

Louis Gibellini and)
 Josephine Gibellini,)
 Optionors)
)
 to)
)
 Chessher & Co., a)
 Nevada Corporation,)
 Optionee)

OPTION AGREEMENT

OPTION AGREEMENT

THIS OPTION AGREEMENT made and entered into this 10th day of October, 1961, by and between LOUIS GIBELLINI, sometimes known as LOUIS P. GIBELLINI, sometimes known as L. GIBELLINI, and JOSEPHINE GIBELLINI, sometimes known as JO GIBELLINI, sometimes known as MRS. LOUIS GIBELLINI, sometimes known as MRS. JOSEPHINE GIBELLINI, and sometimes known as MRS. JO GIBELLINI, husband and wife, parties of the first part, and hereinafter referred to as "Optionors", and CHESSHER & CO., a Nevada corporation, party of the second part, and hereinafter referred to as "Optionee";

W I T N E S S E T H:

WHEREAS, a certain Agreement was entered into, dated the 23rd day of August, 1960, wherein the above named Optionors were First Parties and H. B. CHESSHER of Reno, Nevada, was second Part, which Agreement constituted an Option Agreement whereby the above named Optionors gave and granted unto the said H. B. CHESSHER an option to purchase those certain unpatented lode mining claims named therein upon certain terms and conditions; and

WHEREAS, the said Agreement of August 23, 1960 was modified by an Agreement dated September 3, 1960 between the above named Optionors and the said H. B. CHESSHER; and

WHEREAS, the said H. B. Chessher assigned this said Agreement of August 23, 1960 to SISKON CORPORATION by written assignment dated August 31, 1960; and

WHEREAS, the said SISKON CORPORATION and the said H. B. CHESSHER executed an assignment of the said Agreement of August 23, 1960, by which assignment all of H. B. CHESSHER'S rights and all of the rights of SISKON CORPORATION under said Agreement of August 23, 1960, were transferred and conveyed over and unto the CHESSHER & CO., a Nevada corporation, the above named Optionee; and

WHEREAS, it is the desire of the parties hereto to enter into a new agreement which will constitute the Agreement between the above named parties, it being the intention of the parties that this Agreement shall, upon its execution by the parties hereto, supplant all of the former agreements entered into between the above named Optionors and H. B. CHESSHER and assigned by H. B. CHESSHER to SISKON CORPORATION, and in turn assigned to CHESSHER & CO., a Nevada corporation, and that the said Agreement of August 23, 1960 and the Supplemental Agreement of September 3, 1960 shall for all purposes be hereby cancelled and held for naught;

NOW, THEREFORE, for and in consideration of the covenants and agreements herein-after set forth and by said Optionee to be done and performed, the said Optionors do hereby give and grant unto said Optionee an exclusive option to purchase those certain unpatented lode mining claims situate, lying, and being in an unknown mining district in either or both Township 15 North, Range 52 East and Township 16 North, Range 52 East, all in the County of Eureka, State of Nevada, which claims are commonly referred to as the "GIBELLINI PROPERTY" and consist of approximately sixty (60) unpatented lode mining claims, all of said mining claims being named and more particularly described in Exhibit "A" which is attached hereto, hereby referred to and by such reference made a part hereof.

Optionors warrant and guarantee that each of the aforesaid group of approximately sixty (60) lode mining claims is a valid location, and each thereof is now legally held by Optionors, and each thereof is in good legal standing and the annual assessment work for each of said claims has been done for each year prior to the annual assessment work year ending at noon, September 1, 1960; and Optionors agree that they will, at their sole cost and expense, defend any adverse claim asserted or instigated by any person, firm, or corporation against the title of Optionors to any of said lode mining claims; provided that in the event any adverse claim is asserted or instigated by any person whomsoever, the Optionees will make available to the Optionors all geological information, including information obtained by drilling or geophysical studies made of the ground to the end that the same may be used as evidence by the Optionors in the defense of title to either, any, or all of the mining claims covered by this Agreement.

