

123692

MINING DEED

THIS MINING DEED is made this 1st day of December, 1986, by and among THOMAS E. BILBAO and FRANCES BILBAO, husband and wife, whose address is P.O. Box 537, Elko, Nevada 89801; ALCOR, INC., a Nevada corporation, whose address is 350 W. Fir Street, Elko, Nevada 89801; and ALLOYED ASSOCIATES, INC., an Idaho corporation, whose address is P.O. Box 2295, Pocatello, Idaho 83201, Grantors, and WESTERN STATES MINERALS CORPORATION, a Utah corporation, with offices at 4975 Van Gordon Street, Wheat Ridge, Colorado 80033, Grantee.

Grantors, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby remise, release, sell, convey, quitclaim, assign and set over to Grantee, its successors and assigns forever, all the right, title, interest, claim and demand which Grantors have, including but not limited to any reversionary or other interest under that certain Lease Agreement dated June 10, 1983, amended April 24, 1985, between Thomas E. and Frances Bilbao, Alcor, Inc., and Alloyed Associates, Inc., the lessors therein, and Western States Minerals Corporation, the lessee therein, and including any such right, title or interest which may hereafter be acquired by the said Grantors, in and to the following-described unpatented lode mining claims situated in Eureka County, Nevada, which are more particularly described in the Certificates of Location which have been recorded in the Recorder's Office of Eureka County, Nevada as follows:

Name of Claim	BLM Filing Number	Date of Location or Amendment	Recorded in Eureka County			
			Date	Book	Page	File Number
AA501	152739	4/01/80	5/29/80	81	341	73730
AA502	152740	4/01/80	5/29/80	81	342	73731
AA503	152741	4/01/80	5/29/80	81	343	73732
AA504	152742	4/01/80	5/29/80	81	344	73733
AA505	152743	4/01/80	5/29/80	81	345	73734
AA506	152744	4/01/80	5/29/80	81	346	73735
AA507	152745	4/01/80	5/29/80	81	347	73736
AA508	152746	4/01/80	5/29/80	81	348	73737
AA509	152747	4/01/80	5/29/80	81	349	73738
AA510	152748	4/01/80	5/29/80	81	350	73739
AA511	152749	4/01/80	5/29/80	81	351	73740
AA512	152750	4/01/80	5/29/80	81	352	73741
AA520	187671	3/10/81	3/23/81	93	394	79952
AA521	187672	3/10/81	3/23/81	93	395	79953
AA522	187673	3/10/81	3/23/81	93	396	79954
AA523	187674	3/10/81	3/23/81	93	397	79955
AA524	187675	3/10/81	3/23/81	93	398	79956
AA525	187676	3/10/81	3/23/81	93	399	79957
AA526	187677	3/10/81	3/23/81	93	400	79958

BOOK 1 88 PAGE 446

Name of Claim	BLM Filing Number	Date of Location or Amendment	Recorded in Eureka County			
			Date	Book	Page	File Number
AA527	187678	3/10/81	3/23/81	93	401	79959
AA528	187679	3/10/81	3/23/81	93	402	79960
AA529	187680	3/10/81	3/23/81	93	403	79961
AA530	187681	3/10/81	3/23/81	93	404	79962
AA531	187682	3/10/81	3/23/81	93	405	79963
AA532	187683	3/10/81	3/23/81	93	406	79964
AA533	187684	3/10/81	3/23/81	93	407	79965
AA534	187685	3/10/81	3/23/81	93	408	79966
AA536	187686	3/10/81	3/23/81	93	409	79967
AA537	187687	3/10/81	3/23/81	93	410	79968
AA538	187688	3/10/81	3/23/81	93	411	79969
AA539	187689	3/10/81	3/23/81	93	412	79970
AA540	187690	3/10/81	3/23/81	93	413	79971
AA541	187691	3/10/81	3/23/81	93	414	79972
AA542	187692	3/10/81	3/23/81	93	415	79973
AA543	187693	3/10/81	3/23/81	93	416	79974
AA544	187694	3/10/81	3/23/81	93	417	79975
AA545	187695	3/10/81	3/23/81	93	418	79976
AA546	187696	3/10/81	3/23/81	93	419	79977
AA547	187697	3/10/81	3/23/81	93	420	79978
AA548	187698	3/10/81	3/23/81	93	421	79979
AA549	187699	3/10/81	3/23/81	93	422	79980
AA550	187700	3/10/81	3/23/81	93	423	79981
AA552	187701	3/10/81	3/23/81	93	424	79982

