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1960s

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AREA CODE 602
TELEPHONE 622-7446

VICTOR H. VERITY
LEO N. SMITH
JAMES E. MUELLER
JOHN C. LACY

June 24, 1968

Austral Oil Company Incorporated
c/o Mr. William Lundby
P. O. Box 695
Tombstone, Arizona

Re: Location Work Affidavits

Dear Bill:

Enclosed are four Affidavits of Performance of Drilling as Location Work covering the four groups of claims designated therein, and based upon information you furnished to me by phone this morning. The original of each Affidavit--which you will sign and which contains the notary seal--is for recording in the office of the Cochise County Recorder. According to my computation, June 27, 1968, is the deadline for recording each of the four Affidavits.

Also enclosed is an extra conformed copy of each Affidavit for posting on the ground pursuant to ARS § 27-203. Please note that I have enclosed two copies of the Affidavit relating to the Solstice Extension group. One copy should be posted within five feet of each of the two drill holes as per the statute.

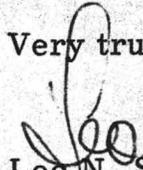
From the information you furnished, I note that the location work drilling for the group containing the Misy #3 claim was done within the boundaries of the Misy #3 claim. Technically speaking, it might be argued that this drilling should have been performed on a claim other than the Misy #3 or Misy #4 claim, inasmuch as these two claims were originally located in August of 1967 and thus the 120-day period for doing drilling as location work has long since expired. From a practical standpoint, however, it is my opinion that in the remote event that anyone should challenge the drilling as location work for any of the claims within the group, the locators have defensible title inasmuch as all steps necessary to completely relocate the Misy #3 and #4 were performed subsequent to the March 16, 1968, amendment of these two claims and the locators would be in a position to assert that the "amendments" were actually relocations.

Mr. William Lundby
June 24, 1968
Page 2

The same situation exists with respect to the hole drilled on Misy #1 claim--which claim together with Misy #2 were located and "amended" in the same manner as were the Misy #3 & #4.

I call this to your attention in order that if a similar situation arises in performing drilling as location work on any of the other claim groups in the area, it would be advisable, if at all possible, to do the drilling on a claim, the original location of which has occurred within no more than 120 days prior to the date of such drilling.

Very truly yours,



Leo N. Smith

LNS/ay
Enclosures
cc: R. J. Dobson w/o enc.

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AREA CODE 602
TELEPHONE 622-7446

September 27, 1968

Mr. William Lundby
Austral Oil Company, Inc.
2656 No. Chrysler Avenue
Tucson, Arizona

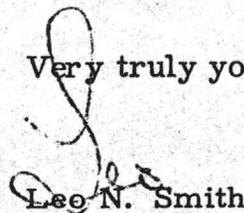
Re: Tombstone

Dear Bill:

Enclosed are three copies of a Receipt and Release to be executed by D. L. Escapule and his wife (his wife's signature is desirable because of the community property aspects). The amount paid and dates of employment should be inserted and the signatures should preferably be acknowledged before a notary public. However, if this is impossible, please obtain the signatures of at least two witnesses to each signature--other than yourself. If three copies are executed, this will provide one copy for you, one copy to forward to Austral and one copy for the Escapules.

Also enclosed are two Applications for Assignment of Lease and a letter to E. H. Escapule. While you are in Tombstone, please obtain the signature of E. H. Escapule at the two places indicated on the back page of each assignment form and return the executed Assignments to this office so that we can complete the paperwork involved.

Very truly yours,



Leo N. Smith

LNS/meg
Enclosures

March 1, 1963

Mr. R. J. Dobson
Vice President
Austral Oil Company Incorporated
2700 Humble Building
Houston, Texas 77000

Re: Land Status
Tombstone Project

Dear Mr. Dobson:

Pursuant to the request of Mr. Darrell C. Morrow of Vinson, Elkins, Weems & Searls, this office has examined certain records in the Bureau of Land Management office and State Land Department office in Phoenix, Arizona, and also certain records in the office of the Recorder of Cochise County, Arizona, at Bisbee, Arizona, and, pursuant to instructions from Mr. Morrow, have obtained preliminary title insurance reports from the Bisbee offices of Southern Arizona Title and Trust Company and Transamerica Title Insurance Company relating to the areas and titles as hereinafter described. As you will recall, when you were in Tucson on January 27, I furnished to you copies of the MTP plats and Historical Indexes and also of Mining District Plat Sheets, all of which material pertains to the area examined and all of which was obtained from the Bureau of Land Management in Phoenix.

My examination covered the following areas, all in T. 20 S., R. 22 E., G&SRM, Cochise County, Arizona:

Section 9 - SE/4
Section 10 - SW/4
Section 15 - NW/4
Section 16 - All
Section 17 - E/2 and E/2 W/2
Section 20 - NE/4
Section 21 - N/2

all of which areas are shown on the Sketch Map attached to this status report. The attached Sketch Map is intended only as a general graphic representation of land status, is not to scale, and should not be relied upon except with reference to the specific comments set forth in this letter.

FEDERAL MINERALS

(a) Public Domain

Based upon an examination of the records in the Arizona Land Office of the Bureau of Land Management in Phoenix on January 24, 1968, the following areas (shown in yellow on Sketch Map):

NW/4 SE/4 and Lots 1, 3 and 4 of Section 9 (containing 138.75 acres); S/2 SW/4 and Lots 8, 9 and 10 of Section 10 (containing 132.72 acres); NE/4 NW/4 and Lots 2, 3 and 4 of Section 15 (containing 138.15 acres); NE/4 of Section 20 (containing 160 acres), and N/2 of Section 21 (containing 320 acres), all in T. 20 S., R. 22 E., G&SRM.

were, as of January 24, 1968, public domain and open to entry under the mining laws subject to the following:

1. Any valid unpatented mining claims staked within the area - an opinion as to the title and validity of such claims cannot be based upon BLM, State of Arizona or Cochise County records, but can only be ascertained from a thorough field examination by a person qualified by training and experience to conduct such examinations.

2. Right of Way for construction and maintenance of a railroad issued to the New Mexico & Arizona Railroad under Serial No. 086526 across portions of Sections 9, 10, and 20 pursuant to the Act of March 3, 1875, as amended.

3. Rights of Taylor Grazing Act lessees to reimbursement for grazing improvements.

4. Rights of Way, if any, acquired for road purposes by public user.

(b) Minerals Reserved to United States

The January 24, 1968, examination revealed that the area shown in blue on the attached Sketch Map consisting of:

E/2 W/2, S/2 SE/4, SW/4 NE/4 and Lots
1, 2, 3, 4 and 5 of Section 17, T. 20 S., R.
22 E., G&SRM, (containing 453.41 acres)

was conveyed to the State of Arizona under the Section 8 exchange provisions of the Taylor Grazing Act (43 USCA § 315 [g]) on January 24, 1941, which patent contains the following reservation:

Reserving, also, to the United States all minerals in the lands so granted, together with the right to prospect for, mine and remove the same, as authorized by the provisions of said Section 8, as amended as aforesaid.

The applicable portions of the statute provide that:

. . . any person who prospects for or acquires the right to mine and remove the reserved mineral deposits may enter and occupy so much of the surface as may be required for all purposes incident to the prospecting for, mining and removal of the minerals therefrom, and may mine and remove such minerals, upon payment to the owner of the surface for damages caused to the land and improvements thereon.

It should be pointed out that the Taylor Grazing Act (unlike the Stock-Raising Homestead Act) does not limit the surface owner to a

particular type of damage under a Section 8 exchange. As of January 24, 1968, the reserved minerals were open to location under the mining laws subject to the following:

1. Any valid unpatented mining claims staked within the area - an opinion as to the title and validity of such claims cannot be based upon BLM, State of Arizona or Cochise County records, but can only be ascertained from a thorough field examination by a person qualified by training and experience to conduct such examinations.
2. Right of Way for construction and maintenance of a railroad issued to the New Mexico & Arizona Railroad under Serial No. 086526 across portions of Section 17 pursuant to the Act of March 3, 1875, as amended.
3. State of Arizona Grazing Lease issued to Harold O. Love et al., 1900 First National Bank Building, Detroit, Michigan, for a period expiring February 18, 1976. In the event of any mining operations, compensation would have to be made to the State of Arizona and its lessees for any surface damage.
4. Rights of Way, if any, acquired for road purposes by public user.

STATE OF ARIZONA MINERALS

The examination revealed that the State of Arizona's title attached to the following (shown in green on Sketch Map):

Lots 1 through 14, NE/4 SW/4 and S/2 SW/4
of Sec. 16, T. 20 S., R. 22 E., G&SRM,
(containing 450.33 acres)

upon the filing of the official survey with the General Land Office on April 5, 1906, subject to the proviso that the state did not acquire title to any of such lands known to be mineral on that date. The state's title, under the applicable legislation, vested upon the filing of the survey and no patent has been issued to the State of Arizona by the United States. As will be noted on the MTP plat furnished to you on January 27, certain portions of Section 16 were patented under the mining laws prior to state's acquisition of title. In addition, a U.S. Mineral Survey of the

Franklin unpatented lode mining claim is of record in the office of the Bureau of Land Management; the State of Arizona does not claim ownership to the area encompassed within the Franklin unpatented claim, as surveyed.

(a) State of Arizona Mineral Leases

The State of Arizona issued Mineral Lease No. 2990 encompassing State of Arizona land in the E/2 of Lot 1 (19.00 acres) and Mineral Lease No. 2491 encompassing State of Arizona land in the W/2 of Lot 1 (11.35 acres) to E. H. Escapule, both of which Leases were dated December 1, 1966. Subject to compliance with the provisions of the said Leases, the Leases were issued for terms of 20 years and contain preferential rights of renewal thereafter. The annual rental payments in the amount of \$15.00 per Lease were timely paid on or before December 1, 1967. Section 27-235 of Arizona Revised Statutes specifies that every mineral lease of state lands shall provide for:

The performance of annual labor . . . and for furnishing proof thereof to the commissioner.

Failure to comply with this requirement can result in the commissioner giving written notice of default and failure to cure the default within a stated period of not less than 30 days can result in forfeiture of the lease. As of January 24, 1968, there had been no proof of labor furnished to the commissioner for the lease year ending in 1967. As a practical matter the commissioner will not issue a notice of default as long as rental and royalty payments are current unless such default is urged by a third party.

On February 5, 1968, this office forwarded to the State Land Department applications for assignment of Mineral Lease Nos. 2990 and 2991 to Austral Oil Company Incorporated. After my January 24th examination of the State Land Department records and prior to February 5, 1968, the State Land Department discovered that the two Lease property descriptions contained erroneous recitals of acreage. Accordingly the State Land Department forwarded supplemental descriptions to E. H. Escapule with instructions that they be attached to the originals of the Leases. Upon being advised of this fact and of the fact that the assignments could not be completed until the supplemental descriptions were attached to the originals of the Leases, I sent Mr. Escapule a letter asking him to return the supplemental descriptions to this office. As of the present date I have not yet received the supplemental descriptions.

(b) State of Arizona Prospecting Permit

The State of Arizona issued Mineral Prospecting Permit No. 11945 to W. W. Grace on January 31, 1968, for a period of

one year with the right to renew at yearly intervals thereafter for four additional years upon compliance with the obligations of the Permit. On February 5, 1968, this office forwarded to the State Land Department an application for assignment of the Permit to Austral Oil Company, Incorporated. This application is presently being processed. Prospecting Permit No. 11945 covers the following:

Lots 2 through 14, NE/4 SW/4 and S/2
SW/4 of Section 16, T. 20 S., R. 22 E.,
G&SRM

Although Permit No. 11945 recites that it encompasses 419.98 acres, the State Land Department tract books indicate that the State of Arizona claims 419.99 acres within this area subject to Permit No. 11945. This latter figure is probably inaccurate inasmuch as the 419.98 acreage figure conforms with the lot acreage descriptions in the MTP plats at the Bureau of Land Management. To completely and accurately verify this minor discrepancy in acreage would require examination and evaluation (preferably by an engineer) of the General Land Office survey plat and of the various mineral survey field notes of the surveyed mining claims, all or portions of which lie within Section 16.

In my opinion the Austral Oil Company Incorporated, upon completion of assignments to it of the above described Mineral Leases and Prospecting Permit, will be the holder of all rights granted thereunder by the State of Arizona subject to the following:

1. Rights, if any, that can be established under unpatented mining claims located prior to April 5, 1906, and on which claims valuable mineral discoveries can be proven to have existed prior to that date.
2. Right of Way for construction and maintenance of a railroad issued to the New Mexico & Arizona Railroad under Serial No. 086526 across portions of Section 16 pursuant to the Act of March 3, 1875, as amended.
3. State of Arizona Grazing Lease issued to Harold O. Love et al., 1900 First National Bank Building, Detroit, Michigan, for a period expiring February 18, 1976.

In connection with any third-party rights in unpatented mining claims located prior to April 5, 1906, I am informed that Mr. E. B. Escapule has observed no evidences of any rights asserted to such claims other than the Franklin claim (to which the State of Arizona

asserts no title).

PATENTED LODE MINING CLAIMS

Except as specifically set forth below, this office made no attempt to establish ownership to the surface or minerals within the boundaries of the lode mining claims which have been the subject of U.S. Mineral Surveys within the area examined (which claims are shown in pink on the Sketch Map). Of these claims, all but the Blue Jacket claim in Section 10 and the Necessity (Perrenoud) in Section 9 are patented claims. Some preliminary title work was done in the office of the Recorder of Cochise County, Arizona, on certain claims involved in pending negotiations. However, because of time limitations we were instructed by Mr. Morrow to order title insurance and obtain preliminary title reports on the claims involved in the pending agreements.

(a) Brother Jonathan, Triple Ex, Maine, Sunset and Lowell Patented Lode Mining Claims.

Attached to this letter is a copy of a preliminary report issued by Southern Arizona Title and Trust Company under their Order No. 13542 indicating that, upon compliance with the requirements listed on page 2 of the report, record title would be vested in Charles B. Escapule and Louis W. Escapule, subject to the exceptions, encumbrances and reservations specifically listed in the report. As you will note, the requirements relate to evidence of marital status and to a conveyance of the Sunset claim from Ernest B. Escapule et ux to Charles B. and Louis W. Escapule.

(b) May Patented Lode Mining Claims.

Attached to this letter is a copy of a preliminary report issued by Southern Arizona Title and Trust Company under their Order No. 13541, indicating record title was vested in Charles B. Escapule and Louis Escapule subject to the exceptions, encumbrances and reservations specifically listed in the report. For title insurance purposes, the title company has indicated a requirement concerning the marital status of Ernest B. Escapule as set forth on the second page thereof.

(c) Chance Patented Lode Mining Claim.

Attached hereto is a preliminary report prepared by Transamerica Title Insurance Company indicating that on January 30, 1968, title to the Chance claim was vested in

Jeanne M. Devere and Burton J. Devere subject to the items set forth in Parts One and Two of the report.

Subsequent to the issuance of the preliminary report and at the time of execution of the Mining Lease and Option Agreement between Austral and W. W. Grace et ux., et al., there was recorded in the office of the Recorder of Cochise County, Arizona, an Agreement between Jeanne M. Devere and Burton J. Devere as sellers and T.J. Colvin, an unmarried man, as buyer, whereunder Colvin has agreed to purchase the Chance mining claim on the terms and conditions as set forth therein. I have instructed Transamerica Title Insurance Company to issue an amended preliminary title report insuring Austral's interest, as obtained under the above described Mining Lease and Option Agreement. As will be noted on the attached preliminary report, there is an Agreement between Wallace E. Main and the Deveres of record in the office of the Recorder of Cochise County granting to Main an option to purchase the Chance claim. Transamerica Title Insurance Company furnished me a copy of what is purported to be a cancellation and release of the Main-Devere Option Agreement. However, the document is not in a recordable form and it will be necessary to obtain a recordable cancellation and have the same placed of record to extinguish any apparent record interest of Wallace E. Main.

(d) Other Patented Mining Claims.

As stated above, no attempt was made by this office to determine ownerships in and to other patented mining claims situated within the examination area.

UNPATENTED MINING CLAIMS

An examination was conducted in the office of the Recorder of Cochise County, Arizona, by this office on January 31, 1968, and the results are set forth as follows:

(a) Amy Nos. 1-18.

Exhibit A to the February 2, 1968, Mining Lease and Option Agreement between Austral Oil Company Incorporated and W. W. Grace et ux., et al., recites that T. G. Colvin located 18 federal lode mining claims designated as the Amy Nos. 1-18 on January 1, 1968, and that such claims were situated in Sections 20 and 21, T. 20 S., R. 22 E. As of the date that this office examined the records in the office of the Recorder of Cochise County, location notices had not been recorded for this group of claims and no opinion is expressed as to the sufficiency of the

location notices. As an item of interest, however, it was noted that location notices for 18 Amy lode mining claims were placed of record on September 7, 1967, which claims were located by W. W. Grace. The notices failed to specify the date on which the claims were located other than that they were located in September, 1967. The location notices each recited that location work "to be done by drilling." No affidavits of performance of location work by drilling had been placed of record as of January 31, 1968, for the 18 Amy claims located by Grace.

(b) Fox Nos. 1, 2 and 3 (1950 locations).

E. B. Escapule (2/3) and E. H. Escapule (1/3) located three federal lode mining claims designated as the Fox Nos. 1, 2 and 3 on July 1, 1950, the location notices of which were timely recorded at Docket 42, pages 392-394. The location notices of the three claims recite that the claims are each 1500 feet by 600 feet and the notices are in good order. The location notices do not contain a description as to the position of the claims by legal subdivision but do tie the three claims into adjoining patented claims. Under a Quitclaim dated October 16, 1966, and recorded at Docket 447, page 235, E. B. Escapule et ux. quitclaimed their interest in the Fox Nos. 1-3 claims to E. H. Escapule, and the record title was vested in E. H. Escapule as of January 31, 1968, subject to the comments in subparagraph (j) below.

(c) Fox #1, #2 and #3 (1966 locations).

E. B. and E. H. Escapule located three claims designated as Fox #1, #2 and #3 on September 12, 1966. The location notices of the claims recite that the claims are located on "state lands only." The location notices were timely recorded at Docket 436, pages 406-411. The notices described claims 1,320 feet by 660 feet. It is not completely clear from the location notices as to whether the claims were located in Section 16 or Section 17, although it appears that the locations were intended to cover areas in the NE/4 of Section 17. If this is true, the claims are an invalid attempt to acquire state mining claims inasmuch as the minerals underlying the NE/4 of Section 17 are reserved to the United States as pointed out above. For these reasons it is my opinion that Austral acquired no rights with respect to the Fox #1, #2 and #3 claims.

(d) Fox #4 through Fox #10.

E. B. Escapule and E. H. Escapule located seven claims designated as Fox #4 through #10 on November 1, 1967, the location notices of which were timely recorded at Docket 508, pages 453-466. The location notices recite that the claims are

situated in the NE/4 and in the NW/4 SW/4 of Section 17, T. 20 S., R. 22 E. The location notice for Fox #7 is inconsistent in that the length of the claim is recited as 1300 feet but the metes and bounds description of the claim indicates an intent to claim 1320 feet.

Three major defects are apparent on the face of the location notices:

(1) Each of the location notices recite that the locators are claiming 660 feet in width (330 on each side of the point at which the notice is posted). Obviously, the claims are invalid as to areas claimed in excess of 300 feet in width on each side of the point on which the location notice was posted. This would result in a strip of open ground 60 feet in width between the claims. It is my understanding that this situation has been brought to the attention of the locators and that steps have either already been taken to correct this defect and cover the open ground or that such action will be taken in the near future.

(2) Each of the location notices recites that the location monument is situated on the end line. In absence of a very accurate survey, such a manner of posting could easily result in failure to post the location notice within the claim boundaries.

(3) The location notices for the Fox #9 and #10 claims purport to cover the same ground -- being the N/2 NW/4 SW/4 of Section 17. This latter area is not contiguous with the areas covered by the Fox #4 through #8 claims.

