

AMENDMENT NO. 1 TO LEASE AGREEMENT

OF FEBRUARY 1, 1988

THIS AMENDMENT NO. 1 is made and entered into as of this 24TH day of DECEMBER, 1989, by and between VEK/ANDRUS ASSOCIATES, a general partnership, composed of VEK ASSOCIATES, a Nevada corporation, of 4040 Lakeside Drive, Odessa, Texas 79762, and ANDRUS RESOURCES CORPORATION, a Texas corporation, of 1990 Post Oak Blvd., Suite 2400, Houston, Texas 77056, collectively referred to as "LESSOR"; and ST. GEORGE METALS, INC., a Nevada corporation, Post Office Box 796, Battle Mountain, Nevada 89820, referred to as "LESSEE";

R E C I T A L S:

A. Lessor and Lessee entered into that certain "Lease Agreement" dated the 1st day of February, 1988, (hereinafter the "Lease Agreement").

B. A Memorandum of the Lease Agreement is recorded at Book 176, page 236 of the official records of Eureka County, Nevada, as document number 117942.

C. The Lease Agreement pertains to those unpatented mining claims located in Eureka County, Nevada, more particularly described in Exhibit "A" attached hereto and incorporated herein by reference (hereinafter the "Subject Property").

D. The Lessor and the Lessee desire to amend the Lease Agreement.

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Now, therefore, in consideration of the mutual covenants and conditions contained herein, it is agreed as follows:

1. Recitals Incorporated. The recitals are incorporated as a part of this Agreement.

2. Exhibit "A" Amended. Exhibit "A" to the Lease Agreement is not complete. Exhibit "A" to this Amendment No. 1 is hereafter deemed to be Exhibit "A" to the Lease Agreement and hereafter constitutes the Subject Property.

3. Paragraph 6 Amended. Paragraph 6 of the Lease Agreement is hereby amended to read as follows:

6. PRICE INDEX ADJUSTMENT: The above advanced royalty amounts, Paragraph 4 above, shall be subject to the adjustment in an amount equal to the change in the Producer Price Index for Industrial Commodities as published by United States Bureau of Labor Statistics (1967=100%) from the date of this Agreement to the due date of such payment.

4. Paragraph 7.A. Amended. Paragraph 7.A. of the Lease Agreement, which pertains to minimal annual work commitments, which requires certain annual expenditures related to the development of the Subject Property, and which requires the use of R.J. Roberts and Associates as consultants, is hereby amended to be and read as follows:

7. PROPER OPERATION:

A. Work Commitment:

Lessee agrees to perform certain minimal work on the Subject Property in the following amounts:

| | |
|----------------------|---------------|
| 1st Year | \$125,000.00 |
| 2nd Year | \$250,000.00 |
| 3rd Year | \$500,000.00 |
| Each Year thereafter | \$500,000.00. |

The expenditures shall be directly related to the investigation, exploration, development or production of the mineralization of the Subject Property. "Expenditures" means: amounts paid by Lessee for direct inhouse labor and materials (without overhead or G & A) and amounts paid to independent third parties for labor and materials for investigation, exploration, development or production of mineralization on Subject Property with the objective of establishing the existence or production of mineable reserves of ore of commercial grade and quality. Any amount expended in excess of the amount required for any year shall be carried forward for a credit for work required for the following year or years.

In the event Lessee fails to perform aforesaid, Lessor, at its option, may proceed to terminate this Lease pursuant to paragraph 16 below, except that lessee may cure such default by paying to Lessor within sixty (60) days after

written notice of default given by Lessor to Lessee pursuant to paragraph 16 below, an amount equal to the difference between the required work commitment amount and the amount actually expended by Lessee which qualified for credit against such amount.

Lessee shall maintain full and accurate records of all expenditures in respect to the work commitment. Lessee shall submit annual statements of qualifying expenditures, and quarterly project planning sheets and reports to Lessor in sufficient detail to indicate qualifying expenditures and essential results of work performed to date. Such reports shall be supplemented by copies of any pertinent maps, logs, assays, drilling, geological and geophysical data which are in Lessee's possession or under its control. Any time upon reasonable notice, Lessor and its agents may inspect all pertinent records of Lessee. Lessor agrees that, unless Lessor questions an expenditure appearing on Lessee's submitted statement within one hundred eighty (180) days of receipt of the same, such expenditure shall be conclusively presumed to be a qualified expenditure (to the extent actually paid).

5. Further Assurances. Each party agrees upon the request of the other to execute, acknowledge and deliver such other documents as may reasonably be required or deemed advisable to carry out or give full effect to the provisions of this Amendment No. 1.

6. Effect of Amendment No. 1. Except as herein amended, the Lease Agreement remains in full force and effect.

7. Recording. This Amendment No. 1 may be recorded in Eureka County, Nevada.

IN WITNESS WHEREOF, the parties herein have hereunto set their hands on the day and year first above written.

