

OPTION AGREEMENT

This Option Agreement dated as of the 11 day of September, 1978, between WALTER A. PARONI and GENEVIEVE M. PARONI, his wife, whose address is P. O. Box 229, Wallace, Idaho 83873 (referred to below as "Owners") and IDAHO MINING CORPORATION, a Nevada corporation with principal offices in Grand Junction, Colorado (referred to below as "Idaho") with respect to the following facts:

The Owners are the owners of certain unpatented lode mining claims situated in Eureka County, Nevada, the names of which together with the book and page of the recording of such claims in the office of the recorder of said county are as follows:

<u>Claim Name</u>	<u>Book</u>	<u>Page</u>
Nellie	H	262
Pearl	H	261

The above claims are referred to below as the "Property."

The parties have held discussions concerning the granting of an option to Idaho to purchase the Property and during the term of the Option to conduct such exploration, mining or development work on the Property as Idaho may desire. The parties wish to execute a written memorandum of their agreement setting forth the terms and conditions thereof.

THEREFORE in view of the foregoing recitals, in consideration of the mutual promises of the parties set forth below and other valuable consideration, the receipt and adequacy of which is acknowledged, the parties agree as follows:

ARTICLE I

GRANT OF OPTION: TERM

1.1 Grant of Option. In consideration of the payment of One Thousand Dollars (\$1,000.00) concurrent with the execution hereof by Idaho to Owners (the receipt of which is hereby acknowledged by Owners), Owners hereby grant to Idaho

the exclusive and irrevocable Option (the "Option"), during the term specified below to purchase and obtain a conveyance of title to the Property under the terms and conditions provided in this Agreement. In further consideration of the grant of the Option Idaho agrees that during the term of the Option, it will drill an aggregate of at least Five Thousand (5,000) Feet of exploratory drilling on the Property.

1.2 Term. The initial term of the Option shall commence on the effective date of this Agreement and shall extend for a period of six (6) months thereafter. Idaho shall have the privilege to extend the term of the Option for an additional period of six (6) months by the payment of the sum of Two Thousand Dollars (\$2,000.00) to Owners on or before the expiration date of the initial term.

1.3 Exercise of Option. If Idaho should elect to exercise the Option, then within the term of the Option or the extended term thereof, Idaho shall notify Owners in writing of such election. The notice of exercise shall be deemed to have been given in apt time if such notice is deposited in the United States mail within the said term of the Option in a properly addressed envelope for transmittal by certified or registered mail. Promptly following the exercise of the Option, a closing shall be held as provided in Article VII below.

ARTICLE II

TITLE TO PROPERTY

2.1 The title of Owners to the Property is based on the location of unpatented mining claims pursuant to the mining laws as enacted by the United States and State of Nevada. Owners represent and warrant that they are the owners of the entire and undivided mineral estate in the Property, that they have good title thereto and full right and authority to enter into this Option Agreement.

ARTICLE III

PURCHASE PRICE

3.1 The purchase price for the Property shall be the sum of Thirty Thousand Dollars (\$30,000.00). If the Option is exercised, then the initial payment of One Thousand Dollars (\$1,000.00) paid for this Option Agreement and, if the Option has been extended by virtue of the payment of Two Thousand Dollars (\$2,000.00) as permitted by Paragraph 1.2 above, then each of such payments shall apply on the purchase price. The balance of the purchase price shall be payable by means of "Prepaid Royalty" and/or "Production Royalty" in the manner as specified in Article IV below and at such time as there has been paid from all sources, i.e., the payment for this Option Agreement, the payment, if made, for an extension of the term of the Option, and all payments of prepaid royalty and/or production royalty as provided below as aggregated the sum of \$30,000.00, then the full purchase price shall have been paid, subject, however, to the right of Owners to receive a continuing Production Royalty for any production of ore from the Property in excess of 187,500 dry tons as more fully specified in Paragraph 4.3 below.

