

MINING LEASE AND OPTION TO PURCHASE

THIS MINING LEASE AND OPTION TO PURCHASE is made and entered into this 9th day of May, 1986, by and between Mil-white Co., Inc., a TEXAS corporation, whose address is P.O. Box 15038, Houston, Texas 77020, and Atlas Precious Metals, Inc., a Nevada corporation, whose address is P.O. Box 1207, Moab, Utah 84532 ("Lessee").

WITNESSETH:

For and in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of Lease. Lessor hereby grants, demises and leases exclusively unto Lessee those certain unpatented mining claims located in Eureka County, Nevada, as are more particularly described in Exhibit A hereto, by this reference incorporated herein (the "Claims"), together with all mines, ores, minerals and mineral deposits of every kind and character whatsoever in, on or under the Claims; all veins and lodes now owned or hereafter acquired by Lessor extending from or into or contained in the Claims; all mineral interests now owned or hereafter acquired by Lessor in the Claims; and together with all easements and all rights of way for ingress and egress to and from the Claims to which Lessor may be entitled. Lessor further grants to Lessee the sole and exclusive right and privilege to do any and all things which Lessee shall deem necessary or desirable to accomplish any or all of the purposes and rights set forth in this lease, including, without limitation, the exclusive right to enter upon and to use the Claims for the purpose of surveying, exploring for, and defining the extent and quality of all minerals and all mineral deposits in, on or under the Claims, and for developing, mining, stockpiling, milling, processing, removing, shipping and marketing such minerals and mineral deposits by whatever methods Lessee may deem appropriate, including surface or solution mining; the right to dispose of and deposit on the Claims ore, waste materials and overburden from the Claims; the right to construct and use buildings, roads, power and communication lines, tailings ponds and other improvements reasonably required by Lessee for the full enjoyment of the Claims; the right to construct and use tunnels, adits or workings now or hereafter located in, on or under the Claims as may be reasonably necessary, convenient or suitable for or incidental to any of the rights or privileges of Lessee hereunder; the right to use so much of the surface of the Claims and all easements and rights of way appurtenant thereto in such manner as may be reasonably necessary, convenient or suitable for or incidental to any of the rights or privileges of Lessee hereunder or otherwise reasonably necessary to effect the purpose of this lease; and the right to use all water and water rights appurtenant to the Claims to which Lessor may be entitled.

The rights granted to Lessee in this lease to use the surface of the Claims and to construct and use buildings, roads, power and communication lines, tailings ponds, tunnels, adits, workings and other improvements located in, on or under the Claims, including water rights and other appurtenances thereto, may be exercised by Lessee in connection with mineral rights in and under lands in the general vicinity of the Claims which are acquired by or leased to Lessee from third parties, or which are otherwise controlled by Lessee, as well as in connection with mineral rights owned by Lessor and leased to Lessee hereunder.

Notwithstanding anything herein to the contrary, Lessor reserves the right to enter the Claims and to mine and remove therefrom any barite found or located thereon; provided

that Lessor's operations with regard to exploring for, developing, mining, or processing any such barite shall not interfere in any manner whatsoever with any operations conducted by Lessee upon the Claims or any of the rights granted Lessee hereunder; and, provided, further, Lessee shall have no obligation whatsoever to perform, or refrain from the performance of, any act in order to maintain, preserve, set aside, mine, segregate, or account for any barite encountered by Lessee in the course of its operations upon the Claims.

2. Term. The term of this lease shall commence immediately upon the execution hereof and shall continue in full force and effect for a term of twenty (20) years from such commencement date, and so long thereafter as Lessee is conducting operations (which term includes all of the activities authorized by paragraph 1 of this lease) in good faith on the Claims, without any period of cessation of more than 180 consecutive days, provided that, for any period when there is no reasonable market for such minerals as are developed by Lessee on the Claims, the term of this lease shall continue during such period despite a lack of operations on the Claims. This lease may earlier terminate pursuant to paragraphs 9 or 10.

