

MINE OPERATING AGREEMENT

THIS AGREEMENT, made and entered into this 6 day of February, 1981, by and between ALBERT H. ENGLEBRIGHT and ROBERT R. MARTIN, Box 288, Eureka, Nevada 89316, party of the first part, hereinafter referred to as the "OWNER", and COUGAR ENTERPRISES, INC., 230 West 400 South, Suite 201, Salt Lake City, Utah 84111, party of the second part, hereinafter referred to as the "OPERATOR".

W I T N E S S E T H :

WHEREAS, OWNER is presently the owner of certain unpatented claims commonly known as the Big Red Lodge mining claims 1 thru 6 located in Sections 1 and 2, T16N, R48E, Eureka County, Nevada. (BLM Serial NMC 46512-46517)

AND, WHEREAS, it is the intention of the OWNER to enter into an operating agreement with the OPERATOR in order to work the said mining property with the OPERATOR acting as an independent contractor and not as an employee of the said OWNER.

NOW, THEREFORE, for and in consideration of the mutual promises of the parties as hereinafter made and kept and other good and valuable considerations the receipt of which is hereby acknowledged, it is mutually agreed as follows:

I. DEFINITIONS:

It is hereby agreed that certain words and phrases used throughout this agreement shall be defined or construed as follows:

A. "Mining claims," as used herein, means the hereinafter described unpatented lode mining claims, said mining claims are situated in County of Eureka, State of Nevada, and more particularly described as follows, to-wit:

Big Red Lodge Mining Claims 1 thru 6
located in Sections 1 and 2, T16N,
R48E, Eureka, County, Nevada. (BLM
Serial NMC 46512-46517)

B. "Production royalty," as used herein, means the compensation or portion of proceeds becoming payable, by the OPERATOR to the OWNER.

C. "Mining Operations," as used herein, includes any and every type of operation upon said mining claims, whereby materials are extracted or taken or mined therefrom, whether by

mining or milling, or by any other method or means of any nature, kind or type.

D. "Production," as used herein, means the mining and reduction of products into a marketable form or condition, and, if any product is mined in such condition that it can be marketed without further beneficiation, and is so marketed without further beneficiation, such shall be deemed to be production.

E. "Products," as used herein, means, but is not limited to, any and all barite, quicksilver, tungsten, gold, minerals, metals, values, sands, gravels, rare earths, rare metals, ores, chrome ores, cinnabar, aggregates, and any and all other materials of every kind and nature removed for purpose of sale by the OPERATOR from, on, in or under the mining claims.

F. "Processing," as used herein, means, but is not limited to, mining, milling, collecting, saving, separating, sizing, jigging, reducing, smelting, or otherwise beneficiating any products to such extent as may be necessary to prepare the same in final condition for marketing.

II. OPERATING AGREEMENT

The OPERATOR hereby agrees to operate the said mining property by exploring, sampling, mining, processing and carrying out any other incidental work with said mining claims as an independent contractor and not as an agent or employee of the OWNER. The said OPERATOR shall be paid in accordance with the terms as specified herein.

III. TERM

This agreement shall take effect on the date hereinabove written and shall, unless earlier terminated as provided herein, continue in full force and effect subject to the terms and conditions herein contained for a period of FIVE (5) YEARS from and after the date of this agreement and as here and after provided.

IV. CONDUCT OF MINING OPERATIONS

OPERATOR shall enter upon said property forthwith and, commencing on the effective date of this agreement, shall begin working on said premises, and shall work the same in proper,

skillful and miner-like fashion and in a manner necessary to good and economical mining so as to take out the greatest amount of ore possible with due regard to safety and the preservation and development of said property as a workable and productive mine.

V. NON-RESPONSIBILITY: INDEMNITY: TAXES

OPERATOR shall immediately record in the office of the County Recorder of the county in which the mining claims are located a proper notice consistent with Section 108.234 of Nevada Revised Statutes, relieving the OWNER from any and all liability or responsibility for mining operations on the said mining claims, for materials furnished in connection therewith, and/or from any injuries to persons or damages to property occurring or committed on said property, or as a result of the mining operations conducted thereon by the said OPERATOR, its agents, contractors, employees, or assigns.

