

MINING LEASE AND OPTION TO PURCHASE

THIS INDENTURE made and entered into by and between RAY NELSON AND JANET NELSON, husband and wife, hereinafter called "Lessor", whether one or more, of Soda Springs, Idaho and THE GOLDEN CYCLE CORPORATION, a West Virginia corporation, with main offices at Colorado Springs, Colorado, hereinafter called "Lessee,"

W I T N E S S E T H:

1. That the said Lessor for and in consideration of the sum of FIVE and no/100 Dollars, (\$5.00) cash in hand paid, the receipt and adequacy of which is hereby acknowledged and of the covenants and agreements hereinafter contained has granted, demised, leased, optioned, and let, and by these presents does grant, demise, lease, option and let exclusively unto the said Lessee, its successors and assigns, the hereinafter described lands, plants, fixtures and improvements, including all necessary rights, with the exclusive right and privilege to explore for, develop, mine (by open pit, underground, strip mining, solution mining or any other method), extract, mill, store, remove and market therefrom all minerals, metals, ores, lodes and veins, dips and spurs, all dumps, and materials of whatsoever nature or sort, hereinafter called "Leased Substances", (except only oil and gas), and of using so much of the surface of said lands as may be necessary, useful or convenient for the full enjoyment of all rights herein granted; all of said lands hereinafter referred to as "Leased Premises" with any reversionary rights therein being situated in the Mill Canyon Watershed, Cortez Quadrangle, Cortez Mining District, Counties of Lander and Eureka, State of Nevada, and described as follows:

- a) The following nine (9) patented mining claims: Emma E, Mineral Survey 3635; Mayflower, Comstock, Illinois, White Horse, Jumbo, Rhoda, Aurora and Benjamin Harrison, all Mineral Survey 3207; and
- b) any and all other and further interest in lands and mining claims and the appurtenances thereto owned by Lessor, including water and water rights, rights of access, and easements.

2. This lease shall remain in full force and effect from the date hereof to and including the 15th day of January, 1976, unless

sooner terminated as hereinafter provided.

3. Lessee shall pay to Lessor or to the credit of Lessor in the Nevada National Bank of Commerce at Battle Mountain, Nevada, the following rentals, or the Lease and Option shall terminate:

a) \$112.50 on or before January 15, 1969, and Lessor hereby acknowledges receipt of Lessee's check dated January 15, 1969;

b) \$56.25 on or before the 15th day of February, 1969, and a like amount on or before the 15th day of each and every month thereafter, to and including December 15, 1970;

c) \$93.75 on or before the 15th day of January, 1971, and a like amount on or before the 15th day of each and every month thereafter, to and including December 15, 1975;

d) The above monthly payments shall be full consideration for this lease, UNLESS five percent (5%) of the net mint, net mill, or net smelter returns from all Leased Substances sold from the Leased Premises for any one month shall exceed the amount set forth above for such month, in which event Lessee shall also pay to Lessor, on or before the 15th day of the month next following such sale, the difference between the monthly amount set forth above and 5% of net mint, Net Mill or Net Smelter returns. The said payment shall not reduce any rental payment coming due thereafter, but shall be in addition to the above schedule. "Net Mill or Net Smelter returns" shall mean the amount of payments received by Lessee from the mill or smelter, or other purchaser to which any Leased Substances or concentrates derived from such Leased Substances are delivered for treatment and/or sale after deduction has been made for all mill or smelter penalties and charges, freight, costs of transportation and haulage from the Leased Premises to the mill or smelter or other purchaser. "Net mint returns" shall mean the amount of payments received by Lessee from the United States Mint or authorized bullion purchaser after deduction has been made for all postage, express insurance, and other handling charges incurred in connection with the shipment of such bullion from the Leased Premises to the purchaser. Should Lessee build and/or operate its own processing or milling facilities for processing or milling the Leased Substances from said Leased Premises, no cost of such facility shall be chargeable against Lessor. Lessee guarantees that the recovery from any processing or