Record title as of January 31, 1968, was vested in E. B. and E. H. Escapule subject to the foregoing and to the comments contained in subparagraph (j) below. The first year for which annual labor must be performed on the claims will be the assessment year commencing September 1, 1968, and ending September 1, 1969.

(e) Fox #11 through Fox #19.

Exhibit A to the February 2, 1968, Mining Lease and Option Agreement between Austral Oil Company Incorporated and E. B. Escapule et ux., et al., recites that E. H. Escapule located nine unpatented claims designated as Fox #11 through #19 on January 25, 1968, and that such claims were situated in Section 17, T. 20 S., R. 22 E. As of the January 31, 1968, examination, the location notices for these claims had not been recorded and no opinion is expressed as to the sufficiency of the location notices.

(f) Misy #1 through #4

E. B. and E. H. Escapule located four claims designated as Misy #1 through Misy #4 on August 28, 1967, the location notices of which were timely recorded at Docket 508, pages 445-452. The location notices recite that these claims are situated in the SW/4 SW/4 of Section 10 and the NW/4 NW/4 of Section 15, T. 20 S., R. 22 E. Reference is made in the location notice of the Misy #3 claim to the fact that the claim is intended to cover the "SW 1/2" SW/4 SW/4 of Section 10. The portion of the description in quotes was obviously meant to be to the W/2 instead of SW/2. A similar reference to the "SE 1/2" in the Misy #4 location notice is an obviously erroneous reference to the E/2. One additional major defect exists in each of the location notices--each of the location notices recites that the claims are intended to cover an area 660 feet in width (330 feet in width on each side of the point at which the location notice was posted). The comments in subparagraph (d) (1) above apply also to the four Misy claims. Record title on January 31, 1968, was vested in E. B. and E. H. Escapule subject to the foregoing and to the comments contained in subparagraph (j) below. The first year for which annual labor must be performed on the claims is the assessment year which began September 1, 1967, and which will end September 1, 1968.

(g) SOLSTICE #1 through #8

E. B. and E. H. Escapule located eight claims designated as SOLSTICE #1 through #8. Each of the notices contains a discrepancy as to the date of location in that they recite a location date of August 28, 1967, and also recite that the location notices were posted on the ground on August 9, 1967. The date on which any rights were acquired by virtue of the location would be the date of actual posting on the ground regardless of the dates recited in the notice (but in no event would any rights arise prior to August 9, 1967). The location notices were timely recorded at Docket 508, pages 429-444 and the location notices recite that the claims are situated in the SE/4 of Section 9, T. 20 S., R. 22 E. Each of the location notices recites that the claims are 660 feet in width (330 feet on each side of the point at which the location notice was posted). The comments in subparagraph (d) (1) above apply also to each of the eight SOLTICE claims. Record title to each of the claims as of January 31, 1968, was vested in E. B. and E. H. Escapule subject to the foregoing and to the comments contained in subparagraph (j) below. The first year for which annual labor must be performed on the claims is the assessment year which began September 1, 1967, and which will end September 1, 1968.

(h) Z.B. #1, #2 and #3

D. L. Escapule located three claims on October 15, 1967, designated as the Z.B. #1, #2 and #3 claims. Location notices for the three claims were timely recorded at Docket 509, pages 7-9, and the location notices recite that the claims are situated in the W/2 SE/4 of Section 17, T. 20 S., R. 22 E. Each of the location notices contains gross errors in the metes and bounds descriptions but each indicates the intent to locate claims 1320 feet by 660 feet. None of the claims contain a description of the point of posting of the location notices as required under federal and State of Arizona statutes. Inasmuch as each of the claims is overwidth, the comments contained in subparagraph (d) (1) above apply. However, it cannot be determined from the location notices as to how much open ground exists on each side of each claim. Record title as of January 31, 1968, was vested in D. L. Escapule subject to the foregoing and to the comments contained in subparagraph (j) below. The first year for which annual labor must be performed on the claims will be the assessment year commencing September 1, 1968, and ending September 1, 1969.

(i) ERNEST EDWARD #1, #2 and #3

Harold E. Davis (H. E. Davis) located three claims on October 15, 1967, designated as the ERNEST EDWARD #1, #2 and #3 claims. The location notices were timely recorded at Docket 507, pages 150-152, and the notices recite that the claims are situated in the E/2 SE/4 of Section 17, T. 20 S., R. 22 E. Each of the location notices recites that the claims are intended to cover an area 660 feet in width (330 feet on each side of the point at which the location notice was posted). The comments in subparagraph (d) (1) above apply also to the three ERNEST EDWARD claims. Each of the notices also recite that the location monument was situated on an end line and the comments in subparagraph (d) (2) above apply also. As of January 31, 1968, record title was vested in H. E. Davis subject to the foregoing and to the comments contained in subparagraph (j) below. The first year for which annual labor must be performed on the claims will be the assessment year commencing September 1, 1968, and ending September 1, 1969.

(j) General Comments

(1) In view of the numerous discrepancies and errors contained in the location notices, it is essential that amendments or relocations be made of all claims (with the possible exception of the 1950 Fox Nos. 1, 2 and 3).

(2) Because of the fact that patented mining claims cut across

areas covered by many of the foregoing unpatented mining claims and since it is essential to the validity of an unpatented mining claim that the location notice and location monument be posted on ground open for location, an accurate survey should be made in order to establish that the point of posting of the location notices on the foregoing claims or any amendments or relocations thereof is on ground open to entry.

(3) The only unpatented mining claims listed above for which annual assessment work was required for the assessment year ending September 1, 1967, were the 1950 Fox Nos. 1-3. No attempt has been made to check assessment work for each year since the date of location of these claims. Enclosed under separate cover with the location notices is a copy of an Affidavit of Labor Performed and Improvements Made filed by E. H. Escapule for the three Fox claims for the assessment year ending September 1, 1967. The Affidavit was timely filed, however, the Affidavit describes neither the work performed nor the amount expended in such performance and it is doubtful that the Affidavit would constitute even prima facie evidence that proper work was performed if the work were challenged by a third party asserting forfeiture. For this reason, it would be my recommendation that a sworn statement be obtained from M. E. H. Escapule describing the work performed and the amount expended.

(4) The opinions expressed in this letter pertain solely to the record title as it existed on January 31, 1968. Other questions concerning the validity or lack thereof of each of the claims can only be ascertained through a thorough examination conducted on the ground by a person experienced in conducting such field examinations. Factors upon which the validity of the claims depend include determination of whether the claims are properly monumented in the field, evidence of performance of proper location work, and whether or not a discovery of valuable mineral in place has been made within the boundaries of each of the claims. In addition, such an examination is necessary to ascertain the existence or nonexistence of prior valid unpatented mining claims in conflict with the claims set forth above.

Under separate cover I am forwarding to you copies of the location notices for the unpatented claims discussed above. Copies were not obtained of the location notices of the 18 Amy claims nor of the Fox #11 through #19 claims inasmuch as location notices for such claims were not of record at the time of our examination. Copies of the Fox Nos. 1, 2 and 3 were illegible and also were not obtained.

If you have further questions or if you desire further clarifications of any of the above comments, please do not hesitate to contact this office.

VERITY & SMITH

By _____
Leo N. Smith

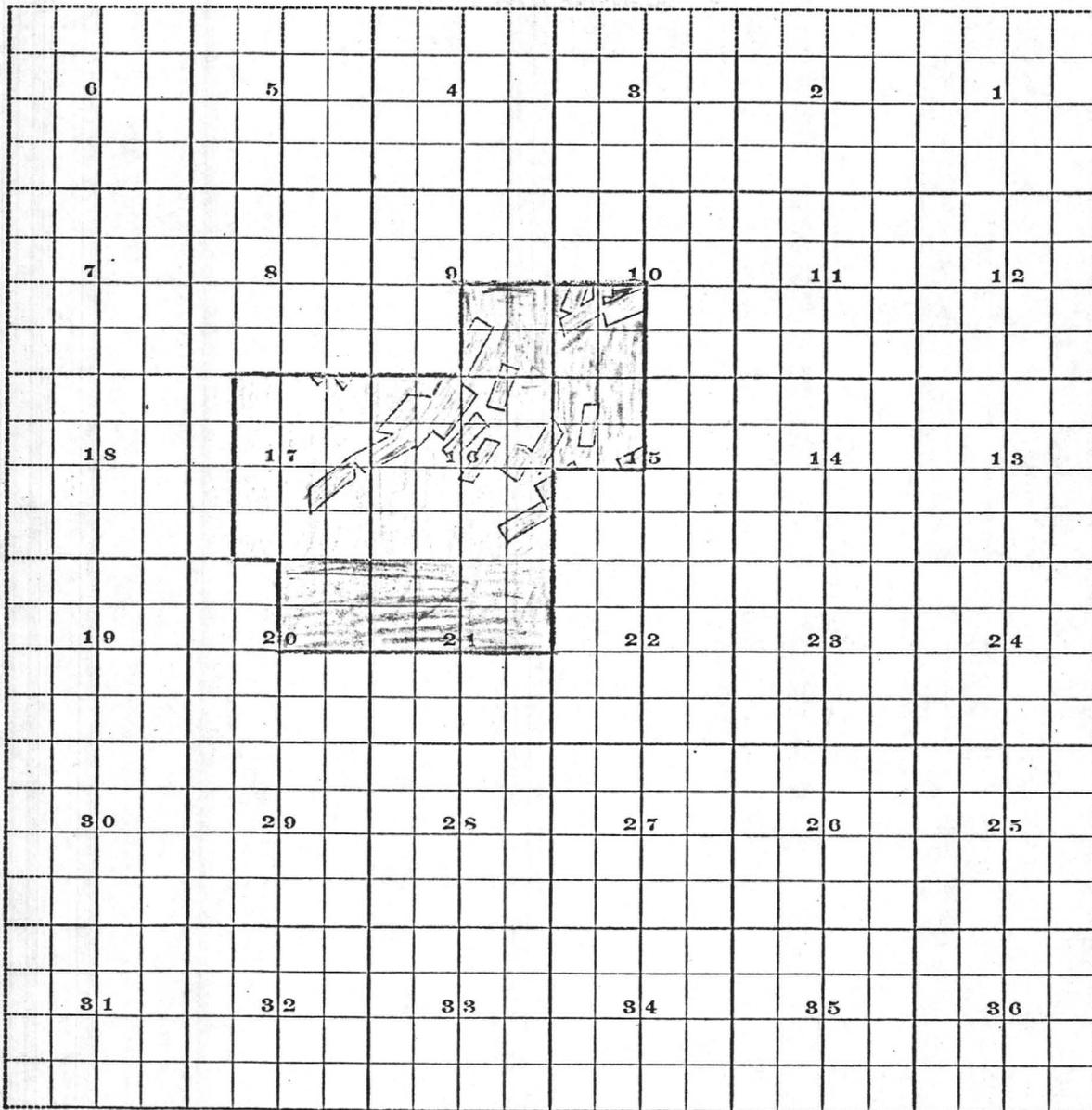
LNS:lh

cc: Mr. Darrell C. Morrow

SKETCH MAP - TO ACCOMPANY LAND STATUS REPORT

Cochise County Arizona

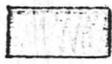
Sec. _____ Township No. 20 S. Range 22 E. of G&SR ~~XXXX~~ Meridian



Public Domain (federal mineral and surface)



Mining Claims as shown on MTP plat (private mineral & surface)



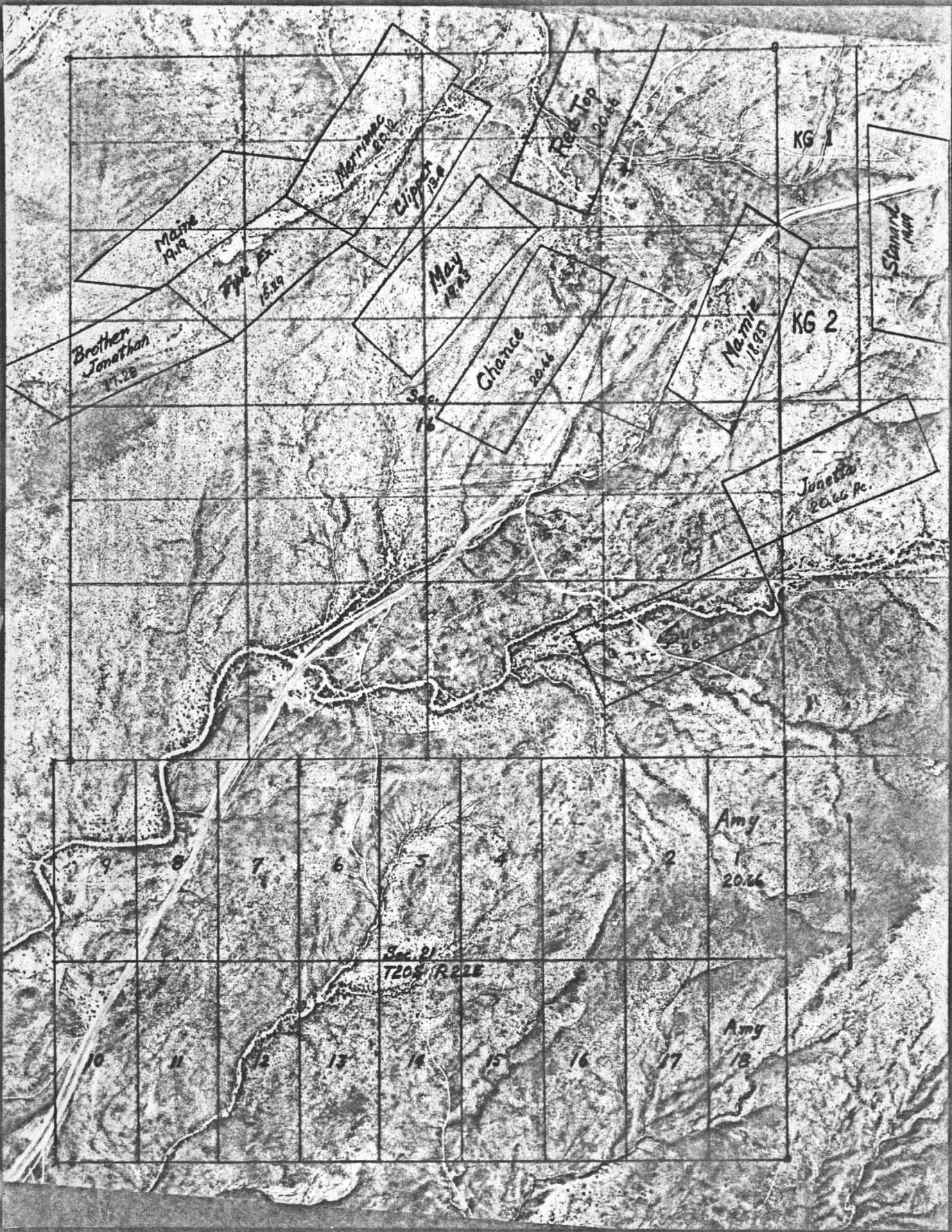
Taylor Grazing Act Patent (federal minerals & state surface)



State School Lands (state minerals & surface)

Not to scale - Locations of patented mining claims are only approximate.

TOWNSHIP 358-44
 F. F. & E. S. S. CO. MADE IN U.S.A.
 SCALE 1 INCH = 1 MILE



SURVEY NO. 404

PLAT

OF THE
Franklin

MINING CLAIM.

Tombsstone

Mining District.

Cochise

County.

ARIZONA.

Claimed by **the Franklin-Mingolo**

Henry Fuller Agent

Surveyed by **H. G. Howe,** U.S.D.S.

Aug. 1-14 1882

Containing an Area of **12.00** Acres

Scale 200 feet to the inch.

Variation **N. 2.5 East.**

The original Field Notes of the Survey of the

Franklin

Mining Claim from which this plat has been made, have been examined and approved and are on file in this office; and I hereby certify that they furnish such an accurate description of said Mining Claim as will, if incorporated into a plat, serve fully to identify the premises; and that such reference is made therein to natural objects and permanent monuments, as will perpetuate and fix the locus thereof.

I further certify that the value of the labor and improvements placed thereon by the applicants on their grantors is not less than Five Hundred Dollars, and that said improvements consist of

1. Shaft **1 x 6 ft x 5 ft deep**

" " **6 x 9 " " 710 "**

" " **5 x 7 " " 50 "**

" **WuXC 1 x 6 " " 15 "**

2 Cross-Cuts **5 x 7 " 120 " long**

as appears by the report of the Deputy Surveyor and the testimony of two disinterested witnesses.

And I further certify that this is a correct Plat of said Mining Claim, made in conformity with said original field notes of the survey thereof.

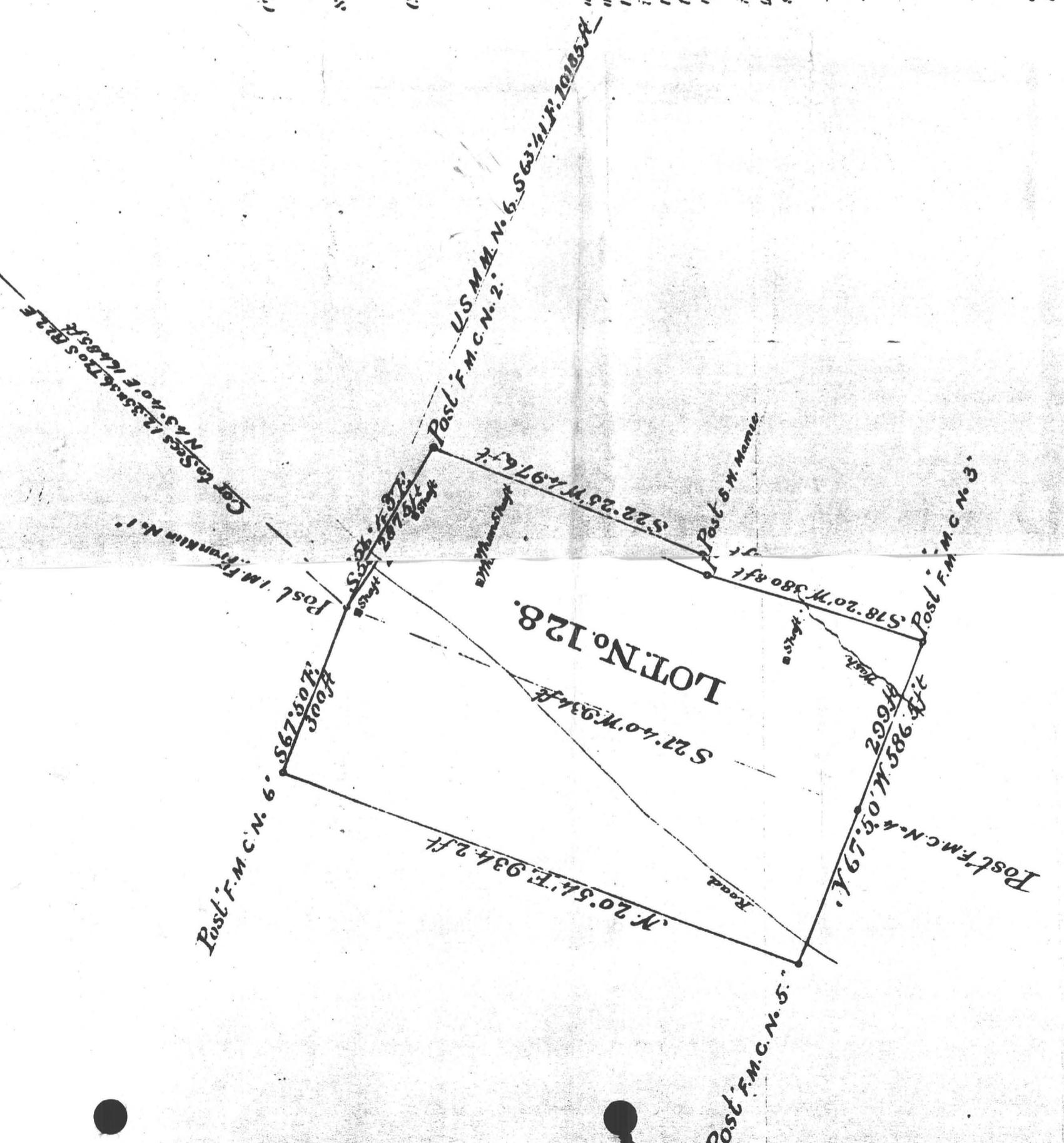
H. G. Howe

U. S. Surveyor General for Arizona.

U. S. Surveyor General's Office,

Tucson, Arizona,

September 5. 1882.