It is understood and agreed by the parties hereto that the above named Optionee and/or its predecessors in interest have been in possession of said mining claims since the 23rd day of August, 1960, and have, in accordance with the terms and conditions of the prior Agreements which were in effect between the parties hereto prior to the date hereof, done and performed the annual assessment work on and for the benefit of said mining claims for the annual assessment year ending noon, September 1, 1961.

The agreed total purchase price for Optionors' interest in and to the foregoing unpatented lode mining claims described in Exhibit "A" is the sum of FOUR HUNDRED THOUSAND DOLLARS (\$400,000.00) payable as follows:

- A. FIVE THOUSAND DOLLARS (\$5,000.00) or work equivalent to a portion thereof, and the balance thereof in lawful money of the United States heretofore received by said Optionors from Optionee's predecessors in interest prior to the date hereof;
- B. TEN THOUSAND DOLLARS (\$10,000.00) on the date of the execution of this Agreement, which is to be paid to Optionors out of Escrow No. 3120 in the First National Bank of Nevada, Reno, Nevada;
- C. TEN THOUSAND DOLLARS (\$10,000.00) on or before the 1st day of September, 1962, and a like sum due and payable on or before the 1st day of September of each succeeding year thereafter, to and including the 1st day of September, 1980;
- D. ONE HUNDRED NINETY FIVE THOUSAND DOLLARS (\$195,000.00) due and payable on or before September 1, 1981.

From and after the date hereof, and to and until such time as the Optionee may, in accordance with the terms hereof, relinquish its rights under this Agreement, or until such time as Optionee defaults in the performance of its terms, conditions, covenants and agreements herein set forth and by it to be done and performed, and notice thereof is given by Optionors to Optionee of such default, and if the same is not cured within thirty (30) days after date said notice is mailed to Optionee, the Optionors shall have the right to enter into and upon the lands lying within the exterior boundaries of the unpatented lode mining claims named and described in Exhibit "A", and explore for, develop, mine, remove, ship and treat, or cause to be treated, all ores found and developed by said Optionee.

Optionee covenants and agrees that it will, before it begins any exploration, development, or mining work upon the premises which are the subject of this Option Agreement, cause all employees to be properly insured under the Nevada Industrial Insurance Act and under the Nevada Occupational Disease Act, and that during the life of this Agreement and while Optionee's employees are upon said premises, it will maintain said insurance and pay or cause to be paid the required premiums for insurance under both Acts.

The Optionee further agrees that in the event it enters into any contract with any person, corporation, or partnership for the performance of any work or the rendition of any service of any kind in, on, or about or for the benefit of said property, it will require of the parties with whom the Optionee contracts to cause all of their employees to be insured under the Nevada Industrial Insurance Act and the Nevada Occupational Disease Act.

Optionee agrees that in the event it enters into and upon said premises and carries on exploration, development, or mining work upon said premises, either by its own employees or through contractors, all of said work will be done with due regard to the safety, development, and preservation of the mineral ore bodies, and all of said work shall be done in a minerlike fashion to the end that the greatest amount of ore may be removed from said premises, and that no ore bodies shall be made inaccessible, either through caving or by causing the same to be covered with dumps of waste.

Optionee further agrees that all of its underground operations shall be well and sufficiently timbered, and that said timber shall be kept in good condition and that old timbering shall be replaced as and when necessary to hold the ground. Optionee shall not be obligated hereunder to maintain timbers on old workings not used or employed by Optionee in its mining operations.

Optionee further agrees to keep at all times the drifts, shafts, and tunnels and other passages and workings of said above described premises used and employed by Optionee in its mining operations thoroughly drained and clear of loose rock and rubbish of all kinds, and in the event that underground workings used by Optionee develop water, it will cause said water to be pumped so that the underground workings will be drained and accessible.

The Optionee further agrees that in the event mining is done in an open pit type of mining, the pits shall be dug with sufficient slope to prevent the caving of the walls or the sides of the pit.

The Optionee further agrees that all mining, either underground or on the surface, or open pit mining, shall be done in accordance with the safety laws, rules, and regulations governing underground and open pit mining, and that the berms of each level in open pit operations shall be of sufficient width to prevent the walls of the pit from sliding and causing damage to the pit or the coverage of ores and valuable minerals.

