

58240

MINING AGREEMENT

THIS MINING AGREEMENT entered into effective as of the 23 day of May, A.D., 1973, by and between EAST UTAH MINING COMPANY, a Utah corporation (hereinafter called "East Utah"), the party of the first part, and SWISS OILS OF CANADA (1959) LTD., a Canadian corporation (hereinafter called "Swiss Oils"), the party of the second part.

WITNESSETH:

WHEREAS Swiss Oils was the owner of a one-third (1/3) undivided leasehold interest in the Gold Strike Nos. 1 through 36, inclusive, lode mining claims, among other mining claims, situated in the Lynn Mining District of Elko County, State of Nevada, granted under a Lease between Royston Coalition Mines Ltd. and Sun Tide Corporation to Dorsey Hager, Victor W. Sweet and DeBanneville K. Seely, Jr. dated August 31, 1964 and acquired by assignment from said lessors by Swiss Oils; and

WHEREAS Swiss Oils has acquired inter alia the lessor's interests of Royston Coalition Mines Ltd. (now named Goodall Monorail Industries Inc.) in the said Gold Strike Nos. 1 through 36 lode mining claims; and

WHEREAS East Utah is the owner of the remaining two-thirds (2/3) interest in fee in the Gold Strike Nos. 1 through 36, inclusive, lode mining claims; and

WHEREAS Swiss Oils and East Utah have entered into a Joint Venture Agreement dated January 22, 1970 covering the said Gold Strike Nos. 1 through 36, inclusive, lode mining claims; and

WHEREAS Swiss Oils and East Utah wish to amend the said Joint Venture Agreement with respect to the said Gold Strike Nos. 1 through 36 lode mining claims and in other respects referred to herein.

NOW THEREFORE, the parties have agreed and do in consideration of the sum of Ten (\$10.00) Dollars paid by Swiss Oils to East Utah and of the covenants and conditions to be performed by the parties hereto, the receipt and sufficiency of which is acknowledged by East Utah, agree as follows:

1. This Agreement shall be supplementary to the said "Joint Venture Agreement" dated January 22, 1970, which agreement shall remain in force and effect except as necessarily modified hereby.

2. East Utah and Swiss Oils agree that the provisions of paragraph 7 of the said Joint Venture Agreement of January 22, 1970 have been substantially complied with and shall be deleted and shall be of no force and effect. East Utah acknowledges that it has no interest in the mining claims designated "S" Nos. 1 through 12 lode mining claims which were listed in the said Joint Venture Agreement per incuriam and ought not have been so included.

3. This Agreement shall relate only to the Gold Strike Nos. 1 through 36, inclusive, lode mining claims herein referred to as the "subject mining claims".

4. Swiss Oils hereby becomes the Operator of the Gold Strike group of lode mining claims so long as this Mining Agreement shall remain in effect. Swiss Oils agrees to undertake a program of evaluation upon the subject mining claims at a cost not to exceed Ten Thousand (\$10,000.00) Dollars. Such program of evaluation shall consist of the taking of samples for heap-leaching tests and the confirmation and evaluation drilling to the extent deemed necessary by Swiss Oils upon the subject mining claims. The results of such evaluation programs shall be made available to East Utah. The obligation to perform the said program of evaluation may be assigned by Swiss Oils to another company, but in any event the program shall be completed by August 31, 1973 and shall at a minimum consist of sufficient work to satisfy the Assessment Labor required to maintain the subject mining claims.

5. Upon completion of the said program of evaluation and if, in the sole opinion of Swiss Oils, the results justify further exploration and development

of the subject mining claims, Swiss Oil or its assignee shall commit by letter to East Utah delivered on or before December 1, 1973, or by actually commencing such operations on the subject mining claims, to a phased exploration and development program on the subject mining claims costing a total of Three Hundred Thousand Dollars (\$300,000.00) to be expended on the subject mining claims at the minimum rate of \$100,000.00 for each twelve month period commencing December 1, 1973 with the object of establishing production on the subject mining claims at a minimum rate of Nine Thousand (9,000) tons of ore per month from the subject mining claims and establishing the reasonable probability of there being sufficient reserves to maintain production at least during said three year period. Expenditures which shall be credited to the foregoing commitment shall include the direct costs of exploration work upon the subject mining claims to determine possible ore bodies, the cost of assays, geophysical and geological work directly relating to the subject mining claims to be charged at customary rates, all drilling, trenching and excavations performed upon the subject mining claims, direct costs of labor and materials required on the subject mining claims during mining and treatment of produced ores. Such expenses shall not include general overhead or supervision costs incurred by the operator of the subject mining claims, nor payments made to East Utah by Swiss Oil or its assignee, nor other indirect expenses, taxes or charges incurred or paid by any of the parties to this agreement, their successors or assigns, not directly relating to the exploration for and production or treatment of ores, minerals or values on the subject mining claims.

