

118113

MINING LEASE

THIS AGREEMENT, made and entered into this 8<sup>th</sup> day of May, 1988, by and between TICUP MINING CORP., a Nevada Corporation, hereinafter referred to as LESSOR, and ISABEL KUGLMEIER, HEREINAFTER REFERRED TO AS LESSEE,

W I T N E S S E T H:

For and in consideration of the promises and the covenants and agreements of the respective parties hereto, and other good and valuable consideration, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. 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 unpatented lode mining claims described in Exhibit A located in Eureka County, Nevada.

B. "Advanced royalty payments" as used herein, means the amount required to be paid by Lessee to Lessor on a date or on the dates specified herein to guarantee a specific payment to Lessor.

C. "Production Royalty", as used herein, means the compensation or portion of proceeds becoming payable, by the Lessee to the Lessor, arising from mining operations upon the Mining Claims and sale of Products mined from the Mining Claims. I.K. or storage P.E.C.

D. "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.

E. "Production", as used herein, means the mining and reduction 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 I.K. or stored P.E.C. without further beneficiation, such shall be deemed to be production.

F. "Products", as used herein, means, any and all ores or minerals including, but not limited to, gold and silver removed for purposes of sales by the Lessee from, on, in or under the Mining Claims.

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

I.K. ~~F.E.A.~~ H. "Net Smelter Return" shall mean the gross revenues minus smelting and refining charges,

2. Lease; Mining Operations and Option to Renew.

A. The Lessor, for and in consideration of the payments, Lessor, for and in consideration of the payments, covenants, conditions and agreements hereinafter set forth does hereby lease to Lessee, its successors and assigns, all of the Mining Claims described in Exhibit A hereto for a term of ten (10) years commencing on \_\_\_\_\_, 1988, and concluding on \_\_\_\_\_, 1998 for purposes of conducting exploratory and mining operations thereon, which include but are not limited to the following:

(1) Unrestricted access to the Mining Claims and the exclusive rights to explore, develop and mine, and to extract remove, store and dispose of any and all ores, minerals, air, water, waste, and other materials from the Mining Claims by means of underground or surface mining operations in or on the Mining Claims or other property and to deposit on the Mining Claims materials from the Mining Claims. (Private lands which exist around the mining claims may require access agreements which Lessor is not obligated to provide.);

(2) To carry on mining, milling, treatment, processing, beneficiating, smelting and refining operations on or in the Mining Claims or other property with respect to ores, minerals and other materials from the Mining Claims or other

property controlled by Lessee, including existing tailings, wastes and dumps;

(3) To use any part of the Mining Claims for stockpiles, tailings, wastes or dumps, and for any other purpose incident to underground or surface mining operations on the Mining Claims or other property controlled by Lessee;

(4) To erect or construct, use and maintain on the Mining Claims such roads, facilities, buildings, structures, machinery and equipment as Lessee may require for the conduct of its operations on the Mining Claims;

(5) To stockpile or to sell or otherwise dispose of ores, minerals and other materials in such forms, at such times and on such terms as Lessee alone may determine.

B. "Commingling". Lessee may commingle ores and minerals from the Mining Claims with other ores and minerals. Before commingling, Lessee shall weigh (or calculate by volume), sample and assay such ores and minerals in accordance with sound ~~in the Official Records of Eureka County~~ mining and metallurgical <sup>practices for payable content.</sup> All matters relative thereto shall be subject to audit or review by accountants and engineers employed by Lessor.

C. Lessee may extend the term of this lease for additional and successive ten (10) year terms. The lease is extended by lessee giving written notice to Lessor. However, this lease term may be extended for no more than five (5) additional (10) year terms.

### 3. Advance Minimum Royalty Payments:

#### Production Royalty

As and for consideration of this Lease, Lessee agrees to pay Lessor the following advance minimum royalties:

- A. Upon execution of this Agreement - \$2,000.00
- B. 8 months after signing of this agreement for 12 months \$250.00 per month.