milling facility owned or operated by Lessee shall at least equal seventy-five (75) percent of the feed material as to the following Leased Substances: Gold and/or silver, all payments shall be based on the above recovery rate if the actual recovery rate is lower and at the actual recovery rate if said rate is higher. Any amount payable for the sale of any Leased Substances other than those previously enumerated shall be based on the actual recovery rate. Leased substances derived from said Leased Premises may be commingled with other ores derived from other lands and the Lessor's interest in the Leased Substances so commingled shall be determined in accordance with prevailing sound engineering and accounting practices. All dumps, tailings or any other waste material produced by any mining, milling, processing or other method shall be the sole property of Lessee so long as this agreement remains in effect. At Lessor's option all payments shall be made by purchaser of the Leased Substances provided Lessor notifies, in writing, Lessee and purchaser prior to payment date.

4. Lessor hereby grants to Lessee the exclusive and irrevocable right and option, from January 15th, 1976 to and including April 15th, 1976, to purchase all of Lessor's right, title, and interest in the above described Leased Premises for the total purchase price of EIGHTY TWO THOUSAND NINE HUNDRED SIXTY EIGHT and 75/100 (\$82,968.75). In the event that Lessee pays Lessor total rental payments, under paragraph 3 hereof, including subparagraph 3(d), in the total amount of \$7,031.25 at any time prior to December 15, 1975, then the option granted hereby shall be accelerated and shall be exercisable from the date on which Lessor has received a total of \$7,031.25^{to}/a date 90 days thereafter. The purchase price (\$82,968.75) shall be paid as follows:

a) \$937.50 together with the letter exercising the option, which letter shall be mailed by registered mail, return receipt requested, to Lessor at the address set forth below. The option shall be deemed exercised on the date of mailing such letter;

b) \$82,031.25, by promissory note of Lessee, secured by Deed of Trust covering the Leased Premises, said note to include in the said amount 4% simple interest per annum (imputed interest), and said note payable as follows:

1) \$937.50 on or before one calendar month from the date of exercise of the option, and a like amount monthly for the next 86

months thereafter (87 payments);

2) \$468.75 on or before the 88th calendar month from the date of exercise of the option,

c) Both the note and deed of trust shall be regular in form, BUT both the note and deed of trust shall provide that the Leased Premises are the only security for the indebtedness and that no deficiency judgment shall be sought or enforceable in the event of default on said note;

d) Within 60 days of exercise of said option, Lessor shall execute and deliver to Lessee a deed to the Leased Premises, warranting the same to be free and clear of liens and encumbrances created or suffered by Lessor, and agreeing to protect and defend title to the Leased Premises from and against any person or entity claiming by, through, or under Lessor. At the time of delivery of said deed, Lessee shall execute and deliver to Lessor the aforesaid note and deed of trust. The aforesaid deed from Lessor to Lessee shall EXCEPT and RESERVE unto Lessor, their heirs, administrators and assigns, a royalty of one percent (1%) of the Net Mint, Net Mill or Net Smelter Returns as hereinabove defined. This shall be true royalty, and notwithstanding any other provision contained herein, Lessor shall be entitled to take its royalty in kind at any time Lessor so desires.

e) Lessor shall also execute and deliver to Lessee, at the time of the exchange of the deed and the deed of trust, such other documents and perform such other acts as may be necessary in order to complete the transfer of ownership to the Leased Premises.

5. Lessor hereby warrants the said land to be free and clear from liens and encumbrances created or suffered by Lessor, and agrees to protect and defend the title to said land from and against any person or entity claiming by, through or under Lessor, and agrees that Lessee, at its option, may discharge any tax, mortgage, or other lien upon said Leased Premises, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same.