3. Title; Information and Data.

(a) Title Representations and Warranties. Lessor represents that it owns the full and undivided interest in and to the Claims free and clear of all liens, encumbrances or other burdens on production; that it is in actual possession of the Claims; that it has not assigned or encumbered its interest in the Claims; that all of the Claims are good and valid, not in conflict with any other mining claims or with the possession of others asserting mineral entries, and located, staked, filed and recorded on available public domain land in compliance with all applicable state and federal laws and constitute a compact group of contiguous and adjoining claims without interior gaps; that all necessary assessment work for all assessment years up to and including the assessment year ending on September 1, 1985, was timely and properly performed and that appropriate affidavits evidencing such work have been timely and properly recorded; that all filings with the BLM with respect to the Claims which are required by the Federal Land Policy and Management Act of 1976 have been timely and properly made; that there are no actions or administrative or other proceedings pending or threatened against or affecting the Claims; that it has the full and unrestricted right to enter into and perform this agreement without obtaining the consent or participation of any other party; and that it has not entered into any presently binding contract, agreement or commitment with respect to the Claims which would interfere with the rights herein granted to Lessee.

Lessor warrants and will forever defend the title of Lessee, its successors and assigns, in the Claims against all claims and demands of any entity, person or persons whatsoever. If there are any liens, encumbrances or other burdens on production, Lessor shall discharge said liens, encumbrances or other burdens on production, and shall indemnify and hold Lessee harmless from the same.

(b) Title to After-Acquired and Additional Interests. This lease will cover and extend to any further or additional right, title, interest or estate heretofore or hereafter acquired by Lessor in or to the Claims or any part thereof; and this lease will cover and extend to any further or additional right, title, interest and estate acquired by Lessor in or to any lands within one aerial mile of any part of the Claims. In the event Lessor acquires such right, title, interest or estate, Lessor will lease the same to

Lessee under the terms and conditions provided in this lease, without payment of additional consideration.

(c) Title Curative Work. Lessee may, but in no event shall be required to, take any and all steps necessary to cure title defects, defects in the location, staking or recording of the Claims, or other circumstances which violate any of the Lessor's covenants of title, which render Lessor's title to the Claims, in the reasonable judgment of Lessee, either not good or not safe for mining purposes, or which would prevent or hinder the leasing of Lessor's rights in the Claims to Lessee. In the event that Lessee determines that any quiet title actions are needed to make Lessor's title to the Claims good and safe for mining purposes, then Lessee may deduct the reasonable cost of such curative work from the royalties to be made to Lessor pursuant to this lease. Lessee, at its option, may pay and discharge any taxes, mortgages or other liens existing, levied or assessed on or against the Claims, may be subrogated to the right of any holder or holders thereof, and may reimburse itself for any such expenditures out of the royalties to be paid to Lessor pursuant to this lease or by enforcement of subrogated rights against Lessor in any court of competent jurisdiction. Lessor shall cooperate with Lessee in performing such title curative work and shall permit Lessee to bring quiet title actions in its name. Lessee, in its discretion and at its own expense, may repair or replace any claim location monuments or markers which have become wholly or partially obliterated or destroyed.

(d) Broker's Fee. Lessor warrants that it has not engaged or employed any broker or finder in connection with the negotiation, execution and delivery of this lease, and no broker's or finder's fee or commission is due with respect thereto.

(e) Information and Data. Upon execution of this lease, Lessor shall deliver to Lessee all records, data and information in its possession or reasonably available to it relating to title to the Claims, and all maps, surveys, technical reports, drill logs, mine, mill and smelter records, and all metallurgical, geological, geophysical, geochemical and other technical data pertaining to the Claims in its possession or reasonably available to it.

(f) Right to Relocate, Amend, and Patent. Lessee shall have the full, exclusive right to relocate, amend, apply for mineral patents, defend contests or adverse suits and negotiate settlement thereof with respect to any and all of the Claims, and Lessor shall cooperate with Lessee and shall execute any and all documents necessary or desirable in the opinion of Lessee to further such amendments, relocations, patent applications, contests, adverse suits, or settlement of such contests or adverse suits. Lessee shall not be liable in any manner whatsoever to Lessor for the loss of any Claim as a result of such amendment, relocation, contests or adverse suits, except for Lessee's negligence.

4. Royalties. Lessee shall pay to Lessor the following royalties:

(a) Annual Minimum Royalties. During the term of this lease, Lessee shall pay to the Lessor the following annual minimum royalties, which shall not be subject to any proportionate reduction should Lessee elect to terminate this lease pursuant to paragraph 10 with respect to less than all of the Claims:

<u>Date of Payment</u>	<u>Minimum Royalty Payment</u>
On or before:	
Execution of Agreement	1,000
First through Fifth Anniversary Dates, inclusive	1,000
Sixth through Tenth Anniversary Dates, inclusive	5,000
Eleventh Anniversary Date and every Anniversary Date thereafter	10,000

The "Anniversary Date" shall mean the date one or more years following the date of execution of this lease during the term of this Lease.

