

M I N I N G L E A S E

THIS MINING LEASE entered into this 18th day of October, 1978, by and between Freaman E. Churchfield and Jane Churchfield, husband and wife, herein referred to as Lessor(s) and Harold D. Sorensen, hereinafter known as the Lessee.

W I T N E S S E T H:

WHEREAS, the Lessor is the owner of the following described unpatented mining claims in Eureka County, Nevada, to wit:

<u>Name of Claims</u>	<u>Date Recorded</u>	<u>Book</u>	<u>Page</u>
Lucky Jack # 1	Sept. 14, 1978	66	73
Lucky Jack # 2	Sept. 14, 1978	66	74
Lucky Jack # 3	Sept. 14, 1978	66	75
Lucky Jack # 4	Sept. 14, 1978	66	76
Lucky Jack # 5	Sept. 14, 1978	66	77
Lucky Jack # 6	Sept. 14, 1978	66	78
Lucky Jack # 7	Sept. 14, 1978	66	79
Lucky Jack # 8	Sept. 14, 1978	66	80

Whereas the parties are mutually desirous of entering into a mining lease in accordance with the terms and conditions hereinafter expressed;

Now, therefore, in consideration of the mutual premises, covenants and conditions herein set forth and other adequate consideration the receipt and sufficiency of which is hereby acknowledged, the parties have and do agree as follows:

1. Grant of Lease. Subject to the terms, provisions and conditions herein contained, the Lessor hereby leases to the Lessee all of the right, title and interest of the Lessor in and to the above subject claims, together with the right to immedi-

ately enter into and take sole possession of the mineral interests in the said claims for the purpose of mining, development and exploration of the said mining claims, and any and all mineral values therein contained and for all purposes and activities reasonably incident thereto.

2. Term of Lease. This Lease shall be for a primary term of one (1) year and thereafter so long as there is continuous production of ores except when Lessee is prevented from continuing production due to conditions set forth in that paragraph relating to Force Majeure.

3. Royalty. Lessors have reserved, and Lessee shall pay to Lessors, a royalty of One and 50/100 Dollars (\$1.50) per ton of mineral ore extracted from the above claims. The Lessee shall pay a down payment of One Thousand, Five Hundred and 00/100 Dollars (\$1,500.00) to the Lessors upon the signing of this Lease. This down payment is to be deducted from the royalties when the mining begins.

Any sum payable to Lessors as royalties on any shipment, or lot of ores, concentrates or other mineral products extracted, shipped and sold hereunder shall be paid by Lessee to Lessor on or before the 15th day of the month next succeeding the close of the calendar month during which Lessee shall have received full payment for such shipment.

4. Manner of Performing Work. All of the work which may be performed by the Lessee hereunder shall be performed in a manner so as to obtain the maximum economic return from the mining claims and in such manner required to maintain such property.

Lessee shall comply with all laws, rules and regulations pertaining to any and all operations and activities hereunder of Federal, state and local authorities, and on request of Lessor furnish supporting evidence of such compliance.

Lessor and its agents, authorized in writing, shall,

at their own risk, have the right at all reasonable times, when accompanied by a representative of the Lessee, to enter onto and upon the mining claims and the workings thereon for the purpose of inspecting the same, and for ascertaining whether the terms and conditions hereof are being carried out and performed by Lessee.

Lessee will keep accurate records of his operations hereunder, including the amount of ore taken from the mining claims and the assay thereof; said record shall be accessible for inspection by the Lessor at all reasonable times.

5. Protection from Liens and Indemnity. Lessee shall promptly pay all bills and accounts for labor performed and supply materials, furnished in and for operations under this Lease, and shall not allow any claim or lien to be effectually made or asserted against the mining claims.

Lessee shall hold Lessor harmless and fully indemnify them against all claims and demands of any kind or nature which may be made upon them or against the mining claims, for, or on account of any debt or expenses incurred by Lessee, as well as from and against any and all acts, transactions or omissions of Lessee, his agent or employees, and Lessee shall defend and save Lessor harmless and fully indemnify them against all liability for or on account of injury to or death of any person or persons or damage to any property sustained during the continuance of this Lease alleged to have resulted from any act or omission of Lessee, his agents or employees, or the unsafe condition of the mining claims.

6. Taxes. So long as the within Lease shall remain in force and effect, Lessee shall pay when due all taxes assessed against his personal property and improvements placed upon the mining claims. All taxes measured or calculated on the basis of production from the mining claims shall be paid by the Lessee, and in the event of termination of this Mining Lease for any

reason, irrespective of any provisions elsewhere contained herein, if any such taxes have accrued, but are not then payable, Lessee shall remain responsible for payment at the time the same become due and payable.

7. Location of Adjacent Claims. Should the Lessee locate any unpatented mining claims while this Lease shall remain in effect which are adjacent to the mining claims described herein, such newly located claims shall be located in the name and for the benefit of the Lessor.

8. Annual Assessment Work. Lessee agrees that during each assessment year during the term of this Lease, Lessee will perform upon or for the benefit of each of the mining claims, assessment work of a character and value reasonably expected to satisfy the requirements of the mining laws of the State of Nevada and the United States of America and will closely record necessary proofs on or before September 1, of each assessment year.

