

MINING SUB-LEASE

THIS AGREEMENT made and entered into this 14 day of March, 1979, by and between LEE BRITTON, PO Box 868, Elko, Nevada, 89801, hereinafter referred to as First Party and TGM CORPORATION, of Penrose, 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 NW $\frac{1}{4}$ 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 NW $\frac{1}{4}$ of the SW $\frac{1}{4}$ 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.

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4. Term of Lease: Second Party shall have the option of renewing this sub-lease annually beginning October 15, 1979 from year to year so long as said land is being operated as provided herein and production royalty is paid and Second Party is engaged in exploration or mining in a serious and substantial manner, not to exceed, however, a total term of twenty-three (23) years from October 15, 1979, upon the same reservations, terms, covenants and conditions as herein set forth.

5. Exercise of Option: Second Party shall send written notice to First Party of option to renew by registered mail, not less than ninety (90) days prior to the expiration of said term or each annual term as the case may be. First Party shall then send written notice by registered mail to the Southern Pacific Land Company of option to renew as required by the Lease of Mining Rights between First Party and Southern Pacific Land Company, dated October 15, 1978, and within thirty (30) days of receiving the notice of option to renew from Second Party. First Party upon receiving receipt of delivery of the renewal to Southern Pacific Land Company shall forward this receipt and a copy of the option to renew to Second Party.

Second Party shall have the option of sending a letter of option to renew for each renewal, signed by First Party, to Southern Pacific Land Company at any time that Second Party deems it necessary in order to maintain the Southern Pacific Lease and the Sub-Lease in good standing.

6. 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

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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.

7. 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

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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.

8. 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.

9. Royalty Payments: All royalties are to be paid on the basis of railroad weight slips or other certified weigh bills and delivered to First Party. Royalty payments shall be made once each month on or before the 25th day of the month following the month of shipment of any ore from the property and such payments shall be made payable to an irrevocable escrow account for the benefit of LEE BRITTON and TGM CORPORATION, Elko, Nevada, at the First National Bank of Nevada, Elko Branch, Elko, Nevada. The parties hereto shall establish this escrow account with instructions as contained in Exhibit "A" which is attached hereto and made a part hereof. 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

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the time of any termination hereof shall constitute a lien upon the personal property of the Second Party until the same has been paid.

10. 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.

11. 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.

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First Party shall comply with all reporting requirements to Southern Pacific Land Company as required by the Lease of Mining Rights between First Party and the Southern Pacific Land Company. Second Party shall have the option to fulfill the reporting requirements on forms signed by First Party if at any time Second Party deems it necessary to maintain the Southern Pacific Lease and the Sub-Lease in good standing.

12. 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

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leased premises and no employee or agent furnished by Second Party shall under any circumstances be deemed an employee or agent of First Party.

13. 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.

14. 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.

15. 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.

16. Taxes: Second Party agrees to pay all taxes levied and assessed upon the leased premises or any part thereof, and also including taxes levied and assessed on improvements placed upon the leased premises by the Second Party during the continuance of this

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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. Both parties to this lease shall pay their proportionate part of the net proceeds tax as defined in NRS 362.120 and shall comply with all provisions of NRS 362.100 - 362.240 as appropriate and required by such statutes.

17. 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 and which shall be deemed affixed to the leased premises and shall become and remain the property of the First Party. 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.

18. Default: If, for any reason, there shall be default on the part of Second Party or the Second Party shall fail or refuse to comply with any of the terms or

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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.

19. 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.

20. 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:

TGM Corporation, Box 84, Penrose, CO 81240

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

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21. 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 or 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.

22. There can be no assignment by Lessee of this mining lease 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:

TGM CORPORATION

By: Vernon Estes
Title: PRESIDENT

STATE OF NEVADA

COUNTY OF Eureka

SS.

On this 14th day of March, 1979, personally appeared before me, a Notary Public, LEE BRITTON, who acknowledged to me that he executed the same.