In case said Lessor owns a less interest in the above described Leased Premises than the entire and undivided mineral or fee simple estate therein, then the rentals, royalties, and payments for signing this instrument herein provided for shall be due the said Lessor only

in the proportion that his interest bears to the whole and undivided mineral estate or fee; however, such rental shall be increased at the next succeeding rental anniversary after the acquisition of any reversionary interest or after acquired title to cover the interest so acquired, and Lessor agrees to notify Lessee in writing upon acquisition of any additional interest in the above described Leased Premises, whether it be by reversion or after acquired title, or if such additional acquisition occurs after production be obtained then the royalty shall be increased to cover the interest so acquired. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

6. Lessee shall indemnify and hold harmless the Lessor for and on account of claims, demands or liabilities arising out of Lessee's contemplated operations on the Leased Premises; assume full and sole responsibility for the contemplated operations conducted on the Leased Premises, and no employee or agent of Lessee shall, under any circumstances, be deemed an employee or agent of the Lessor; perform the contemplated operations on the Leased Premises in accordance with good mining practices, good mining practices shall be determined at the sole discretion of Lessee, shall comply with the applicable laws and regulations relating to performance of mining operations on the Leased Premises and shall comply with the applicable workmen's compensation laws, and pay in full for all labor performed upon or materials furnished to the Leased Premises ordered or requested by Lessee and shall keep the Leased Premises free and clear from any and all mechanics or laborers liens except those which Lessee, in good faith, desires to contest. Lessee shall post, and keep posted, upon said Leased Premises notice to the effect that same are leased and/or optioned and that Lessor shall not, nor will said Leased Premises, be liable for any labor performed upon or material furnished to said Leased Premises as ordered or requested by Lessee. These notices shall be kept and maintained posted, at all times, in conspicuous places near each and every entrance to said Leased Premises and on the principal buildings and shall be printed in clear and legible characters.

7. During the term of this lease, Lessee does hereby agree to perform all assessment work required to be performed upon the mining claims by law, and does further agree to furnish Lessor with a

statement of all such work and Lessee shall prepare and record all proper affidavits, notices and other documents required by law to evidence the performance of said annual assessment work. Lessee may locate additional new mining claims in the vicinity of the Leased Premises and Lessor agrees that any and all claims so located by Lessee during and after the term of this agreement shall not be and the same are not hereby made subject to any and all of the terms, conditions and covenants of this agreement except as specified herein. Lessor to have no interest in new locations made by Lessee in vicinity of Leased Premises except as specified herein.

8. For the same consideration stated herein, Lessee is hereby granted the right to use, including but not limited to, all roadways, easements and licenses and all hereafter installed appurtenances, in or under the Leased Premises hereunder for the purpose of producing metals, ores, minerals or materials from any lands which are owned, operated or controlled/^{by Lessee}adjacent to or nearby the Leased Premises, and such right to use above said facilities will continue after the expiration of this agreement for so long as the use of such facilities is required by Lessee in connection with operations on said adjacent or nearby lands; provided that in the event such right is so continued then Lessee may extend the right to use the portion of the Leased Premises necessary or convenient to the enjoyment of such right by notifying Lessor and making payment of annual rental of Ten Dollars (\$10.00) per acre of the land so used. This extension shall specifically exclude mineral rights and interests.

9. Lessee agrees to keep accurate records showing Leased Substances mined and/or processed and/or sold from Leased Premises and furnish semi-annual reports to Lessor pertaining to production of Leased Substances. Lessor may have access to the Leased Premises during regular business hours, solely for the purpose of inspecting, surveying, sampling and examining Lessee's mine workings on Leased Premises, so long as such inspection, surveying, sampling and examination shall not interfere with Lessee's operation and is at Lessor's sole cost and risk; exploration workings, drill holes or other like operations of Lessee shall only be examined by Lessor with written consent of Lessee. Upon termination of this agreement under any of its provisions, Lessee will furnish Lessor copies of maps showing location of drill

holes and mine workings, and any analysis of samples obtained on the Leased Premises together with other geological data concerning the Leased Premises developed from Lessee's operations hereunder, together with appropriate surrenders, relinquishments and quitclaims to Lessor of the Leased Premises.

