

File No. 34596

Sam Zunino, Antonietta Zunino,
Bernard Zunino and Stanley A.
Zunino

to

Peter C. Lien, Bruce H. Lien
and Charles H. Lien

L E A S E

L E A S E

This lease made and entered into this 10th day of November, A.D., 1959, by and between SAM ZUNINO and ANTONIETTA ZUNINO, his wife, BERNARD ZUNINO, a widower, and STANLEY A. ZUNINO, also known as STANLEY ZUNINO, a single man, all of the City of Elko, County of Elko, State of Nevada, the parties of the first part, Lessors, hereinafter called "OWNERS, and PETER C. LIEN, BRUCE H. LIEN and CHARLES H. LIEN, all of Rapid City, County of Pennington, State of South Dakota, the parties of the second part, Lessess, hereinafter called "LIEN",--

W I T N E S S E T H:

THAT WHEREAS the Owners have exclusive possessory rights to certain unpatented mining claims in the State of Nevada and are desirous of obtaining a patent upon them; and

WHEREAS, the Owners desire to devâop a process for economical reduction of the minerals; and

WHEREAS, the Owners desire that a crushing, screening and processing plant be constructed that may be available for the processing of minerals, and recognize at this time that the minerals have not been sufficiently explored to ascertain their quantity and quality and that no suitable data exists upon which a judgment might be formed as to the wisdom of proceeding with the construction of facilities for the eventual sale of minerals; and

WHEREAS, in order to obtain such information and to obtain patents and to develop the minerals as soon as possible, consistent with conditions that may from time to time exist, is the Owners' underlying purpose

*See Book 2 of official
Records page 112
for Cancellation
of Mining Lease*

in making this Agreement; and

WHEREAS, the parties agree that to further this purpose it is necessary that Lien have leashold rights in such property that will enable them to arrange for the development intended.

NOW, THEREFORE, the Owners, for and in consideration of the royalties herein reserved and the covenants and agreements hereinafter expressed and by Lien to be kept and performed, have granted, demised and let and by these presents do grant, demise and let unto Lien, and Lien does hereby hire and take from the Owners the following unpatented lode mining claims situate in the County of Eureka, State of Nevada, and more particularly described as follows:

Black Bird #1

Black Bird No. 2

Black Bird No. 3

Black Bird No. 4

Benton

Benton #1

Benton #2

situate in Sections 24 and 26, Township 29 North,
Range 50 East, M.D.B & M., Eureka County, Nevada.

TOGETHER with any and all other property which the Owners may acquire by lease, purchase, discovery, location and patent within a radius of five (5) miles of the end lines of the mining claims above described; and

TOGETHER with any and all other mining claims hereafter acquired by Lien by discovery, location and patent within a radius of five (5) miles of the end lines of the mining claims above described, which said acquisition or discovery by Lien shall be done in the name of Owners and for their use and benefit.

TO HAVE AND TO HOLD the same unto Lien for the term of thirty-five (35) years beginning with the date hereof and ending on the anniversary date hereof on 1994, subject to the terms and conditions hereof, unless sooner forfeited or terminated through the violation of any conditions, covenant, or agreement herein set forth.

In consideration of such demise and lease Lien does hereby covenant and agree with the Owners to pay rentals and royalties and to perform work in the manner following:

1. On or before one (1) year from the date hereof Lien agrees to complete such drilling and mapping on the above described mining claims as is consistent with and necessary for Lien to formulate a decision with respect to the possibilities of the further economic development thereof. All drilling and mapping done by lien may be used by the Owners for patenting purposes,

With respect to the above described drilling and mapping the parties hereto expressly agree that such shall be a condition precedent for any continuance of this Lease Agreement and failure by Lien to perform said work within one (1) year from the date hereof shall render this Lease null and void and of no further force and effect and all sums of money theretofore paid by Lien to Owners shall remain the property of the Owners as and for liquidated and stipulated damages and for rentals reserved.