6. All expenditures on the said mining claims relating to the program of evaluation, exploration, development and mining shall be at the sole expense of Swiss Oil and Swiss Oil agrees to pay all such costs of operating, exploring, developing and mining the Gold Strike group of mining claims, including royalties on production which may be due previous owners by reason of a reserved royalty up to an aggregate maximum interest of \$175,000.00, and to keep the subject mining claims and the property covered thereby free from liens and encumbrances, and Swiss Oil agrees to hold East Utah harmless against all claims, actions and demands whatsoever arising out of the activities of Swiss Oil or its assignee hereunder.

7. Swiss Oils, or its assignee, will be the operator and manager of all phases of the operations upon the Gold Strike group of lode mining claims at their sole discretion, but shall furnish to East Utah quarterly upon the same dates as set out in the Joint Venture Agreement of January 22, 1970 all particulars of the work performed upon the subject mining claims, the information obtained thereby, a list of all expenses incurred and expenditures made in conformance with this Mining Agreement, and specific information on the ores produced and sold from the subject properties and the value received therefor.

8. Until such time if any as Swiss Oils, or its assignee, recovers the gross sums actually expended by Swiss Oils or its assignee under paragraph 5 of this Agreement out of ninety percent (90%) of net proceeds from the sale of ores, minerals and values produced from the subject mining claims, said recovery in no event to exceed the aggregate sum of Three Hundred Thousand Dollars (\$300,000.00), Swiss Oils agrees to pay to East Utah ten percent (10%) of the net proceeds received by Swiss Oils or its assignee from the production and sale of ores, minerals and values from the subject claims. Thereafter, Swiss Oils agrees to pay East Utah twenty percent (20%) of the net proceeds received by Swiss Oils or its assignee from the production and sale of ores, minerals and values from the subject mining claims. As the term is used in this Agreement, "net proceeds" shall mean the entire proceeds received from the production and sale of ores, minerals and values from the subject mining claims, less only direct costs of labor and materials for mining and treating said ores, minerals and values, including the cost of transportation of products to the point of sale. If pre-existing royalties are due and paid to third parties, such amounts shall be treated as expenses of operations and deducted from gross proceeds, but shall not be deducted from the percent of net proceeds due East Utah. East Utah and Swiss Oils shall take such steps as may be necessary to establish conclusively the amount of such royalties.

9. If, three years from December 1, 1973, Swiss Oils or its assignee has fully complied with all of the terms and provisions of this Mining Agreement, including the expenditure on the subject mining claims of the aggregate sum of \$300,000.00 for exploration, development and activities under paragraph 5

hereof, and has achieved commercial production of ores from the subject mining claims by the end of said three year period, then Swiss Oils shall have an option so long as it conducts commercial mining operations on the subject mining claims without interruption of 180 days or more to purchase full record title to the Gold Strike Nos. 1 through 36, inclusive, lode mining claims by tendering and paying to East Utah the total sum of \$300,000.00, expressly provided that any amounts paid East Utah as percentage interest in net proceeds under paragraph 8 of this Mining Agreement shall be applied and credited in full toward said total option purchase price. In the event said option is exercised, East Utah agrees to convey all of its record title in the said Gold Strike group of lode mining claims to Swiss Oils, or its nominee, reserving however unto East Utah a twenty percent (20%) undivided interest in net proceeds from production of ores, minerals and values from said Gold Strike group of lode mining claims. East Utah will cause to have the title to the subject claims to be held in escrow subject inter alia to the provisions of this Agreement including those of Swiss Oils.

10. Swiss Oils or its assignee may terminate exploration, development and mining at any time prior to December 1, 1976 (to be effective as of the end of any twelve month period ending on December 1) by giving written notice to East Utah of its intent to do so as provided hereinafter. In the event of termination, Swiss Oils or its assignee shall forfeit all rights hereunder, including the right to reimbursement of expenditures made under this Agreement, and the subject mining claims shall again be subject to the terms and provisions of the Joint Venture Agreement of January 22, 1970. In the event of termination by Swiss Oils or its assignee, all assessment work must be completed for the assessment year in effect at the date of termination.