- C. \$500.00 per month for months 13 through 24 of this agreement.
- D. \$5,000.00 on the second anniversary of this Agreement.
- E. \$7,500.00 on the third anniversary of his Agreement.
- F. \$10,000.00 on the fourth anniversary of this Agreement.
- G. \$15,000.00 on the fifth anniversary of this Agreement.
- H. \$25,000.00 on the sixth anniversary of this Agreement and each anniversary thereafter.
- I. At such time as the claims are placed into production, the Lessee shall pay the Lessor the advance minimum payments set forth above or four percent (4%) of the Net Smelter Return, whichever is greater. The advance royalty payments shall be a credit as an advance to be deducted from production royalties become due. Production royalties shall be due and payable quarterly.

I.K. *Red.*

4. Title; Authority.

A. Lessor represents that, to the best of its knowledge, it is the owner of the Mining Claims and has good and clear title thereto. Lessor further represents that it has the right and authority to enter in this Agreement.

Sam Bida and Neva Bida, husband and wife, and Leon Belaustegui and Velma Belaustegue, husband and wife, have a reserved interest in the mining claims of two percent (2%) of the Net Smelter Return or one-half (1/2) of the advance production payments and production payments due to Lessor under this Agreement. Said reserved interest is set forth in a Quitclaim Deed recorded as Document 91517 in the Official Records of Eureka County.

B. In the event any adverse claims are made against the Mining Claims, Lessee has the option to defend said claims; Lessor agrees to cooperate and assist in defending the title to the Mining Claims. However, Lessor is not obligated to otherwise contribute to attorney fees or costs involved in the defense of any such claims, except that same are a setoff against payments due to Lessor.

C. To the Lessor's knowledge and belief each and all of the Mining Claims are free and clear of any defect, lien or encumbrance arising out of any act or failure to act on the part of Lessor, their predecessors in title and their respective agents, servants, employees and contractors. Should it be demonstrated that the Lessor owns less than all of the Mining Claims, then all payments recited herein shall be prorated downward to reflect the Lessor's true ownership, as the Lessor leases to the Lessee only those portions of the Mining Claims in which the Lessor holds a valid interest.

5. Conduct of Mining Operations.

Lessee shall work the Mining Claims in proper, skillful and minerlike 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 the safety and the preservation and development of the Mining Claims as a workable and productive mine.

Lessee covenants and agrees in the conduct of its operation to at all times obey and comply with any and all Federal, State, County or other political subdivision laws or regulations relative or applicable to mining. Lessee shall comply in all respects with all applicable laws, rules and regulations pertaining to reclamation.

All equipment and support facilities related to the mining operation must be removed from the property one hundred twenty (120) days after the termination of this Agreement.



6. Non-Responsibility; Indemnity.

Lessor shall have the right to file immediately in the office of the County Recorder of Eureka County, Nevada, a proper notice consistent with Nevada Law, relieving the Lessor from any and all liability or responsibility of any kind for mining operations on the said Mining Claims, for material 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 directly or indirectly of the mining operations conducted thereon by the said Lessee, its agents, contractors, employees, sub-lessees or assigns.

Lessee covenants to indemnify and hold Lessor harmless against all losses, damages, liens, claims costs, attorney fees, and expenses, and liability therefore, incurred by Lessor in any way arising as a result of the mining operations of the Lessee or its occupancy of the Mining Claims.

7. Compliance With Labor Laws.

Lessee 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 Industrial Insurance on employees, and upon request, to provide written proof of such coverage to the Lessor.

8. possession; inspection.

During the term of this Agreement, and so long as Lessee performs all of the terms and conditions required herein, Lessee shall have the right to exclusive possession of said Mining Claims and appurtenances, subject however, to Lessor, their agents, or representatives, having 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 Lessors.