Commencing with the completion of the drilling described in paragraph one (1) above, Lien agrees to pay to Owners annually an advance royalty at the rate of ONE THOUSAND AND NO/100 (\$1,000.00) DOLLARS for each million (1,000,000) long tons of iron ore blocked out or proven to be in place on the above described mining claims. The amount of such ore shall be determined by Lien. In event of disagreement as to the amount the parties shall each designate a qualified mining engineer to act for them as arbitrator. They shall select the third member from a list of three (3) supplied by the arbitrators who shall each cross off one (1) name. The remaining name shall be the third member of the Board. A decision of the majority shall be final. The expenses of the Board shall be borne equally.

Such payment shall not continue to be paid longer than the commencement of royalty payments as provided on pages 8 and 9.

2. Within one (1) year after issuance of patents to the Owners by the United States Government covering all of the property described above, or within one (1) year after the completion of such drilling and mapping as is set out in paragraph No. 1 above, whichever is later in point of time, Lien will complete the further drilling and mapping of the property so that the manner of mining may be determined.

3. Lien, in order to assist the Owners in procuring patents on the above described claims, shall place in escrow in the Nevada Bank of Commerce, Elko Branch, Elko, Nevada, the sum of \$3500.00. This sum shall be deposited coincidentally with the execution of this agreement. It shall be used only in payment of legal, survey and engineering expenses that will be usable in the prosecution of a patent application. If this amount is insufficient Lien agrees to place such additional amounts in such bank, but not in excess of \$7,000.00, for use in prosecution of the patent application on any claims the subject of this Lease whether now known or hereafter acquired. This latter amount shall be neither obligated or disbursed without the express consent of Lien provided, however, that Lien may not withhold consent therefor if the statements submitted are bona fide and if the work has been undertaken pursuant to the express conditions hereunder requiring the Owners to pursue diligently the patenting process. The first amount mentioned shall be deposited pursuant to the express provisions contained in escrow instructions to the said Nevada Bank of Commerce, executed by all of the parties hereto and directing payment by said Bank of all bona fide bills presented to it in connection with any patent proceedings. Any unused balance shall be returned by said Bank to Lien. It is expressly understood and agreed, however, that any balance of the deposit of \$3500.00 shall not be refundable to Lien should Lien fail to perform the drilling and mapping described in paragraph one (1) above.

4. Within one and one-half ($1\frac{1}{2}$) years after completion of the additional drilling, set out in Paragraph No. 2 above, Lien shall have caused the construction of a pilot plant designed to remove impurities from the minerals contained on the above described mining claims. The design, place and name of construction shall be at the sole discretion of Lien.

5. Within one and one-half ($1\frac{1}{2}$) years after completion of the pilot plant described in paragraph No. 4 above, Lien agrees to have completed the construction of a chemical plant for treatment of minerals and a crushing and screening plant to aid the treatment and processing thereof, all of which shall be capable of processing and treating no less than 100,000 long tons of iron ore on a calendar year basis. Design, place and name of construction shall be at the sole discretion of Lien.

6. Should Lien be able to mine and remove merchantable iron ore, or be able to arrange for mining and removing merchantable iron ore without the construction of the requirements in Paragraphs 4 and 5 of this Lease, then, in that event, Lien shall not be required to complete such requirements and failure to so do shall not be deemed a violation of this Lease. Merchantable iron ore as herein used shall be deemed to be all iron ore, other than waste, mined and removed from the above described mining claims.

It being expressly understood and agreed, however, that should Lien, pursuant to the provisions of paragraph 6 above, find it unnecessary to construct the requirements of Paragraphs 4 and 5 to enable the shipment of mine run ore then, in that event, the minimum royalty payments as described in paragraph numbered 7 shall commence of the date of the first shipment and such date shall be the commencing date of the fiscal year for accounting required under paragraph 7.