1973

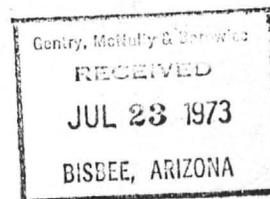
ROBERT B. HICKS
501 FREMONT LANE
SOUTH PASADENA, CALIFORNIA 91030

PROJECT CONSULTING

July 20, 1973

(213) 799-0335

Mr. Robert A. Hewlett
Gentry, McNulty & Borowiec
Attorneys at Law
P. O. Box 87
Copper Queen Plaza
Bisbee, Arizona 85603



Subject: Tombstone Development Company

Dear Mr. Hewlett:

After reviewing the proposed Lease Agreement and your letter of July 5, 1973, we have comments to make as follows:

1. Page 1, Para. 1: Change as follows:
 - "1. PURPOSE: This lease is made for the sole purpose of examining, searching and testing for opening and operating mines of, and extracting, producing, treating, selling and shipping any and all minerals contained therein. Lessor also leases to Lessee, the necessary rights of way, easements and water-rights, in connection with the leased claims, so as to facilitate exploration and development thereof."
2. Page 1, Para. 3: We would like to add the provisions that:
 - (a) TDC will specify in the agreement the bank in which to deposit royalty payments.
 - (b) Stockpiling of ore to be limited to a maximum of six months of production.
3. Page 2: The royalties to be as follows:

Mr. Robert A. Hewlett
Re: Tombstone Development Co.

July 20, 1973
page two

- (a) For all minerals and other products, except for gold, the royalty is to be according to the following schedule:

Spot Silver Price In Wall Street Journal - Per Ounce (Handy & Handy)	Gross Value of Ore - \$ Per Ton					Over \$50
	0-\$10	\$10-\$20	\$20-\$30	\$30-\$40	\$40-\$50	
Up to \$2.50	6%	8%	10%	12%	15%	20%
\$2.50 to \$3.00	7%	9 1/3%	11 2/3%	14%	17 1/2%	23 1/3%
\$3.00 to \$4.00	8%	10 2/3%	13 1/3%	16%	20%	26 2/3%
\$4.00 to \$5.00	9%	12%	15%	18%	22 1/2%	30%
Over \$5.00	10%	13 1/3%	16 2/3%	20%	25%	33 1/3%

The royalty percentage as applied to silver will also apply to all other mineral and will be based on all monies received or the market value of all ore, metals or minerals, geothermal steam, water or other materials removed from the property.

The royalty schedule for gold will be a minimum of 10% and will increase apportionately according to the above schedule. For example, if the price of silver is below \$2.50 and the gross value of the ore mined is less than \$10.00, royalty would be 10% and if the value of the ore increases to \$30 or \$40 per ton the royalty would be 20%.

4. Page 2, Para. (b): Insert "per month" after \$2,500.00.
5. Page 2, Para. (c)(a): Insert words: "no later than 6 months after the lease is signed" there shall be....
6. Page 4, Para. 7: After the first sentence, insert words: "In addition to the foregoing Lessee shall pay all other taxes imposed by reason of Lessee's operation and improvements upon the property." There should also be a provision for pro rata payment of taxes and for Lessee to pay before taxes are delinquent.

Mr. Robert A. Hewlett
Re: Tombstone Development Co.

July 20, 1973
page three

7. Page 4, Para. 8: Add the following: "Except for approximately 2 acres leased to the United States Department of Agriculture for surface use and except to the extent the United States Government holds title to unpatented claims."
8. Page 5, Para. 10: Delete words "and convenient" in 4th line; and re-write next two lines as follows: "At the termination hereof, Lessee may remove all personal property, machinery, tools, appliances, and buildings placed and constructed upon said lease.."
9. Page 6, Para. 14: Delete in its entirety. While we have no objection to the right of first refusal, there must be more explicit provisions for providing satisfactory collateral, guarantees, etc.
10. Page 6, Para. 15: Delete in its entirety.
11. Page 7, Para. 16: Add: "Lessee can terminate the lease for (1) non-payment of taxes, minimum royalties, and royalties; (2) non-performance of assessment work.
12. Page 7, Para. 17: Add that liability insurance should be for both "personal and property", and the amount should be increased to \$2,000,000.00.
13. Assessment Work on the 18 unpatented claims must be in progress by August 1, 1973 and completed by August 15, 1973, in order for TDC to complete the work by the end of the month if no agreement is reached.

Enclosed is a Xerox copy of your draft on which most of the changes have been marked.

Also enclosed is a copy of an exhibit listing the unpatented maining claims with the date and book, and page number on which the recording was made at the Court House in Bisbee.

Sincerely yours,

Robert B. Hicks
Robert B. Hicks

RBH/dw
Encl:
(Dictated but not read)

(See next page)

Mr. Robert A. Hewlett
Re: Tombstone Development Co.

July 20, 1973
page four

P.S. The above comments are my understanding of the points raised by Frank Gallup, John Niedfelt and Bill Hight in Grand Island, Nebraska, in a telephone conversation.

RBH D.
R. B. Hicks

cc: Messrs.

J. Bruce Stevenson
Stevenson Bishop McCredie, Inc.
122 East 42nd Street
Suite 4907
New York, New York 10017

Dennis Keeley, Esq.
Macdonald, Halsted & Laybourne
1200 Wilshire Boulevard
Los Angeles, California 90017

William B. Hight
P. O. Box 1445
Grand Island, Nebraska 68801

New 100

LEASE AGREEMENT

THIS AGREEMENT, dated this _____ day of _____, 1973, by and between TOMBSTONE DEVELOPMENT COMPANY, an Arizona Corporation, hereinafter referred to as "Lessor" and 1971 MINERALS LIMITED, a New Jersey limited partnership, hereinafter referred to as "Lessee".

RECITALS

Lessor are the owners of a certain group of patented and unpatented lode mining claims, referred to herein as "Leased Claims," all of which are situated in Cochise County, Arizona, Mineral Surveys numbers of which, and the book and page of the recording in the office of the Recorder of Cochise County, Arizona, are more particularly described in Appendix "A" attached hereto.

Lessee desires to obtain from Lessors a mining lease covering the Leased Claims, described in Appendix "A", and Lessors desire to grant to Lessee such mining lease, on the terms hereinafter set forth:

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties herein, and other valuable consideration, Lessor hereby leases to Lessee for the term and purposes hereafter mentioned, all that certain land referred to herein as the "Leased Claims."

1. PURPOSE: This lease is made for the sole purpose of examining, searching and testing for opening and operating mines of, and extracting, producing, treating, selling and shipping any and all minerals contained therein. Lessor also leases to Lessee, ^{the necessary} ~~all~~ rights of way, easements, water-rights, ~~tenements and hereditaments, privileges, appurtenances, rights of way and appropriations of every kind and nature belonging to, or in any way pertaining thereto or acquired by Lessor,~~ in connection with the leased claims, so as to facilitate exploration and development thereof.

2. TERM: The term of this lease shall be for the initial period of ten (10) years from the date hereof, and as long thereafter as valuable mineral is produced from said land in commercial quantities and so long as royalties are paid to Lessors, provided, however, that all of the terms and conditions hereof are fully met and that this lease has not been terminated pursuant to any clause hereof.

3. ROYALTIES: Royalties are to be paid to Lessor on all minerals mined from the leased claims, as a percentage of their market value after being reduced to a marketable concentrate or other saleable mineral, and payable on the 15th day of the month following the date of sale of such minerals produced. Said royalty payments are to be

*TDC to specify to be deposit royalty payments
stipulation to be limited to max of 6 months production*

paid pursuant to the written direction and instruction of the Lessor herein. The average price per ounce of silver figure used in this paragraph is the average price per ounce of silver over the period of each month during the term of this lease. The average monthly price per ounce of silver shall be determined by adding the daily prices per ounce of silver established by Handy and Handy ^{Harmon} and by dividing said sum by the number of days in the particular month. The royalty payable for production from the leased claims hereinabove described, is payable as follows:

(a) Subject to the provisions of this paragraph, Lessor shall be paid a limited royalty payable in varying percentages. The different percentage shall be derived from the monthly average price per ounce of silver paid for ore mined from the Leased Claims, listed as follows:

For any month in which the average monthly price per ounce of silver figure is less than ~~\$3.00~~ ^{2.50} p/oz., the royalty will be equal to 6% of the net smelter returns for mineral produced from the Leased Claims;

For any month in which the average monthly price per ounce of silver figure is ~~\$3.00~~ ^{2.50}/oz. or more, but not more than ~~\$3.50~~ ^{3.00}/oz., the royalty will be 7% of the net smelter returns from mineral produced from the Leased Claims;

For any month in which the average monthly price per ounce of silver figure is ~~\$3.50~~ ^{3.00}/oz. or more, but not more than \$4.00/oz., the royalty will be 8% of the net smelter returns from mineral produced from the Leased Claims;

For any month in which the average monthly price per ounce of silver figure is \$4.00/oz. or more, but not more than \$5.00/oz., the royalty will be 9% of the net smelter returns from mineral produced from the Leased Claims;

For any month in which the average monthly price per ounce of silver figure is more than \$5.00/oz., the royalty will be 10% of the net smelter returns from mineral produced from the Leased Claims;

The net smelter return shall mean all funds paid to Lessee for ores or concentrates mined from the Leased Claims, after deducting all charges for transportation of such ores or concentrates, from the mill to the smelter, or other similar final reduction facility. The aforesaid limited royalty shall hereinafter be referred to as "Royalty out of production."

(b) Notwithstanding said Paragraph (a), there shall be a minimum royalty payable to Lessor equal to a sum of money of \$2,500.00 ^{per month} until the sale of ore or concentrates by the Lessee from the Leased Claims actually commences.

(c) Notwithstanding said Paragraph (a) ^{no later than 6 months after the lease is assigned}, there shall be a minimum royalty payable to Lessor equal to a sum of money which is the greater of (1) the minimum monthly royalty of \$5,000, or (2) the royalty out of production for such month, after the sale

of ore or concentrates by the Lessee from the leased claims actually commences.

(d) Notwithstanding said Paragraphs (a), (b), or (c), there shall be an advance minimum royalty payable to Lessor equal to a sum of money of \$10,000. payable by Lessee, upon the execution of this agreement.

(e) The amount by which the minimum monthly royalty, or the advance minimum royalty, paid for any calendar month exceeds the royalty out of production for such month, may be recovered by Lessee out of, and credited against, the royalty out of production due for any month or months thereafter during the term of this agreement.

4. OPERATION OF MINE: Lessee agrees to work said land in the manner necessary to good and economic mining, so as to bring about maximum and economic recovery from the property, with due regard to development and preservation of said premises as a workable mine. Lessee agrees to perform continuously and diligently in good faith, in an active and substantial way, development in mining work upon the said leased claims directed toward the discovery and production of minerals or ore therefrom. The equipment and machinery brought onto the leased claims by Lessee is and shall remain the personal property of Lessee, and title thereto shall not vest in Lessor by operation of law. The obligations of Lessee set forth in this paragraph shall be suspended only while Lessee's compliance is provided by the elements, accidents, strikes, lockouts, riots, delays in transportation, inability to secure materials in the open market, or interference by governmental action, or by any other causes beyond the reasonable control of Lessee, whether similar or dissimilar to the causes specifically mentioned.

5. REPORTING: Lessee agrees that it will provide Lessor with a report on or before the 15th day of each month, pertaining to the previous month, to the Lessor, in writing, indicating the following:

- (a) The number of tons of ore mined.
- (b) A summary of all assays taken on said ore mined.
- (c) The number of tons processed for which royalty is payable pursuant to this lease through mills or reduction plants used to process said ores.
- (d) The value of all minerals sold or otherwise disposed of from ores subject to royalty payments pursuant to this lease.

The above referenced statement and reports are to be accompanied by a draft payable to each of the said Lessors in the proper prorata amount of the royalty due Lessors as aforesaid. If no royalty out of production is due for any monthly period hereof, then a report containing all of the pertinent details above required, shall be submitted to Lessor with a statement to the effect that there is no royalty out of production due for the preceding month.

6. ADDITIONAL REPORTS AND ACCESS: Lessee shall keep a full set of accounts and records, and shall allow Lessor, or their agents and employees to examine them from time to time. Lessee will allow Lessor to enter upon said premises, and into any workings, mills, or reduction works thereon, or wherever said ore may be worked or reduced, for the purpose of inspection to ascertain whether the terms and conditions of this lease are being promptly carried out and to take samples and to make tests and measurements, and to affix notices. Lessee shall, upon being requested to do so, make available to Lessor, their agents and employees, copies of assay reports, drill-hole logs, and any and all other data assembled as an aid in determining the location, quantity, and quality of any and all deposits on said land. All inspections shall be made at reasonable hours and at reasonable intervals, and shall be at the sole cost of, and risk of Lessor.

7. TAXES: Lessor shall pay all ad valorem and similar property taxes lawfully levied or assessed during the term of this agreement against the property, or any improvements thereto, but upon the receipt of a statement therefor from Lessor, Lessee shall reimburse Lessor for any such taxes paid by Lessor. *In addition to the taxes, Lessee shall pay all other taxes* Lessee shall have the right to pay any such taxes. Lessee shall not be liable for the payment of any tax assessment imposed by any city, county, state, federal or other law or ordinance, on the income of Lessor hereunder, or the interest reserved by Lessor thereunder or upon a transfer or passing by death or gift, of any interest of Lessor, or for any similar tax. Lessee further agrees to do all other things necessary and required by federal, state and local laws and regulations to protect and defend and maintain Lessor's title to the leased claims, so that title will be as good as at the time of the execution of this agreement.

8. WARRANTY: Lessor represent and warrant that they are the owners of the leased claims, free of all claims, liens and encumbrances, and that Lessor have the exclusive possession of the leased claims.

9. BANKRUPTCY: In case Lessee shall be adjudged a bankrupt, by either voluntary or involuntary proceedings, Lessor may, at their option, terminate this lease by written notice. After termination by notice, Lessor may

re-enter the leased claims and take exclusive possession. Upon exercise of the option to terminate, the estate and rights in the herein leased claims of Lessee, and any person claiming through the Lessee, by act of the parties or operation of law, shall immediately terminate.

10. IMPROVEMENTS: Lessee may construct, reconstruct, demolish, remove, maintain, and use such roads, ditches, buildings, fixtures, machinery, and mine dumps on, through and upon said leased claims, as may be necessary ~~and convenient~~ in carrying on mining operations during the term of this lease.

At the termination hereof, Lessee may remove all machinery, ^{personal property} tools, appliances, and buildings, ~~and all personal property~~ placed and constructed upon said leased claims by Lessee, provided no default shall at such time exist with respect to any payments or rentals, or in respect to any covenants, agreements, or conditions to be kept and performed by Lessee; provided that all machinery, tools, appliances and buildings, and all personal property remaining on said premises sixty (60) days after the termination (by notice or otherwise) of this lease, shall be held to have become the property of Lessor and shall not be removed therefrom by Lessee. *The Lessor has the right to require Lessee to remove any property it places upon Lessor's property in case of default.*

11. HOLD HARMLESS: Lessee agrees to release and to indemnify and hold harmless Lessor, and any corporation wholly or in part affiliated with, owned or controlled by Lessor, from and against all claims, causes of action, liabilities, costs and expenses for losses, or damage to, all property whatsoever and injuries to, or death of, all persons whomsoever, arising out of, or in any way connected with, the use and occupation of the leased premises or exercise of the rights hereunder.

12. LIENS: Lessee agrees to pay in full all persons who perform labor or services on, furnish materials, joined or affixed to, or provide equipment for, said leased claims, or the construction, reconstruction, repair or replacement of any structure, or improvements on said leased claims, at Lessee's instance or request. Lessor shall not permit or suffer liens of any kind or nature to be enforced against said leased claims for such labor, services, materials, or equipment. Lessor shall have the right to pay any amount required to release any such lien, or liens, or to defend any action brought thereon, and to pay any judgment entered therein, and Lessee shall

be liable to Lessor for all costs, damages and reasonable attorney's fees, and any amounts expended in defending any proceedings or payment of any of said liens or any judgment obtained therefor.

13. ASSIGNMENT: This lease shall inure to the benefit of and be binding upon the respective heirs, administrators, executors, successors and assigns of the parties hereto. Upon such assignment all references herein to "Lessee" or "Lessor" shall be deemed to refer to such succeeding heirs, administrators, executors, successors and assigns of such alienating party.

14. FIRST RIGHT OF REFUSAL: It is agreed to by and between the parties hereto that Lessee shall be given the first right of refusal to buy the interest of Lessor, should Lessor entertain offers to sell their interest herein, or the leased claims. For the purposes of this paragraph, Lessee has the first right of refusal to buy the leased claims at the same price as set forth in any bona fide offer in writing, acceptable to Lessor, given by any individual or company.

15. ARBITRATION: All disputes, claims, or controversies, as to whether an event of default, arising out of this lease has occurred, which Lessor and Lessee cannot determine amicably within thirty (30) days after written and detailed notice of existence of the same which shall have been given by the complainant, to the other party, shall be arbitrated in ~~Tucson, Arizona~~, or other location mutually agreeable to the parties hereto, by a board of three (3) arbitrators selected and proceeding pursuant to Commercial Arbitration Rules of the American Arbitration Association. The parties shall meet with three (3) arbitrators designated by the American Arbitration Association, within two (2) weeks after the initiating party shall receive notice of the designation of the arbitrators. The party receiving such notice shall promptly notify the other, by written notice, of any such appointment and of the tentative date selected for the initial meeting with the arbitrators. The costs of such arbitration shall be borne equally by the parties, or by the award of the arbitrators. If the arbitrators have determined that an event of default has occurred, the lease shall be terminated upon the expiration of the curative period, or extension thereof, set by the arbitrators. The arbitrators' determination shall provide a period of time which the arbitrators consider to be reasonable under the circumstances to cure any default alleged as the basis for the arbitration, or a default caused by pendency of

the arbitration, provided, however, that said period of time for cure shall be at least thirty (30) days from the date of the arbitrators' decision. Lessee may petition the arbitrators for an extension of the curative period prior to the expiration of said period, and with good cause shown, an extension of the curative period shall be freely granted. The decision of the arbitrators shall be final and judgment may be entered thereon by any court having any jurisdiction thereof.

16. TERMINATION: Lessee shall have the right in its sole and exclusive discretion, to terminate this lease upon giving thirty (30) days written notice of termination to Lessor. Upon giving such notice of termination, Lessee shall be liable only for the payment of the minimum royalty or royalty out of production due for the thirty day period next following the date the notice of termination was given.

17. INSURANCE: Lessee agrees to maintain and keep in force at all times a policy of liability insurance protecting Lessor from liability that may be incurred on said leased claims in the amount of \$1,000,000. Lessee further agrees to maintain and keep in force at all times, workmen's compensation insurance.

18. NOTICES: Any and all notices required hereunder, or permitted to be given by either party to the other, shall be considered to have been delivered at the expiration of seventy-two (72) hours following deposit in the United States Mail, with registered or certified postage prepaid thereon, and addressed:

(a) If to Lessor: To: Tombstone Development

(b) If to Lessee: To: 1971 Minerals Limited
4741 East Sunrise Drive
Tucson, Arizona 85718.

copy to: Robert A. Hewlett
c/o Gentry, McNulty & Borowiec
Box 87
Bisbee, Arizona 85603

Either of the parties may change the location to which required notices to it shall be addressed, upon ten (10) days' written notice to the other party.