The Optionee agrees to keep books of account showing the amount of ore extracted from the mine, the amount of ore shipped, sold, or treated, and the amount of money received from the sale of the ores or the values extracted therefrom.

The Optionee further agrees that from and out of the values obtained from the ores extracted from the premises, the subject matter of this Option Agreement, which may be found in, on, or around the said premises and reduced, treated, sold, or shipped, the Optionee will pay to the Optionors ten per cent (10%) of the net smelter or mill returns; that a duplicate of the mill or smelter returns shall be furnished by the millowner or by the owner of the smelter to the Optionors, and that the books of account shall be opened at all reasonable times to the Optionors and their representatives.

The Optionee further agrees that on or before the end of any calendar month during the term hereof it will cause said royalty for all ores shipped and treated by it during the preceding calendar month to be paid and deposited with the Escrow Agent hereinafter named and designated.

Optionee agrees that in determining the net smelter and mill returns of the ores shipped and treated, no deduction shall be made for transportation to the rail head or shall there be any reduction for the cost of mining or administrative costs of the Optionee, or any taxes paid by Optionee, either to the County, State, or Federal Government.

Optionee agrees that in the event this Agreement is terminated, either by the Optionee electing to terminate the same in accordance with the terms hereof or by virtue of a forfeiture declared by the Optionors because of the failure of the Optionee to perform any of the terms, conditions, covenants, and agreements herein set forth and by said Optionee to be done and performed, the mining premises with appurtenances and all improvements in good order and condition will be delivered up to said Optionors, and that at such time all shafts and tunnels and underground passages and all open pits used and employed by Optionee in its mining operations, shall be thoroughly cleared of rubbish, debris, and shall be drained, and the mine and mine workings used and employed by Optionee in its mining operations, shall be ready for immediate continued workings, accidents not arising from negligence alone excusing.

Optionee further agrees that it will at all times keep posted in a conspicuous place Notices of Non-Liability and Non-Responsibility of the Optionors for either wages of employees or the cost of materials and supplies furnished to said Optionee; Optionee covenants and agrees not to permit any mechanic's lien or any lien of any nature whatsoever arising out of the activities of Optionee, either statutory or otherwise, to be filed or made against said property which is the subject matter of the Agreement, and in the event that any such lien of any nature whatsoever is filed by any person whomsoever, the Optionee agrees to cause the same to be removed.

Optionee agrees that it will cause to be done sufficient work on and for the benefit of the mining claims which are the subject matter of this Agreement, to satisfy and fully perform the requirements of the Federal Statutes relative to annual assessment work, and that it will cause affidavits of such work to be filed on or before thirty (30) days prior to the expiration of the annual assessment year; provided, however, if Optionee surrenders this Agreement prior to ninety (90) days before September 1st of any annual assessment year, Optionee shall not be bound or obligated to do and perform the annual assessment work for said year ending September 1st.

The parties hereto agree that all royalty paid by the Optionee on ores shipped, sold, or treated in accordance with the provisions of this Agreement shall apply upon the total agreed purchase price in the following manner, viz.

All royalties to, but not exceeding, the sum of TEN THOUSAND DOLLARS (\$10,000.00) paid to and received by the Optionors prior to the date of any annual installment upon the purchase price, shall be applied to said annual installment, and in the event royalty is paid by the Optionee to the Optionors in accordance with the terms hereof in excess of any TEN THOUSAND DOLLAR (\$10,000.00) annual installment on the purchase price, such excess shall be applied to the satisfaction of the final installment of the purchase due and payable on September 1, 1981.

The parties hereto mutually agree that the First National Bank of Nevada in Reno, Nevada, shall act as Escrow Agent, and that upon the execution of this Agreement, the Optionors will place in escrow with said bank a good and sufficient mining deed in form satisfactory to the Optionee, which mining deed will convey to the Optionee or its assigns all of said mining claims named and described in Exhibit "A" attached hereto, subject only to the paramount title thereto being owned by the United States of America.

