

MINING LEASE AND OPTION

THIS LEASE AND PURCHASE OPTION, made and entered into this 17th day of DEC. 1975, by and between the THREE FLAGS MINING COMPANY a UTAH CORPORATION, whose offices are at 969 3rd Avenue, New York, New York, hereinafter designated as Lessor, whether one or several, and TEMPLE MOUNTAIN INDUSTRIES INC., whose offices are at 39 Exchange Place, Salt Lake City, Utah, hereinafter designated as Lessee, whether one or several:

WITNESSETH

That said Lessors, for and in consideration of the sum of \$10.00 in hand paid by Lessee to Lessors, and other mutual considerations, the receipt and the sufficiency of which are hereby acknowledged, and of the Royalties, rentals, covenants and agreements hereinafter reserved and by said Lessor to be paid, kept and performed, has leased, demised and let to the said Lessee a 50% Undivided interest or that interest held by the THREE FLAGS MINING COMPANY as will be revealed by a Title Check now being made by the Lessee at his expense unto the following described property and Mining Claims situate and lying in the Lynn Creek Mining District, in the state of Nevada, as shown by the attached plat and made a part hereof and described as follows:

(A fifty percent interest or that interest that will be revealed by a Title Check of the said Property)

<u>Name of Claim</u>	<u>File Number</u>	<u>Book</u>	<u>Page</u>
Bazza No. 1		10	430
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All of which claims are more particularly described under certificates of Location recorded July 25th, 1966, at the office of the County Recorder of Eureka County, State of Nevada.

TO HAVE AND TO HOLD unto the said Lessee for a period not to exceed 10 years, with an option for renewal upon the payment of \$1,000.00 for an additional 10 years. To pay the purchase price in the manner hereinafter provided unless sooner forfeited or terminated as hereinafter provided:

AND IN CONSIDERATION OF SAID DEMISE, the said Lessee does covenant and agree with the Lessors as follows:

1. To pay to said Lessors at their place of business at 969 - 3rd Avenue, New York, royalties and rentals, as hereinafter specified, during any effective term of this agreement until the option price of the property, as set forth in Section 12 of this agreement shall have been paid. All rentals, royalties and payments of any nature whatsoever, made by Lessee to Lessors, shall apply and be credited to the option price herein set forth:

2. To take possession of said mining claims and perform the annual assessment work required by law on the unpatented claims described herein, and to do geo-chemical work and drill at least two (2) holes 250 feet deep each year and to furnish Lessors with the results thereof; and to furnish Lessors in ample time to so file with the amount and nature of the work in affidavit or such other required form as will satisfy the statutory requirements:

3. To keep proper books of account showing the amounts of gold, or other minerals or metals produced and sold from the said mining properties, and, if possible, to deliver duplicate reports and statements of said sales to the Lessors at his or her place of business within reasonable time after consummation of sale. If products sold are commingled with ores or bullion or concentrate from other sources, Lessee shall notify lessors of any such commingling and shall indicate to buyer or smelter or mill or other purchaser the nature of, and extent of lessor's interest therein, so that it may not be impressed with liens or claims of other shippers; and Lessee shall from time to time, provide Lessors with such proper assay reports

and weight certificates as will establish the value of the mineral products extracted, processed, and sold from the leased premises:

4. To, during the term of this agreement and in periods when men are employed by Lessee, at its own risk and expense, carry adequate workmen's compensation insurance, and to at all times keep Lessors and Lessors' title to the leased premises free and harmless from any and all damages for accidents to or injuries incurred by any person or persons upon, in or about the premises, excepting the Lessors and those working under the Lessors, and to comply with all governmental laws, regulations and ordinances of said District, as applicable, with respect to matters to be done and performed:

5. To keep all bills and accounts for labor performed and supplies and materials furnished, in or for operations under this lease, paid in such manner as not to allow any claim or lien to be effectually made or asserted against the Lessor or its property:

6. Said Lessors or its agent may from time to time, in company with Lessee or its agent, enter upon the said premises, and the whole thereof, for the purpose of general inspection of the same and for the purpose of posting upon said premises notice of non-responsibility and other notices necessary, proper or convenient for the protection of said Lessors; and said lessee shall respect and see that notices of "non-liability" posted by lessors at working points are kept in good condition, and notify lessors if same be damaged or destroyed by the elements, vandals, accidents, or any other like or unlike means:

7. Lessee shall keep and preserve reasonable records and maps to reflect the progress and results of work undertaken, and shall allow Lessors to inspect such records at reasonable times, and, upon termination of this agreement and the request of Lessors, deliver duplicate copies of such records to said Lessors. However, Lessee shall not be obligated to interpret such records:

8. Said Lessee shall pay any and all taxes assessed by reason of the mining operations upon said premises, excepting so-called bullion tax upon the proportionate part royalty of the Lessors and Lessors a proportionate amount based on interests.

