

MINING LEASE WITH OPTION TO PURCHASE

THIS AGREEMENT OF LEASE AND OPTION, made this 2nd day of June, 1967, by and between JACK ESPOSITO and MURIEL ESPOSITO, his wife, of Crescent Valley, County of Eureka, State of Nevada, first parties, hereinafter called Lessor and DIVERSIFIED MINES, INC., a Washington Corporation, by and through its authorized agent, G. R. KENNEDY, second party,

hereinafter called Lessee

W I T N E S S E T H:

That WHEREAS the Lessor is the owner of the possessory title of certain Unpatented Mining Claims, all situate in the Beowawe Mining District, Eureka

County, State of Nevada; said mining claims being listed and described in Exhibit A annexed hereto and made a part hereof; and

WHEREAS said Lessee is desirous of securing the right to work and mine said mining claims and also securing an option to purchase said property and on the terms and conditions herein stated, and the Lessor is willing to grant said Lease and Option on said terms and conditions;

NOW THEREFORE, in consideration of the sum of TEN DOLLARS (\$10.00) in hand paid by the Lessee to the Lessor, the receipt whereof is hereby acknowledged, and in further consideration of the covenants, payments and agreements on the part of the parties hereto to be kept and performed, the Lessor does hereby lease, demise and let unto the Lessee the mining premises described in said Exhibit A, and the Lessee takes said Lease for the purpose of mining the said premises for a period of 50 years from the date hereof.

1. In consideration whereof, the Lessee covenants and agrees as follows: Within reasonable time to enter upon said premises and work the same in proper and minerlike fashion and in a manner necessary to good and economical mining so as to take out the greatest amount of sulphur, or other economical, feasible minerals possible which can be mined profitably with sound mining practice, and with due regard to the safety, preservation and development of said property as a workable mine.

2. ROYALTIES: In consideration of the foregoing, the Lessee hereby agrees to pay to the Lessors the sum of \$100.00 each per mining claim, or undivided interest therein, in accordance with Exhibit A attached hereto. That the Lessors acknowledge receipt of the sum of ONE THOUSAND (\$1,000.00) DOLLARS in hand paid to them by the Lessee, to be applied as part payment towards said \$100.00 per mining claim.

In addition to the sum of \$100.00 per claim, the Lessee agrees to pay to the Lessor the sum of \$3.00 per ton royalties on each and every ton of 99.5% sulphur produced and sold from the said demised premises. Said production royalties of \$3.00 per ton shall be due and payable on or before the 10th of the month next following the month of shipment of sulphur.

3. In addition to the \$100.00 per claim payment, and the \$3.00 per ton royalty payment of sulphur produced and sold, the Lessee agrees to pay to the Lessor royalties equal to 10% of the net smelter or mill returns of all other economical feasible minerals recovered, produced and sold from said mining claims. "Net smelter returns" or "Net Mill Returns" shall mean the proceeds after deduction of smelter treatment or reduction charges, railroad freight charges, and reasonable trucking charges. Said net production royalties of 10% of all other minerals as aforesaid shall

be due and payable on or before the 10th day of the month next following the shipment, smelting, milling and treatment and reduction thereof.

4. Any and all such royalty payments so made by the Lessee for the account of the Lessor shall not apply on or be in part payment of the stipulated purchase price for said premises and mining property, pursuant to the option, right and privilege hereinafter granted to said Lessee, but Lessee shall have the right to accelerate payments and to conclude the purchase of said demised premises at any time during the life of this agreement.

5. ANNUAL PROOFS OF LABOR:

Concerning the leased mining claims, the Lessee agrees to perform the required labor on said claims and the Lessor agrees to file the affidavit of annual labor on or before the 1st day of September of each year or as otherwise required by law on the basis of said Lessee's prospecting and mining operations.

THE LESSEE FURTHER AGREES AS FOLLOWS:

A. To conduct any and all mining operations upon the leased properties in a good and minerlike manner, subject at all times to the rules and regulations of the State Mining Inspector and the laws of the State of Nevada.

B. To pay all taxes relative to the production of any ores, known as the net proceeds of mines' tax of the State of Nevada, and to indemnify and to hold the Lessors harmless from any such assessment or penalties, save and except the Lessors shall pay the proportionate share of taxes or assessments resulting to Lessors for all payments and royalties paid from Lessee to Lessors.

C. To indemnify the Lessors and hold Lessors harmless from any and all liability arising from the mining operations of the

Lessee, whether it be property damage or personal injury to the Lessee, its employees and agents, or any third persons.

D. The Lessee agrees to furnish the Lessors with a detailed monthly accounting of all production and shipment and sales of sulphur and other minerals not later than the 20th day of each calendar month during the term hereof, and including the calendar month next following the termination hereof.

E. Lessee shall keep a full set of accounts and records and shall allow Lessors, or their authorized agents, to examine them from time to time, and Lessee shall allow Lessors to enter on said land and into any workings, mills or reduction works thereon, or wherever said ore may be worked or reduced, for the purpose of inspection to ascertain whether the terms and conditions of this lease are being properly carried out.