(b) Production Royalties.

(i) Calculation of Royalties. During the term of the lease, whether the term is initial or extended, Lessee agrees to pay to Lessor, as a land-owner's production royalty, four percent (4%) of the Net Smelter Returns (as defined below) from the sale of any ore, minerals or mineral substances, except for gold, derived from the Claims. With respect to any gold derived from the Claims, Lessee agrees to pay to Lessor, during the term of this lease, the following percentage of the Net Smelter Returns from the sale thereof depending upon the Quoted Price (as defined below) thereof:

<u>Quoted Price</u>	<u>Percentage</u>
Up to and including \$375.00 per ounce	3%
Greater than \$375.00 and up to \$500.00 per ounce	4%
Greater than \$500.00 and up to \$800.00 per ounce	5%
Greater than \$800.00 per ounce	6%

For purposes of determining the percentage of the royalty payable to Lessor on gold produced from the Claims, the "Quoted Price" shall mean the price per ounce of gold as quoted on the London P.M. fix on the day prior to the date of final settlement from the smelter, refinery or other buyer of the gold on which the royalty is to be paid. "Net Smelter Returns" are defined as the gross proceeds received by Lessee from the sale of any ore, minerals and mineral substances derived from the Claims, less (a) all costs to Lessee of handling, weighing, sampling, determining moisture content and packaging such material and of transporting it to the point of sale, including insurance and intransit security costs; (b) all charges and penalties imposed by the smelter, refinery or purchaser; and (c) ad valorem taxes, severance taxes and such other taxes as are imposed upon Lessee's production. For purposes of calculating Net Smelter Returns in the event Lessee elects not to sell any portion of the gold derived from the Claims, but instead elects to have the final product of any such gold credited to or held for its account with any smelter, refiner or broker, such

gold shall be deemed to have been sold at the Quoted Price on the day such gold is actually credited to or placed in Lessee's account.

(ii) Time of Payment; Reports; Inspection of Records. All production royalties shall be computed and paid on a quarterly basis or notice of a credit against production royalties as provided herein shall be given to Lessor on or before 30 days following the close of the calendar quarter during which Lessee shall have received payment for such ore, minerals or mineral substances sold by Lessee. At the time of making each such payment, Lessee shall deliver to Lessor a statement showing the amount of such production royalty and the manner in which it was determined. All records relating to the calculation of such royalties shall be available for an annual inspection by an authorized representative of Lessor for the purpose of confirming the accuracy of such statements. Any such inspection shall be for a reasonable length of time during regular business hours, at a mutually convenient time, upon reasonable notice by Lessor. Any complaint or objection which Lessor may wish to raise with respect to production royalties payable hereunder shall be made by Lessor to Lessee in writing within six months after the end of the calendar year in which such payment was made to Lessor or in which credit was applied against production royalties or shall be deemed to have been waived by Lessor.

(iii) Credit for Minimum Royalty Payments. Credit shall be allowed against production royalties otherwise payable to Lessor hereunder for any and all annual minimum royalty payments paid by Lessee to Lessor hereunder and not previously recovered as credits against production royalties.

(iv) Ore Processing. All determinations with respect to: (a) whether ore will be beneficiated, processed or milled by Lessee or sold in a raw state, (b) the methods of beneficiating, processing or milling any such ore, (c) the constituents to be recovered therefrom, and (d) the purchasers to whom any ore, minerals or mineral substances may be sold, shall be made by Lessee in its sole and absolute discretion.

(v) Ore Samples. The mineral content of all ore mined and removed from the Claims (excluding ore leached in place) and the quantities of constituents recovered by Lessee shall be determined by Lessee, or with respect to such ore which is sold, by the mill or smelter to which the ore is sold, in accordance with standard sampling and analysis procedures, and shall be a weighted average based on the total amount of ore from the Claims crushed and sampled or the constituents recovered during the entire calendar quarter. Upon reasonable advance notice to Lessee, Lessor shall have the right to have representatives present at the time samples are taken for the purpose of confirming that the sampling and analysis procedure is proper.

(vi) Commingling. Lessee shall have the right of commingling any ore, minerals or mineral substances which are mined by Lessee under this mining lease with any other similar ores, minerals or mineral substances, provided that the commingling is accomplished only after the volume or weight of such ore, minerals or mineral substances, as the case may be, has been fairly and accurately measured and such ore, minerals and mineral substances sampled. An accurate record of the weight or volume, along with the results of the sampling of such

ore, minerals or mineral substances which are so commingled shall be kept and made available to Lessor at all reasonable times.