10. Failure by Lessee to perform or comply with any of the terms, provisions or conditions of this lease, expressed or implied, shall not automatically terminate this lease nor render it null and void; but in the case of such default Lessor may notify Lessee in writing of each specific breach and Lessee shall have a period of ninety (90) days after receipt of such notice within which to cure such default. The ninety (90) day period specified above shall be thirty (30) days if the violation or breach is of a provision or covenant by Lessee to make payments to Lessor.

11. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the Leased Premises, rentals or royalties, however, accomplished, shall operate to enlarge the obligations or diminish the rights of this agreement. No such change or division in the ownership of the Leased Premises, rentals or royalties shall be binding upon Lessee for any purpose until such person acquiring any interest has further furnished Lessee with the instrument or instruments, or certified copies thereof, constituting his claim of title from the original Lessor.

12. Lessee shall have the right at any time during or within six (6) months after the termination or expiration of this lease to remove all property, fixtures or structures erected or placed by Lessee on or in the Leased Premises, but shall not remove or impair any supports placed in the underground mines or any timbers or support framework necessary to the use and support of the shafts or other entryways to the mines, or any haulageways within the mines. The compensation herein provided shall be deemed to be full payment to Lessor for any damages which may be caused to the Leased Premises by Lessee's operations hereunder so long as Lessee conducts such operation in a reasonable and prudent manner without negligence on the part of Lessee.

13. Lessee agrees to pay promptly when due all taxes levied and assessed upon the property except as hereinafter provided, and during the term of the agreement Lessee also agrees to pay promptly when due all taxes levied and assessed upon any improvements placed by Lessee upon the premises. As to severance tax, and all other taxes that are now or may be hereafter levied and computed on the amount or value of ores produced, Lessor and Lessee shall bear their pro rata share, provided the pro rata share of Lessor shall be determined by multiplying the gross amount of royalties paid unto Lessor during the taxing period by the applicable tax rate, the balance of the tax being Lessee's pro rata share. If Lessor fails to pay taxes chargeable solely to Lessor or its pro rata share of taxes when due, Lessee may, at its option pay Lessor's taxes or Lessor's pro rata share of taxes as herein defined and deduct said payment or payments for royalties or rentals due or to become due unto Lessor hereunder.

14. Lessee shall have the right to unitize, pool, or combine all or any part of the above Leased Premises with other lands, whether owned, leased or controlled by Lessee or others in the same general area by entering into a cooperative or unit plan of development or operation and, from time to time, change, modify or terminate any such plan or agreement. In the event Lessee enters into such cooperative or unit plan of development or operation there shall not be any modification of the royalty provisions of this agreement, the commencement of production or any portion of such a cooperative or unit plan created hereunder shall have the same effect upon the terms of this agreement as if production were commenced on the Leased Premises embraced by this agreement, and this lease and option shall not terminate or expire during the life of such plan or agreement. Lessor shall only receive royalty payments from his leased premises, Lessor has no right to any royalty payments from other lands in such a unit or pool. If actual production is not obtained from Leased Premises during any lease year, then Lessee shall make rental payments as stated in Paragraph three (3). In case of dispute or question of ownership of any lode, vein, spur or other deposit of Leased Substances, Lessee will pay into a court of competent jurisdiction all royalties payable from such lode, vein, spur or other deposit until ownership is determined by the court of competent jurisdiction. Lessee shall file a written cooperative or unit

plan for record in the county in which such cooperative or unit plan is located.

15. All notices shall be deemed to have been properly given when made in writing and sent by certified mail or telegraph with all necessary postage or charges fully prepaid and addressed to the parties hereto as follows:

Mr. & Mrs. Ray Nelson
Soda Springs, Idaho

The Golden Cycle Corporation
P. O. Box 4576
Colorado Springs, Colorado 80909

All notices shall be deemed to be given when deposited in the United States mail or Western Union Telegraph office and the time given the party receiving such notice shall run from the date the notice is deposited as aforesaid.