LESSORS COVENANT AND AGREE and represent to the Lessee that as to the mining claims described in Exhibit A attached hereto, that they are the owners and holders of said mining claims free and clear of any adverse claims and subject only to the paramount title of the United States of America; that as of the time such claims were located, the land upon which such locations were made was located on the public domain and were subject to locations under the mining laws of the State of Nevada, and of the United States of America, and that such locations were properly made and that location notices were duly filed in the Office of the Recorder of Eureka County, State of Nevada, and that at all times since location the Annual Assessment Work required to be made by the State of Nevada and the United States of America has been made and that Affidavits of such assessment work have been properly executed and filed for record in the Office of the County Recorder in and for the County of Eureka, State of Nevada.

The Lessee shall have the right to immediately take possession of all of the property described in Exhibit A, and to continue in possession and to conduct mining operations without restriction until such time as this agreement is terminated, as hereinafter provided.

6. Lessee shall promptly pay for any and all labor performed and materials and supplies furnished in the development and operation of the demised premises. Lessee shall pay and satisfy all claims for materials, supplies and labor in connection with the working of said mine and mining property, and shall keep the said property free of liens and encumbrances, except such as may result from the acts of the Lessor, or others than the Lessee, his employees or those acting in privity with him.

7. ASSIGNMENT: The Lessee may assign this Lease or any interest thereunder, or sub-let the premises without the written consent of the Lessor.

8. OPTION TO PURCHASE: In consideration of the premises, and the due and faithful performance by the Lessee, the terms and conditions hereof to be kept and performed, the Lessor does hereby give and grant to the said Lessee the right, privilege and option of purchasing all the right, title and interest of the Lessor in and to said mining claims for the agreed sum of \$250,000.00 per mining claim, payable as provided herein. Said option privilege may be exercised by the Lessee at any time during the term of the lease herein granted.

9. EXERCISE OF OPTION: Said option to purchase shall be exercised by Lessee delivering to Lessor by ordinary course of post a written notice addressed to Lessor at Crescent Valley,

Nevada, of Lessee's intention to purchase said property.

10. PURCHASE PRICE: The purchase price of \$250,000.00 per mining claim shall be payable as follows, to-wit:

\$250,000.00, without interest, payable at the rate of \$1.00 per ton of 99.5% sulphur purity produced and sold from said mining claims, which \$1.00 per ton payment shall be in addition to the \$3.00 per ton lease royalties as provided herein, which said \$3.00 per ton royalties in addition to said \$1.00 per ton payment paid by Lessee to the Lessor (~~shall~~, shall not) apply on or be in part payment of any and all installments of said agreed purchase price.

The Lessee shall at all times herein have the right to prepay the purchase price in cash, or on any other terms agreed upon by and between the parties hereto.

11. ELECTION OF CLAIMS: The Lessee shall have the right and option to designate the claims upon which said Lessee is exercising said option, or any or all of them, and upon the exercise of said option and the payment of the purchase price of \$250,000.00 as provided herein, the Lessee shall have title to such mining claim or claims as it so designates. In anticipation of the Lessee exercising said option, the parties do hereby appoint the Nevada Title Guaranty Company, Elko, Nevada, as escrow agent to hold the conveyance of the said mining claims according to the instructions to be made and provided.

12. Conjunctively with the execution and deposited in escrow of said conveyance by the Lessor to said mining claims, said Lessee shall likewise execute and place in escrow a Quitclaim

Deed releasing and conveying all of his right, title and interest in the demised premises to the Lessor upon termination of this agreement either by expiration of the term or default of the Lessee in performance of any of its covenants, terms or conditions.

13. In the event Lessee exercises the option to purchase, the Lessee shall nevertheless be bound by and hereby agrees to comply with and perform all of the covenants and provisions of the Lease during the life of this agreement, until the purchase price is fully paid.

14. Additional claims located by Lessor:

It is understood and agreed that the Lessor may stake and locate other claims in the Beowave Mining District County of Eureka, State of Nevada. It is understood and agreed that the Lessor shall lease and give an option to purchase such additional claims staked and located by the Lessor to the Lessee herein under the same terms and conditions as set forth in this lease and option to purchase. The said Lessor shall immediately on staking and locating said additional claims, notify Lessee by writing by certified mail directed to the Lessee at the following address: Diversified Mines, Inc., c/o J. M. Willis, 18800 Highway 99, Lynnwood, Washington.

The Lessee shall have, from the date of receipt of said writing from Lessor, thirty days in which to exercise its option to incorporate such additional claim locations according to the terms and conditions of this Lease and Option, or upon other terms and conditions as the parties may mutually agree.

15. TERMINATION AND DEFAULT:

A. In the event the Lessee shall fail, refuse or neglect to make any of the payments as required herein to be made, then

the Lessors shall have the right to declare this agreement forfeited and at an end. Such declaration of forfeiture shall be accomplished by giving written notice thereof to the Lessee specifying the particulars wherein the Lessee is in default. Should the payments in default as specified in such notice not be corrected or brought current or shown not to exist, then at the end of a period of thirty days from the date of mailing such notice, this agreement shall be deemed forfeited and terminated and of no further force and effect.