(c) Proportionate Reduction. In the event that Lessor owns and grants to Lessee an interest in any ore or minerals extracted from any part of the Claims which is less than the entire undivided mineral or working interest in such ore or minerals, then the minimum and production royalties herein reserved and attributable to Lessor shall be paid to Lessor only in the proportion that Lessor's interest in such production bears to the entire undivided mineral or working interest therein.

5. Payments; Where Made. All payments hereunder shall be delivered by certified mail to the Lessor at the address provided in paragraph 15 hereof, or to such other single depository bank as the Lessor, its successors or assigns, may designate from time to time in writing. The date of placing such payment in the regular United States mail by Lessee addressed to the Lessor or to such other designated bank shall be the date of such payment. Payments by Lessee to the Lessor or to such other designated bank in accordance herewith shall discharge fully Lessee's obligation with respect to such payment, and Lessee shall have no duty to apportion or allocate any payment due to Lessor, or to its successors and assigns.

6. Conduct of Operations. Lessee shall exercise its rights under this lease in accordance with the following terms:

(a) Operations. Lessee shall conduct all operations on the Claims in accordance with good mining practices. Lessee may use and employ all such methods of exploration, development and mining as it may desire or find most profitable and economical and may, when it deems it necessary or desirable, discontinue operations entirely so long as it shall well and truly meet its obligations hereunder to make the payments provided for in paragraph 4(a) when due, provided that Lessee shall not be required to mine, preserve or protect in its mining operations, any ore, minerals or mineral substances which under good mining practices cannot be mined or shipped at a profit to Lessee at the time encountered. Lessee's right under this paragraph to discontinue operations on a temporary basis is in addition to its right to suspend operations under paragraph 14. Lessee shall have no obligation to begin or prosecute mining operations on the Claims, or to mine and remove all or any portion of the minerals therein, nor shall there be any implied covenant so to do.

(b) Insurance; Compliance with Laws. Lessee agrees to carry such insurance, covering all persons working in or on the Claims for Lessee, as will fully comply with the requirements of the statutes of the state in which the Claims are located pertaining to workmen's compensation and occupational disease and disabilities as are now in force or as may be hereafter amended or enacted. In addition, Lessee agrees to carry liability insurance with respect to its operations in reasonable amounts in accordance with accepted industry practices.

Further, Lessee agrees to do and perform all of its operations in material compliance with all valid and applicable laws, rules and regulations of the United States, the state in which the Claims are located and any department or political subdivision thereof having jurisdiction in the matter, including without limitation, such laws, rules and regulations pertaining to social security, unemployment compensation, wages and hours and conditions of labor, and Lessee shall indemnify and hold Lessor harmless from payment

of any damages occasioned by Lessee's failure to comply with said laws.

(c) Inspection. Lessor and its authorized agents who are experienced in mining operations, at Lessor's risk and expense, shall have the right, exercisable during regular business hours, at a mutually convenient time, and in a reasonable manner conforming to Lessee's safety rules and regulations and so as not to interfere with Lessee's operations, to go upon the Claims for the purpose of confirming that Lessee is conducting its operations in the manner required by this lease. Lessor shall furnish Lessee with prior written notice of the time and place of any inspection by Lessor pursuant to this paragraph. Lessor shall hold Lessee harmless from all claims for damages arising out of any death, personal injury or property damage sustained by Lessor, its agents or employees, while in or upon the Claims pursuant to this paragraph, which death, injury or damage does not result from Lessee's negligence. If requested by Lessee, Lessor, its agents and employees will confirm in writing their waiver of claims against Lessee.

(d) Liens and Encumbrances. Lessee shall keep the title to the Claims free and clear of liens and encumbrances resulting from its operations hereunder, provided that Lessee may refuse to pay any claims asserted against it which it disputes in good faith. At its sole cost and expense, Lessee shall promptly contest any suit commenced to enforce such a claim and, if the suit is decided against Lessee, shall promptly pay the judgment and shall post any bond and take all other action necessary to prevent any sale of the Claims, or any part thereof.

(e) Reclamation. Lessee shall reclaim the surface of the Claims disturbed by Lessee in accordance with applicable governmental regulations.