The parties further mutually agree that all installments on the purchase price and all royalty shall be paid to the Escrow Agent, and The Escrow Agent will be instructed upon receipt thereof to deliver the same to the Optionors by causing the same to be deposited in the First National Bank of Nevada, Eureka Branch, Eureka, Nevada, to the credit of said Optionors.

Upon the Optionors having received the total purchase price in accordance with the terms, conditions, covenants, and agreements herein set forth, the said Escrow Agent will be, and it is, hereby authorized and instructed to deliver to said Optionee, or its assigns, the mining deed so held in escrow.

The Optionee agrees to deliver to said Escrow Agent a Quitclaim Deed running from said Optionee to the Optionors, which Deed shall be held in escrow by said Escrow Agent, and in the event that this Agreement is terminated and cancelled by the Optionors or by the Optionee in accordance with the terms hereof, the said Escrow Agent shall, upon demand by said Optionors, deliver to said Optionors the Deed so placed in escrow by Optionors running from Optionors to the Optionee, as well as the Quitclaim Deed running from the Optionee to the Optionors.

The Optionors agree that this Option Agreement may be surrendered and cancelled by the Optionee at any time after the date of its execution, provided, however, that Optionee is not in default in the performance of any term, condition, covenant, or agreement herein set forth and by it to be done and performed.

In the event that the Optionee fails to make any payment upon the purchase price as herein set forth, or fails to pay royalties which may be due upon ores shipped, sold, or treated, then the said Optionors may give notice to said Optionee of such default and failure on the part of said Optionee, and in the event that the same is not corrected within a period of thirty (30) days from and after the date of the mailing of said Notice of Default, then this Agreement shall be and become terminated, and Optionee's rights hereunder shall be forfeited; all moneys paid by said Optionee to the Escrow Agent shall, if they had not been previously delivered by the Escrow Agent to the Optionors, be then delivered by the Escrow Agent to the Optionors, and said money shall be and become the property of the said Optionors as rent and liquidated damages.

Optionee may, within one hundred eighty (180) days after the date this agreement is cancelled or terminated for any reason whatsoever, remove from the above described mining claims all of Optionee's buildings, machinery, equipment and personal property.

The right herein granted does not include the right to remove underground timbering or ore bins which may have been placed upon the mining claims by Optionee.

Any of Optionee's property which is not removed within said one hundred eighty (180) days shall become the property of Optionors.

The Optionors covenant and agree that in the event they are the owners of any unpatented lode mining claims lying within one mile's distance from the exterior boundary line of the group of claims composed of those claims named and described in Exhibit "A",

OK
HBC

W.H.G.
Atty for
Optionors

said unpatented lode mining claims shall be and become a part of the "GIBELLINI PROPERTIES" described in Exhibit "A", and that title thereto shall be conveyed to said Optionee in accordance with the terms of this Agreement as though the said claims were named and specifically described in this Agreement or in Exhibit "A".

It is expressly agreed by and between Optionors and Optionee that Optionee may, at anytime hereafter, assign and transfer to any third party all or any part of the right, title and interest of Optionee in and to this Agreement and the property represented hereby.

All notices given by the Optionors to the Optionee shall be addressed to the Optionee at its office in the City of Reno, State of Nevada, as follows:

CHESSHER & CO. 422 Old Gazette Bldg.
125 North Center Street
Post Office Box 889
Reno, Nevada

All notices given by the Optionee to the Optionors shall be addressed as follows:

LOUIS GIBELLINI and JOSEPHINE GIBELLINI Post Office Box _____
Eureka, Nevada

Either party hereto may, by written notice, change the address to which notice or notices shall be given.

This Agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF, this Option Agreement has been duly executed by the parties acting by and through their duly authorized officers as of the date first above appearing.

