

MINING SUB-LEASE

THIS AGREEMENT made and entered into this 23rd day of January, 1979, by and between LEE BRITTON, PO Box 868, Elko, Nevada, 89801, hereinafter referred to as First Party and LEONARD DOERR, of Danville Colorado, hereinafter referred to as Second Party.

W I T N E S S E T H:

WHEREAS, First Party is the Lessee of that certain railroad lease with Southern Pacific Land Company, No. SPL-4848; and,

WHEREAS, the subject matter of said lease from the Southern Pacific Land Company is the NE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Section 21, T 33 N, R 51 E, M.D.M., containing 40 acres more or less and the said ground is situated and lying and being in the County of Eureka, State of Nevada; and,

WHEREAS, it appears that said land is chiefly valuable at this time for barite ore source potential; and,

WHEREAS, Second Party is desirous of effecting a sub-lease from the First Party for the express purpose of going in and upon said property and mining the same and doing such exploration as is necessary to fully explore its potential; and,

WHEREAS, First Party is desirous of entering into an agreement whereby Second Party can accomplish its purposes; and,

WHEREAS, the parties having reached a meeting of minds are desirous of reducing the terms and conditions of their agreement to writing;

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) lawful money of the United States, in hand paid by Second Party to First Party, and for other good and valuable consideration the parties agree as follows:

1. Mining Properties: The subject matter of the within lease shall be the development, mining and marketing of barite ores from the said railroad property

described as the NW¼ of the SW¼ of Section 21, T 33 N, R 51 E, M.D.M. in the County of Eureka, State of Nevada.

2. Title to Mining Property: First Party's source of title is the Southern Pacific Land Company, more particularly Railroad Lease No. SPL-4848, dated the 15th day of October, 1978, a true copy of which is attached hereto and by express reference made a part hereof.

3. Consideration: It is agreed by and between the parties hereto that Second Party shall and will pay upon execution of this agreement, and the execution hereof shall constitute a signed receipt thereof the sum of Five Thousand Dollars (\$5,000.00) earnest money. It is further agreed by and between the parties hereto that within thirty (30) days from the date hereof Second Party shall pay to First Party, or their agent as designated, the sum of Forty-Five Thousand Dollars (\$45,000.00), constituting a whole sum of Fifty Thousand Dollars (\$50,000.00) which is consideration and payment for the within and hereinafter set forth lease. As further consideration, the Second Party agrees to pay an additional Sixty-Two Thousand Five Hundred Dollars (\$62,500.00), which amount shall be paid at the rate of Five Dollars (\$5.00) per ton from the first ore mined and marketed and removed from the property, but in any event the entire Sixty-Two Thousand Five Hundred Dollars (\$62,500.00) shall be paid in full no later than December 31, 1979. In addition thereto, Second Party agrees to pay certain royalties as hereinafter set forth and also agrees to mine a minimum amount of tonnage per year from and on the said property. Said minimum tonnage shall be for mined barite ore as ore is defined in the geological and mining engineering profession.

4. Term of Lease: The term of this lease shall be for four (4) years with an option to renew for a succession of four year renewals so long as at a termination of any such lease period the Second Party is engaged in exploration or mining in a serious and substantial manner and for so long as it shall be feasible and economical and in the interest of the parties to continue mining the said premises.

5. Minimum Production: Minimum production shall be described as a production of not less than fifteen thousand (15,000) tons of ore as described in the geological and mining engineering profession within each calendar year during the life of this lease. For the purposes of minimum tonnage, the current year began at the 1st of January and continues until December 31, 1979. In any year in which less than fifteen thousand (15,000) tons shall have been mined, the Second Party agrees and covenants to pay to First Party an amount equal to that which they would have received had the full minimum tonnage been produced. It is further agreed by and between the parties hereto that the said minimum tonnage is proratable over the twelve month period of any given year, which is to say that in any given year in which the Second Party terminates the within lease, that production will be calculated against a prorated portion of minimum tonnage; and further which is to say that for each month of the calendar year an obligation of one-twelfth (1/12) of fifteen thousand (15,000) tons arises as above set forth in any such year where the lease terminated prior to the end of the lease period and where the minimum tonnages for the expired months of the terminated year have not been produced, payment will be made by Second Party to First

Party on the basis of one-twelfth (1/12) of fifteen thousand (15,000) tons per month of expired time in said year and that the unpaid amount as calculated therein shall constitute a lien along with any other sums which may be owed by Second Party to First Party against the personal property of Second Party until the same has been paid.