OPERATOR covenants to indemnify and hold OWNER harmless against all losses, damages, fines, claims, costs, attorney's fees and expenses, and liability therefor, incurred by OWNER in any way arising as a result of the mining operations of the OPERATOR or its occupancy of the mining claims. OPERATOR will be responsible for any and all taxes, including but not limited to the net Proceeds of Mining Tax of the State of Nevada, which may be assessed against the said property or removal of ore therefrom.

VI. NOTICES OF MINE INSPECTOR

OPERATOR covenants with the OWNER to mail to the State Inspector of Mines, at Carson City, Nevada, prior to the commencement of mining operations, and not later than June 1 in each year during the term hereof, a written, detailed report, in compliance with Section 512.160, Nevada Revised Statutes, showing (a) the character of the mine, (b) the number of men then employed during the ensuing year, (c) the method of working the mining claims, and (d) the general condition thereof.

VII. COMPLIANCE WITH LABOR LAWS

OPERATOR shall promptly pay when due all wages for work done, and shall comply with all laws, both federal and state

pertaining to mining and milling operations, including, but not limited to, the carrying and maintaining of Nevada Industrial Accident Insurance on employees, and, upon request, to provide written proof of such coverage to the OWNER.

VIII. POSSESSION; INSPECTION

During the term of this agreement, and so long as OPERATOR performs all of the terms and conditions required herein, OPERATOR shall have the right to possession of the said mining claims and appurtenances, subject, however, to the permission hereby granted to the OWNER, his agents or representatives, to have access to said mining claims at any and all reasonable times for the purpose of inspecting or examining the same, such entry and inspection to be made and conducted at the sole risk of the OWNER.

IX. PRODUCTION ROYALTIES

OPERATOR shall pay to the OWNER as production royalties the amount of Two (\$2.00) Dollars per ton on all saleable barite ores from the property. Saleable barite may be ore as it comes from mine or it may have to be removed from the mine and jigged to be saleable ore.

X. MANNER OF PAYMENT

OPERATOR has paid OWNER advance royalty payments of Five Hundred (\$500.00) Dollars, the receipt of which is acknowledged, and OPERATOR shall pay OWNER their royalties within ten (10) days after receipt of payment of the saleable ore by OPERATOR.

XI. FORCE MAJEURE

Neither of the parties hereto shall be liable to the other for failure to perform the obligations required to be performed hereunder for such period of time as failure of performance is caused by strikes, Acts of God or national war emergency or government restrictions. This provision shall not, however, relieve the OPERATOR of its obligation to make payments as required hereunder.

XII. PROGRESS REPORTS

OPERATOR shall furnish to the OWNER, at least semi-annually, a written progress report reciting in detail any en-

gineering data, assay reports, drill reports and logs, and other information pertinent to the exploration and development of said mining claims.

XIII. OPTION TO RENEW

Upon compliance of OPERATOR of all the terms and conditions herein, OWNER does hereby grant to OPERATOR the option to renew this agreement for additional periods of one year on the same terms and conditions as herein set forth, as long as commercial production is maintained.

XIV. TERMINATION BY OPERATOR

OPERATOR may terminate this agreement at any time upon giving OWNER thirty (30) days written notice, and thereupon all obligations and liabilities hereunder shall immediately cease and terminate, except liability on account of any obligation incurred and owing at the time of such termination.

XV. IMPROVEMENTS

At the termination of this agreement by lapse of time, forfeiture or otherwise, the OPERATOR agrees to deliver up to said OWNER the said mining and development thereon by the OPERATOR. In the event of the abandonment, termination or cancellation of the interest of the OPERATOR herein, as hereinafter set forth, it is understood and agreed that all improvements, including rail and pipe in place, made in or about the said property by the OPERATOR and affixed to the realty and constituting a part thereof, together with operational maps, assays and reports, shall remain the property of the OWNER; but all property of a personal nature, including machinery, tools or equipment, subject to removal without damage to the real property or improvements, may be removed therefrom by the OPERATOR within THREE (3) MONTHS from the date of such abandonment, cancellation or termination, failing which the same shall revert to the OWNER. Any and all water rights, applications or certificates of appropriation which are acquired by the OPERATOR in connection with the mining operations contemplated herein shall be expressly subject to this provision.