(f) Annual Assessment Work; Filings. Lessee will perform the annual assessment work and make all filings with respect to the completion of such work required by law to maintain the Claims for each assessment year for which, and to the extent that, this lease is in effect as to the Claims after the first day of June of each such year. In the event that Lessee reasonably determines that any of the Claims are invalid for any reason, it will have no obligations to undertake such assessment work and filings with regard to such Claims.

Assessment work will be of such a character and value which is reasonably expected to satisfy the requirements of the mining laws of the United States and of the state in which the Claims are located. In the event that the performance of work, intended by Lessee in good faith to satisfy the requirements under the mining laws with respect to assessment work, is deficient in one respect or another, and in the event that such failure will, through relocation of a third party or otherwise, result in the forfeiture or loss of such Claims as to which there is a deficiency in the work, Lessee will not be liable to Lessor or others in damages or otherwise on account of such failure to meet the requirements of the mining laws.

(g) Residue in Tailings. All residue or tailings remaining after the processing or milling of the crude ores mined from the Claims shall be the sole and exclusive property of Lessee; provided that if any such residue or tailings remain on the Claims after this lease is terminated, then all such tailings shall be the sole and exclusive property of Lessor.

(h) Governmental Permits. Lessor hereby grants Lessee the right and authority to apply, in Lessee's name or in Lessor's name, for all necessary permits, licenses and other approvals from the United States of America, the state in which the Claims are located or from county or local authorities, and Lessor agrees to support and cooperate fully with Lessee in any such efforts.

7. Indemnity. Except as to damages sustained by Lessor while on the Claims pursuant to paragraph 6(c), Lessee agrees to indemnify and hold Lessor harmless from and against any loss, liability, expense or damage it may incur to third persons or corporations for injury to or death of persons or damage to property which is the result of Lessee's negligence or the negligence of Lessee's employees or agents in conducting any operations on the Claims.

8. Title Disputes. Notwithstanding anything herein to the contrary, if a title dispute arises or develops with respect to all or any portion of the Claims, the following agreements and conditions shall be operative and cover:

(a) Relinquishment of Disputed Areas. Lessee shall have the right, at its sole option, to relinquish to Lessor the disputed portions or areas of the Claims which are affected by said title dispute. In the event of any such relinquishment, the annual minimum royalties set forth in paragraph 4(a) shall be reduced proportionately on an acreage basis to reflect such relinquishment.

(b) Reimbursement; Retention of Payments. In the event that Lessee has already mined ore from the disputed areas and has paid to Lessor any payments under paragraph 4(b), but is later required by court order to pay damages to or otherwise reimburse third-party claimants for or with relation to such ore, Lessor shall be obligated to reimburse Lessee for all such damages and reimbursements which Lessee is required to pay such third-party claimants for ore mined from the disputed area.

In the event that Lessor shall fail to reimburse Lessee as hereinabove provided in this paragraph within 30 days following delivery to Lessor of written notice that Lessee has been required by court order to make any such payment, Lessee shall have the right, exercisable in its sole discretion, to retain all payments to be paid to Lessor as provided in paragraph 4, which thereafter become due hereunder, until such time as it has recovered from said retained payments an amount equal to the amount for which Lessor is obligated to reimburse Lessee as aforesaid, together with interest on the unpaid balance thereof at the rate of 12 percent per annum. The provisions of the immediately foregoing sentence shall not be deemed to limit or restrict in any manner the rights of Lessee to bring legal action against Lessor to recover the amounts for which Lessor is obligated to reimburse Lessee as provided in this paragraph, it being understood that the rights of Lessee pursuant to this paragraph shall be cumulative and not alternative or restrictive.

Retention by Lessee of the payments provided for in paragraph 4 pursuant to this paragraph shall not, under any circumstances, be deemed to constitute a default by Lessee hereunder, and the amounts so retained or applied by Lessee shall, for all purposes of determining compliance by Lessee with the provisions of this lease, be deemed to have been paid to Lessor or expended upon the Claims at the time said payments would, but for such retention, have been payable to Lessor.

(c) Retention of Production Royalties. Additionally, upon notice of any title dispute concerning the Claims, Lessee shall have the right, if it so elects, to retain all payments under subparagraph 4(b), which become due and payable hereunder with relation to ore removed from the disputed portions or areas of the Claims, until such time as Lessee has received from Lessor written evidence satisfactory to Lessee that said title dispute has been resolved and that Lessor is legally entitled to receive such payments attributable to such ore. Retention of the payments pursuant to this paragraph shall not, under any circumstances, be deemed to constitute a default by Lessee hereunder, nor shall Lessee be obligated to pay any interest with relation to amounts so retained by Lessee.

