko, the day and year in this certificate first above written.

(Notarial Seal) Geo. R. Boucher
Notary Public in and for the County of Elko,
State of Nevada.

STATE OF OHIO)
) ss.
COUNTY OF MAHONING)

On this 12th day of April, 1956, personally appeared before me, the undersigned a Notary Public in and for said County and State, L. A. Beeghly, known to me to be the President of the corporation that executed the foregoing instrument, and upon oath did depose that he is the officer of said corporation as above designated; that he is acquainted with the seal of said corporation and that the seal affixed to said instrument is the corporate seal of said corporation; that the signatures to said instrument were made by the officers of said corporation as indicated after said signatures; and that the said corporation executed the said instrument freely and voluntarily and for the uses and purposes therein mentioned.

WITNESS my hand and notarial seal the day and year in this certificate first above written.

(SEAL) Elaine Parella
Notary Public.

My Commission Expires June 18, 1956.

Recorded at the Request of Leslie B. Gray Apr. 23 A.D., 1956 At 27 Min. past 11 A.M.

E. B. Crane--Recorder.
By Angela Evans--Deputy.