6. Royalties: In addition to the consideration payment as set forth and subject to the fifteen thousand (15,000) ton minimum tonnage provision, Second Party agrees and herewith covenants to pay to First Party the sum of Three Dollars and Seventy-Five Cents (\$3.75) per ton. ~~or a royalty calculated on the basis of the API formula which is attached hereto and by express reference made a part hereof as Addendum No. 1 to the lease, whichever is greater.~~

7. Performance: It is agreed by and between the parties hereto and part of the essence hereof that Second Party will be in and upon the said premises within sixty (60) days from the date of payment of the said Forty-Five Thousand Dollars (\$45,000.00) ready to and commence operations, and that operations shall be continuous throughout the term of this lease, whether by way of exploration or by way of mining, excepting, of course, and excusing lack of performance herein on the basis of the provisions as hereinafter set forth in the paragraph on Force Majeure.

8. Royalty Payments: All royalties are to be paid on the basis of railroad weight slips ^{or} weigh bills ~~to be certified by the railroad agent~~ and delivered to First Party. Royalty payments shall be made once each month on or before the 25th day of ~~each month~~, and such payments shall be made payable to the account of

LEAD
THE MONTH
FOLLOWING THE
MONTH OF SHIPMENT
OF ANY ORE FROM
THE PROPERTY

LEE BRITTON, Elko, Nevada, at the First National Bank of Nevada, Eureka Branch, Eureka, Nevada. Each payment enclosure, whether by check or money order, shall include the said certified copies of the weigh bills for which such royalties are being paid. Prompt payment of such royalties is the essence of this agreement. It is further agreed by and between the parties hereto that any unpaid royalties at the time of any termination hereof shall constitute a lien upon the personal property of the Second Party until the same has been paid.

9. Possession: Possession shall vest in the Second Party of even date with the payment of the balance of Forty-Five Thousand Dollars (\$45,000.00) and no possessory right inures to Second Party until and unless such said Forty-Five Thousand Dollars (\$45,000.00) has been paid. Since the Forty-Five Thousand Dollar (\$45,000.00) balance together with the Five Thousand Dollars (\$5,000.00) constitutes, along with other items, the consideration for the lease, no refund of any part thereof will be made at any time after the Forty-Five Thousand Dollars (\$45,000.00) has been paid for any reason.

10. Accounts and Records: It is agreed by and between the parties hereto that Second Party shall provide to First Party complete copies of exploration records, including maps, drill logs, profiles and geology also when Second Party has prepared its mine plan, that a copy of the same shall be delivered to First Party. It is further agreed that Second Party shall keep proper books of account wherein it is shown that the amount of ore mined and shipped and royalties paid on, etc., and that such books of account shall be open to investigation to First Party at any reasonable

time and under reasonable circumstances. It is further agreed that First Party shall have the right of inspection of the premises at any reasonable time and under reasonable circumstances to determine the quality of mining operations which is being mounted by Second Party.

11. Compliance: It is agreed and covenanted by the parties hereto and part of the essence of this lease that the Second Party will do all that which is required by the Environmental Protective Agencies, both federal and state, if any regulation shall come to pass. If there is any rehabilitation processes imposed from any source, whether from the railroad company or from the federal or state agencies, the same shall be the responsibility of Second Party. Second Party shall, at all times, comply in all respects with all the laws and regulations relating to the performance of work within the leased premises. Second Party shall provide Workmen's Compensation Insurance, personal injury in the amount of One Hundred Thousand Dollars (\$100,000.00) per person and Five Hundred Thousand Dollars (\$500,000.00) per incident, and such other insurance to cover personnel and all of his operations upon the premises in the amount and form as may be required by law. Second Party shall indemnify and hold the First Party harmless of and from any and all claims, demands or liabilities arising out of or in connection with the operations or activities of the Second Party hereunder. Second Party warrants that it hereby assumes full and sole responsibility for the operation and direction of work done under this agreement on the leased premises and no employee or agent furnished by Second Party shall under any circumstances be deemed an employee or agent of First Party.

12. Quality of Operations: Second Party shall explore, work, mine, develop, and operate the mining claims in a good and minerlike manner with due regard to the development and preservation of the claims and the ore thereon, if any, in an economical and profitable manner so as to develop the greatest possible profit from the possession, exploration, development and mining of the claims.

13. Personal Property: The Second Party may install, maintain, replace and remove during the term of this agreement any and all mining machinery, equipment, tools and facilities placed thereon by the Second Party.

14. Liens: Second Party covenants and agrees:

a. To pay in full for all labor performed upon or material furnished to the mining claims.

b. To keep said claims free and clear from any and all claims of mechanics or materialmen.

c. To post and to keep posted upon said premises notice to the effect that the same are leased and that the First Party shall not, nor will the mining claims be, liable for any labor performed upon or material furnished to the mining claims at the instance of, or at the request of the Second Party.