(d) Subsequent Title Disputes; Miscellaneous. The foregoing procedure shall govern as to each title dispute, and the disposition of one title dispute shall not affect subsequent title disputes or adjustments. Lessee shall not be required to make any payment under subparagraph 4(b) to Lessor concerning any ore mined from disputed areas which are ultimately determined to be the properties of others.

9. Default. In the event of a default hereunder on the part of Lessee, Lessor shall give to Lessee written notice specifying the particular default or defaults asserted, and Lessee shall have 90 days after the receipt of said notice within which either to cure such specified defaults, or to undertake to cure the same and diligently thereafter promptly to cure the same. In the event of such a cure by Lessee, this lease shall continue in full force and effect as though no default had occurred. In the event such curative action is not so completed or diligent efforts to cure such defaults are not undertaken within such 90-day period and thereafter diligently pursued to completion, Lessor may elect to terminate this lease by notice to Lessee as provided in paragraph 15. The sole liability of Lessee to Lessor for any default under the terms of this lease shall be such termination and the retention by Lessor of any payments previously made to Lessor hereunder, and Lessee shall have no further obligations hereunder or liability to Lessor by way of damages of any kind or otherwise, except with respect to: (i) payments to Lessor pursuant to paragraph 4, accrued prior to termination; (ii) the obligations as provided in paragraphs 6(g), 11, 12, and 13; and (iii) the obligations as provided in paragraph 6(f) for the then current assessment year, but only if notice of such termination is given after June 1 of the then current assessment year.

10. Termination. Lessee shall have the right to terminate, surrender and relinquish this lease, or all or any portion hereof as it may relate to all or any portion of the Claims, at any time by giving written notice to Lessor of such election. If such termination relates only to a portion of the Claims, then the notice shall specify the mining claims as to which this lease is terminated, and this lease shall terminate as to those mining claims specified in the notice. Any termination by Lessee pursuant to this paragraph will be effective when such notice is effective as provided in paragraph 15 below. Upon termination by Lessee under this paragraph as to all of the Claims, Lessee shall have no further liability or obligations under this lease with respect to the Claims, or to any portion thereof, to which such termination applies, except with respect to: (i) payments to the Lessor pursuant to paragraph 4, accrued prior to the effective date of such notice; (ii) the obligations as provided in paragraphs 6(g), 11, 12 and 13; and (iii) the obligations as provided in paragraph 6(f) for the then current assessment year, but only if notice of such termination is given after June 1 of the then current assessment year. In the event Lessee terminates this lease as to all of the Claims pursuant to this paragraph, Lessor shall retain any payments previously made to Lessor hereunder as

full consideration for the rights granted herein and as liquidated damages for reasonable impairments of the surface and improvements from activities authorized by this lease.

11. Return of Data. Promptly upon the termination of this lease as to all of the Claims, Lessee shall return to Lessor all title, metallurgical, geological, geophysical, milling and other data furnished to Lessee by Lessor. At such time, Lessee shall make available to Lessor for examination and copying all survey maps, drill hole logs, sample locations, and assays developed by Lessee with respect to the Claims during the term of this lease and not previously delivered to Lessor.

12. Release. Upon termination of this lease as to all or any portion of the Claims, Lessee will, at the written request of Lessor, provide Lessor with a written release, in recordable form, of its rights hereunder with respect to the portion of the Claims to which such termination applies.

13. Surrender of Possession and Removal of Equipment. Upon termination of this lease as to all or any portion of the Claims, Lessee shall surrender possession of the claims, or that portion thereof to which such termination applies, subject to the condition that Lessee shall have the right at any time within one year after the surrender or termination of this lease as to such property to remove all of Lessee's tools, equipment, machinery, supplies, fixtures, buildings, structures and other property erected or placed on such property by Lessee, excepting only timber, chutes, and ladders in place for underground support and entry. Title to such property not removed within one year shall pass to Lessor.

14. Force Majeure.

(a) Effect of Occurrence. In the event Lessee is rendered unable, wholly or in part, by force majeure applying to it, to carry on its obligations under this lease (other than its obligations to make payments of monetary amounts due hereunder), it is agreed that such obligations of Lessee, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period; that the various periods and terms provided for herein shall be extended for a period equivalent to such period of force majeure; and such cause shall, so far as possible, be remedied with all reasonable dispatch. Lessee will promptly notify Lessor of the commencement and termination of any event of force majeure.