19. ASSESSMENT WORK: Lessee agrees to perform all necessary assessment work required by federal and state laws for the continuing validity of all mining claims subject

to this lease. Lessee further agrees to do all other things necessary and required by federal, state, and local laws and regulations to protect, defend and maintain, lessor's title to the above referenced claims, so that title will be as good as at the time of the execution of this agreement.

20. MISCELLANEOUS: This agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof, and supercedes all prior agreements of the parties hereto with respect to the subject matter hereof, and may not be waived, amended or modified in any manner except in writing and signed by the party to be charged. Representations, warranties and agreements of the parties hereto, herein contained, regardless of any disclosure made to, or any investigation made by or on behalf of any party not making such representations, warranties and agreements, shall survive the execution and delivery of this agreement. This agreement, and such representations, warranties and agreements, shall be binding upon, inure to the benefit of, and be enforceable, by and against the heirs, successors, or assigns of each of the parties hereto. This Agreement may be recorded or registered with the Clerk, Recorder or similar officer of the county or counties of which these claims are located, or in any appropriate office of the United States Government, or anywhere else Lessee deems appropriate in order to protect its interests hereunder. This agreement may be executed in any number of counterparts, which together will constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first above written.

Lessor:

TOMBSTONE DEVELOPMENT CORPORATION

By _____

Lessee:

1971 MINERALS LIMITED

By _____
Richard F. Hewlett,
General Partner

LEASE AGREEMENT

THIS AGREEMENT, dated this 31st day of August, 1973, by and between TOMBSTONE DEVELOPMENT COMPANY, an Arizona Corporation, hereinafter referred to as "Lessor", and 1971 MINERALS LIMITED, a New Jersey Limited Partnership, hereinafter referred to as "Lessee".

RECITALS

Lessors are the owners of a certain group of patented and unpatented lode mining claims, referred to herein as "Leased Claims", all of which are situated in Cochise County, Arizona, Mineral Survey numbers of which, and the book and page of the recording in the office of the Recorder of Cochise County, Arizona, are more particularly described in Appendix "A" attached hereto.

Lessee desires to obtain from Lessor a mining lease covering the Leased Claims, described in Appendix "A", and Lessor desires to grant to Lessee such mining lease, on the terms hereinafter set forth:

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties herein, and other valuable consideration, Lessor hereby leases to Lessee for the term and purposes hereinafter mentioned, all that certain land referred to herein as the "Leased Claims".

1. PURPOSE: This lease is made for the sole purpose of examining, searching and testing for opening and operating mines, of, and extracting, producing, treating, selling and shipping any and all minerals contained therein. Lessor also leases to Lessee, the necessary rights of way, easements and water rights, in connection with the leased claims, so as to facilitate exploration and development thereof. The parties hereto agree that certain surface ^{all} rights shall be retained by Lessor, but that the retention of those surface ^{water} rights shall not unreasonably interfere with the exploration or mining and associated activities conducted by Lessee.

2. TERM: The term of this lease shall be for the initial period of ten (10) years from the date hereof, and as long thereafter as valuable

*Associated
lease initiated
- both sides of [unclear]
[unclear]*

mineral is produced from said land in commercial quantities and so long as royalties are paid to Lessors, provided, however, that all of the terms and conditions hereof are fully met and that this lease has not been terminated pursuant to any clause hereof.

3. ROYALTIES: Royalties are to be paid to Lessor on all minerals mined from the leased claims, as a percentage of their market value after being reduced to a marketable concentrate or other saleable mineral, and payable on the 15th day of the month following the date of sale of such minerals produced. Said royalty payments are to be made pursuant to the written direction and instruction of the Lessor herein, and Lessor hereby specifies that the royalty payments provided for hereunder shall be sent by U. S. mail to Tombstone Development Company, c/o Mr. William Hight, 1824 North Broadwell, Grand Island, Nebraska, 68801, on or before the due date provided for herein. Lessee agrees that it shall not unreasonably stockpile ore for any excessive period of time after active and substantial production from the leased claims has commenced, and in no event, shall Lessee stockpile ore for more than six months after ~~substantial~~ production has commenced. ^{RFH / RFH} [For the purposes of this paragraph, the period of substantial production shall commence, shall be the month in which the royalty out of production exceeds the minimum royalty, both provided for hereunder.] ^{RFH / RFH}

The royalty payable out of production for ores or concentrates sold from the leased claims are payable in varying percentages with the different percentages relating to different average gross value per ton of ore or concentrate produced and sold from the leased claims during each month. The average gross value of ore produced and sold from the leased claims over the period of each month shall be determined by dividing the net ^{RFH / RFH as defined in 3(A)} smelter returns received for such ore produced by the number of tons mined and shipped during the month. The royalties are payable as follows:

(a) Subject to the provisions of this paragraph, Lessor shall be paid a limited royalty out of production, payable in varying percentages. Each different percentage shall be derived from the average gross value per

ton of ore, or concentrate mined and shipped from the leased claims, listed as follows:

For any month in which the average gross value per ton of ore figure is less than \$20.00 per ton, the royalty will be seven (7%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$20.00 per ton or more, but less than \$25.00 per ton, the royalty will be eight (8%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$25.00 per ton or more, but less than \$40.00 per ton, the royalty will be nine (9%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$40.00 per ton or more, but less than \$80.00 per ton, the royalty will be ten (10%) percent of the net smelter returns from mineral produced from the leased claims

For any month in which the average gross value per ton of ore figure is \$80.00 per ton or more, but less than \$100.00 per ton, the royalty will be twelve (12%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$100.00 per ton or more, but less than \$150.00 per ton, the royalty will be fifteen (15%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is more than \$150.00 per ton, the royalty will be twenty (20%) percent of the net smelter returns from mineral produced from the leased claims.

REF

Definition of Net Smelter Income: The term net smelter return is understood by the parties to mean the amount received from the smelter after deducting actual freight for ore concentrate haulage from the mill to the smelter. For ores, minerals or metals not sent to the smelter, the leesee may deduct the actual cost of direct labor and materials for processing, but such cost deducted will not exceed 10% of the average gross value per ton of ore for that month. For example: If the average gross value of ore mined during a one month period is \$50.00 per ton, the maximum deduction for direct processing cost will be 10% or \$5.00 per ton. The royalty would be paid on \$45.00 per ton.

NOBHA

The royalty percentage shall apply to all mineral and will be based on all monies received or the market value of all ore, metals, minerals, geothermal steam, waters or other materials removed from the property.

NOBHA / REF

(b) Notwithstanding the above sub-paragraph, there shall be a minimum monthly royalty payable to Lessors as follows:

(i) For the month of September, 1973, and for each of the five (5) succeeding calendar months, to-wit: October, November, December, all of 1973, and January and February, both of 1974, the sum of money equal to the greater of: (1) a minimum monthly royalty of \$2,500. or (2) the royalty out of production for each such month;

(ii) For the month of March, 1974, and for each succeeding month during the term of this agreement, a sum of money equal to the greater of: (1) a minimum monthly royalty of \$5,000.00 or (2) the royalty out of production for each such month.

(c) Notwithstanding said sub-paragraphs (a) and (b), there shall be an advance minimum royalty payable to Lessor equal to a sum of money of \$10,000.00, payable by Lessee, upon the execution of this agreement.

(d) The amount by which the minimum monthly royalty, or the advance minimum royalty, provided for in sub-paragraphs (b) and (c) herein, paid for any calendar month during the term of this lease, exceeds the royalty out of production for such month, may be recovered by Lessee out of, and credited against, the royalty out of production due for any succeeding month or months thereafter, during the term of this agreement.

4. OPERATION OF MINE: Lessee agrees to work said land in the manner necessary to good and economic mining, so as to bring about maximum and economic recovery from the property, with due regard to development

and preservation of said premises as a workable mine. Lessee agrees to perform continuously and diligently in good faith, in an active and substantial way, development in mining work upon the said leased claims directed toward the discovery and production of minerals or ore therefrom. The equipment and machinery brought onto the leased claims by Lessee is and shall remain the personal property of Lessee, and title thereto shall not vest in Lessor by operation of law. The obligations of Lessee set forth in this paragraph shall be suspended only while Lessee's compliance is ~~prevented~~ ^{prevented} ~~by~~ ^{by} the elements, accidents, strikes, lockouts, riots, delays in transportation, inability to secure materials in the open market, or interference by governmental action, or by any other causes beyond the reasonable control of Lessee, whether similar or dissimilar to the causes specifically mentioned. Lessee agrees to furnish at its own cost, any and all environmental impact studies required by any governmental authority as a result of its undertaking the exploration, development and mining operation contemplated by this agreement. Lessee agrees to honor any and all contractual obligations undertaken by Lessor relating to the ^{sale of water or} surface use of the herein leased claims, so long as those said obligations do not interfere with the exploration, developmental, mining, or similar activity on the leased claims by Lessee. Lessee hereby recognizes that Lessor intends to develop ^{up to 10 acres of} the surface of certain claims situated in the immediate vicinity of the townsite of Tombstone. Those said claims consist of the Content, Cocopah, North Point, Contentment, Empire, Tranquil, Silver Belt, Silver Thread, Contention, New Year, Cincinnati, Cornell, Head Center, Yellow Jacket and Flora Morrisson Claims. Lessor agrees that the said development of the surface on the hereinabove mentioned claims shall not interfere with activities of Lessee contemplated by this lease. Notwithstanding any development of the surface of the above mentioned leased claims, Lessor further agrees that Lessee shall have access on or across ~~the above mentioned claims~~ so as not to interfere with the exploration, developmental, mining, or associated activities of Lessee contemplated by this lease; on those above named claims, ~~or any others which are subject to this lease.~~ If the Lessee, in its sole discretion, determines

REFH

However after a period of 12 months (1 yr.) for exploration and development of any mining plans, the lessee shall permit the lessor to develop on contiguous or adjacent to the city of Tombstone of as much as 100 acres on the surface of the above listed claims. However lessee will continue to have all rights for mineral exploration, development and mining 40 feet or more below the surface. REFH

5. REPORTING: Lessee agrees that it will provide Lessor with a report on or before the 15th day of each month, pertaining to the previous month, to the Lessor, in writing, indicating the following:

- (a) The number of tons of ore mined.
- (b) A summary of all assays taken on said ore mined.
- (c) The number of tons processed for which royalty is payable pursuant to this lease through mills or reduction plants used to process said ores.
- (d) The value of all minerals sold or otherwise disposed of from ores subject to royalty payments pursuant to this lease.

The above referenced statement and reports are to be accompanied by a draft payable to each of the said Lessors in the proper prorata amount of the royalty due Lessors as aforesaid. If no royalty out of production is due for any monthly period hereof, then a report containing all of the pertinent details above required, shall be submitted to Lessor with a statement to the effect that there is no royalty out of production due for the preceding month.

6. ADDITIONAL REPORTS AND ACCESS: Lessee shall keep a full set of accounts and records, and shall allow Lessor, or its agents and employees to examine them from time to time. Lessee will allow Lessor to enter upon said premises, and into any workings, mills, or reduction works thereon, or wherever said ore may be worked or reduced, for the purpose of inspection to ascertain whether the terms and conditions of this lease are being promptly carried out and to take samples and to make tests and measurements, and to affix notices. Lessee shall, upon being requested to do so, make available to Lessor, its agents and employees, copies of assay reports, drillhole logs, and any and all other data assembled as an aid in determining the location, quantity, and quality of any and all deposits on said

land. All inspections shall be made at reasonable hours and at reasonable intervals, and shall be at the sole cost of, and risk of Lessor.

7. TAXES: Lessor shall pay all ad valorem and similar property taxes lawfully levied or assessed during the term of this agreement against the property, or any improvements thereto, but upon the receipt of a statement therefor from Lessor, Lessee shall reimburse Lessor for any such taxes paid by Lessor. In addition to the foregoing, Lessee shall pay all other taxes imposed by reason of Lessee's operation and improvements upon the property. Lessee shall pay any such taxes on a ~~pro-rata~~ ^{installment} basis upon receiving notice from Lessor that such ~~pro-rata~~ ^{installment} payment of the said taxes is due. Lessee agrees to pay any such taxes before they become delinquent. Lessee shall not be liable for the payment of any tax assessment imposed by any city, county, state, federal or other law or ordinance, on the income of Lessor hereunder, or the interest reserved by Lessor thereunder or upon a transfer or passing by death or gift, of any interest of Lessor or for any similar tax. Lessee further agrees to do all other things necessary and required by federal, state and local laws and regulations to protect and defend and maintain Lessor's title to the leased claims, so that title will be as good as at the time of the execution of this agreement.

8. WARRANTY: Lessor represents and warrants that it is the owner of the leased claims, free of all claims, liens and encumbrances, and that Lessor has the exclusive possession of the leased claims, except for approximately two acres leased to the United States Department of Agriculture for surface and except to the extent that the United States Government holds title to unpatented claims.

9. BANKRUPTCY: In case Lessee shall be adjudged a bankrupt by either voluntary or involuntary proceedings, Lessor may, at its option, terminate this lease by written notice. After termination by notice, Lessor may re-enter the leased claims and take exclusive possession. Upon exercise of the option to terminate, the estate and rights in the herein leased claims of Lessee, and any person claiming through the Lessee,

by act of the parties or operation of law, shall immediately terminate.

10. IMPROVEMENTS: Lessee may construct, reconstruct, demolish, remove, maintain, and use such roads, ditches, buildings, fixtures, machinery, and mine dumps on, through and upon said leased claims, as may be necessary in carrying on mining operations during the term of this lease. At the termination hereof, Lessee may remove all personal property, machinery, tools, appliances, and buildings constructed upon said leased claims by Lessee, *RFH* ~~except shaft timbering & lining, underground supports & rails, electric water, steam, and air lines~~ provided no default shall at such time exist with respect to any payments or rentals, or in respect to any covenants, agreements, or conditions to be kept and performed by Lessee; provided that all machinery, tools, appliances and buildings, and all personal property remaining on said premises sixty (60) days after the termination (by notice or otherwise) of this lease, shall be held to have become the property of Lessor and shall not be removed therefrom by Lessee. Lessee agrees to perform all environmental restoration activities on the claims required by any governmental authority at its sole cost and expense.

11. HOLD HARMLESS: Lessee agrees to release and to indemnify and hold harmless Lessor, and any corporation wholly or in part affiliated with, owned or controlled by Lessor, from and against all claims, causes of action, liabilities, costs and expenses for losses, or damage to, all property whatsoever and injuries to, or death of, all persons whomsoever, arising out of, or in any way connected with, the use and occupation of the leased premises or exercise of the rights hereunder. Lessee agrees to comply with all such regulations promulgated by the responsible governmental agencies in carrying out the activities contemplated by this lease, and to fence all open shafts which are in existence upon the claims.

12. LIENS: Lessee agrees to pay in full, all persons who perform labor or services on, furnish materials, joined or affixed to, or provide equipment for, said leased claims, at Lessee's instance or request. Lessor shall not permit or suffer liens of any kind or nature to be enforced against said leased claims for such labor, services, materials, or equipment. Lessor

shall have the right to pay any amount required to release any such lien, or liens, or to defend any action brought thereon, and to pay any judgment entered therein, and lessee shall be liable to Lessor for all costs, damages and reasonable attorney's fees, and any amounts expended in defending any proceedings or payment of any of said liens or any judgment

RFH *RFH* Lessee should also provide a bond in the amount of 50,000.00 on payment of labor material on the property with the cost of the bond to be shared equally by

13. ASSIGNMENT: This lease shall inure to the benefit of and be binding upon the respective heirs, administrators, executors, successors and assigns of the parties hereto, Upon such assignment all references herein to "Lessee" or "Lessor" shall be deemed to refer to such succeeding heirs, administrators, executors, successors and assigns of such alienating party.

14. TERMINATION: Lessee shall have the right in its sole and exclusive discretion, to terminate this lease upon giving thirty (30) days written notice of termination to Lessor. Upon giving such notice of termination, Lessee shall be liable only for the payment of the minimum royalty or royalty out of production due for the thirty day period next following the date the notice of termination was given. Should Lessee be in default in regard to any of the provisions of Paragraphs (3), (7) or (17) of this lease, Lessor shall give formal, written and detailed notice of the existence of same to Lessee. If Lessee has not cured the said default within thirty (30) days after the receipt of said formal, written and detailed notice of default, Lessor can terminate the herein lease.

15. INSURANCE: Lessee agrees to maintain and keep in force at all times, a policy of liability insurance protecting Lessee and Lessor from personal and property liability that may be incurred on said leased claims in the amount of \$2,000,000.00. Lessee further agrees to maintain and keep in force at all times, workmens compensation insurance,

RFH *RFH* certificates of both types of the insurance policies to be provided by Lessee

16. NOTICES: Any and all notices required hereunder, or permitted to be given by either party to the other, shall be considered to have been delivered at the expiration of seventy-two (72) hours following deposit in

the United States Mail, with registered or certified postage prepaid thereon, and addressed:

(a) If to Lessor: To: Tombstone Development Company
c/o William Hight
1824 North Broadwell
Grand Island, Nebraska 68801

With copy to: Robert B. Hicks
501 Fremont Lane
South Pasadena, Calif. 91030

(b) If to Lessee: To: 1971 Minerals Limited
4741 East Sunrise Drive
Tucson, Ariz. 85718

With copy to: Robert A. Hewlett, Esq.
Gentry, McNulty & Borowiec
P. O. Box 87
Bisbee, Ariz. 85603

Either of the parties may change the location to which required notices to it shall be addressed, upon ten (10) days' written notice to the other party.

17. ASSESSMENT WORK: Lessee agrees to perform all necessary assessment work required by federal and state laws for the continuing validity of all mining claims subject to this lease. Lessee further agrees to do all other things necessary and required by federal, state, and local laws and regulations to protect, defend and maintain, Lessor's title to the above referenced claims, so that title will be as good as at the time of the execution of this agreement.

18. FIRST RIGHT OF REFUSAL: It is agreed to by and between the parties hereto that Lessee shall be given the first right of refusal to buy the interest of Lessor, should Lessor entertain offers to sell its interest herein, or the leased claims. For the purpose of this paragraph, Lessee has the first right of refusal to buy the leased claims at the same price as set forth in any bona fide offer in writing, acceptable to Lessor, given by any individual or company. Lessor shall, at its own exclusive discretion, determine what collateral, guarantees, or other evidences of Lessee's ability to purchase the said interest of Lessor herein, for the leased claims, are to be provided by Lessee.

19. MISCELLANEOUS: This agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements of the parties hereto with respect to the subject matter hereof, and may not be waived, amended or modified in any manner except in writing and signed by the party to be charged. Representations, warranties and agreements of the parties hereto, herein contained, regardless of any disclosure made to, or any investigation made by or on behalf of any party not making such representations, warranties and agreements, shall survive the execution and delivery of this agreement. This agreement, and such representations, warranties and agreements, shall be binding upon, inure to the benefit of, and be enforceable, by and against the heirs, successors, or assigns of each of the parties hereto. This Agreement may be recorded or registered with the Clerk, Recorder or similar officer of the county or counties of which these claims are located, or in any appropriate office of the United States Government, or anywhere else Lessee deems appropriate in order to protect its interests hereunder. This agreement may be executed in any number of counterparts, which together will constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first above written.

Lessor:

TOMBSTONE DEVELOPMENT COMPANY

By *W. B. Spigitt*
Pres.