11. Swiss Oils, its assignees and nominees, shall conduct all operations on the subject mining claims in the manner necessary to good, minerallike and economical mining so as to develop and take out deposits of ore, minerals and values with due regard to the development of the subject mining claims, to the preservation of the workability of the workings on the subject mining

claims, to the optimum ultimate recovery of merchantable ores and to the recovery of the reasonably recoverable ores, minerals and values therein and to the special covenants herein provided.

12. Swiss Oils, its assignees and nominees, shall keep posted in conspicuous places above the subject mining claims where work is being conducted by Swiss Oils or its assignee and shall cause to be duly recorded with the county recorder of Eureka County, Nevada, such notice, to be executed by East Utah, as will inform whom it may concern, that the subject mining claims are being operated under this Mining Agreement and that East Utah will not be responsible for any of the expenses or charges of any operations conducted under this Agreement.

13. The respective parties will individually pay all federal, state and county taxes of any kind assessed against income and receipt of proceeds from the subject mining claims, except that taxes or charges assessed against the subject mining claims, or on the basis of minerals or ores severed and produced therefrom, shall be the sole obligation of the Operator and may be deducted as an expense of mining as herein elsewhere provided.

14. It is mutually understood and agreed that in the event of termination of this Agreement, all personal property, all buildings, machinery, equipment and tools of Swiss Oils or its assignee located within or upon the subject mining claims may be removed by Swiss Oils at Swiss Oils' own expense. Any property of Swiss Oils or its assignee remaining upon the subject mining claims one hundred and eighty (180) days after the effective date of termination of the Agreement shall become the property of the respective owners of the mining claims.

15. Any notice required or desired to be served upon the parties hereto shall be in writing and shall be deemed sufficiently given if deposited in the Government Mail, postage prepaid, and certified or registered, "Return Receipt Requested" and addressed as follows:

To East Utah Mining Company:

721 First Security Building,
Salt Lake City, Utah 84111

To Swiss Oils of Canada (1959) Ltd:

c/o Hugh Scott Douglas,
590 Crown Trust Building,
407 - 8th Avenue S.W.,
Calgary, Alberta T2P 1E5
Canada.

or such other party and at such other address as the respective parties or their successor or successors in interest may, from time to time, designate by written notice to the other party. Any notice given hereunder by mail shall be deemed delivered the date indicated on the "Return Receipt" or if refused or undeliverable, the date of refusal or attempted delivery shown on the envelope.

16. The provisions hereof shall enure to the benefit of and shall be binding upon the successors in interest and assigns of the respective parties hereto, provided that no party hereto shall be chargeable with notice of any assignment or conveyance until such party shall have been furnished with a written notice thereof and with a duplicate, certified or photographic copy of the instrument of assignment or conveyance.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed by their proper officers, they being duly authorized thereto all on the day, month and year first above written.

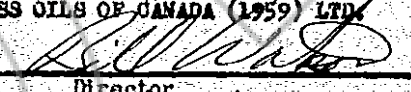
ATTEST: 

EAST UTAH MINING COMPANY

BY: 

President

SWISS OILS OF CANADA (1959) LTD.

BY: 

Director


Director

ATTEST:

STATE OF UTAH }
COUNTY OF SALT LAKE }

On the 14 day of August, 1973, personally appeared before me H.C. Goffe, III, President of East Utah Mining Company, who being first duly sworn by me deposes and says that he is the President of East Utah Mining Company, and that said instrument was signed in behalf of

said corporation by authority of its Articles and that said H. C. Ordbe, III
acknowledged to me that said corporation executed the same.

Mayron B. Black
NOTARY PUBLIC, residing at
Salt Lake City, Utah.

My Commission Expires:
11-20-74

SEAL
Affixed

CANADA }
PROVINCE OF ALBERTA }

On the 26th day of August 1973, personally appeared before me
David Rodin Wilton, c. Dirliko of Swiss Oils of Canada
(1959) Ltd., who being first duly sworn by me deposes and says that he is
c. Dirliko of said Swiss Oils of Canada (1959) Ltd., and
that said instrument was signed in behalf of said corporation by authority of
its by-laws and that said _____ acknowledged to me
that said corporation executed the same.

[Signature]
NOTARY PUBLIC, residing at
Calgary, in the Province of Alberta.

Ms.
My Commission Expires:
in C. H.C.

RECORDED AT THE REQUEST OF C. Warren Hunt
on Mar. 4, 1974, at 17 mins. past 11 A. M. in
Book 47 of OFFICIAL RECORDS, page 289-296 RECORDS OF
EUREKA COUNTY, NEVADA Jillie A. Detaske Recorder
File No. 58240 Fee \$ 10.00
FILE NO. 58240