(b) Definition. The term "force majeure," as employed herein, shall mean acts of God, strikes, lockouts or other industrial disturbances, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in the open market, lack of a reasonable market for such of the minerals as are developed by Lessee on such Claims, any state or federal laws, regulations or requirements (expressly including inability to obtain necessary governmental approvals, licenses and permits on terms reasonably acceptable to Lessee), or other matters beyond the reasonable control of Lessee, whether similar to matters herein specifically enumerated or not; provided, however, that performance shall be resumed within a reasonable period of time after such cause has been removed; and provided further that lessee shall not be required against its will to adjust any labor dispute or to question the validity of or to refrain from judicially testing the validity of any state or federal order, regulation or law.

15. Notices.

(a) Method of Delivery. Any notice or delivery of information herein contemplated to be given to Lessee shall

be given in writing by personal delivery, or by prepaid telegram, telex, cablegram, radiogram or similar method, or by certified mail, return receipt requested, postage prepaid, and addressed to:

Atlas Precious Metals, Inc.
P.O. Box 1207
Moab, Utah 84532

or to such other address or addresses as Lessee may from time to time designate in writing. Any notice or delivery of information herein contemplated to be given to Lessor shall be given in writing by personal delivery, or by prepaid telegram, telex, cablegram, radiogram or similar method, or by certified mail, return receipt requested, postage prepaid, and addressed to:

Milwhite Co., Inc.
P.O. Box 15038
Houston, Texas 77020

or to such other address or addresses as Lessor may from time to time designate in writing.

(b) Effectiveness. Except as otherwise provided herein, service of notice or delivery of information shall be effective and complete upon personal delivery, or when sent by prepaid telegram, telex, cablegram, radiogram or similar method, or upon the deposit thereof in the United States mail, certified return receipt requested, and with postage prepaid and addressed as aforesaid.

16. Tax Payments. During the term of this lease, Lessor shall pay when due all general ad valorem taxes and assessments assessed against the Claims, and all other lawful public taxes and assessments, whether general, specific or otherwise, assessed and levied upon or against the Claims, provided that Lessee shall pay when due those taxes assessed and levied upon any minerals produced by Lessee, or attributable to Lessee's operations hereunder, or upon any property or improvements placed by Lessee on the Claims for its own use. Lessee or Lessor, at its sole cost and expense, shall have the right in good faith to contest any of the above taxes and assessments which it is obligated to pay, but shall not permit or suffer the Claims or any part thereof, or any minerals mined thereon, to be sold at any time for such taxes or assessments. Lessee shall not be liable for any special assessment for local improvements or benefits which is not attributable to Lessee's operations.

17. Purchase Option.

(a) Option; Exercise of Option. Lessor hereby grants to Lessee the option to purchase the Claims and all rights appurtenant thereto set forth in paragraph 1 hereof, together with all right, title and interest in and to the Claims which Lessor may hereafter acquire, for a purchase price (the "Purchase Price") of Two Hundred Fifty Thousand dollars (\$250,000), exercisable at any time on or before the tenth (10th) Anniversary Date of this lease. The Purchase Price shall be reduced by the amount of all annual minimum and production royalties actually paid by Lessee to Lessor hereunder. The purchase option may be exercised by written notice from Lessee in accordance with the provisions of paragraph 15 hereof.

(b) Closing. Closing for the purchase of the Claims shall occur between thirty and ninety days following the exercise of Lessee's option to purchase the Claims. The date, time and place of closing shall be designated by Lessee in its sole discretion. At the time of closing, the following shall occur: (i) Lessee shall pay to Lessor the Purchase

Price, subject to any reductions provided for in this lease, and (ii) Lessor shall execute and deliver to Lessee a good and sufficient general warranty deed, or deeds, in recordable form, conveying good and marketable title to the Claims to Lessee, free and clear of all liens and encumbrances, excepting only those which may have been created by reason of the actions or operations of Lessee, and shall execute and deliver to Lessee such other instruments as Lessee may deem necessary or desirable to accomplish the conveyance of the Claims to Lessee. The closing shall be conducted in a reasonable commercial manner which may include the use of an independent third party or corporation as escrow agent. Except as otherwise provided herein, closing costs shall be borne equally by the parties and all taxes attributable to the conveyed interest during the year in which closing occurs shall be apportioned as of the date of closing. Upon the closing of the purchase transaction and except as otherwise provided in this paragraph, this lease shall terminate and the parties shall have no further liability or obligations under this lease.