ARTICLE IV

PREPAID, PRODUCTION AND
FURTHER PRODUCTION ROYALTY

4.1 If Idaho exercises the Option, then at the end of each calendar month thereafter, it shall pay Owners the sum of One Thousand Dollars (\$1,000.00) per month as a Prepaid Royalty or the amount of the earned Production Royalty as more fully set forth in Paragraph 4.2 below, whichever is the greater.

4.2 Idaho shall be required to pay Owners a Production Royalty equal to Ten Cents (10¢) per dry ton of ore mined and removed from the Property, provided, however, that all amounts paid as Prepaid Royalty set forth in Paragraph 4.1 above shall constitute a credit against the obligation to pay Production Royalty, no such Production Royalty shall be

payable until the amount of such credit cummulated from month to month has been exhausted. After such credit has been exhausted, at the end of each calendar month Idaho shall pay Owners the amount of Production Royalty due for ores mined and removed during the preceeding month or \$1,000.00, whichever is the greater; if the \$1,000.00 is greater than the amount earned as Production Royalty during a particular month, then the excess paid over and above the Production Royalty shall be Prepaid Royalty which shall be credited against Production Royalty therefor becoming due in the manner specified above. In no event, however, shall Owners receive less than \$1,000.00 per month after exercise of the Option until the entire purchase price has been paid.

4.3 The payments required under Paragraph 4.2 shall continue, if Idaho exercises the Option, until the full balance of the Purchase Price as set forth in Paragraph 3.1 above has been paid, at which time such payments shall cease, provided, however, that if and from when Idaho shall have mined and removed an aggregate total of 187,500 dry tons of ore from the Property, it shall thereafter pay a "Further Production Royalty" of Sixteen Cents (16¢) per dry ton of ore mined and removed from the Property until an additional Thirty Thousand Dollars (\$30,000.00) has been paid to Owners from such Further Production Royalty, at which time all payment obligations to Owners shall cease.

4.4 The determination of dry weights for purposes of calculation of Production Royalty and/or Further Production Royalty shall be made by means of utilizing truck factors utilizing the volume of the truck bed of dry ore or, Idaho may utilize such alternative methods of estimating weights of ores produced as is customarily utilized in the mining industry.

ARTICLE V

POSSESSION OF PROPERTY
DURING OPTION PERIOD

5.1 During the term that the Option is in effect, Idaho shall have the right of possession of the Property and may perform thereon such exploration and development as it may desire and to extract such quantities of mineralized material therefrom as it may require for assaying and metallurgical testing provided, however, that actual mining in commercial quantities shall not commence until and unless the Option is exercised. If Idaho should elect not to exercise the Option, then it shall furnish to the Owners copies of all assays, drill logs and other technical data developed during the course of drilling and other exploration of the Property by Idaho. Any work to be performed by Idaho during the Option period shall be as an independent contractor and not as the agent or employee of Owners. All of such work shall be performed in a good and minerlike manner and in accordance with applicable federal, state and local laws and regulations promulgated thereunder relating to such work. Idaho agrees to indemnify and save Owners harmless from any liability arising from activities of Idaho upon the Property, and Idaho agrees to be responsible for all of the costs and expenses incurred in connection with such activities.

ARTICLE VI

ASSESSMENT WORK

6.1 As further consideration for the granting of the Option, Idaho agrees that while the term of the Option is in effect it shall perform on or with respect to the Property, work of a quantity and character reasonably expected by Idaho to fulfill the annual assessment work requirements with respect to the Property under the mining laws of the United States and State of Nevada. Idaho further agrees to file affidavits attesting to the performance of such work in the Office of the Recorder of Eureka County, Nevada and to supply Owners with copies of any such affidavits so filed.

6.2 After the exercise of the Option, Idaho shall not be obligated to continue performing assessment work upon the Property should it elect not to do so provided, however, that if Idaho should elect to cease the performance of annual assessment work prior to the time that all payment obligations, whether from Prepaid Royalty, Production Royalty or Further Production Royalty as set forth above has been completed, then if Idaho desires to cease performing assessment work and abandon the Property, it shall quitclaim its interest in the Property to Owners at least sixty (60) days before the date when annual assessment work for a particular assessment period would be due.