Lessee:

1971 MINERALS LIMITED

By *Richard F. Hewlett*
Richard F. Hewlett,
General Partner

1464

MEMORANDUM OF AGREEMENT

Under the terms of that certain Agreement dated March 7, 1974, STEWART MINES LIMITED PARTNERSHIP, a limited partnership, therein and hereinafter referred to as "Stewart," has granted to AMERICAN SMELTING AND REFINING COMPANY, a New Jersey corporation authorized to do business in the State of Arizona, therein and hereinafter referred to as "Asarco," the sole and exclusive possession and control of certain unpatented lode mining claims situate in the Tombstone Mining District, Cochise County, Arizona, and certain State of Arizona prospecting permits, mineral lease and an undivided 23/24 interest in certain patented lode claims, with the right to examine, explore, sample, test, develop, work, mine, operate and use the property and remove therefrom the ores and minerals therein and belonging thereto, and to treat, mill, smelt, refine, ship, sell or otherwise dispose of the same and receive the full proceeds therefrom, and to erect, construct, maintain, use and operate thereon and therein buildings, structures, machinery and equipment. All of said permits, claims and lease are more particularly described in Exhibit A annexed hereto.

The term of the Agreement is for 99 years from March 7, 1974.

All of said rights are subject to the right of Asarco to terminate the Agreement at any time and to relinquish and surrender the property to Stewart upon notice to Stewart given in the manner set forth in said Agreement.

A copy of the Agreement is in the possession of Stewart Mines Limited Partnership, 3033 North Central Avenue, Suite 707, Phoenix, Arizona 85012, and one is in the hands of

(Original in file)

American Smelting and Refining Company, Exploration Department,
P. O. Box 5747, Tucson, Arizona 85703.

IN WITNESS WHEREOF, this MEMORANDUM OF AGREEMENT has
been executed this _____ day of _____, 1974.

STEWART MINES LIMITED PARTNERSHIP

By James Stewart Company, General Partner

Approved as to form
LEGAL DEPARTMENT.

BY MBH.....

By M. S. Horne
M. S. Horne, President

AMERICAN SMELTING AND REFINING COMPANY

By J. J. Collins
J. J. Collins, Director of Exploration

STATE OF ARIZONA)
County of Maricopa) ss.

The foregoing instrument was acknowledged before me
this 30 day of May, 1974, by M. S. HORNE,
President of James Stewart Company, General Partner of Stewart
Mines Limited Partnership, on behalf of the partnership.

My Commission expires:

June 21, 1975

Pamela Rae Blagrove
Notary Public
formerly: Pamela Rae Little

STATE OF NEW YORK)
County of New York) ss.

The foregoing instrument was acknowledged before me
this 6th day of May, 1974, by J. J. COLLINS
as Director of Exploration of American Smelting and Refining
Company, a New Jersey corporation.

My Commission expires:

ANNA T. McDONOUGH
Notary Public, State of New York
No. 24 2613265
Qualified in Kings Co.
Cert. Filed in New York Co.
Commission Expires March 30, 1975

Anne T. McDonough
Notary Public

STATE PROSPECTING PERMITS T20S, R21-22E

<u>Permit #</u>	<u>Location</u>	<u>Acreage</u>
22185	Sec. 30, T20S, R22E Lot 1; SE 1/4; NE 1/4 NW 1/4	240.41
22176	Sec. 36, T20S, R21E, Lots 5 to 8; Lots 10-15; N2SE 1/4; NE2SW 1/4; (less mineral lease 786)	309.27
26941 applied for	Sec. 19, T20S, R22E, Lots 1-4; E2W2; E2	642.72

UNPATENTED FEDERAL LODE CLAIMS - OPTION, CHARLESTON MINES
(Located in Sections 25 and 36, T20S, R21E)

<u>Claim Name</u>	<u>Book</u>	<u>Page</u>	<u>Claim Name</u>	<u>Book</u>	<u>Page</u>
Brother George	67	236	Mother Lode	67	310
Mary Jo	67	237	L.P.W. No. 2	67	311
Pass Over	67	238	Connecting Link	67	559
Chief Justice	67	286	Mary & George	67	560
Father Lode	67	287	Sweet-Heart	67	561
Rare Metals	67	288	Woolery	67	562

UNPATENTED FEDERAL LODE CLAIMS - JAMES STEWART COMPANY
(Located in Sections 24, 25, 36, T20S, R21E, and Sections 30, 31, T20S, R22E)

<u>Claim Name</u>	<u>Docket</u>	<u>Page</u>	<u>Claim Name</u>	<u>Docket</u>	<u>Page</u>
Stewart #1	491	97	Horne #17	493	538
Stewart #2	491	98	Horne #18	496	344
Stewart #3	492	432	Horne #19	493	539
Stewart #4	493	91	Horne #20	493	540
Stewart #5	493	92	Horne #21	493	541
Stewart #6	493	93	Horne #22	493	542
Stewart #7	493	94	Horne #23	493	543
Stewart #8	670	55	Horne #24	493	544
Stewart #9	670	56	Horne #25	493	545
Horne #1	493	261	Horne #26	493	546
Horne #2	493	262	Horne #27	493	547
Horne #3	493	263	Horne #28	493	548
Horne #4	493	264	Horne #29	493	549
Horne #5	493	267	Horne #30	493	550
Horne #6	493	266	Horne #31	493	551
Horne #7	493	265	Horne #32	493	552
Horne #8	493	537	Horne #33	493	562
Horne #9	509	318	Horne #34	493	563
Horne #10	509	319	Horne #35	493	564
Horne #11	509	320	Horne #36	493	565
Horne #12	496	339	Horne #37	493	566
Horne #13	496	340	Horne #38	493	567
Horne #14	496	341	Horne #39	493	568
Horne #15	496	342	Horne #50	493	569
Horne #16	496	343	Horne #51	493	570

Exhibit A

<u>Claim Name</u>	<u>Docket</u>	<u>Page</u>	<u>Claim Name</u>	<u>Docket</u>	<u>Page</u>
Horne #61	606	464	Apache #12	591	446
Horne #52	606	465	Apache #13	591	447
Horne #63	606	466	Apache #14	591	448
Horne #64	606	467	Apache #15	591	449
Horne #65	606	468	Apache #16	591	450
Horne #66	606	469	Apache #17	591	451
Horne #67	606	470	Apache #18	592	249
Horne #68	606	471	Apache #19	592	250
Horne #69	606	472	Apache #20	592	251
Horne #155	670	53	Apache #21	592	252
Horne #156	509	342	Apache #22	592	253
Horne #157	509	343	Apache #23	592	254
Horne #158	509	344	Apache #24	592	255
Horne #164	606	473	Apache #25	592	256
Horne #165	606	474	Apache #26	592	257
Horne #166	606	475	Apache #27	882	545
Horne #167	606	476	Apache #28	882	546
Horne #168	606	477	Apache #29	882	547
Horne #169	606	478	Apache #30	882	548
Horne #170	606	479	Apache #31	882	549
Horne #171	606	480	Apache #32	882	550
Horne #172	606	481	Apache #33	882	551
Apache #1	591	435	Apache #34	882	552
Apache #2	591	436	Apache #35	882	553
Apache #3	591	437	Apache #36	882	554
Apache #4	591	438	Apache #37	882	555
Apache #5	591	439	Apache #38	882	556
Apache #6	591	440	Apache #39	882	557
Apache #7	591	441	Apache #40	882	558
Apache #8	591	442	Apache #41	882	559
Apache #9	591	443	Apache #42	882	560
Apache #10	591	444	Apache #43	882	561
Apache #11	591	445	Apache #44	882	562

PATENTED CLAIMS

Texas Group - 23/24ths undivided interest -

Kit Carson, Evening Star, North Star, Buffalo, Gold Reeds and Bald Eagle, Mineral Survey No. 3744, in the Tombstone Mining District, as shown in the Patent recorded at Book 30, Deeds of Mines, Pages 397-402.

STATE MINERAL LEASE - OPTION, CHARLESTON MINES

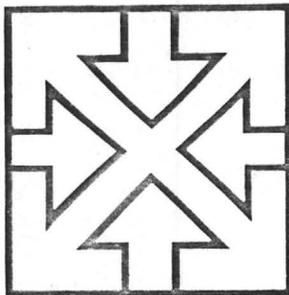
Mineral Lease No. 706 dated 8/19/57, expiring 8/18/77, covering eight (8) mineral claims in Sec. 36, T20S, R21E

Exhibit A

Heulett (11-21-79)

Consultants in:

- base & precious metals • uranium
 - coal • geothermal • environment
 - remote sensing • color aerial photography
 - interpretation-image processing
- Worldwide Mobilization



E-8 File 4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

**Southwestern
Exploration Associates, Inc.**

November 15, 1978

Mr. Dwight Lee
FAMCO
120 Sylvan Avenue
Englewood Cliffs, NJ 07632

Dear Dwight:

After long delay, I am sending you two copies of the proposal we discussed this summer.

I am looking forward to hearing from you regarding this and would be happy to answer any questions you may have.

Best regards,

James A. Briscoe

JAB:cmd
P-E78
1820

RECEIVED NOV 27 1978

HEWLETT MANAGEMENT

R. F. HEWLETT
PHONE (702) 359-1069

November 21, 1978

2602 Monte Verde Way
Sparks, Nevada 89431

Mr. James Briscoe
Suite 14
4500 East Speedway
Tucson,
Arizona (85712)

Dear Jim:

Enclosed please find information concerning precious metal processing.

I believe that you could utilize some of this information/techniques for some of your clients. Certainly, these techniques should be considered in evaluating properties in order to assess the asset.

These techniques apply to a very wide range of "ores" - such as from tailings to open-pit ores. The two key break-throughs are:

- A. IPS for induced percolation
- B. Non-cyanide solvents.

The non-cyanide solvents are something that I have been working with for the last two years. For example:

<u>Solvent</u>	<u>Dissolution Rate (Mg./Hr.)</u>	<u>Mg. Au/Hr. // \$1 Solvent</u>
Cyanide	2.4 Mg./Hr.	$\frac{1.9 \text{ Mg. Au/Hr.}}{\$ 1 \text{ Solvent}}$
Hypochlorite- Halide System	225.6 Mg./Hr.	$\frac{74.2 \text{ Mg. Au/Hr.}}{\$ 1 \text{ Solvent}}$

The above points out that at the present costs of other solvents, cyanide offers nothing-either for cost or dissolution rate. Also, other solvents are not pH controlled as is cyanide (10.5). Obviously it is not practical to maintain a basic pH.

I hope that you can utilize some of my experience on some of your projects-or better yet-generate some new business based on these new approaches to precious metal processing.

I will be anxious to hear from you as I am presently in need of some consulting. The major companies need so much time to consider the application of these techniques and in many cases a smaller company or group can make instant use of what I have developed; look at the prices of the processing plants.

Sincerely yours,

Richard F. Hewlett
Richard F. Hewlett

HEWLETT MANAGEMENT

R. F. HEWLETT
PHONE (702)359-1069

2602 Monte Verde Way
Sparks, Nevada 89431

PRECIOUS METAL DEVELOPMENTS

Recent innovations in Precious Metal Technology that I have developed are:

INDUCED PERCOLATION SUBSTANCES

1. Ore screen sizes from coarse to tailings can be heap leached.
2. Percent recovery is more than doubled.
3. Leaching time is reduced by a factor of 10.
4. Solvents (as cyanide) consumption is reduced up to a factor of 6.
5. Pre-Treatment costs are less than \$0.50 per ton ore.
6. Increased precious metal value per \$1 IPS is up to \$ 60
7. Slimes in the preg pond are virtually nil.
8. Capital Investment is greatly reduced compared to milling.

CARBONACEOUS ORE PRE-TREATMENT

1. Increased gold value due to Pre-Treatment is up to \$ 100 per \$ 1 Pre-Treatment cost.
2. Special Pre-Treatment techniques enable heap leaching instead of milling for even high-grade ores.
3. Multiple-Solvent Complexes have been developed for the numerous types of organic substances & environments.
4. Ion-Exchange Resins minimize the recovery plant capital investment and the carbon-bond polymers minimize the operating costs.

PRECIOUS METAL RECOVERY PLANTS

Preg : 0.60 Au & 1.25 Ag / ton solution

<u>Capacity(GPM)</u>	<u>Plant Cost</u>	<u>Daily Gross-Au</u>	<u>Daily Gross-Ag</u>
50	\$ 3,000	\$ 3,600	\$ 2,063
100	5,000	7,200	4,125
200	10,000	14,400	8,250
400	15,000	28,800	16,500

HEWLETT MANAGEMENT

R. F. HEWLETT
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INDUCED PERCOLATION

The use of an "Induced Percolation Substance" (IPS) to agglomerate clays and fines greatly enhances the porosity by creating a hard and completely porous agglomerated mass.

In general, Induced Percolation should be used for all heap leaching ores; the technique was originally developed for tailings. Various ores thoroughly tested are Goldfield and Packard tailings, Packard dump and open-pit ore and Tonopah silver ore, and Goldfield and Florida Canyon gold ores.

Benefits of IPS are:

1. Percolation increase
2. Percent recovery increase
3. Leaching rate increase
4. Percent slimes in preg pond is minimized.

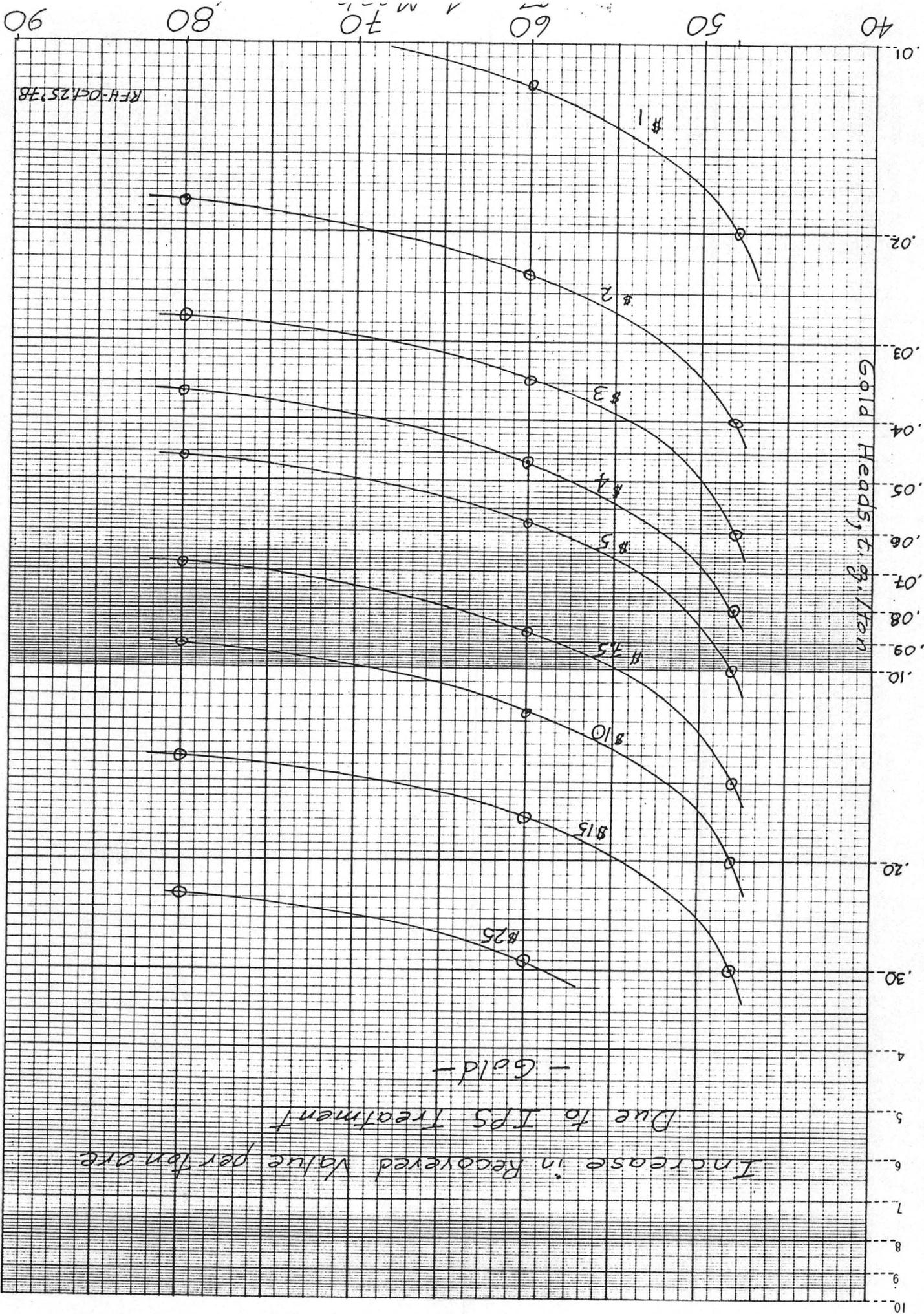
The costs of applying IPS would not exceed \$0.50/ton ore. This would apply to tailings. The increased gross value due to IPS treatment ranges from 60 to 35 dollars per dollar IPS cost.

The absolute change (increase) in percolation and consequently recovery due to the use of an IPS can be summarized by the following:

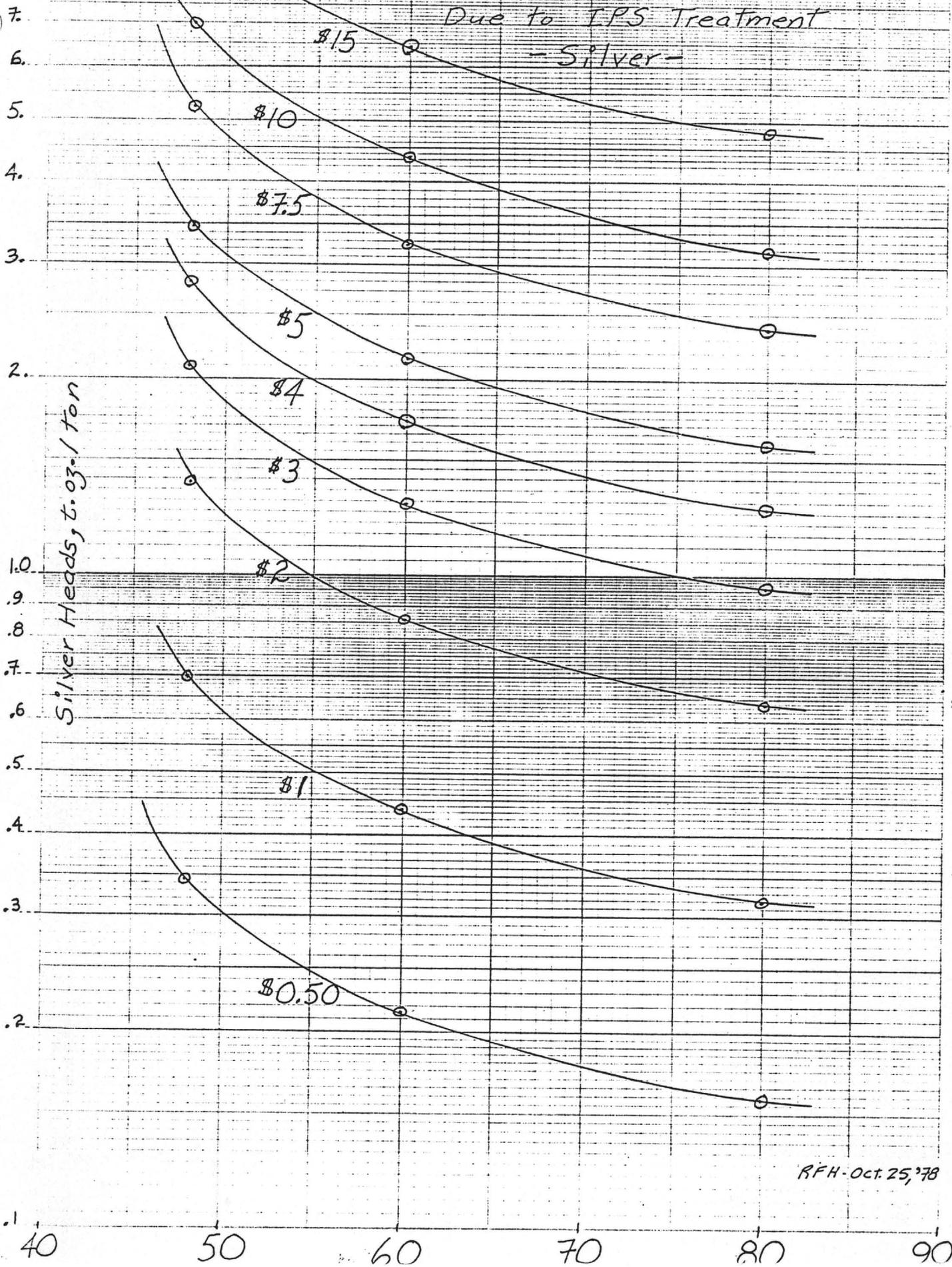
<u>Type of Ore Deposit</u>	<u>Absolute Increase</u>	<u>Percent Minus 4 Mesh</u>		
		<u>48%</u>	<u>60%</u>	<u>80%</u>
Gold & Silver	Percolation	45	61	80
Gold	Recovery	25	43	55
Silver	Recovery	26	42	57

The increase in recovered value per ton of ore due to IPS treatment is presented in the following graphs for gold and silver ores.