16. With respect to and for the purposes of this agreement Lessor, and each of them if there be more than one, hereby release and waive the right of homestead, any and all dower and similar rights conferred upon or reserved to such spouse by the laws of the state in which the Leased Premises above described are located.

17. It is further agreed by and between the parties hereto that Lessee shall be entitled to all (100%) of depletion and depreciation for income tax purposes, EXCEPT that Lessor shall be entitled, from and after delivery of the deed after the exercise of the option herein provided, to depletion allowances upon Lessor's true royalty interest of 1%.

18. It is further agreed by and between the parties that the Leased Premises shall include any and all claims located by Lessor from and after the date hereof, within 3,000 feet of the Leased Premises, but that the Leased Premises shall not include claims located by Lessee or purchased by Lessee. However, Lessee agrees, in the event of termination of this lease or in the event of foreclosure of the aforesaid deed of trust, that within 60 days of termination or foreclosure Lessee will execute and deliver a good and sufficient Special Warranty Deed to Lessor conveying unto Lessor any and all claims located by Lessee within 3,000 feet of the Leased Premises. Claims and properties purchased by Lessee shall be and remain the property of Lessee.

19. It is understood and agreed that Russell have occupied the Leased Premises as a home for many years, and it is agreed by Lessee

that so long as the presence of the Russells does not interfere with Lessee's operations, the Russells may continue to occupy the Leased Premises as a home, PROVIDED HOWEVER, that the Russells assume full cost and risk for such occupancy and Lessee shall not be liable for damage or injury to the Russells, the Russells property, or persons visiting the Russells, which damage or injury is specifically assumed by the Russells and the Russells agree to save Lessee harmless from all claims or actions for such damage or injury.

20. It is further understood and agreed by and between the parties hereto that certain of the mining claims included in the Leased Premises are subject to adverse claims, some of which are in litigation. It is agreed that Lessee may and shall assist Lessors, to whatever extent Lessee deems advisable, in protecting and preserving all of the Leased Premises, but that Lessee shall not be entitled to money damages recovered for any action arising prior to the date of this Lease.

21. This Lease contains the entire agreement between the parties and nothing not specifically stated shall be enforceable, especially any covenants implied upon Lessee to develop.

IN WITNESS WHEREOF, this mining agreement is effective as of this 13th day of December, 1968, executed this 15th day of Feb. 1969.

Ray Nelson
RAY NELSON

Janet Nelson
JANET NELSON

Idaho
STATE OF ~~NEVADA~~)
COUNTY OF Caribou) ss.

I, the undersigned Notary Public, do hereby certify that on the 15 day of February, 1969, personally and in person appeared RAY NELSON and JANET NELSON his wife, the signers of the above instrument, and personally known to me to be the persons described in and who executed the foregoing instrument and whose names are subscribed thereto and duly acknowledged to me that they freely and voluntarily signed, sealed, executed and delivered the same as their free and voluntary act and deed for the uses and purposes therein specified and set forth.

Given under my hand and official Notarial seal this 15 day of February, 1969.

My commission expires June 1, 1971.

Dallas Paine
Notary Public



THE GOLDEN CYCLE CORPORATION

BY *A. G. Payne*
A. G. Payne, President

ATTEST:

M. E. MacDougall
M. E. MacDougall, Secretary

[SEAL]

CORPORATION ACKNOWLEDGMENT

STATE OF COLORADO)

) ss.

COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this _____ day of December, 1968, by A. GEORGE PAYNE as President and M. E. MACDOUGALL as Secretary of THE GOLDEN CYCLE CORPORATION, a corporation.

My notarial commission expires My Commission expires April 12, 1971.

Donald E. Morgan
Notary Public

SEAL
Affixed

RECORDED AT THE REQUEST OF The Golden Cycle Corp.
on Feb. 20, 1969, at 50 mins. past 10 A. M. in
Book 27 of OFFICIAL RECORDS, page 599-609, RECORDS OF
EUREKA COUNTY, NEVADA. *William A. McPhee* Recorder.
File No. 48648 Fee \$ 13.00