TOGETHER with all the dips, spurs, and angles, and also all the metals, ores, gold and silver bearing quartz, rock, and earth therein, and all the rights, privileges, and franchises thereto incident, appendant, and appurtenant, or therewith usually had and enjoyed; and also all and singular the tenements, hereditaments, and appurtenances thereto belonging, or in anywise appertaining, and the rents, issues, and profits thereof, and also all the estate, right, title, interest, property, possession, claim, and demand whatsoever, as well in law as in equity, of the said Grantors, of, in, or to the said Property, and every part and parcel thereof, with the appurtenances.

EXCEPTING AND RESERVING unto the said Grantors a production royalty of 5% of the NET SMELTER RETURNS from the ores of Valuable Minerals, including by-products and co-products thereof, produced and sold from the Property. NET SMELTER RETURNS shall mean the actual proceeds of sale received by Buyer from the sale of ore, ore concentrates, bullion or other products mined, produced and sold from the Property to a smelter, refinery or other buyer, or if such Valuable Mineral products are not sold on or before the date of the final settlement with the smelter or refinery, the amount which would have been realized from the sale thereof on the date of final settlement with the smelter or refinery at the price set therefor by the London Metal Exchange,

P.M. fix, in the case of gold, the price set that day by Handy and Harmon Inc. in the case of silver, or the price quoted for that day in Metals Week for any other mineral values, less (i) all smelter and refining charges, ore or bullion treatment charges, penalties and any and all charges made by the purchaser of the ore, bullion or concentrates, (ii) any and all transportation and insurance costs which may be incurred in connection with the transportation of ore, ore concentrates, bullion or other ore products from the point of last processing by Buyer, (iii) all umpire charges, and (iv) any taxes, except income taxes, imposed on production or severance of ore or ore concentrates.

AN ADVANCE ROYALTY, in the amount of \$81,250.00, consisting of \$27,500.00 paid under the terms of the Lease Agreement, as amended, and \$53,750.00 paid under the terms of that Purchase and Sale Agreement dated December 1st, 1986, by and among Thomas E. and Frances Bilbao, Alcor, Inc., Alloyed Associates, Inc., and Western States Minerals Corporation (the "Purchase and Sale Agreement"), the receipt and sufficiency of which is hereby acknowledged, has been paid to Grantors by Grantee. Grantee shall pay to Grantors a production royalty as provided herein.

PROVIDED THAT sums paid to grantor as Advance Royalty shall be recoverable by grantee as a credit against the production royalty reserved herein, and shall be recovered from the production royalty payable on the production from the Property by withholding such royalty payments as the same become due and payable until such time as said sums paid as Advance Royalty shall be recovered in full.

PROVIDED FURTHER THAT subject to the credits for payment of the Advance Royalty as provided above, production royalty payments shall be made by Grantee on or before thirty (30) days after receipt by Grantee of final payment or final settlement, whichever occurs first, by the smelter, refinery or other buyer for the Valuable Minerals for which the production royalty is payable. All royalty payments shall be by Grantee's checks made payable to each of the Grantors in amounts proportionate to that Grantor's undivided interest in the Property, as defined in the Purchase and Sale Agreement, and production royalty payments shall be accompanied by a statement and settlement sheet showing the quantities and grades of metals, ores, minerals, or materials mined and sold from the Property, costs, assays and analyses, proceeds of sale, or the price used in the computation of the proceeds of sale and other pertinent information in sufficient detail to explain the calculation of the production royalty payment to each of the Grantors. Grantors, at their sole election and expense, shall each have the right to procure, not more frequently than once annually and in no event later than 90 days following the close of the applicable calendar year, an audit of Grantee's accounts relating to payment of the production

royalty hereunder by any certified public accountant selected by Grantor. All royalty payments made in any given calendar year shall be considered final and in full satisfaction of all obligations of Grantee with respect thereto, unless the Grantors give written notice signed by each Grantor describing and setting forth a specific objection to the calculation thereof within six months following the close of that calendar year. Grantee shall account for any deficiencies or excess in the payment made to Grantors which may be confirmed by such an audit by adjusting the next quarterly statement following completion of such audit to account for such deficits or excess.