9. Place of Payment.

Until further written notice, all payments shall be sent to the Lessor as follows:

TiCup Mining Corporation  
Post Office Box 334  
East Ely, Nevada 89315

10. Records of Production

It is understood and agreed between the parties hereto that records of all ores or minerals processed and sold from said Mining Claims shall be available for inspection by Lessor at all reasonable times during normal business hours.

11. 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 Lessee of its obligation to make payments as required hereunder.

12. Improvements.

At the termination of the Agreement by forfeiture or otherwise, the Lessee agrees to deliver up to Lessor the said Mining Claims in as good condition as was received, allowing for the mining and development thereof by the Lessee. 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 Lessee within one hundred twenty (120) days from the date of such abandonment, cancellation, or termination, failing which the same shall revert to the Lessor.

13. Default.

If Lessee shall default in the performance of any of its obligations hereunder, Lessor may give to Lessee written notice specifying the default. If Lessee does not, within thirty (30) days after Lessee ~~has received~~ the notice, <sup>has been sent</sup> cure the default, or if the default relates to other than money payments to Lessor, begin action to cure the default and thereafter diligently prosecute such action to completion if the default cannot reasonably be cured within thirty (30) days, Lessor may terminate this lease and recover possession of the Mining Claims by delivering to Lessee written notice of such termination. Termination of this lease pursuant to this paragraph 13 shall not relieve Lessee of any of its obligations or liabilities which accrued prior to the date of such termination or otherwise limit the responsibility of Lessee.

14. Abandonment.

Lessee shall have the right to abandon its interests created herein at any time while this Agreement is in effect by giving thirty (30) days advance written notice of abandonment date to the Lessor together with a quitclaim deed executed and acknowledged by the Lessee in favor of the Lessor releasing all of the right, title and interest of the said lessee in and to the Mining Claims. Thirty (30) days following the delivery of such notice of abandonment, as aforesaid, the Lessee shall be under no further obligation or liability, excepting for the payment of any payments of production payments earned and due and payable but not paid prior to abandonment date, and for the payment of any labor or material claims incurred during the mining operations, or occupancy, of said Mining Claims. In the event of termination or abandonment all payments made prior thereto are retained by Lessor as liquidated damages, true damages being impossible to



determine under the circumstances.

If abandonment by Lessee occurs after June 1st of any year, Lessee agrees to perform the assessment work for that year.

15. Taxes.

All general ad valorem tax levied or assessed against the Mining Claims, appurtenances or improvements, shall be prorated as of the date of execution of this Agreement; thereafter, during the entire term hereof, unless the interest of the Lessee shall have been terminated, forfeited or abandoned, responsibility for such ad valorem taxes shall rest solely with the Lessee.

16. Non-Partnership.

This Agreement shall not constitute or be construed to constitute a partnership, mining partnership, joint venture, or joint operation. The full control and determination as to manner, extent, and character of mining operation, subject only to the restrictions of Paragraph 5 above, shall be determined by Lessee without interference from Lessor.

17. Time is of the Essence: Binding Effect.

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

18. 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 address set forth below;

Lessor:

TiCup Mining Corporation  
Post Office Box 2291  
East Ely, Nevada 89315

Isabel Kuglmeier  
Post Office Box 23520  
Tucson, Arizona 85734

} LESSEE J.K. FLO

19. 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.

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 the holding of title to, the Mining Claims.

20. Lessor is to be furnished a true copy of all reports required by the State Bureau of Mines, U.S. Bureau of Mines and any other State or Federal agency or agencies which reports are relative to the operation or production from the Mining Claims.

Lessee further agrees that within thirty (30) days following the termination of this Agreement, Lessee will, without cost to Lessor, deliver to Lessor copies of all non-interpretive technical data including maps, drill hole logs, assay reports and other scientific and factual data with relation to the Mining Claims, the ore and minerals situated thereon and the mining, processing or refining thereof, together with copies of any maps or diagrams of mine workings or shafts within the Mining Claims.