9. In the event Lessee shall fail to make any payment of royalty or rental or any other payment herein provided, at the time and in the manner stipulated, or shall fail to keep or perform any of the conditions, covenants, or agreements herein contained on his part to be kept and/or performed, said Lessors may give to said Lessee a notice in writing of such default, and if such default is not corrected within thirty (30) days after the giving of such notice, this lease shall terminate and become forfeited. It is specifically understood and agreed that subject to the obligation of the Lessee to pay rents and royalties with relation to the sale of ores and minerals extracted from the mining claims or the concentrates produced therefrom to the date of such termination, and subject to Lessee's obligations to Lessors under paragraphs 3 and 4 hereof, the sole liability of Lessee for any default under the terms of this mining lease shall be the loss of the rights granted to them hereby in and to the mining claims with relation to which the default occurred and Lessee shall, under no circumstance, have any liability to Lessors by way of damages or otherwise:

10. To pay to said Lessors at its place of business at 969 3rd Avenue New York, N.Y. the following royalties on all mineral products extracted and sold from the premises, during the life of this lease until the option price for the property, as defined in paragraph 12 below, shall have been paid, to wit:

5% of net smelter or mill returns on all ores mined and shipped.

"Net smelter or mill returns" as hereinabove mentioned is defined as the gross proceeds of the ore, bullion, precipitate or concentrate sold, less the smelter, mint or other purchasing agency charges, transportation charges, sampling charges and other charges as are customarily assessed by the buyer of ores against the Seller. Charges from the mine or mill to the railroad

are included under "transportation charges" and as far as practicable such charges should be jointly approved by the parties in advance of payment calculation according to the formula above.

11. Lessee agrees to pay to the Lessors royalty payments from the sale of mineral products shall be made directly to the Lessors by the buyer of ores, in accord with the Buyer's established custom, provided such payment is conveniently possible for Lessee:

12. Upon demand of said Lessee, said Lessors agree to execute a quit claim deed to their interest in the above described mining claims encompassed herein, providing for conveyance of property Lessee, and Lessors shall provide for and deposit such deed with a bank, trust company or escrow service, mutually satisfactory to both Lessors and Lessee, accompanied with escrow instructions to deliver said deed to Lessee upon satisfactory proof of the payment of Ten Thousand Dollars (\$10,000.00) royalty or in any other manner, as the agreed option price of the above-described property of the Lessors, and with further instructions to return said deed to the Lessors upon satisfactory evidence of failure of Lessee to comply with the terms of this agreement. Cost of said escrow shall be borne equally by the Lessors and Lessee:

13. Upon any termination of this agreement, by default or otherwise, said Lessee shall surrender to said Lessors the said properties, but any machinery, tools, equipment or buildings placed thereon by the Lessee and it or its agent shall be allowed to remove same within a reasonable time after date of termination not to exceed twelve months. And, upon forfeiture, surrender, or other termination of the lease, Lessee shall upon request of Lessors make and record a release of same and at his (Lessee) expense provide for recording of same on Lessors proportionate interests.

14. Lessee shall have the right and option to terminate this agreement at any time upon thirty (30) days written notice to the Lessors.

15. All covenants and conditions contained herein, expressly or impliedly, shall extend to the successors, personal representatives, heirs, executors and assigns of the parties hereto:

IN WITNESS WHEREOF, the parties have set their hands this 4th day of December 1975.

LESSEE:

TEMPLE MTN. INDUSTRIES INC.
a Utah Corporation

By [Signature]

TOM P. COSTAS, President

LESSOR:

THREE FLAGS MINING COMPANY
a Utah Corporation

By [Signature]

ANTHONY LEDERER, President

**SEAL
Affixed**

STATE OF NEW YORK

COUNTY OF NEW YORK } ss

On this 12 day of DEC. 1975, personally appeared before me, a Notary Public in and for NEW YORK, State of New York, Anthony Lederer, known to me to be the same, who did, under oath, acknowledge to me that he is President of Three Flags Mining Company, the named Lessor therein, and that he did execute the foregoing instrument freely and voluntarily as the act of, and under proper authority of said corporation, for the uses and purposes indicated in the instrument.

[Signature]
Notary Public
Residing in:

My Commission Expires:

March 30, 1977

JEANNE MASTROMONICA
Notary Public, State of New York
No. 31-4617377
Qualified in New York County
Commission Expires March 30, 1977.

STATE OF UTAH

COUNTY OF SALT LAKE } ss

On this 4th day of December, 1975, personally appeared before me, a Notary Public in and for Salt Lake County, State of Utah, Tom P. Costas, known to me to be the person of the same name who executed the foregoing instrument, and who did under oath acknowledge to me that he did execute the same and did so freely and voluntarily for the uses and purposes indicated therein.

[Signature]
Notary Public
Residing in Salt Lake County, Utah

My Commission Expires:

RECORDED AT THE REQUEST OF Tom P. Costas
on December 22, 1975, at 15 mins. past 11 A.M. In
Book 53 of OFFICIAL RECORDS, page 272-276 RECORDS OF
EUREKA COUNTY, NEVADA. WILLIS A. DePAOLI Recorder
File No. 60724 Fee \$ 8.00

**SEAL
Affixed**

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