7. Upon completion of any of the drilling and mapping operations hereinabove described, Lien agrees to furnish immediately a copy of all drill logs, maps and engineering data and reports relative to the quantity, quality and location of ore on the claims hereinabove described.

The Owners agree as follows:

A. That they have located the mining claims in accordance with the laws of the United States and the State and that they have complied with all laws relating to annual labor and that such mining claims are not subject to cancellation or termination by the United States and have not been relocated by any other person.

B. That they will forthwith institute patent proceedings and diligently prosecute the same.

C. That they will forthwith arrange for access upon the property and to the property from the railroad railhead at BEOWAVE, NEVADA, and will forthwith settle all surface claims that may be outstanding.

Should Owners fail to perform the requirements set forth in paragraph C. Above, Lien may at its election either (a) procure the same at Lien's expense, or (b) suspend further activities under the agreement until notice from Owners that it has complied with paragraph C Above.

FOR AND IN CONSIDERATION of the mutual covenants and agreements herein contained and on the part of the respective parties hereto to be performed and further in consideration of the royalties to be paid by Lien

to Owners, the Owners do hereby grant unto Lien the option to renew this Lease for an additional period of thirty-five (35) years from the date of the expiration hereof.

Lien shall have the exclusive right and privilege during the term of the Lease to enter upon, produce, erect and maintain a plant or plants on the premises or off the premises at such place or places as Lien may select. Lien shall have the right to build roads and ways of any kind for use in connection with all or any of the purposes of this Agreement.

In the event Owners desire to sell any of their interests in the property covered by this Lease Agreement, they do hereby grant to Lien the option to purchase such interest at the same price as may be contained in the bona fide offer of any person or persons not parties hereto. In connection therewith, the Owners agree that they will, immediately upon receipt of a bona fide offer, convey notice thereof to Lien in writing at the address as hereinafter provided and Lien shall have ninety (90) days from the posting of such notice within which to exercise their option to purchase for said amount. Should Lien fail to do so within said prescribed period of time then the Owners, or either of them, shall be free to dispose of their interests to such bona fide purchaser. It is specifically understood that the Owners may convey their respective interest to each other or to their lineal descendants without the necessity of offering the sale of the premises to Lien and further without the necessity of notifying Lien of their intention so to do. It being further expressly understood, however, that such remaining owners and such lineal descendants of the Owners shall in any event be subject to this express option should they or any of them desire to convey to persons not parties hereto.

In consideration of the royalties as above set forth and in further consideration of the mutual covenants herein contained and on the part of the respective parties hereto to be performed, the Owners do hereby grant unto Lien the option to purchase the above described property for the sum of FIVE HUNDRED THOUSAND AND NO/100 (\$500,000.00) DOLLARS in cash at anytime after payment to the Owners by Lien of ONE MILLION, FIVE HUNDRED THOUSAND (\$1,500,000.00) DOLLARS in royalties or annual minimum payments as hereinafter provided. Upon written notice to the Owners by Lien of the exercise of this option, Lien shall place in escrow the said sum of FIVE HUNDRED THOUSAND AND NO/100 (\$500,000.00) DOLLARS with instructions to the escrow holder to pay the same to the Owners upon delivery by the Owners to Lien of a good and sufficient Grant, Bargain and Sale Deed, granting unto Lien good and merchantable title to the above described premises, free and clear of any and all encumbrances or title defects, other than those which may have been placed thereon by Lien or imposed thereon as a result of the operations conducted thereon by Lien. In addition Lien shall pay to Owners, until depletion of the ore in place, an over-riding royalty of fifteen (15¢) cents per long ton of iron ore mined and removed from the above described mining premises. Payment of said overriding royalty shall in all respects be made in the same manner and on the same basis as the royalty payments hereinafter provided.

Lien shall pay to the Owners as royalty for all merchantable iron ore mined and removed from the above described mining premises during the term of this Lease or any extension thereof thirty-three (33¢) cents per long ton of iron ore, a long ton being deemed to be 2,240 pounds.