21. Assessment Work.

Lessee agrees that, at all times during the term

hereof, Lessee will, on or before September 1 of each assessment year beginning with the assessment year which begins September 1, 1988, perform upon the Mining Claims and described in Exhibit "A", assessment work of a character and value sufficient to meet the requirements of the Mining Laws of the United States and of the State of Nevada to retain claim title with relation to a contiguous group of mining claims. Lessee further agrees that it will, on or before September 1 of each such assessment year, file a "Proof of Labor" with the appropriate county Recorder at the sole cost and expense of Lessee. Lessee also agrees that it will file a copy of the aforementioned "Proof of Labor" with the United States Bureau of Land Management (BLM), on or before December 30 of each assessment year. Assessment work done on adjoining Mining Claims, not owned by Lessor, which work is done by Lessee, and which work qualifies as assessment work on the Mining Claims, shall satisfy the requirements of this Section.

**22. Transfer of Interest.**

Lessee may transfer or assign any interest in this Agreement or the Mining Claims. Any assignment of interest under this Agreement shall be made expressly subject to this Agreement and shall require the assignee to assume and agree in writing to perform all of the obligations of the assignor under this Agreement as related to the interest assigned. The provisions of this Agreement shall inure to the benefit of and be binding upon the parties and their heirs, executors, administrators, personal representatives, beneficiaries, successors and assigns.

**23. Memorandum to be Recorded.**

The parties hereto agree to execute a Memorandum of this Agreement for purposes of recording.

**24. Additional Documents.**

The parties hereto agree to execute such additional documents as may be necessary to carry out the purpose and intent of this Agreement.

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

LESSOR:

TICUP MINING CORPORATION  
Post Office Box 334  
East Ely, Nevada 89315

By: Fred E. Anderson

its: President

LESSEE:

ISABEL Kuglmeier  
Post Office Box 23520  
Tucson, Arizona 85734

By: Isabel Kuglmeier

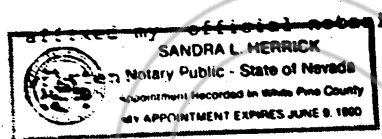
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STATE OF Nevada  
COUNTY OF White Pine

On this 8th day of May 1988,

personally appeared before me, a Notary Public in and for said County and State, Fred E. Anderson known to me to be the President of TICUP MINING CORP.; that he executed the foregoing instrument, and upon oath, did depose that he is the President of said corporation as above designated; that he is acquainted with the corporate seal of said corporation; that the signature affixed to said instrument was made by himself as President of said corporation as indicated after said signature; that he executed the said instrument on behalf of TICUP Mining Corp. freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and



Sandra L. Merrick  
NOTARY PUBLIC

STATE OF ARIZONA  
COUNTY OF PIMA

On this 3rd day of May 1988,

personally appeared before me, a Notary Public, ISABEL KUGEMEIR, personally known to me to be the person who executed the above instrument, and acknowledged to me that she executed the same for the purposes therein stated.

Norma A. Epeta  
NOTARY PUBLIC

My Commission Expires July 6, 1990



EXHIBIT "A"

Vi Nos. 1 thru 5, inclusive; Vi No 5A; Vi Nos. 6 and 6A; Vi Nos. 7 thru 15, inclusive; Vi No. 15A; Vi Nos. 16 and 16A; Vi Nos. 17 thru 22, inclusive; Vi Nos. 37 thru 52, inclusive; located in Sections 25 and 26, Township 27 North, Range 49 east, M.D.B.&M., recorded in Book 06, Pages 430 thru 471, inclusive, being NMC Nos. 255106 thru 255147, inclusive.

~~EXCEPTING unto the parties of the first part a reservation retaining two (2%) percent Net Smelter Return to be paid quarterly.~~ ACC. T.N.

RECORDED AT THE REQUEST OF  
Sabel Ruglanick  
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88 MAY -9 A9 59

OFFICIAL RECORDS  
EUREKA COUNTY, NEVADA  
MINERAL RIGHTS RECORDER  
FILE NO. 1822 118113  
FEE \$ 18.22

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