Notice a positive correlation between the percent minus 4 mesh and the increase in percolation due to IPS. This rule-of-thumb is very useful for computing the predicted increase in percolation and recovery for various ore types and screen analysis. The methodology for utilization of "Induced Percolation Substances" is presented in the final illustration.



Increase in Recovered Value
per ton ore
Due to IPS Treatment
- Silver -



EMERSON POST COMPANY
 11111260
 SEMI-LOGARITHMIC
 CYCLES

RFH - Oct. 25, '78

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INDUCED PERCOLATION SUBSTANCES

ORE TYPE

Acid Basic

Clay
Tailings

TYPES OF IP SUBSTANCES

Lime Portland Cement
Agricultural Type I
Dehydrated Type II
Hydrated Types III, IV, V
Flocculants
Halides

ORE
CHEMICAL
COMPOSITION

Silica
Alumina
Silicates
Iron Oxides
CaO & MgO

PROPORTIONING ANALYSIS

Plasticity Index
Screen Analysis

CURING

Time
Method

SOLUTION
QUANTIFICATION

Compacted Density
Application Techniques
Solvent(s)

ECONOMIC ANALYSIS

Maximize;
Percolation
Heat of Hydration
Recovery Rate of
Precious Metals

Minimize;
Disintegration
"Set Time"
Cost per Ton

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PRECIOUS METAL "HEAP LEACH" METALLURGICAL TESTING

Following are available "standard" metallurgical tests:

Pre-Treatment

- A. Carbonaceous-Kerogen
 - 1. pH change
 - 2. Noble Metal Solvents
 - 3. Carbon bond-Noble metal exchange
- B. Oxidized Sulfides
- C. Base Metals; Copper, Zinc, Iron, Arsenic, etc.
- D. Tellurides
- E. Refractory Minerals
- F. Complex Sulfides

Solvent Selection

- A. Toxic
- B. Non-Toxic
- C. Acid pH
- D. Basic pH
- E. Dual range pH
- F. Combinations
- G. Oxidants

Leaching Tests (Barrel Tests)

- A. Recovery-percentage
 - 1. Solvent(s)
 - 2. Effect of crushing
- B. Leaching rate
- C. Reagent consumption

Economic Analysis

- A. Noble metal dissolution rate per solvent
- B. Optimum solvent concentrations
- C. Solvent costs
- D. Optimum solvent economics
 - 1. Solvent selections
 - 2. Optimum economic concentrations.

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OUTLINE
of
CONSULTING EXPERIENCE
for
PRECIOUS METAL
HEAP LEACHING ACTIVITIES

GENERAL

.....EVALUATION

.....METALLURGICAL TESTING

.....DESIGN

.....PRE-PRODUCTION

.....PRODUCTION

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HEAP LEACHING ACTIVITIES

GENERAL

1. Legal Agreements
2. Cadestral Survey
 - A. Patented claims
 - B. Lode claims
3. Claim Staking
 - A. Lode
 - B. Mill site
4. Environmental Survey
 - A. Local-State-Federal Regulations
 - B. Obtain Permits
 - C. Design & Install Monitor System
5. Water
 - A. Location Selection-Ownership
 - B. Drilling
 1. Draw-down tests
 2. Reaming & casing
 - C. Pump Installation
 - D. Generator or Electric Power
 - E. Pipe Installation
 - F. State Use Permit
 - G. Water Testing
 1. pH
 2. Anions & Cations
 3. Major Elements (Mass Spec)
 - H. Water Treatment
 1. Filters
 2. Point-settling
 3. Polymers
 4. pH
6. Power
 - A. Source-Availability Decision
 - B. Installation
7. Ancillary
 - A. Office Buildings
 - B. Laboratory
 - C. Shops-Maintanence
 - D. Fencing
 - E. Housing

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HEAP LEACHING ACTIVITIES

EVALUATION

1. Review of Available Data
 - A. Past Production History
 - B. Geology
 - C. Previous Sampling
 - D. Previous Metallurgical Testing
2. Geology
 - A. Mapping
 1. Lithology
 2. Alteration
 3. Structure
 4. Geochemistry
 - B. Ore Occurrence
 1. Host Rocks
 2. Gangue
 - C. Ore Mineralogy
3. Topographic Mapping
 - A. Photographs (aerial)
 - B. 5-foot Contour Map(s)
4. Sampling
 - A. Dumps & Tailings
 1. Grab/channel
 2. Back-hoe trenches
 3. Dozer cuts
 - B. Surface Mineralization
 1. Soil
 2. Outcrop
 - a. Rock chip
 - b. Channel
 - c. Drilling
 1. Rotary
 2. Diamond

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HEAP LEACHING ACTIVITIES

5. Assaying
 - A. Fire
 - B. Atomic Adsorption

6. Preliminary Metallurgical Tests
 - A. pH determinations
 1. "Leaching" water
 2. Ore; host & gangue

 - B. Solvent Analysis
 1. Acid
 2. Basic

 - C. Leaching Efficiency-Recovery
 1. Head Assay-Fire Assay
 2. Noble Metals Leached
 - a. Cyanide
 - b. Aqua Regia
 - c. Other Solvents

 - D. Solvent Economic Analysis
 1. Solvent Recoveries
 2. Estimated Costs
 - a. Reagents
 - b. Solvents
 - c. Buffers

7. Mining Layout & Design
 - A. Dumps
 1. Tonnage for sections of dump
 2. Heads & Recoverable Grades for sections
 3. Estimated Production Costs
 4. Break-Even Economic Cut-Off Grades
 5. Economic Ore Reserves

 - B. Open-Pit Ore
 1. Bench Height
 2. Bench Reference Elevation(s)
 3. Production Rate & Costs
 4. Economic Break-Even Cut-Off Grades
 5. Economic Mineable Ore Reserves

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HEAP LEACHING ACTIVITIES

METALLURGICAL TESTING

1. Preliminary Sampling
 - A. Bulk Samples
 1. Ore (host rock types)
 2. Gangue
 - B. Leaching Water Source
2. Pre-Treatment
 - A. Carbonaceous-Kerogen
 1. pH change
 2. Noble Metal Solvents
 3. Carbon bond-Noble Metal exchange
 - B. Partially Oxidized Sulfides
 - C. Base Metals; Copper, Zinc, Iron, etc.
 - D. Tellurides
 - E. Refractory Minerals
 - F. Complex Sulfides
3. Solvent Selection
 - A. Types
 1. Toxic
 2. Non-Toxic
 3. Acid pH
 4. Basic pH
 5. Dual Range pH
 6. Combinations
 7. Oxidants
 - B. Gold-Silver Solvents
 1. Acid phase
 - a. Sodium thiosulfate ($\text{Na}_2\text{S}_2\text{O}_3 \cdot 5\text{H}_2\text{O}$)
 - b. Ferric chloride (FeCl_3)
 - c. Sodium hypochlorite (NaOCl)
 - d. Sodium chloride-Sulfuric acid systems
 - e. Acids (HCl , HNO_3 , H_2SO_4 , Oxalic, Aqua Regia, etc.)
 - f. Thiourea (NH_2CSNH_2)
 2. Basic phase
 - a. Cyanide
 - b. Sodium thiosulfate
 - c. Chlorine-sodium chloride

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HEAP LEACHING ACTIVITIES

- C. *Economic Analysis*
 - 1. *Noble Metal dissolution rate per solvent*
 - 2. *Optimum solvent concentration*
 - 3. *Solvent costs*
 - 4. *Optimum solvent economics*
 - a. *Solvent selections*
 - b. *Concentrations*

- 4. *Induced Percolation*
 - A. *Open-Pit ore*
 - 1. *Physical-size analysis*
 - 2. *Chemical-fines aggregation*
 - B. *Dumps*
 - 1. *Physical-size analysis*
 - 2. *Chemical-fines aggregation/clay mineral lattice*
 - C. *Tailings*
 - 1. *Physical-size analysis*
 - 2. *Chemical-clay and fine particle agglomeration*

- 5. *Leaching Tests (Barrel Tests)*
 - A. *Recovery-percentage*
 - 1. *Solvent(s)*
 - 2. *Effect of crushing*
 - B. *Leaching rate*
 - C. *Reagent consumption*

- 6. *Process Economics*
 - A. *Noble Metal Recovery(%)*
 - B. *Noble Metals Recovered per Ton*
 - C. *Solvent Cost per Ton*

- 7. *Metal Recovery*
 - A. *Zinc electromotive replacement*
 - 1. *Deaeration*
 - 2. *No deaeration*
 - B. *Powdered iron electromotive replacement*
 - C. *Carbon adsorption*
 - D. *Ion-exchange resins*
 - E. *Precipitation by pH change*
 - F. *Selective silver precipitation with sodium sulfide*
 - G. *Reduction of gold with ferrous sulfate/pppt.*
 - H. *Precipitation of silver with HCl*

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HEAP LEACHING ACTIVITIES

DESIGN

1. Site Survey & Design
 - A. Pads
 - B. Ponds
 - C. Plant
 - D. Roads

2. Pad
 - A. Surface area & slope
 - B. Pad drainage spacing & network
 - C. Drainage ditch layout
 - D. Construction material selection
 1. Compaction & permeability testing
 - a. Tailings
 - b. Clay-kaolinite, volcanic tuff, etc.
 - c. Desert soil
 2. Artificial membranes

3. Heap Design
 - A. Optimum lift increment
 - B. Shape and configurations of heaps
 - C. Heap geometry-tonnage-spray relationships
 - D. Spray design
 1. Ore tonnage
 2. Spray spacing and configuration
 3. Spray rate
 4. Tons treated/spray
 5. GPM/spray
 6. GPM/100 ft²

4. Spray Cycle
 - A. Saturation
 - B. Spray rate
 1. Initial
 - a. Clay/high % fines
 - b. Non-clay & low % fines
 2. Post-saturation & final
 - C. Optimum leach period
 - D. De-water period

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HEAP LEACHING ACTIVITIES

5. Ponds

A. Settling Tests

1. Settled volume
2. Corrected H_2O
3. Weight percent solids
4. Volume percent solids
5. Settled solution density

B. Settling Rate

1. Terminal velocity
2. Un-hindered settling velocity
3. Settling velocity vs. pond height
4. Flow rate in pond
5. Mean width of pond
6. Free-settling velocity of smallest particle that will settle
7. Overflow particles

C. Parameters

1. Slope
2. Topography
3. Shape
4. Length
5. Height
6. Fluid area (right angles to settling force)
7. Dimension-volume-gallons

D. Types of Ponds

1. Sand ditch
2. Pregnant solution
3. Precipitation/barren
4. Spray
5. Acid
6. Basic
7. Acid settling-copper, ferric gels, clay minerals, etc.

E. Layout of Pond Systems

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HEAP LEACHING ACTIVITIES

6. Plant
 - A. Design
 1. Solvents
 - a. Pre-Treatment
 - b. Leaching
 - B. Equipment Selection
 1. Filters
 2. Pumps
 3. Plumbing
 4. Metal recovery system(s)
7. Plumbing Layout & Design
 - A. Plant capacity
 - B. Pipe selection (type)
 - C. Pipe diameter selection
 1. Viscosity & density
 2. Pressure drop
 3. Mass flow rate
 4. Liquid flow rate
 5. Length of flow
8. Pump Selection
 - A. Suction lift
 - B. Vertical lift (head)
 - C. Suction & discharge pipe size
 - D. Pipe size
 - E. Line distance
 - F. Desired PSI & discharge GPM
 - G. Type
 - H. HP, Head, RPM, etc.
9. Reagent Storage & Mixing
 - A. Cyanide
 - B. Caustic-Lime
 - C. Water treatment (flocculation/polymers)
 - D. Other solvents/reagents

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HEAP LEACHING ACTIVITIES

PRE-PRODUCTION

1. Construction
 - A. Haulage roads
 - B. Pads (including berms)
 - C. Ponds (including dykes)
 - D. Installation
 1. Liners
 - a. Ditch
 - b. Pond
 - c. Pad
 2. Plumbing
 - a. Preg-plant pipe
 - b. Plant
 - c. Plant-precip pipe
 - d. Precip-spray pond pipe
 - e. Spray manifold & pipe lines
 - f. Make-up tanks
 3. Wiring
 - a. Pump motors
 - b. Plant
 - c. Well-generator(?)
 4. Tanks
 - a. "Fresh" make-up water
 - b. Make-up solutions
 1. Reagent
 2. Solvent
2. Plant
 - A. Equipment purchase
 - B. Plant construction
 - C. Installation on-site
 - D. Testing; de-bug
3. Laboratory
 - A. Atomic adsorption
 - B. Titrations
 - C. Solvent analysis
 - D. Leaching tests
 - E. Metal recovery tests
 - F. Process monitoring

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HEAP LEACHING ACTIVITIES

PRODUCTION

1. Mining
 - A. Grade control
 - B. Drilling & blasting (open pit)
 - C. Loading (open pit, dumps, & tailings)
 - D. Haulage
2. Heap
 - A. Ore "heaping"
 1. Leveling to specified height
 2. Ripping
3. Leaching
 - A. Solution balance
 - B. Spray rate
 - C. Heap "weep" monitor
 - D. Pregnant Monitor
 1. Effluent
 2. Pond
 - E. Spray Monitor
 1. Spray manifold
 2. Spray pond
4. Plant
 - A. Monitor of preg & barren
 - B. pH control & monitor
 - C. Solvent/reagent make-up; Pre-treatment
 - D. Oxygen control
 - E. Anti-scaling reagents
 - F. Surface tension control
 - G. Monitor for EPA
 1. Well(s)
 2. Groundwater
 - H. Titrations
 1. Cyanide ("free")
 2. Lime &/or caustic
 3. Other solvents
 - I. Procedure
 1. Start-up of plant
 2. Shut-down of plant
 3. Cleaning
 4. Pumps, etc.
 - J. Mill operators monitor & reports
5. Metal Recovery
 - A. Elution/stripping
 - B. Melting/refining
6. Sales

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RESUME

EDUCATION

- 1957 - B.S. in Chemical Engineering; Iowa State University
- 1960 - M.S. in Mining Engineering; University of Arizona
- 1967 - Course work and Dissertation completed for a D. Sc. in Mining Engineering and a Ph.D. in Geological Engineering while on the teaching faculty at the University of Arizona and the Colorado School of Mines.

EXPERIENCE

- 1978 to date: Consultant; Precious Metal Heap Leaching, Property Valuation & Acquisition
- 1970-1977: General Partner and Officer;
 - A. Sierra Mineral Management-McDermott Mine (Open-Pit Mercury Mine)
 - B. 1971 Minerals-Tombstone, Arizona (Gold-Silver Heap-Leach Operation)
 - C. Nelson, Nevada (Gold-Silver Heap Leach)
 - D. Cripple Creek, Colorado (Gold Heap Leach)
 - E. Goldfield, Nevada (Gold-Silver Heap Leach)
- 1968-1970: Mine Finance; Consultant on Acquisition and Mine Valuation (Zurich, London, Rome, Johannesburg, Paris, Belem (Brazil), and New York)
- 1963-1967: Chairman of the Board; COMPUTEC RESEARCH, GFI COMPUTER INDUSTRIES, COMPUTERIZED NATURAL RESOURCES, & R.F. HEWLETT & ASSOCIATES; Computer Application Companies
- 1957-1963: Bear Creek/Kennecott; Statistical Engineer. Developed computer applications for ore reserve computations, design of underground and open-pit mines, exploration drilling patterns, financial evaluation of exploration projects, production scheduling, and process optimization for copper smelting.
- Yuba Mining Company; Exploration, mine examination, and design for open-pit gold & silver deposits in Idaho.
- Utah Construction; Mine Engineer for underground mining of oil shale in Colorado (Union Oil).
- Kaiser Aluminum; Bauxite exploration, mine examination, fluor spar deposit valuation, engineering, and plant process in Jamaica, Panama, Brazil, and U.S.A.

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CONSULTING EXPERIENCE BY COMPANY

American Metal Climax
American Potash & Chem Corp
American Smelting & Refining
Anaconda Company
Banner Mining Company
Behre-Dolbear
Cerro De Pasco
Cities Service
Compania Minera De Cananea
Duval Corporation
El Paso Natural Gas
Ethyl Corporation
Granby Mining Company
Granisle Mines
G.T. Bator & Associates
Hanna Mining Company
Irish Base Metals

Kaiser Aluminum & Chem Corp
Kennecott Copper Corp
Kingdom of Saudi Arabia
Miami Copper
Minera Bayovar
Molybdenum Corp of America
Noranda Mines
Occidental Petroleum (Minerals)
Placer Development
P.L.A.N.T.
Quintana Minerals
Revere Copper & Brass
Superior Oil Company
Swindell-Dressler
Texas Gulf Sulphur
Transvaal Consolidated Goldfields
Trans World Airlines

CONSULTING EXPERIENCE BY COMMODITY

GOLD

Virginia Mine (Transvaal)
Lorraine (Transvaal-Africa)
Cripple Creek (Colorado)
Goldfield (Nevada)
Thunder Mtn. (Idaho)
Nelson (Nevada)
Congress (Arizona)
Elkhorn (Montana)
Mojave (California)
Chloride (Arizona)
Virginia City (Nevada)
Oro del Rey (Utah)
Merker (Utah)
Central City (Colorado)
Wickenburg (Arizona)
Crown King (Arizona)
Oatman (Arizona)

SILVER

Packard Mine (Nevada)
Tonopah (Nevada)
Calico (California)
Candelaria (Nevada)
Ojos Calientes (Mexico)
Zacatecas (Mexico)
Tombstone (Arizona)
Silver Plumb (Colorado)
Eureka-Ely (Nevada)
Rey Mart (Arizona)
La Colorada (Mexico)
Leadville (Colorado)
Searchlight (Nevada)
Prescott (Arizona)
Yucca (Arizona)
Pierce-Gleason (Arizona)
Reville (Nevada)

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COPPER-MOLY-Au

Safford, Arizona (KCC)
Tanama, Puerto Rico (KCC)
Lights Creek, Calif. (AMEX)
Nevada Division (KCC)
Diamond H (Miami Copper)
San Xavier North (ASARCO)
Ray Mines, Arizona (KCC)
Granisle, B.C. (Granby)
Michiquillay, Peru (ASARCO)
Jabal Sayid, Saudi Arabia
Ruby Creek, Alaska (KCC)
Kalamazoo, Ariz. (Quintana)
Silver Bell, Ariz. (ASARCO)
White Mesa, Ariz. (ASARCO)
Cananea, Mexico (Anaconda)
Cajo Abaho, Puerto Rico (AMAX)
Copper Creek, Ariz. (OXY)
Lampa, Peru (ASARCO)
Galore Creek, B.C. (KCC)
Lakeshore, Ariz. (El Paso)
Marcopper, Philippines
Castle Dome, Cities Service
Newman, B.C. (Noranda)
Christmas, Arizona
San Manuel, Arizona
Twin Buttes, Ariz. (Anaconda)

NICKEL-COPPER

Ragland Nickle (Quebec)
Pikwe, Africa

SULPHUR

Benguet, Philippines

URANIUM

Homestake-Sapin, New Mexico

BRINES & SOLID PHASE

Trona, California

COPPER-ZINC-LEAD-Ag

Timmins, Ontario (Texas Gulf)
Cerro De Pasco, Peru

COPPER-MOLY

Sierrita, Arizona (Bear Creek)
Brenda, B.C., Canada

MOLYBDENUM

Climax, Colorado (Am. Metals Climax)
York Hardy, B.C. (ASARCO)
Questa, New Mexico (MOLY CORP)
Endako, B.C. (PLACER)
Hall, Nevada (Anaconda)
Alice Arm, B.C. (KCC)

LEAD-ZINC-Ag

Northgate, Ireland
Salem, Missouri (KCC)
Viburnum, Mo. (ASARCO)
Terre Monte, Portugal

COPPER-IRON

Craigmont, B.C. (PLACER)
Boss-Bixby, Mo. (Am. Pb-Zn)

PHOSPHATE

Florida
Tunisia
Sechura Desert, Peru

IRON

Colima, Mexico

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PUBLICATIONS

1. 1970 - "Comparison of the Triangular, Polygonal, and a Statistical Method of Computing Grade and Tonnage of Ore for the Silver Bell Oxide Porphyry Copper Deposit."
2. 1969 - "Case Histories of Exploration Drilling and Ore Reserve Estimation", Geological and Mining Society of British Columbia, Vancouver, B. C.
3. 1968 - "Case Histories of Automated Ore Reserve Estimates", Annual Meeting of the AIME, N. Y. (In Collaboration with Dr. A. Banfield of Behre Dolbear).
4. 1968 - "New Techniques in Prospecting for Coal", American Mining Congress, Annual Meeting of the Coal Division, Pittsburg, Penn.
5. 1965 - "Open Pit Mine Design Utilizing a Digital Computer", Annual Meeting of the American Institute of Mining, Metallurgical and Petroleum Engineers, Inc., Chicago, Illinois.
6. 1965 - "Design of Drill-Hole Grid Spacing for Evaluating Low-Grade Copper Deposits", Report of Investigation, U. S. Bureau of Mines.
7. 1964 - "Future Computerization in the Mineral Industry", International Symposium on Applications of Statistics, Operations Research, and Computers in the Mineral Industry, Colorado School of Mines.
8. 1964 - "Empirical Models of a Copper Reverberatory Furnace", International Symposium of Statistics, Operations Research, and Computers in the Mineral Industry, Colorado School of Mines.
9. 1964 - "Dynamic Problems in Mining", International Symposium in Computers and Computer Applications, University of Arizona.
10. 1964 - "Application of Simulation in Evaluating Low Grade Mineral Deposits", Bureau of Mines, Report of Investigation Number 6501, 63 pages.
11. 1964 - "Polynomial Surface Fitting Using Surface Data from an Underground Copper Deposit", U. S. Bureau of Mines, Report of Investigations Number 6522, 27 pages.