XVI. TERMINATION BY OWNER

In the event that the OPERATOR shall fail to make any

payment or payments as herein provided or shall fail to perform each and every covenant, term and condition as herein provided, the OWNER may, after FORTY FIVE (45) DAYS' notice in writing given to the OPERATOR within which to cure said default or violation, and provided said default has not been corrected during said FORTY FIVE (45) DAY period, this agreement forfeited, cancelled and terminated, and enter and repossess all of the property herein with or without process of law.

XVII. ASSESSMENT WORK

OPERATOR shall perform all annual assessment work required by law in order to hold the mining claims for each assessment year, as defined by statute, during the entire term of this agreement or any extensions thereof, and shall record in the office of the County Recorder of the county in which said mining claims are situated, proper proof, in affidavit form, of the completion of the same, both the performance of work and the recording to be completed by the OPERATOR at his sole expense at least FIFTEEN (15) DAYS prior to the date required by law for such recordation annually.

XVIII. NON-PARTNERSHIP

This agreement shall not constitute or be construed to constitute a partnership or mining partnership. OPERATOR shall be deemed to be an independent contractor of the OWNER with such rights as specified herein.

XIX. BANKRUPTCY; INSOLVENCY

It is agreed that the filing of a petition in bankruptcy by the OPERATOR, or the adjudication that the OPERATOR is bankrupt, or any assignment for the benefit of creditors, or the levy of an execution against the interest of OPERATOR in said mining claims to enforce or satisfy any judgment against OPERATOR not stayed within FIFTEEN (15) DAYS by an appeal bond shall permit the OWNER to cancel this agreement, and OPERATOR shall forfeit all its rights to the possession of the mining claims, and that neither this agreement nor any of OPERATOR'S rights hereunder shall ever be an asset of the estate of the OPERATOR in the event that it is bankrupt or file a petition in bankruptcy under the

bankruptcy laws of the United States, or makes an assignment for the benefit of creditors.

XX. TIME OF ESSENCE; INUREMENT

Time is of the essence of this agreement, and the same shall be binding upon the inure to the benefit of all of the heirs, administrators, executors, successors and assigns of the parties hereto.

XXI. NOTICES

Any notice required or permitted to be given hereunder shall be deemed properly given upon delivering the same personally to the party to be notified, or upon mailing such notice, by registered or certified mail, return receipt requested, postage prepaid, to the party to be notified, at the addresses hereinabove set forth, or such other address as the party to be notified may have designated prior thereto by written notice to the other. Where the United States mail is utilized to effect service of notice, the date of mailing, plus SEVENTY-TWO (72) HOURS, shall constitute the date of delivery.

XXII. INTERPRETATION; CONSTRUCTION

The paragraph captions or headings in this agreement are inserted for convenience only, and shall not be considered a part of this agreement, or used in its interpretation. Such captions in no way define, limit or describe the scope or intent of this agreement and are for reference only. Whenever used, the singular and the use of any gender shall include all other genders.

This agreement shall be governed by the laws of the State of Nevada and by the laws of the United States of America applicable to the location and possession of, and title to, the said mining claims.

THIS AGREEMENT shall inure and be binding upon the heirs and assigns of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day and year first above written.

OWNER

Albert Englebriht
ALBERT H. ENGLEBRIGHT

OPERATOR

COUGAR ENTERPRISES, INC.

By R. L. Patri
President

OWNER

Robert R. Martin
ROBERT R. MARTIN

STATE OF NEVADA)
County of Eureka) ss.

On this 6th day of February, 1981, personally appeared before me Albert H. Englebriht and Robert R. Martin, the signers of the above instrument, who duly acknowledged to me that they executed the same.

Paul Shangle
Notary Public
Residing at: _____ COUNTY CLERK
A Notary Clerk of the THIRD JUDICIAL COURT



My Commission Expires:

STATE OF UTAH)
County of Salt Lake) ss.

On the 5th day of February, 1981, personally appeared before me Robert L. Patrie, who being duly sworn, did say that he is President of Cougar Enterprises, Inc., and acknowledged that said corporation executed the same.



Shirley A. Marchant
Notary Public
Residing at: Kearns, Utah

My Commission Expires:
9-24-84

RECORDED AT REQUEST OF
R. L. Patri
BOOK 91 PAGE 333

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OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
WILLIS A. DEPIERRE
FILE NO. 78809
FEES 10.00

BOOK 91 PAGE 340