GRANTORS:

Louis Gibellini
Louis Gibellini, sometimes known as
Louis P. Gibellini, sometimes known
as L. Gibellini

Josephine Gibellini
Josephine Gibellini, sometimes known as
Jo Gibellini, sometimes known as Mrs.
Louis Gibellini, sometimes known as Mrs.
Josephine Gibellini, and sometimes known
as Mrs. Jo Gibellini

GRANTEE:

CHESSHER & CO.
By H. B. Chessher
President

ATTEST:

J. E. Chessher (Corporate Seal)
Secretary

EXHIBIT "A"

DESCRIPTION OF PROPERTIES

Those certain unpatented lode mining claims, located in Unkonwn Mining District, Eureka County, State of Nevada, known and referred to as the "GIBELLINI PROPERTY", and more particularly described as follows:

- | | |
|-------------------|--------------|
| BLACK HILL NO. 1 | CLYDE NO. 4 |
| BLACK HILL NO. 2 | CLYDE NO. 5 |
| BLACK HILL NO. 3 | CLYDE NO. 6 |
| BLACK HILL NO. 4 | CLYDE NO. 7 |
| BLACK HILL NO. 7 | CLYDE NO. 8 |
| BLACK HILL NO. 8 | CLYDE NO. 9 |
| BLACK HILL NO. 9 | CLYDE NO. 10 |
| BLACK HILL NO. 10 | CLYDE NO. 11 |
| BLACK IRON NO. 1 | CLYDE NO. 12 |
| BLACK IRON NO. 3 | CLYDE NO. 13 |
| BLACK IRON NO. 4 | CLYDE NO. 14 |
| BLACK IRON NO. 5 | CLYDE NO. 15 |
| BLACK IRON NO. 6 | CLYDE NO. 16 |
| FLAT NO. 1 | CLYDE NO. 17 |
| FLAT NO. 2 | CLYDE NO. 18 |
| FLAT NO. 5 | CLYDE NO. 19 |
| FLAT NO. 10 | CLYDE NO. 20 |
| FLAT NO. 11 | CLYDE NO. 21 |
| FLAT NO. 12 | CLYDE NO. 22 |
| FLAT NO. 13 | CLYDE NO. 23 |
| MANGANESE NO. 3 | CLYDE NO. 24 |
| RATTLER NO. 1 | CLYDE NO. 25 |
| RATTLER NO. 2 | CLYDE NO. 26 |
| RATTLER NO. 3 | CLYDE NO. 27 |
| RATTLER NO. 4 | CLYDE NO. 29 |
| RIFT NO. 1 | CLYDE NO. 30 |
| RIFT NO. 2 | CLYDE NO. 31 |
| RIFT NO. 3 | CLYDE NO. 32 |
| RIFT NO. 4 | CLYDE NO. 33 |
| CLYDE NO. 1 | CLYDE NO. 34 |

CLYDE NO. 2
CLYDE NO. 3

CLYDE NO. 36
CLYDE NO. 37
CLYDE NO. 38

The location notices and certificates of location of each of the above named claims as recorded at the Office of the County Recorder of Eureka County, State of Nevada, are hereby referred to and made a part hereof for all particulars therein shown.

STATE OF NEVADA)
) SS.
COUNTY OF WASHOE)

On this 30 day of August, 1961, personally appeared before me, a Notary Public in and for said County and state, LOUIS GIBELLINI, sometimes known as LOUIS P. GIBELLINI, sometimes known as L. GIBELLINI, and JOSEPHINE GIBELLINI, sometimes known as JO GIBELLINI, sometimes known as MRS. LOUIS GIBELLINI, sometimes known as MRS. JOSEPHINE GIBELLINI, and sometimes known as MRS. JO GIBELLINI, husband and wife, known to me to be the persons described in and who executed the foregoing instrument; who duly 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 last above written.

(Notarial Seal)

Geraldine Seifers
Notary Public

My Commission Expires: 9/2/63

STATE OF NEVADA)
) SS.
COUNTY OF WASHOE)

On this 10th day of October, 1961, personally appeared before me, a Notary Public in and for said County and State, H. B. CHESSHER 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; and 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 said corporation executed the said instrument 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 last above written.

(Notarial Seal)

Anne L. Chadek
Notary Public

My Commission Expires: Dec. 8, 1962.

Recorded at the request of Chessher & Co., October 16, A.D., 1961 At 25 minutes past 3 P.M.

Willis A. DePaoli- Recorder.