In connection with the above, Lien agrees to pay Owners as a minimum royalty payment hereunder on a fiscal year basis, such fiscal year being deemed to be the anniversary dates each year following the commencement of mining operations hereunder after construction of the chemical plant described in Paragraph No. 5 above, an amount equal to the royalty normally payable on 100,000 long tons of merchantable iron ore mined and removed from the above described mining claims, provided however that if Lien is unable to continue the shipments of mine run ore as in Paragraph No. 6 provided, then in that event Lien shall be required to comply with the requirements set forth in Paragraph 4 and 5 with the requirements set forth in Paragraph 4 to commence immediately upon conclusion of mining operations of mine run shipments and the provisions of Paragraph 5 shall commence within one and one-half (1½) years thereafter. In this connection the parties hereto expressly understand and agree that the commencement dates herein described for the commencement of the obligations set forth in Paragraph 4 and 5 shall be deemed to be the date on which actual mining operations cease and shall in no event take into consideration the dates on which the mine run ores are shipped.

Lien shall pay to Owners on all other merchantable minerals mined and shipped from the above des-

cribed premises a sum equal to 10 percent of the net returns to Lien from the sale of such minerals, net returns being deemed to be the net amount received by Lien from the purchaser, mill or smelter less only the costs of transportation of such minerals to the mill, smelter or purchaser.

No royalty payments shall be required for minerals removed during the course of development and exploration where the purposes of such removal is for testing and determining suitability for sale. Such exemption from royalty payments shall in any event be limited to 1000 tons of such minerals removed for testing. It being further understood and agreed, however, the regular royalty payments as above provided shall be paid to Owners if such minerals, after testing, are actually sold.

It is specifically understood and agreed by and between the parties hereto that the sum of \$3500.00 advanced by Lien for use of Owners in patenting the above described mining claims, and such other funds that they may hereafter advance for such purpose, shall be considered as advance on royalties to be due for the mining operations as hereinabove described.

All royalty payments as hereinabove provided shall be based on railroad scale weights, certified truck scale weights or buyers weights, whichever is the lesser and shall be payable quarterly within twenty-five (25) days following the end of each quarterly period after commencement of the operations as hereinabove provided. The Buyers weight for the purposes hereof shall be deemed to be the weight of all ores mined and shipped from the above described premises upon receipt of the same at the time of delivery to the processing plant operated either by the Buyers or Lien.

The payment of minimum royalty as above provided shall likewise be payable quarterly not later than twenty-five (25) days following the end of each quarter and shall consist of not less than one-fourth ($1/4$) of the annual minimum royalty. The payments, in either event, shall be made for the account of the Owners to the Nevada Bank of Commerce, Elko Branch, Elko, Nevada. Owners shall deposit with such bank a distribution order with respect to the funds so paid.

Lien shall keep proper books and records showing the operations conducted under this Agreement and the proceeds therefrom. The Owners shall have the right to examine accounts with respect to such operations at all reasonable times and shall have access to the premises for the purpose of making inspections with respect to the operations conducted under this Agreement.

The obligation of Lien hereunder shall be suspended to the extent that, and only so long as, performance hereunder is prevented by Acts of God, fire of such substantial character as to impair reasonable operation, extreme adverse weather conditions, strikes, insurrection, war or civil strife, acts of the military authorities and acts of civil authorities (if due to conduct of Owners) restraints or restrictions imposed by law or by regulations of orders of governmental authorities, whether Federal, state or local; inability to obtain necessary rights of access or any other cause reasonably beyond the control of Lien whether or not similar to any cause above enumerated. Whenever performance of its obligations is prevented by any such cause Lien shall give notice thereof to the Owners as promptly as reasonably possible.