15. Taxes: Second Party agrees to pay all taxes levied and assessed upon the leased premises or any part thereof, including ^{THEIR PROPORTIONATE PART OF} taxes measured on production ^{AGD} and also including taxes levied and assessed on improvements placed upon the leased premises by the Second Party during the continuance of this agreement, commencing with the taxes for the current year, and to make payment thereof as required by the statutes of the State of

Nevada or the United States so that no default in taxes upon the leased premises shall occur, and to deliver to First Party, upon request, the original or duplicate tax receipts for payment made. Should Second Party be in possession, under this agreement, for only a portion of a year, the real or personal property taxes for that year shall be prorated between the First Party and the Second Party on the basis of the taxes for the last preceding year.

16. Termination: In the event of termination of this lease by expiration of the term hereof, or for any reason whatsoever, the Second Party agrees to surrender the mining claims in good condition. The Second Party, however, shall have the right to remove machinery and equipment placed by it within the leased premises, including track, pipe, receivers, and cables, but Second Party shall leave all timbers, chutes, and ladders in place and in good condition. The Second Party shall have the right to effect the removal of such machinery and equipment prior to the expiration of this lease or within sixty (60) days following termination of said lease, shall be deemed affixed to the leased premises and shall become and remain the property of the First Party.

17. Default: If, for any reason, there shall be default on the part of Second Party, the Second Party shall fail or refuse to comply with any of the terms or provisions hereof, that at the option of the First Party, the First Party may give notice in writing to the Second Party of such default specifying the nature and character thereof, and unless the default shall be corrected within thirty (30) days after the date of mailing by certified mail to Second Party of such

notice, then at the option of the First Party this lease and all rights thereunder of the Second Party shall be terminated and Second Party shall quietly and peaceably surrender the said premises to First Party.

18. Voluntary Termination: The Second Party is given and granted the right to terminate this agreement and to be relieved of any further obligation, responsibility and liability hereby created at any time during the term hereof by giving written notice thereof to the First Party, by concurrently therewith surrendering the claims to the First Party and by paying to the First Party any minimum payment and/or royalties due and owing to the date of delivery of the claims by Second Party to the First Party and by delivering to the First Party a quitclaim deed to the leased premises within thirty (30) days of the surrender of the property.

19. Notices: Any notices or payments to be made or given pursuant to the terms of the agreement shall be deemed completed when deposited in the United States mail, first class, with postage prepaid, certified as follows:

To First Party:

Lee Britton, Box 868, Elko, Nevada, 89801

To Second Party:

Leonard Doers, 5821 Pegosa Ct.,

Denver, Colorado, 80239

or to any other address as either party may hereafter designate by giving written notice thereof in accordance with the terms of this paragraph.

20. Force Majeure: In the event Second Party is prevented from performing this agreement by labor strikes, fires, floods, explosions, riots, any unusual mining casualties, acts of God, government restrictions

of orders, suspension of buying by the government where no commercial market is available, severe weather conditions, unavailability or delays of equipment or supplies or other extraordinary events beyond its control, then the time for performance under this agreement by Second Party shall be suspended during the continuance of each such occurrence and for a reasonable period of time thereafter.

21. It is further agreed that Leonard Doerr can assign this lease to T G M Corporation, but otherwise there can be no assignment by Lessee of this mining lease hereunder except by written consent of the First Party.

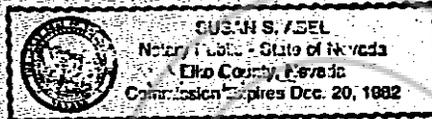
IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year first hereinabove written.

First Party:

Lee Britton
LEE BRITTON

Second Party:

Leonard C. Doerr
LEONARD DOERR



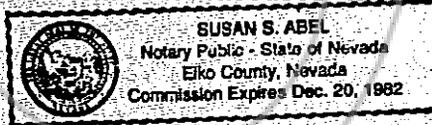
STATE OF NEVADA
COUNTY OF ELKO

On this 2 day of February, 1979, personally appeared before me, a Notary Public, LEE BRITTON, who acknowledged to me that he executed the same.

Susan S. Abel
NOTARY PUBLIC

STATE OF NEVADA
COUNTY OF ELKO

On this 4 day of February, 1979, personally appeared before me, a Notary Public, LEONARD DOERR, who acknowledged to me that he executed the same.



67833

Susan S. Abel
NOTARY PUBLIC

RECORDED AT THE REQUEST OF Edward J. Navarro
on February 20, 1979, at 55 min. past 11 A.M.
Book 69 of OFFICIAL RECORDS, page 151-160, RECORDS OF
EUREKA COUNTY, NEVADA
File No. 67833
WILLIS A. DePAOLI Recorder
Fee \$ 12.00

BOOK 69 PAGE 160