DANETTE HAMMOND
Notary Public — State of Nevada
Eureka County
My Commission Expires April 8, 1980

Danette Hammond
NOTARY PUBLIC

STATE OF NEVADA

COUNTY OF Eureka

SS.

On this 14th day of March, 1979, personally appeared before me, a Notary Public, Vernon Estes the President of TGM CORPORATION, who acknowledged to me that he executed the same in that capacity.



DANETTE HAMMOND
Notary Public — State of Nevada
Eureka County
My Commission Expires April 8, 1980

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ATTORNEYS AND COUNSELORS
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ELKO, NEVADA 89801

Danette Hammond
NOTARY PUBLIC

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EXHIBIT "A"

ESCROW INSTRUCTIONS

1. TGM CORPORATION, Second Party, shall pay all royalty payments due under the LEE BRITTON to TGM CORPORATION sub-lease to the escrow account established in the names of the parties at the First National Bank of Nevada, Elko Branch, Elko, Nevada.

2. The bank is hereby instructed by the undersigned to pay to the SOUTHERN PACIFIC LAND CO. monthly out of the escrow account \$.75 per ton on the ore shipped by TGM. CORPORATION as computed by using the tonnage figures as reported by TGM. CORPORATION on a monthly basis. These payments are to be made to SOUTHERN PACIFIC LAND CO. in the name of LEE BRITTON only.

3. In the event that the SOUTHERN PACIFIC LAND COMPANY exercises the right it has to increase the royalty rate as defined in the Lease of Mining Rights, Lease Number SPL-4848, between SOUTHERN PACIFIC LAND COMPANY and LEE BRITTON, dated October 15, 1978, in paragraph 28 as herein fully set out:

"28. The actual royalty rate set forth in section 2 hereof shall be adjusted annually at the commencement of each annual period this lease remains in effect in the same percentage amount as the percentage increase or decrease in the Wholesale Price Index for All Commodities, as published by the U.S. Department of Labor, Bureau of Labor Statistics. The amount of change shall be based upon the index during the month preceding the month in which each succeeding annual period commences in comparison with the index as of the month of September, 1978, provided that the actual royalty rate shall never be less than 75¢/ton."

Then the parties shall give new instructions regarding the price per ton.

4. The parties shall each pay one-half (½) of the escrow charge to the bank.

5. After the royalty payment to Southern Pacific Land Company has been paid, the Bank is then instructed to pay the remaining sum each month into the separate account of LEE BRITTON at the First National Bank, ELKO, Nevada.

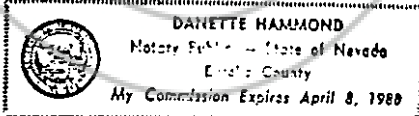
TGM CORPORATION

By: Vernon Estes
Vernon Estes, President

Lee Britton
LEE BRITTON

STATE OF NEVADA)
COUNTY OF ELKO) : ss.

On March 14, 1979, personally appeared before me, a Notary Public, VERNON ESTES, the President of TGM CORPORATION, who acknowledged to me that he signed the above instrument in that capacity.



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Danette Hammond
NOTARY PUBLIC
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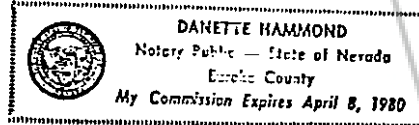
STATE OF NEVADA

COUNTY OF ELKO *Eureka*

SS.

On March 14, 1979, personally appeared before me, a Notary Public, LEE BRITTON, who acknowledged to me that he signed the within and foregoing instrument.

Danette Hammond
NOTARY PUBLIC



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RECORDED AT THE REQUEST OF Edward J. Navarro
on March 19, 1979, at 36 mins. past 9 A. M. in
Book 69 of OFFICIAL RECORDS, page 326-338, RECORDS OF
EUREKA COUNTY, NEVADA. WILLIS A. DePAOLI Recorder
File No. 67947 Fee \$ 15.00

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