In the event the Owners consider that Lien has failed to comply with any obligation hereunder, express or implied, Owners shall notify Lien in writing specifically stating in what respects it is claimed that Lien has breached this Agreement. The service of such notice and the lapse of sixty (60) days without Lien meeting or commencing to meet the alleged breach, and continuing to rectify such alleged breach in a diligent manner, shall be a condition precedent to any action by the Owners for any cause. If within sixty (60) days after the receipt of such notice Lien shall meet or commence to meet and continue diligently to rectify the breaches alleged by the Owners, Lien shall not be deemed in default hereunder. It is expressly understood and agreed by and between the parties hereto that waiver by the Owners of this breach or violation of this agreement shall not be deemed to be a waiver of any subsequent violations or breach thereof.

Lien expressly covenants and agrees not to mix any ores or products from the leased premises with the ores or products derived from any other property, unless the ore from these premises shall first have been properly weighed.

Lien shall perform its obligations hereunder in a good and miner like manner as is usual and customary in the performance or operations of similar kind and character. Lien shall be solely responsible for all work

and labor done upon or about said mining premises and property under the terms hereof and for all materials and supplies furnished or to be used in working the said property or in the construction of any improvement or improvements thereon by Lien, and Lien will not by any act, cause, permit or suffer any lien of any kind to attach to said property or any part thereof, and will save, defend, keep harmless and indemnify the Owners and said property of and from any and all such lien and liens.

It is further expressly understood and agreed by and between the parties hereto that no person employed by Lien in and about the said property shall be deemed to be the employee of the Owners within the contemplation of an act of the Legislature of the State of Nevada, known as the "Workmans' Compensation Act" or of any act or acts amendatory thereof, or analogous or supplementary thereof; that Lien will conduct all mining operations and prepare said mining property and premises in strict accordance with the provisions of an act of the Legislature of the State of Nevada, entitled "An Act Creating Office of Mispractice of Mines" approved March 24, 1909, and all acts supplementary thereto or amendatory thereof; that Lien shall carry industrial insurance upon all employees working in, on and about the above described premises in accordance with the terms and conditions of what is commonly known as and called the "Nevada Industrial Act."

Lien agrees to post and keep posted in conspicuous places on said above described mining premises a "NOTICE OF THE NON-LIABILITY OF THE OWNERS" notifying all persons that the Owners are not responsible or liable for any labor performed, materials furnished or improvements made upon said premises during the term of this Lease Agreement, and agree further to place a copy of the said notice, together with an Affidavit that the same has been posted, on file in the Recorder's Office of Eureka County, Nevada, in all respects as required by NRS 108.140, as amended, and in all respects as required by the laws of the State of Nevada to assure and guarantee the non-liability of the Owners, in respect to any liens or claims that might be filed against said property. Such non-liability of the Owners and such Notice of Non-Liability of the Owners shall likewise apply to any injury or damage to third persons or property of any third persons,. Neither the Owners nor the property itself, nor any part thereof shall be liable for any such claim for labor, materials, damage or injury.

All annual assessment required on the above described mining claims or mining premises shall be done by Lien annually for and on behalf of the Owners and proper Affidavits showing the accomplishment of such work shall be properly filed in the office of the County Recorder of the County of Eureka, State of Nevada. Should Lien fail to do so at least thirty days before the end of each assessment year, Owners may perform such work and/or file such required notices and Affidavits at the sole expense of Lien. After the above mining claims or mining premises are patented by the Owners, Lien specifically covenants and agrees to furnish all necessary affidavits or notices of work performed on said patented mining claims to the County Board of Equalization of Eureka County, Nevada, which said affidavits shall be designed to avoid the payment of assessed taxes against the above described mining claims. Should Lien fail to do so within the requisite period of time annually, the Owners may file such required notices and affidavits at the sole expense of Lien, or in the alternative, may charge the taxes levied or assessed to Lien for which Lien specifically promises and covenants to reimburse the Owners.