PROVIDED FURTHER THAT nothing herein contained is intended or shall be held to require Grantee to commence, suspend, resume, or terminate any particular operation upon said Property or with reference to the disposition of metals, minerals, mineral products, or ores, but all such operations, including the timing thereof, shall be at the sole discretion of Grantee.

PROVIDED FURTHER THAT the production royalty granted hereunder shall be payable only from actual production from said Property, whether produced and saved by Grantee or otherwise; the Grantors herein shall have only a royalty interest and rights and incidents of ownership of a nonparticipating royalty owner. The Grantors shall not have any fee simple estate or possessory interest in said Property nor any of the incidents of such estate or interest, including by way of example but not by way of limitation, the right to participate in the execution of applications for authorities, permits, or licenses, mining leases, options, farm-outs, or other conveyances, the right to share in bonus payments or rental payments received as the consideration for the execution of such lease, options, farm-outs, or other conveyances, and the right to enter upon the above-described lands and prospect for, mine, drill for, or remove ores or minerals therefrom. Grantee shall have the full, exclusive, and unconditional right to abandon, relocate the same as lode or placer mining claims or as millsites, amend, apply for mineral patents, defend contests or adverse claims and to negotiate settlement thereof with respect to any and all of the mining claims included in the Property, and Grantors shall cooperate with Grantee and shall execute any and all documents necessary or desirable in the opinion of counsel for Grantee to such abandonment, relocation, patent applications, contests, adverse claims, or settlement of such contests or adverse claims; provided that Grantors' royalty shall attach to the extent hereof to such claims as relocated or patented unless said claims are relocated as millsites, in which case the parties understand that such action by Grantee may result in the loss of Grantors' production royalty interest. Grantee, its successors and assigns, shall not be liable in any manner whatsoever to Grantors, its successors or assigns, for the loss of the Property or any portion thereof or for any claims otherwise arising from

Grantee's activities on the Property, except for Grantee's gross negligence.

TO HAVE AND TO HOLD the same, together with all and singular the minerals, lodes and veins within the lines of the said mining claims, all dips and spurs and all rights and privileges and appurtenances thereto appertaining or in anywise belonging, and the right to relocate said mining claims as millsites. Also together with any and all right, title and interest hereafter acquired by Grantors for the benefit of Grantors in and to the said mining claims, or for the lands covered thereby, whether under and by virtue of said Certificates of Location or any other Certificates of Location, or lease, or otherwise, to the use and benefit of the Grantee, its successors and assigns forever.

WITNESS the hand of said Grantors as of the day first above written.

Thomas E. Bilbao
Thomas E. Bilbao

Frances Bilbao
Frances Bilbao

ATTEST:

Barbara R. Farmer
Barbara R. Farmer Secretary

ALCOR, INC.

By John S. Valencia
John S. Valencia President

ATTEST

Claudia Ruth Newell
Claudia Ruth Newell Secretary

ALLOYED ASSOCIATES, INC.

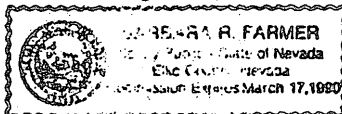
By Merle L. Newell
Merle L. Newell President

STATE OF NEVADA)
COUNTY OF ELKO) ss.

The foregoing instrument was acknowledged before me this
2 day of DECEMBER, 1986 by Thomas E. Bilbao and Frances
Bilbao, husband and wife.

Witness my hand and official seal.

My commission expires: MARCH 17, 1990



Barbara L. Farmer
Notary Public

STATE OF Idaho)
COUNTY OF Bannock) ss.

The foregoing instrument was acknowledged before me this
1st day of December, 1986 by Jay S. Valcarlos,
as President of and on behalf of ALCOR, INC., a
Nevada corporation.

Witness my hand and official seal.

My commission expires: Life

Merle L. Newell
Notary Public

SEAL
Affixed

STATE OF Idaho)
COUNTY OF Bannock) ss.

The foregoing instrument was acknowledged before me this
1st day of December, 1986 by Merle L. Newell,
President of and on behalf of ALLOYED ASSOCIATES, INC.,
an Idaho corporation.

Witness my hand and official seal.

My commission expires: July 18, 1987

Merle L. Newell
Notary Public

SEAL
Affixed

RECORDED AT THE REQUEST OF
BOOK 188 PAGE 446
Barcel

78 OCT 25 P4:10

OFFICIAL RECORDS
SUPERIOR COUNTY CLERK
PLN. FILE NO. 123692

123692

-6-

BOOK 188 PAGE 451