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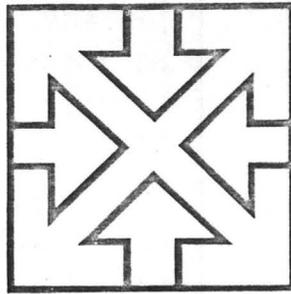
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12. 1964 - "Simulating Mineral Deposits Utilizing Monte Carlo Techniques and Mathematical Methods", U. S. Bureau of Mines, Report of Investigation Number 6493, 27 pages.
13. 1963 - "Computer Methods in Evaluation, Development, and Operations of an Ore Deposit", Annual Meeting of the American Institute of Mining, Metallurgical, and Petroleum Engineers, Inc., Dallas, Texas.
14. 1963 - "Pit Design Utilizing a Digital Computer", Symposium of Operations Research, Stanford University.
15. 1963 - "A Basic Computer Program for Computing Grade and Tonnage of Ore Using Statistical and Polygonal Methods", U. S. Bureau of Mines, Report of Investigation Number 6292.
16. 1963 - "Computing Ore Reserves by the Triangular Method Using a Medium Sized Digital Computer", U. S. Bureau of Mines Report of Investigation Number 6176, 30 pages.
17. 1962 - "A Survey of the Techniques and Applications of Computers in Resolving Operating Problems", American Mining Congress, San Francisco Annual Meeting.
18. 1962 - "Computing Ore Reserves by the Polygonal Method Using a Medium Sized Digital Computer", U. S. Bureau of Mines, Report of Investigation Number 5952, 31 pages.
19. 1962 - "Mineral Deposit Evaluation Using Mathematical Models and a Digital Computer", University of Arizona Symposium on Computer Applications, vol. 1, section K, pages 1-55.
20. 1962 - "Use of High-Speed Data Reduction and Processing in the Mineral Industry", U. S. Bureau of Mines, I. C. 8099, 82 p.
21. 1962 - "Formulating Computer Problems", University of Arizona Symposium on Computer Applications, v. 1, section D, pp. 1-37.
22. 1961 - "Calculating Ore Reserves Using a Digital Computer", MINING ENGINEERING, v. 13, 1.1, pp. 37-42.
23. 1961 - "Small Mines Can Make Wide Use of Computer", MINING WORLD, v. 23, n. 7, pp. 38-40.
24. 1961 - "Computer Calculates Best Method to Develop High-Angle Escalante Vein", MINING WORLD, v. 23, n. 10, pp. 31-35.
25. 1960 - "A Comparison of Various Methods of Calculating Ore Reserves Using a Digital Computer", U. of Arizona Symposium.

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S-78 File

4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

**Southwestern
Exploration Associates, Inc.**

November 21, 1978

Dr. A.J. Greenbaum
U.S. Oil and Minerals Corporation
1400 Willow Lane, Suite 1000
Wichita, Kansas 67208

Re: Meeting between J.A. Briscoe and Messrs. A.J. Greenbaum and Ray Combee in the Greenbaum home, Wichita, Kansas, 7:30 p.m. to approximately midnight, Monday, November 20, 1978 to discuss REA Mineral Exploration Proposal

Dear A.J.,

Thank you for the opportunity to meet with you last night in your home in Wichita. Please express my thanks to your gracious wife for her hospitality.

I find your candor most refreshing. A synopsis of my understanding of our meeting is as follows:

- . You find my proposal for a minerals exploration program in the western United States encompassing all profitable mineral commodities basically sound from both the technological and business viewpoint.
- . You feel that the raising of some \$14 million in limited partnership contributions is feasible, though difficult.

A.J. Greenbaum

Page 2

- . You feel the package has to be polished substantially before presentation to potential limited partners.
- . A proper investment vehicle is required prior to submittal to potential investors.
- . You are willing to assist in polishing the product and investing in the first unit in the amount of \$1.33 million through your core "group of 20". After the initial unit is underway you will work over the next six months to a year to sell the other ten units, (New Mexico will have to be excluded because of my current committments there) six of which (including your "core of 20") you believe will be subscribed to by current contacts. The remaining five will essentially have to be cold canvassed, though, through contacts with the original six unit investors.
- . You will do this on a commission basis in the amount of 20% or approximately \$2.9 million.
- . Your activity in this endeavor is contingent on my investment, to match your own of the initial seed money to be used for legal fees and other expenses. These monies you believe can be expended over approximately a two-month period in order to organize the original vehicle so that unit one may be activated.

Pursuant to the above I have taken steps upon my arrival in Tucson to initiate the following:

1. Instructed my attorney to prepare incorporation of REA, which will be the vehicle for the general partner. This will take less than one month to accomplish.

A.J. Greenbaum

Page 3

2. Made arrangements for office space in our office complex to house the corporate offices of REA. Mr. Ray Combee can occupy space in this office as early as January 15, if indeed our negotiations come to fruition.
3. I have instructed my accountant to cooperate with my attorney to prepare an appropriate bookkeeping format for REA.
4. I will have in escrow not later than January 20th, \$20 thousand earmarked for deposit to the account of REA at such time that is matched by a similar contribution from you in order to fund REA for the requisite legal and promotional work.
5. I am outlining basic preparatory steps (most of which are already underway) to my staff to insure that the unit one area can be initiated no later than February 15, 1979.

In order to facilitate a smooth start-up of this program I require from you the following:

1. A detailed list of your recommendations for upgrading and polishing the current presentation.
2. Any prerequisites you may have regarding the initial business organization of REA.
3. A suggested list of ways in which I and my organization can work to enhance the viability of this project in the interim between the present date and on or about January 20, 1979 when REA will be funded with the initial seed money. This of course will be at no cost or obligation to you.

A.J. Greenbaum

Page 4

4. A budget on how you propose to expend the intial seed money of \$40 thousand for the preparation of the general partnership vehicle, and a war chest for sales operation.
5. A listing of your business creditentials and credit references.
6. A letter of intent indicating the above is acceptable to you, or an indication of required changes which would enable you to sign such a letter of intent.

It is my understanding that the above is to be kept in mutual confidence until such time (if ever) that any disclosures may be made.

Very truly yours,

James A. Briscoe

JAB/mp

S78

1847

1979 Log of Car

interest on that investment
at prime + 1%

2. Additional moneys will be dist.
75 90% to RFH
25 10% to SEA
until RFH receives \$100,000
(or a total of \$110,000 is repaid)

3. Additional receipts are paid into
SEA Hydro met Inc. to be dist.
as set by mgmt.

III 1 SEA will provide \$5,000 capital.
2. Keep all books & provide sec serv.
at cost + 10%

IV Management

1. RFH - will be V.P. & Gen. Mgr.
He will have responsibility for
technical mgmt & day to day operations.
2. JAB will be Pres & CEO &
will have responsibility for business
mgmt.

Mill

Piping,
#125,000 to put back into coned
150-200 TPD good run - under John White
Tried 500 TPD RFH - didn't work

71 minerals still have a lease deal to
surface rights when the mill is sitting on.
April 1.

T.D.C. May not get T.D.E. claims as Charlie
E. thinks many people interested

T.M.R. - C.E. thinks 71 mins has dropped
them. Mill being ~~re~~ re-furbished
Energy Resources - getting reserves from FOX
claims

Want us to work on Dragon
claims - C.E. & Louis E. say small chatted
out one body. ^{from 17k tons or 204 ton}
Chas & Louis - Prod. 34k oz Ag
in last 2 years (est).

28 mills - Truck portable mill - 300 ton prep./day
also build 65+ PD (H₂O)

\$16k each

25,000 g/day
or 9,375 g/hr
156 g/min

C & L Escapes

$$200,000 \text{ Tons Gob @ } 10 \text{ doz/ton @ } \$7/\text{doz} \\ = 14,000,000$$

Tombstone State of Maine

$$16 \times 20.7 \text{ ac Patent} = 124.2$$

$$32, \quad \text{unpat}$$

$$19,$$

$$23$$

$$10$$

$$\hline 84 \times 20.7 \text{ acres} =$$

$$\hline 1,738.8$$

Tombstone

$$1,863 \div 640 / \text{sq m } 2.91 \text{ sq m}$$

State ground

$$\hline 80$$

Tombstone General

$$\hline 1,943 \div$$

$$3.04 \text{ sq m}$$

$$10 \text{ pat.} \times 20.7 = 207 \text{ acres}$$

Total Tombstone

$$2,150 \div 640 = 3.36 \text{ sq m}$$

Dragon's

$$30 \text{ claims @ } 20.7 \quad 621 \text{ acres}$$

^{area of}
Total Claims

$$2,771 \text{ acres} \times 1.50 = 4,156$$

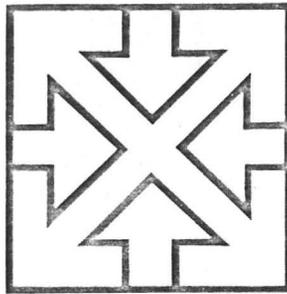
$$2^{\text{nd}} = 5,542$$

$$2.5^{\text{th}} = 6,927$$

$$3^{\text{rd}} = 8,313$$

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- Worldwide Mobilization



File!
4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

**Southwestern
Exploration Associates, Inc.**

January 22, 1979

Dr. A.J. Greenbaum
U.S. Oil and Mining Corp.
1400 Willow Lane
Wichita, Kansas 67208

Hand delivered to Dr. Greenbaum by JAB at the Arizona Biltmore Hotel,
Scottsdale, Arizona

RE: Proposals submitted during meeting of January 18, 1979 -
Tombstone, Arizona, Matrix, California and Randsburg, California

Dear A.J.,

This is a recap of our meeting of Tuesday evening, January 18, 1979,
starting at approximately 7:05 and finishing at approximately 10:30
p.m. at the Biltmore Hotel, Scottsdale, Arizona, and several sub-
sequent telephone conversations up through Sunday evening January 21,
1979.

During that meeting I presented you with three projects; 1)the
Tombstone Mining District Heach Leap and Exploration Proposal; (2)the
Matrix Project and; 3)the Randsburg Mining District, San Bernardino
and Kern Counties, California.

It is my understanding it is your intention to fund certain portions
of these exploration proposals yourself but also to seek additional
capital from various other joint venture partners. It is also my
agreement with you that I will not deal separately with such potential
venture partners should they approach me in an effort to go around
you. In a like manner it is my understanding you will not deal
separately with property owners or any of my contacts in these three
areas. In the case that any of these individuals should try to go
around either you or I we will simply inform each other and take
appropriate action at that time.

Dr. A.J. Greenbaum

January 22, 1979

Page 2

Tombstone Project

During that meeting and subsequent conversations it is my understanding that the following will be done:

1. I feel that it will require approximately \$50,000 to check the details of these suggestions made in the Hewlett report. This should be done in a careful manner prior to committing and expending the \$200,000 suggested by Hewlett in his report. This will include;
 - a) A leach test using the IPS system.
 - b) Drilling, back-hoe cutting, or other sampling procedures on the existing heap to verify that reported values are still in place.
 - c) Preliminary geologic mapping and sampling to verify presence of some of the gob material, and some of the open pit material reported to be present by Hewlett.

2. As a first step, the Tombstone Development Corporation lands must be secured. This will take approximately \$3,000 in labor, and \$6,000 as a first payment to the property owners. We believe that the following property strategy will secure a lease-option on the Tombstone Mineral Development ground.
 - a) pre-payment of \$6,000 for back taxes to secure the ground for six months.
 - b) committment of \$100,000 in exploration and/or development funds as also part of our six month free option committment.
 - c) at the end of the six months free time a \$5,000 payment per month of 5% NSR royalty whichever is greater.
 - d) \$1 million dollar end purchase price.

Dr. A.J. Greenbaum

January 22, 1979

Page 3

3. It is my understanding that you need a preliminary report as soon as possible in order to raise funds on the Vancouver Stock Exchange through an offering of KARIN Lake Limited stock. I understand that some stock will be set aside in my name in addition to any other arrangements we might make.
4. We will be setting up a checking account called the S.E.A. TMD (which signifies Tombstone Mining District) trust account to receive operating funds on this project. It is my understanding that an initial \$5,000 will be wired to this account (Account No. 86-0340862) on completion of a letter agreement during our meeting scheduled for this afternoon at the office of Barry Zak Esquire Lawyer for the KARIN Lake Limited operation in Scottsdale.

Matrix Project

1. The Matrix Project, located adjacent to the ASARCO Waterloo Mine and the Superior Oil Company Langtry Mine in the Calico Mountains, has potential for a hi-grade stratabound silver deposit in basal limestone of the Miocene Barstow formation. This limestone lies at an approximate depth of 2,000 feet below surface in the Matrix area. A substantial geochemical anomaly has been delineated by previous drilling in the area but no drilling has been sufficiently deep to test the high-grade potential of this limestone. The alteration zone at the Matrix, has approximately twice the aerial extent of the combined Superior ASARCO ore bodies. There may also be some disseminated lower grade values over the hypothetical high-grade limestone replacement manto-type ore body. Because of the depth of these assumed disseminated low-grade deposits, it is not known whether they can be exploited under present price - technological conditions.

Dr. A.J. Greenbaum

January 22, 1979

Page 4

2. It has been my recommendation to you and to which you agreed that exploration will consist of:
 - a) compilation and interpretation of existing data and some additional on site geological mapping at a cost of approximately \$20,000.
 - b) the drilling of three diamond drill holes to depth of not less than 2,000 feet at an estimated cost of \$25/foot (including drilling, assaying, and supervisory costs) for a budget of \$150,000. The old Geodata hole reported to be drilled to a depth of 1800 feet may be reentered, washed out, and continued via diamond coring to a depth of 2,000 feet. This could substitute for one of the three holes, although it may be in addition to the three previously mentioned holes.
 - c) obviously this is contingent on our agreement, and obtaining a reasonable lease-option agreement from the current property owners.

3. Providing a reasonable option on the property it is my understanding that the above outlined exploration program will be funded by Thunderwood Resources and Reach Resources Limited, both on the Vancouver Exchange. Funds will be advanced from these entities in the following manner: \$5,000 at the end of February, \$5,000 at the end of March and \$10,00 at the end of April. In order to facilitate our immediate commencement on compilation of data on this project, it is my further understanding that you will advance to a bank account set-up for that purpose \$5,000 as soon as our agreements are consummated. You will be reimbursed by the advance of \$5,000 from Thunderwood and Reach payable at the end of February.

4. These monies should be deposited to the S.E.A. CMD (which stands for Calico Mining District) Trust Account No. 959-12585.

Dr. A.J. Greenbaum

January 22, 1979

Page 5

Randsburg District

1. In the same meeting I presented the Randsburg District to you. I suggested this as a potential target for disseminated ore bodies of silver, tungsten and gold mineralization in the Kelly Mine Area, the Atolia Area, but more specifically in hidden pediment targets based on structural geology and alteration performed by myself and labeled targets 1, 2, 3, 4 and 5 in the white bound illustrated report on the Randsburg District which I left with you after our meeting of Thursday, January 18.

These disseminated mineral targets are on ground primarily held by Texas Gas Exploration. Other high-grade bonanza-type as well as open pit ore bodies are located in the Kelly Mine Area held by Mines Exploration Incorporated. Additionally I mentioned potential for dump leaching of tailings from the Kelly Mine having significant values of gold, silver and tungsten remaining in those tailings. These tailings would be imenable to the IPS system of leaching. Unfortunately, Mines Exploration is currently engaged in litigation, though we mutually believe this might be solveable by an outside mediator - possibly yourself.

Further potential for low-grade gold mineralization exists in the Yellow Aster Mine Area which has recently been drilled by RENCO Petroleum Limited. It is my belief that they have missed the major potential of this zone, though they have apparently have outlined some low-grade values.

2. It is your feeling that this a much larger project that will require approximately \$.5 million dollars in exploration

Dr. A.J. Greenbaum

January 22, 1979

Page 6

expenditures prior to any meaningful tests of the district. With this I agree. I agree to give you exclusive options on the district until February at which point you will be talking with Mr. Roy Becken of Roberstson Resources Group, who represents the Rothchild Group. It is my understanding that should I have any offers between the present time and February I will immediately get in contact with you by telephone and you will contact Dr. Becken to see what their interest in the project is.

The above is my understanding of our various conversations since our meeting on January 18 and numerous telephone conversations subsequent to that time.

Your initials on the signature line provided below indicate your agreement to the above. If any of the above is not to your understanding, I invite you to change it in your own hand those items to indicate what your understanding was of our conversations.

Very truly yours,

James A. Briscoe

JAB/mp

1961

A.J. Greenbaum

Enclosures: J.A. Briscoe Resume and
Track Record
S.E.A. Inc. Company
Description
Personnel Resume Chart
S.E.A. Partial List of
Clients

TOMBSTONE

1. Turnkey Consulting Management Contract for all phases of the project

- A. Land, Research, Acquisition
- B. Geology
- C. Exploration Drilling
- D. Ore Reserve Calculations
- E. Mine Planning and Design
- F. Initial Management

2. For our information and submittal of this proposal, as well as any proprietary metallurgical systems or geologic data, the following carried interest should apply:

	Months from Signing
30% NPI or 10% NSR whichever is greater	0 - 6
25% NPI or 5% NSR whichever is greater	6 - 12
20% NPI or 3% NSR whichever is greater	12 - 18
15% NPI or 2.5% NSR whichever is greater	over 18 months

NPI is defined as: Net profits of the operation before taxes, including all reasonable overhead expenses of the operation, but not to include operation expenses of headquarter offices of the participants. This is to commence after payback of original investment and interest at prime plus 1.5%.