Should the Owners fail to proceed with the application for patents on the above described mining claims or otherwise fail to proceed with the orderly prosecution thereof, Lien may do so, and all expenses incurred therewith shall be treated as advance royalties.

Lien may remove within ninety (90) days after termination of this Lease for any reason, unless prevented by adverse weather conditions or Acts of God, all fixtures and other personal property placed by Lien on the premises. It being understood and agreed, however, that all timbering, tunnels, shafts and underground trackage shall be left in place by Lien in a good and clean condition and that such shall become the property of the Owners.

Should Lien assign this Lease or sub-let any part thereof, it is expressly understood and agreed by and between the parties hereto that Lien shall continue to be the party principally liable hereunder and that Owners may in any instance bring action for default or damages directly against Lien.

Lien agrees to pay all state, county and local taxes of any name or nature levied or assessed on any and all of the personal property and fixtures placed on the said leased premises by Lien, including but not

limited to taxes levied and assessed on any mills, mill houses and any other structures, machinery and equipment of any name or nature.

Each of the parties hereto respectively promises and agrees to pay its own share of the net proceed taxes levied by the State of Nevada on the ores mined and shipped from the above described mining premises.

When, in the opinion of Lien, it is no longer reasonably practicable to continue with its obligations assumed under this Agreement it may terminate this Agreement by giving a notice of termination and upon the payment of any accrued royalties that may be due shall be fully discharged from all its obligations thereunder, and may remove all personal property as hereinbefore provided. It shall upon giving notice and after removal as aforesaid deliver to the Nevada Bank of Commerce, Elko Branch, Elko, Nevada, a release with respect to this Agreement.

All notices given or required to be given under the terms of this Agreement shall be in writing, sent by United States mail, postage prepaid, either registered or certified with return receipt requested, or delivered in person with a written acknowledgement of receipt thereof. Notices to the Owners shall be addressed to them at Box 575, Elko, Nevada, and notices to Lien shall be addressed to them at Box 1072, Rapid City, South Dakota. Notices so mailed and addressed shall be deemed given and received at the time of deposit in the United States Post Office. Notices personally served shall be deemed given and received at the date of written acceptance of such notice.

DATED THIS 10th day of November, A. D., 1959.

Sam Zunino
SAM ZUNINO

Antonietta Zunino
ANTONIETTA ZUNINO

Bernard Zunino
BERNARD ZUNINO

Stanley A. Zunino
STANLEY A. ZUNINO

"OWNERS"

Peter C. Lien
PETER C. LIEN

Bruce H. Lien
BRUCE H. LIEN

Charles H. Lien
CHARLES H. LIEN

"LIEN"

STATE OF NEVADA)
) SS.
COUNTY OF ELKO)

On this 10th day of November, A.D., 1959, personally appeared before me, a Notary Public in and for the said County and State, SAM ZUNINO and ANTONIETTA ZUNINO, his wife, BERNARD ZUNINO, a widower, and STANLEY A. ZUNINO, also known as STANLEY ZUNINO, a single man, known to me to be the persons described in and who 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, the day and year in this Certificate first above written.

My commission expires: 8/9/62 (Notarial Seal)

Leo J. Puccinelli
NOTARY PUBLIC

STATE OF SOUTH DAKOTA)
) SS.
COUNTY OF PENNINGTON)

On this 23rd day of November, A.D., 1959, personally appeared before me, a Notary Public in and for the said County and State, PETER C. LIEN, BRUCE H. LIEN and CHARLES H. LIEN, known to me to be the persons described in and who executed the foregoing instrument, and who acknowledged to me that they 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, the day and year in this Certificate first above written.

(Notarial Seal)
My commission expires: February 3, 1967

Darlene L. Reoh
NOTARY PUBLIC

Recorded at the request of Leo J. Puccinelli December 7, A.D., 1959 At 02 minutes past 8 A. M.

Willis A. DePaoli - Recorder.