B. The Lessee may, at any time, terminate this agreement by giving written notice thereof to the Lessors. In the event of such notice of termination by the Lessee to the Lessors, the Lessee shall pay to the Lessor all royalties then due and payable according to the terms of the Lease of said mining claims, and any sums paid towards the purchase of said claims after exercise of said option to purchase as provided herein shall be retained by the Lessor as liquidated damages.

C. Lessee shall have the right, for a period of ninety days following such termination within which to remove from the demised premises any and all mining or milling machinery and equipment, supplies, tools, and paraphernalia purchased, installed or placed upon said premises by and belonging to Lessee.

THIS LEASE AND OPTION TO PURCHASE shall be binding upon and inure to the benefit of the heirs, executors, administrators and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the day and year first hereinabove written.

Jack Esposito
Muriel Esposito
 Lessors

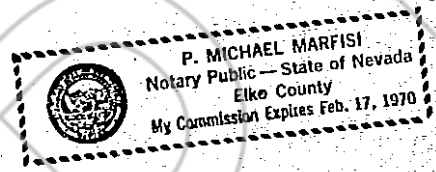
DIVERSIFIED MINES, INC.
 BY
G. R. KENNEDY Lessee

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

On this 2nd day of June, 1967, personally appeared before me, a Notary Public in and for said County and State, **JACK ESPOSITO and MURIEL ESPOSITO,** his wife, known to me to be the persons described in and who executed the foregoing instrument, 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 last above written.

P. Michael Marfisi
NOTARY PUBLIC



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

On this 2nd day of June, 1967, personally appeared before me, a Notary Public in and for said County and State, **G. R. KENNEDY,** known to me to be the person who executed the foregoing instrument as authorized agent for **DIVERSIFIED MINES, INC.,** by corporate resolution, 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 the day and year in this certificate last above written.

P. Michael Marfisi
NOTARY PUBLIC

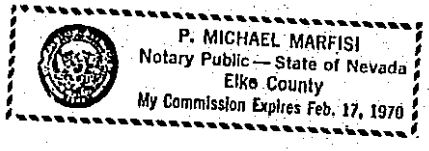


EXHIBIT A

PARCEL 1

Four (4) Unpatented Mining claims commonly known as Jack-S 1, Jack-S 2, Jack-S 3, Jack-S 4, located in the Beowawe Mining District, Section 12, T. 29 N., R. 48 E., M.D.B. & M., Eureka County, Nevada; that location certificates thereof are filed for record on January 18, 1967, in the Eureka County Recorder's Office, Eureka, Nevada.

PARCEL 2

Five (5) Unpatented Mining claims commonly known as Red Sulphur No. 1 through 5, inclusive, located in the Beowawe Mining District, Section 12, T. 29 N., R. 48 E., M.D.B. & M., Eureka County, Nevada; that location certificates thereof are filed for record on May 10, 1967, in the Eureka County Recorder's Office, Eureka, Nevada.

PARCEL 3

Two (2) Unpatented Mining claims commonly known as Red Sulphur No. 5 and Red Sulphur No. 7, located in the Beowawe Mining District, Section 1, T. 29 N., R. 48 E., M.D.B. & M., Eureka County, Nevada; that location certificates thereof are filed for record on May 10, 1967, in the Eureka County Recorder's Office, Eureka, Nevada.

PARCEL 4

One-half undivided interest in and to three (3) Unpatented Mining claims commonly known as Hot Sulphur No. 1, Hot Sulphur No. 2 and Hot Sulphur No. 3, located in the Beowawe Mining District, Section 12, T. 29 N., R. 48 E., M.D.B. & M., Eureka County, Nevada; that location certificates thereof are filed for record in the Eureka County Recorder's Office, Eureka, Nevada.

PARCEL 5

Ten (10) Unpatented Mining claims commonly known as Buffalo Nos. 1 through 10, inclusive, located in the Beowawe Mining District, Eureka County, Nevada; that location certificates are to be immediately filed by Lessors at the Eureka County Recorder's Office, Eureka, Nevada.

PARCEL 6

Ten (10) Unpatented Mining claims commonly known as JB Nos. 1 through 10, inclusive, staked and located in the Beowawe Mining District, Eureka County, Nevada; that location certificates are to be filed immediately by Lessors at the Eureka County Recorder's Office, Eureka, Nevada.

TO HAVE AND TO HOLD to the said Lessee for the purpose of prospecting and mining any and all sulphur, minerals, metals and ores.

FILE NO. 44664

Filed for record at the request of Vaughan, Hull, McDaniel & Marfisi
June 12, 1967, at 02 minutes past 8 A.M. Recorded in

Book 19 of Official Records, page 137-146, Records of EUREKA
COUNTY, NEVADA.

Fee: \$ 9.55

Hollis A. DePaoli Recorder.