9. Forfeiture. The failure of Lessee to make or to cause to be made any of the payments herein provided for, or to keep or perform any obligation or agreement required of him by the terms and provisions of this Lease, shall constitute an event of default of this Lease, at the election of Lessor; provided, however, that in the event of a default on the part of the Lessee, and the election of the Lessor to terminate this Lease on account thereof, Lessor shall give Lessee a written notice of its intention to declare a forfeiture of this Lease and to terminate the same on account thereof, specifying the particular default or defaults relied upon. Lessee shall have thirty (30) days after receipt of such notice in which to correct or cure such default or defaults, in which event, there shall be no forfeiture thereof; provided further, that in case of default of the payment of royalties, Lessee shall only have five (5) days after receipt of such notice in which to make good such de-

fault or defaults. Waiver or failure to give notice of a particular default or defaults shall not be construed as condoning any subsequent default.

10. Lessee's Right of Surrender. Notwithstanding any provision herein to the contrary, Lessee may at any time, upon thirty (30) days prior written notice to Lessor surrender his right under this Lease and thereby cancel and terminate this Lease. In order to exercise such right of surrender Lessee shall supply Lessor with a recordable instrument in proper form, terminating and surrendering to Lessor any right and interest which Lessee may have obtained under this Lease. Upon such cancellation and termination Lessee shall be under no further obligation whatsoever to Lessor, except for the making of payments which have already accrued as of the date of such cancellation and termination.

11. Force Majeure. The breach or failure to perform any of the covenants or conditions hereof on the part of Lessee shall not be grounds for cancellation or termination or forfeiture when such breach or failure to perform is caused or compliance is prevented by severe weather conditions, explosions, unusual mining casualty, fire, flood or any civil or military authority, insurrections, riots, strikes, acts of God, insufficient ore market for profitable mining, or from any regulation or restriction of governmental authority, or on account of any eventuality beyond the reasonable control of Lessee, while such circumstances or conditions shall continue to exist. Provided, however, that Lessee shall notify Lessor in writing specifying the conditions so existing and Lessee shall, in such event, use all reasonable diligence to remove such preventing cause and upon its removal shall thereafter promptly resume work. In no event, however, will Lessee be relieved of the obligation to pay royalties and taxes required hereunder.

12. Removal of Personal Property. Lessee shall have a period of ninety (90) days after a valid forfeiture, cancellation

or other termination of this Lease to remove from the mining claims, all warehouse stocks, merchandise, materials, tools, equipment, supplies and all machinery, trade fixtures and personal property erected or placed in or upon the mining claims by Lessee, provided, however, that Lessee shall not remove any timbering or other underground structures required for support of any underground drifts, tunnels or other workings. Lessee shall be entitled to remove any underground tract, rails, water or air pipelines or electrical lines installed by him.

13. Option to Purchase. The full conditional sale price of Lucky Jack Mining Claim Numbers 1 through 8 has been agreed to between Lessors and Lessee as Two Hundred Thousand Dollars (\$200,000.00). At any time during the term of this Lease, Lessors agree to sell such claims to Lessee for this amount, payable either in cash or on terms acceptable to Lessor.

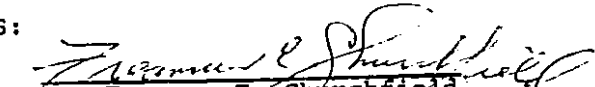
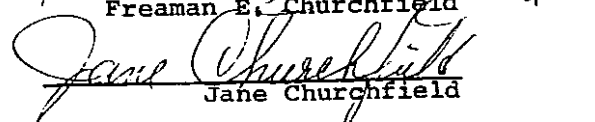
14. Minimum Work Requirements. Lessee agrees to ship a minimum of One Thousand, Five Hundred (1,500) tons of ore per month, or pay an equivalent royalty each month in the event such amount is not shipped. The Lessors agree to allow Lessee sixty (60) days from the date of this Lease in which to begin shipping ore; thereafter payments shall be made on a monthly basis.

15. Assignment. Lessors consent and agree to the sublease by Lessee of these claims to Petro-Silver, Inc., a Utah corporation, in order to allow mining to begin on the claims. Lessors agree to accept shipments and payments by Petro-Silver, Inc. in fulfillment of the Minimum Work Requirements in Paragraph 14, above.

LESSEE:


Harold D. Sorensen

LESSORS:


Freeman E. Churchfield

Jane Churchfield

STATE OF Colorado)
City and COUNTY OF Denver) ss.

On this 22nd day of November, 1978, before me, M. Elaine Martin, a Notary Public for the State of Colorado, personally appeared Harold D. Sorensen, known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my Notarial Seal the day and year in this certificate first above written.



M. Elaine Martin
Notary Public

My commission expires: 3-29-81

STATE OF NEVADA)
COUNTY OF Elko) ss.

On this 27th day of Nov, 1978, before me, Wanda E. Leberski, a Notary Public for the State of NEV, personally appeared Freeman E. Churchfield and Jane Churchfield, as husband and wife, known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my Notarial Seal the day and year in this certificate first above written.

Wanda E. Leberski
Notary Public

My commission expires: _____



WANDA E. LEBERSKI
Notary Public - State of Nevada
Elko County, Nevada
Commission expires Jan. 19, 1982

67696

RECORDED AT THE REQUEST OF C. E. Horton
on February 9, 1979 at 05 mins. past 10 A.M. in
Book 68 of OFFICIAL RECORDS, page 585-591, RECORDS OF
EUREKA COUNTY, NEVADA. WILLIS A. DePAOLI Recorder
File No. 67696 Fee \$ 9.00

BOOK 68 PAGE 591