ARTICLE VII

CLOSING

7.1 If Idaho should exercise the Option granted hereby within the time and within the manner specified above, then a closing shall promptly be held at which Owners shall execute and deliver to Idaho a Mining Deed containing a warranty of title which deed shall reserve to the Owners the right to receive Prepaid Royalty, Production Royalty and Further Production Royalty as set forth elsewhere in this Option together with the obligation to reconvey if Idaho elects to cease the performance of assessment work prior to the time the full payment obligation to Owners have been discharged. Each of the parties agrees at the closing to execute and deliver such further documents, do such further acts and give such further assurances as may be reasonably requested by the other in order to carry out the full intents and purposes of this Agreement.

ARTICLE VIII

NOTICES

8.1 Any notice herein provided to be given to Owners shall be sufficient if given in writing by certified or registered mail addressed to:

Walter A. Paroni
P. O. Box 229
Wallace, Idaho 83873

or to such other agent for notice and at such address as Owners may from time to time designate to Idaho in writing.

8.2 Any notice herein provided to be given to Idaho shall be sufficient if given in writing by certified or registered mail addressed to:

Idaho Mining Corporation
P. O. Box 2183
Grand Junction, CO 81501

or to such other agent for notice and at such address as Idaho may from time to time designate to Owners in writing.

8.3 Service of notice shall be deemed effective and complete upon the date of posting thereof.

ARTICLE IX

MISCELLANEOUS

9.1 This Agreement contains the entire agreement between the parties and specifically merges and supersedes all former negotiations and agreements between the parties concerning the subject matter of this Agreement. No amendment or modification of this Agreement shall become effective until and unless the same have been reduced to writing and duly executed by the parties hereto.

9.2 While this Agreement is in effect, the Owners agree, jointly and severally, that they will not encumber nor dispose of their title to the Property in whole or in part or do any other act or thing which might prevent or hinder the Owners or any of them in the performance of their obligations hereunder in the event of the exercise of the Option.

9.3 The representation and warranties by Owners contained herein shall survive the closing of the transaction in the event of the exercise of the Option.

9.4 The parties agree to take all such further actions and to execute and deliver all such further documents reasonably necessary to give full effect to this Agreement.

9.5 This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

9.6 This Agreement shall be binding upon and inure to the benefit of the parties hereto, their legal representatives, heirs, successors and assigns.

9.7 The headings or captions used in this Agreement are inserted for convenience only and shall be disregarded in construing this Agreement.

Executed this 11th day of September, 1978.

Walter A. Paroni
WALTER A. PARONI

Genevieve M. Paroni
GENEVIEVE M. PARONI

IDAHO MINING CORPORATION

By W. L. Wilson
President

Attest

By Jean Wilson
Secretary

STATE OF IDAHO)
) SS.
COUNTY OF Sutton

On this 11th day of Sept., 1978, personally appeared before me, a Notary Public in and for said County and State, Walter A. Paroni and Genevieve M. Paroni, 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 first above written.



Jesse L. Moten
Notary Public

My Commission Expires: 72nd 5, 1979

STATE OF COLORADO)
) SS.
COUNTY OF MESA)

On this 1st day of September, 1978, personally appeared before me, a Notary Public, W. L. WILSON, known to me to be the president of Idaho Mining Corporation, the corporation described in and which executed the foregoing instrument, and he acknowledged to me that said corporation, and he on its behalf, executed the same, freely and voluntarily and for the uses and purposes therein set forth.

Witness my hand and official seal.



Julie Benton
Notary Public

My Commission Expires:
Oct. 21, 1980

RECORDED AT THE REQUEST OF Idaho Mining Corporation
on October 18, 1978, at 31 mins. past 10 A.M. in
Book 66 of OFFICIAL RECORDS, page 406-414, RECORDS OF
EUREKA COUNTY, NEVADA. WILLIS A. DePAOLI Recorder
File No. 66521 Fee \$ 11.00

66521