LESSOR:

VEK/ANDRUS ASSOCIATES, .
a General Partnership

VEK ASSOCIATES,
a Nevada corporation
a general partner

BY: John E. Kunal

its: Vice President

ANDRUS RESOURCES CORPORATION,
a Texas corporation
a general partner

BY: Charles C. Johnson

its: President

LESSEE:

ST. GEORGE METALS, INC.
a a Nevada corporation

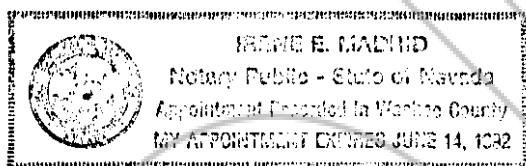
BY: J. A. McIlhenny

its: Vice President

STATE OF Nevada)
) ss.
COUNTY OF Washoe)

On this 18 day of December, 1989, personally appeared before me, a Notary Public in and for said County and State, Victor E. KRAL, known to me to be the Vice President of VEK ASSOCIATES ; that he executed the foregoing instrument, and upon oath, did depose that he is the Vice President of said corporation as above designated; that the signature affixed to said instrument was made by himself as Vice President of said corporation as indicated after said signature; that he executed the said instrument on behalf of VEK ASSOCIATES freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official notarial seal on the day and year last above written.



Irene E. Madrid
NOTARY PUBLIC

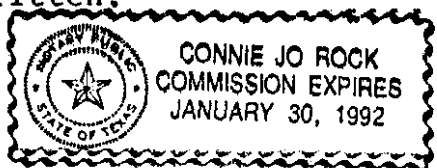
STATE OF Texas)
) ss.
COUNTY OF Harris)

On this 12 day of December, 1989, personally appeared before me, a Notary Public in and for said County and State, Charles R. Robinson, known to me to be the President of ANDRUS RESOURCES CORPORATION; that he executed the foregoing instrument, and upon oath, did depose that he is the President of said corporation as above designated; that the signature affixed to said instrument was made by himself as President

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of said corporation as indicated after said signature; that he executed the said instrument on behalf of ANDRUS RESOURCES CORPORATION freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official notarial seal on the day and year last above written.



Connie Jo Rock
NOTARY PUBLIC

STATE OF Nevada)
COUNTY OF Washoe) ss.

On this 24 day of December, 1989, personally appeared before me, a Notary Public in and for said County and State, James A. Melleson known to me to be the Vice President of ST. GEORGE METALS, INC.; that he executed the foregoing instrument, and upon oath, did depose that he is the Vice President of said corporation as above designated; that the signature affixed to said instrument was made by himself as Vice President of said corporation as indicated after said signature; that he executed the said instrument on behalf of ST. GEORGE METALS, INC. freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official notarial seal on the day and year last above written.



Cindy Ellison
NOTARY PUBLIC

Unpatented mining claims in Eureka County, Nevada, more particularly described as follows :

| CLAIM | RECORDED BOOK/PAGE | BLM NMC # | SECTION | TOWNSHIP | RANGE |
|-------------------------------------------------|-----------------------|------------------|----------|------------|------------|
| ROD 1-5 | 111/259-263 | 273079-273083 | 20 | 35N | 50E |
| ROD 79-81, 83-84 | 111/264-268 | 273138-273142 | 20 | 35N | 50E |
| ROD 200-217 | 111/465-482 | 273384-273401 | 28 | 35N | 50E |
| ROD 25-60 | 111/287-322 | 273102-273137 | 2 | 35N | 49E |
| ROD 61-78 | 111/350-367 | 273214-273231 | 10 | 35N | 49E |
| ROD 7-24 | 111/269-286 | 273084-273101 | 12 | 35N | 49E |
| WELS 45-70 | 118/56-81 | 292004-292029 | 2 | 33N | 51E |
| WELS 71-97 | 118/82-108 | 292030-292056 | 4 | 33N | 50E |
| WELS 107-126 | 118/109-128 | 292057-292076 | 6 | 34N | 50E |
| BEO 1,3,5,7 9,11 13, 15, 17 19, 21-40 | 119/550 - 579 | 297135 297164 | 30 30 | 33N 33N | 50E 50E |
| BEO 2, 4, 6, 8, 10, 12, 14, 16, 18, 20 | 123/456-465 | 308691 308700 | 30 30 | 33N 33N | 50E 50E |
| BEO 41-72 | 123/466 - 497 | 308701 308732 | 20 20 | 33N 33N | 50E 50E |
| BEO 77-112 | 123/498 - 533 | 308733 308768 | 32 32 | 33N 33N | 50E 50E |
| RC 1- 14 | 146/579-592 | 371773-371786 | 20, 21 | 35N | 50E |

OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
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Robinson, Belauslegue
90 MAR 12 P1:17

Robb & Sharp
EUREKA COUNTY, NEV.
M.N. REALEATI. RECORDER
FILE NO. 132012 FEE \$12.00

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