In the event that Lessor fails to perform any of its obligations under this paragraph, Lessee shall be entitled to all remedies at law or in equity which are otherwise available to Lessee, including, without limitation, specific performance; provided, however, that in the event of any such default by Lessor, Lessee may elect to terminate this lease, recover all documents, instruments and sums paid or delivered by Lessee pursuant to this paragraph and be released from any and all obligations under this paragraph.

18. Arbitration of Disputes. Any controversy or claim arising out of or relating to this lease, or the rights or obligations of the parties hereto, shall be settled by arbitration in accordance with the Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof under the provisions of the Nevada Revised Statutes § 38.015 et seq., pertaining to arbitration and award, as they may be amended from time to time.

19. Further Documents. At Lessee's request, Lessor shall execute and deliver to Lessee a memorandum form of this lease suitable for recording purposes and any further instruments, agreements, documents, or other papers reasonably required by Lessee to effect the purposes of this lease.

20. Relationship of Parties. The relationship of the parties hereto is contractual only. Lessee owns, and may hereafter acquire, substantial interests in lands and minerals and contemplates undertaking development and mining operations in the vicinity of the claims. Nothing contained in this lease shall give Lessor any interest in such lands, minerals or operations.

21. Entire Agreement. This writing sets forth the entire agreement and understanding between the parties, there being no oral agreements, promises or representations which are or may be incidental or supplementary to the provisions hereof. No change in, addition to, or waiver of any of the provisions of this lease shall be binding upon the parties hereto unless in writing signed by an authorized representative of the party to be bound. No waiver by any party of a breach of any of the provisions of this lease shall be construed as a waiver of any subsequent breach, whether of the same or of a different character.

22. Inurement. This lease is, and shall be, binding upon and inure to the benefit of the heirs, representatives, successors and assigns of the parties hereto.

23. Governing Law. This lease shall be construed and enforced in accordance with the laws of the state in which the Claims are located except insofar as it may become necessary to comply with federal statutes, rules or regulations.

24. Assignment. No assignment of any interest hereunder shall be effective until receipt by the nonassigning party of written notice of such assignment.

25. Headings. The headings used in this lease are inserted for convenience only and shall not be considered a part of this lease or used in its interpretation.

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

LESSOR:

Milwhite Co., Inc.,
Q-Texas corporation

By Mike Robertson
EXECUTIVE VICE PRESIDENT

LESSEE:

Atlas Precious Metals, Inc.,
a Nevada corporation

By Richard R. Weaver
Richard R. Weaver, President

STATE OF Colorado)
COUNTY OF Mesa) ss.

On June 6th, 1986, personally appeared before me, a notary public, Richard R. Weaver, President of Atlas Precious Metals, Inc., a Nevada corporation, who acknowledged that he executed the above instrument on behalf of said corporation.

(SEAL)

SEAL
Affixed

My Commission Expires
9-23-89

Diane B. Nichols
Notary Public

3453 1/2 G Road

Chilton - CO - 80520
Address

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

On JUNE 3, 1986, personally appeared before me, a notary public, MIKE ROBERTSON of Milwhite Co., Inc., who acknowledged that he executed the above instrument on behalf of said company.

SEAL
Affixed

SEAL
Affixed

Dorothy Rawls
Notary Public

P.O. Box 15038

HOUSTON, TX 77220
Address

DOROTHY RAWLS
Notary Public - State Of Texas
My Commission Expires Oct. 26, 1988

Exhibit A to that certain Mining Lease,
dated May 9, 1986, by and between
Milwhite Co., Inc.
a TEXAS corporation, as Lessor, and
Atlas Precious Metals, Inc., a Nevada
corporation, as Lessee, which covers
certain unpatented mining claims located
in Eureka County, Nevada.

The following unpatented mining claims located in
Section(s) 23, 25, 26 in Township 23 North, Range 49 East
of the Mt. Diablo P.M., Eureka County, Nevada:

<u>Name of Claim</u>	<u>Notice of Location</u> <u>Recorded in</u>		<u>BLM Serial Number</u>
	<u>Book</u>	<u>At Page</u>	
Wildflower	110	105	NMC 268434
Wildflower 1-9	110	106-114	NMC 268435- 268443

RECORDED AT REQUEST OF
Atlas Precious Metals, Inc.
BOOK 150 PAGE 031

86 OCT 16 AM 10:43

OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
M.C. FEGALEATI, RECORDER
FILE NO. 105187
FEE \$ 19.00