MATRIX

1. Turnkey Consulting Management Contract for all phases of the project

- A. Land, Research, Acquisition
- B. Geology
- C. Exploration Drilling
- D. Ore Reserve Calculations
- E. Mine Planning and Design
- F. Initial Management

2. For our information and submittal of this proposal, as well as any proprietary metallurgical systems or geologic data, the following carried interest should apply:

20% NPI or 1% NSR whichever is greater

NPI is defined as: Net profits of the operation before taxes, including all reasonable overhead expenses of the operation, but not to include operation expenses of head-quarter offices of the participants. This is to commence after payback of original investment and interest at prime plus 1.5%.

RANDBURG

1. Turnkey Consulting Management Contract for all phases of the project
 - A. Land, Research, Acquisition
 - B. Geology
 - C. Exploration Drilling
 - D. Ore Reserve Calculations
 - E. Mine Planning and Design
 - F. Initial Management

2. For our information and submittal of this proposal, as well as any proprietary metallurgical systems or geologic data, the following carried interest should apply:

20% NPI or 2% NSR whichever is greater

NPI is defined as: Net profits of the operation before taxes, including all reasonable overhead expenses of the operation, but not to include operation expenses of head-quarter offices of the participants. This is to commence after payback of original investment and interest at prime plus 1.5%.

RECEIVED JAN 25 1979

HEWLETT MANAGEMENT

R. F. HEWLETT
PHONE (702)359-1069

January 22, 1979

2602 Monte Verde Way
Sparks, Nevada 89431

Mr. Bill Hight
TOMBSTONE DEVELOPMENT CO.
1824 North Broadwell
Grand Island,
Nebraska(85704)

Dear Bill:

Enclosed please find two enclosures. I have prepared a letter to 1971 Minerals from you (TOMBSTONE DEVELOPMENT COMPANY) which states the data that you should have Ed Speer obtain. As I mentioned, he has agreed to do this for you as a favor. Also, enclosed is a list of TDC data given 1971 Minerals from Bob Hicks. This was the inventory of data.

In summary, I would suggest the following:

1. Send my prepared letter--signed by yourself-- or one very similar.
2. Send with the above covering letter, the data inventory list from Bob Hicks (prepared when he turned over the data).

I am sending a copy of both of these to Jim Briscoe:

Jim Briscoe-----for Ed Speer
Southwest Exploration Associates
4500 East Speedway-----Suite # 14
Tucson, Arizona(85712)

Jim's or Ed's phone number is 1-602-795-6097

On receipt of these copies, Ed Speer will go and get the data. When he has it gathered up, he can contact you concerning how to send it to Grand Island--perhaps by bus.

Mr. Hight's number is 1-308-382-7480 (office) or 3147 at home.

Bill, I will go to Tombstone soon and examine the presses you mentioned that you would like to sell. I have found several groups interested; I will take care of this for you within 2 weeks.

Best personal regards.

Richard F. Hewlett

Richard F. Hewlett

TOMBSTONE DEVELOPMENT COMPANY
1824 North Broadwell
Grand Island, Nebraska(68801)

1971 Minerals
7110 North Oracle Road
Suite 213
Tucson, Arizona(85704)

Dear Sirs:

Mr. Ed Speer who we knew from previous trips to Tombstone has agreed to come to your office and pick up our data that was loaned to 1971 Minerals many years ago, with the understanding that it would be returned.

Enclosed please find a list of data Mr. Robert Hicks of the Tombstone Development Company gave to 1971 Minerals. We want all of that data, plus the following according to our agreement:

1. Drilling done by '71 Minerals
 - a. Tranquillity-Toughnut-Skip Shaft area
 - b. On southern un-patented claims; assessment drilling
2. Surface sampling on all of our claims (patented & lode)
3. Underground maps showing sampling, geology, alteration, etc.
4. Data from underground "in situ" leaching
5. Sampling results from back-hoe trenches in dumps; which were hauled to the heap for leaching
6. Assays from heap samples
7. All barrel tests
8. Geological maps made of District
9. Drilling done in the District
10. Reports by Jim Briscoe and Kenyon Richards
11. Assay results from all drilling in the District
12. Surface sampling by geologists in Head Center area, Contention dike area, Skip Shaft area, Tribute, West Side, Boss, Grand Central, Toughnut, Goodenough and Silver Thread area's.
13. Any other data on the Tombstone Mining District.

Thank you for helping us obtain our data and reports.

Sincerely yours,

TOMBSTONE DEVELOPMENT COMPANY

Robert Hicks
Pasadena, California

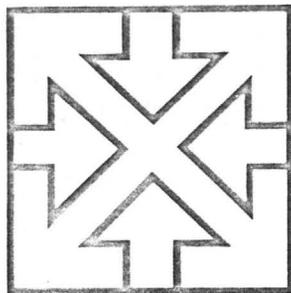
Data given to 1971 Minerals

Tucson, Arizona.

1. Drill records, logs, etc. from Newmont drilling - 53 pages
 - A. Drill-holes #1-9 (Newmont)
 - B. Phelps Dodge drilling- 1930 (10 drill holes)
2. Underground maps
 - A. Underground drill targets(Newmont)
 - B. Report on ore-targets
 - C. Anticline data-rolls and ore bodies
 - D. Extent of underground workings(maps)
3. Cross-Sections
 - A. Drill-hole # 7 & 9(Newmont)
 - B. All other drill holes
4. Reports
 - A. Mellgren
 - B. "Tombstone and its Mines"
 - C. Joe Graves
 - D. Dr. Lacy-Carouso-Austral Oil
5. Anticline Cross-Sections
 - A. Holderness
 - B. Vizina
 - C. Marcia
 - D. Toughnut
 - E. Goodenough
 - F. Silver Thread
6. Ore Deposit Structure and Ore Outline Cross-Sections
 - A. Ariz. fissure
 - B. "407" fissure
 - C. West Side fissure
 - D. Empire dike
 - E. Contention dike
 - F. Sulphuret dike
 - G. Lucky-Cuss-Old Guard
 - H. Head Center-Grand Central
 - I. Bunker Hill-Emerald
 - J. Toughnut & Skip Shaft
 - K. Contention-Sulphuret
 - L. Knoxville

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4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

**Southwestern
Exploration Associates, Inc.**

January 23, 1979

Richard F. Hewlett
2602 Monta Verde Way
Sparks, Nevada 89431

Dear Dick,

As of last night, I have a signed letter agreement with Dr. A.J. Greenbaum of Pangea Corporation of Montreal. This contract is favorable if we perform in the matter described in your report. I have enclosed an article from Sunday's paper in the Arizona Republic regarding one of Dr. Greenbaum's deals here in the Arizona oil play.

My agreement with Dr. Greenbaum calls for a complete turn-key contract for the operation on the TDC ground at Tombstone, and I expect to pursue it as per our various telephone conversations regarding S.E.A. Hydromet Inc. One hundred percent of the management responsibility will rest on our shoulders - Dr. Greenbaum wants nothing whatsoever to do with any management aspects but simply expects to be kept informed as to the progress. This includes negotiation with the land owners on an as soon as possible basis.

Dr. Greenbaum and his partners in this deal - Karin Lake Limited (the same people as are involved in the San Jacinto oil deal mentioned in the newspaper clipping) are underwriting an offering to be made immediately on the Vancouver Exchange. This offering will include not less than \$50,000 for test work, and the \$200,000 you outlined in your proposal for putting the heap into production. There is some possibility that we may go in for an offering that may be substantially larger than this which I will discuss with you via telephone later. Contingent on this offering is the presentation of your report as is, as well as summary report prepared in the manner of the T.G. Wright report prepared for San Jacinto Exploration Limited and Dakota Oil and Gas Corporation, which I am enclosing with this letter. It is imperative that we work as rapidly as possible to get this completed. It must be done in the same format as the T.G. Wright

Richard Hewlett
January 23, 1979
Page 2

report, but in your words and on your typewriter to correspond with the previous report. If at all possible we would like to have this before Friday. This means shipping things to Tucson via next day delivery or air freight.

The first order of business is to get an agreement with the property owners. Dr. Greenbaum at this point has authorized pre-payment to them of \$6,000 for their back taxes as discussed, and a committment of \$100,000 in exploration or development funds as part of our six month free-option committment. I disscussed the idea of the \$5,000 per month payment after six months and we feel that it is best to try and get a lower payment, if production has not been made at that point so as not to unduly burden the operation. In other words you do your best deal with them - something that will insure us in case of bad luck and unfortunate contingencies so that we can continue work without having to carry a heavy burden of pre-production payments. The negotiation will be entirily up to you. Dr. Greenbaum will furnish no backup data as to his credentials or ability to pay. Thus the contract can be worded in such a manner as to place the emphasis on performance since that is really the only thing that they are interested in and not who Dr. Greenbaum or Pangea Corporation is. I am personally convinced of his trustworthiness and abilities to come through - so I see no problem there whatsoever. I will discuss this further with you when we meet on Sunday.

Best regards,



James A. Briscoe

✓JAB/mp
1965
P-418
Enclosures

THE
ARIZONA
REPUBLIC

SECTION **B** Page 1

Saturday, Jan. 20, 1979

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- Worldwide Mobilization



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Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

**Southwestern
Exploration Associates, Inc.**

January 24, 1979

Richard F. Hewlett
2602 Monte Verde Way
Sparks, Nevada 89431

RE: Letter Agreement for the Formation of S.E.A. Hydromet
Incorporated

Dear Dick,

During the fall months of 1978 in or about the first part of November you contacted me regarding metallurgical systems or techniques you had developed for more efficient heap leaching ores for gold, silver, molybdenum, tungsten and possibly other metals. These techniques involve your research with various combinations of chemical solvents, and your system of induced percolation systems which you term the IPS process. By using a combination of IPS and your chemical solvents, orders of magnitude increased efficiency in leaching of various types of ores can be attained. After our various discussions and your presentation to me of a brief outline on the IPS system, I feel that these techniques have considerable merit.

We have discussed on numerous occasions and specifically that particular telephone call during the evening of December between I in Searchlight, Nevada, and you in Reno, Nevada, we have agreed to form a subsidiary company to Southwestern Exploration Associates Incorporated called S.E.A. Hydromet Incorporated. The objectives of S.E.A. Hydromet Incorporated are as follows:

Richard F. Hewlett

January 24, 1979

Page 2

1. To conduct further metallurgical research into your techniques regarding IPS and various solvents and techniques for extraction of any and all metal or non-metallic constituents of economic value from ores, and to bring these techniques to patent if possible. In order to provide the company with its initial operating capital, we will purchase for cash a sufficient amount of the company's stock to cover initial incorporation expenses as well as initial operating overhead.
2. The licensing and/or sale of the techniques, ideas, and your services as a consultant acting under the auspices of S.E.A. Hydromet Incorporated.
3. The acquisition and leaching of various tailings and or mine dumps which may contain economically recoverable constituents, amenable to extraction by the IPS and/or your leaching techniques or those which might be developed during the course of future research. These tailings and mine dumps may be located in the various mining dumps of the western United States, Canada, Mexico or other mining areas of the world. This agreement will cover all such dumps or tailing deposits which we might be able to acquire under the auspices of S.E.A. Hydromet Incorporated anywhere in the world.

It would be the specific responsibility of S.E.A. Hydromet Incorporated to research the metallurgical aspects, engineer, and manage the exploitation of such dumps and tailings. It is understood, however, that the various other divisions of S.E.A. Incorporated, including Exploration Geology, Land Research/Mining Law, Literature Research, Drilling Services, Drafting and Scientific Illustration, S.E.A. Rental Equipment

Richard F. Hewlett

January 29, 1979

Page 3

and S.E.A. Photography, Inc., will yield their respective expertise and manage those aspects of any technical work which may fall within their area of responsibility.

4. We have agreed that S.E.A. Incorporated will own 51% of the stock of S.E.A. Hydromet Incorporated, while Richard F. Hewlett will own 49%. Richard F. Hewlett will act as Vice President and General Manager and have responsibility for all day-to-day operating details of S.E.A. Hydromet Inc., and exercise technical direction of the company. J.A. Briscoe will be President and Chief Executive Officer of S.E.A. Hydromet and will have the responsibility for overall business management and supervision of the company.

For consulting with clients of S.E.A. Hydromet Inc., Richard F. Hewlett will be reimbursed from collected billings 40% of his billable consulting rate. The remainder of his consulting fees will go to payment of overhead.

Careful documentation of all time expended in professional or managerial services by any employees of S.E.A. Hydromet Incorporated will be kept to the nearest tenth of an hour on a daily basis using the daytimer system which is enforced throughout the S.E.A. organization. Expense accounts will be kept on standard S.E.A. daytimer forms and submitted for approval and payment in not more than bi-weekly periods.

An employment contract detailing the above will be drawn as soon as practicable.

Richard F. Hewlett

January 29, 1979

Page 4

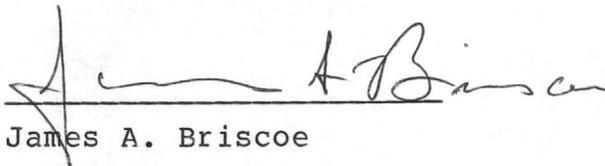
5. In recognition of your research work to date, after reasonable provisions have been made for capital needs and current operating expenses, bonus compensation, if any, shall be paid as follows:

75% Richard F. Hewlett
25% James A. Briscoe

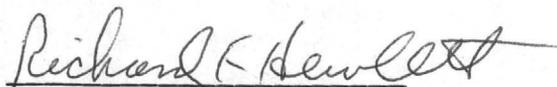
The foregoing allocation shall apply until a total of \$100,000 bonus compensation has been paid. Thereafter, bonus compensation shall be paid as follows:

49% Richard F. Hewlett
51% James A. Briscoe

6. All patents, licensing rights, etc. will reside and be the property of S.E.A. Hydromet Incorporated.
7. As soon as practicable, you and I shall enter into a shareholders agreement concerning the disposition of capital stock in the event of death, disability, or retirement.

 1/28/79
James A. Briscoe

Approved:

 1/28/79
Richard F. Hewlett

Richard F. Hewlett

January 29, 1979

Page 4

5. In recognition of your research work to date, after reasonable provisions have been made for capital needs and current operating expenses, bonus compensation, if any, shall be paid as follows:

75% Richard F. Hewlett
25% S.E.A. Incorporated

The foregoing allocation shall apply until a total of \$100,000 bonus compensation has been paid. Thereafter, bonus compensation shall be paid as follows:

49% Richard F. Hewlett
51% S.E.A. Incorporated

6. All patents, licensing rights, etc. will reside and be the property of S.E.A. Hydromet Incorporated.
7. As soon as practicable, you and I shall enter into a shareholders agreement concerning the disposition of capital stock in the event of death, disability, or retirement.


James A. Briscoe 1/28/79

Approved:


Richard F. Hewlett 1/28/79

Consultants in:

- base & precious metals • uranium
 - coal • geothermal • environment
 - remote sensing • color aerial photography
 - interpretation-image processing
- Worldwide Mobilization



4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

**Southwestern
Exploration Associates, Inc.**

January 24, 1979

*Copy sent
to [unclear] 1/25/79*

Richard F. Hewlett
2602 Monte Verde Way
Sparks, Nevada 89431

*Proof document
for JSK comments*

RE: Letter Agreement for the Formation of S.E.A. Hydromet
Incorporated

Dear Dick,

During the fall months of 1978 in or about the first part of November you contacted me regarding metallurgical systems or techniques you had developed for more efficient heap leaching ores for gold, silver, molybdenum, tungsten and possibly other metals. These techniques involve your research with various combinations of chemical solvents, and your system of induced percolation systems which you term the IPS process. By using a combination of IPS and your chemical solvents, orders of magnitude increased efficiency in leaching of various types of ores can be attained. After our various discussions and your presentation to me of a brief outline on the IPS system, I feel that these techniques have considerable merit.

We have discussed on numerous occasions and specifically that particular telephone call during the evening of December__ between I in Searchlight, Nevada, and you in Reno, Nevada, we have agreed to form a subsidiary company to Southwestern Exploration Associates Incorporated called S.E.A. Hydromet Incorporated. The objectives of S.E.A. Hydromet Incorporated are as follows:

Richard F. Hewlett

January 24, 1979

Page 2

1. To conduct further metallurgical research into your techniques regarding IPS and various solvents and techniques for extraction of any and all metal or non-metallic constituents of economic value from ores, and to bring these techniques to patent if possible.
2. The licensing and/or sale of the techniques, ideas, and your services as a consultant acting under the auspices of S.E.A. Hydromet Incorporated.
3. The acquisition and leaching of various tailings and or mine dumps which may contain economically recoverable constituents, amenable to extraction by the IPS and/or your leaching techniques or those which might be developed during the course of future research. These tailings and mine dumps may be located in the various mining dumps of the western United States, Canada, Mexico or other mining areas of the world. This agreement will cover all such dumps or tailing deposits which we might be able to acquire under the auspices of S.E.A. Hydromet Incorporated anywhere in the world.

It would be the specific responsibility of S.E.A. Hydromet Incorporated to research the metallurgical aspects, engineer, and manage the exploitation of such dumps and tailings. It is understood, however, that the various other divisions of S.E.A. Incorporated, including Exploration Geology, Land Research/Mining Law, Literature Research, Drilling Services, Drafting and Scientific Illustration, S.E.A. Rental Equipment

Richard F. Hewlett

January 29, 1979

Page 3

and S.E.A. Photography, Inc., will yield their respective expertise and manage those aspects of any technical work which may fall within their area of responsibility.

4. We have agreed that S.E.A. Incorporated will own 51% of the stock of S.E.A. Hydromet Incorporated, while Richard F. Hewlett will own 49%. Richard F. Hewlett will act as Vice President and General Manager and have responsibility for all day-to-day operating details of S.E.A. Hydromet Inc., and exercise technical direction of the company. J.A. Briscoe will be President and Chief Executive Officer of S.E.A. Hydromet and will have the responsibility for overall business management and supervision of the company →

Richard F. Hewlett will be reimbursed ^{from collected billings} 40% of his billable consulting rate while the remainder of his consulting fees will go to payment of overhead and creation of working capital and profit. J.A. Briscoe will be reimbursed on an hourly basis at 40% of his billable consulting rate, or if performing management services for S.E.A. Hydromet Inc., \$18.00 per hour, which is 40% of his standard billing rate of \$45.00 per hour.

While the percentages will remain constant, rates may be adjusted from time to time

Careful documentation of all time expended in professional or managerial services by any employees of S.E.A. Hydromet Incorporated will be kept to the nearest tenth of an hour on a daily basis using the daytimer system which is enforced throughout the S.E.A. organization. Expense accounts will be kept on standard S.E.A. daytimer forms and submitted for approval and payment in not more than bi-weekly periods.

An employment contract detailing the above will be drawn as soon as practicable.

56 provide loop with

Richard F. Hewlett

January 29, 1979

Page 4

*after reasonable provisions
have been made
for capital needs,
bonus compensation
from profits*

5. In recognition of your research work to date, ~~profits from any~~
~~licensing, sale, etc. of the I.P.S. or leaching techniques~~
will be allocated

25% S.E.A. Incorporated

75% R.F. Hewlett

for the first \$100,000

Then for additional profit - ~~on the ownership~~

*beyond the 1st \$100,000 profit, dividends
will be disbursed
on an ownership
basis*

6. All patents, licensing rights, etc. will reside with S.E.A.
Hydromet Incorporated.

*and by the
property of*

7.

J.A. Briscoe

R.F. Hewlett

1/29/79

Jim -

A copy of this
is being hand
delivered to Jay
Kittle this
morning. This
is your copy.
Chris

ARTICLES OF INCORPORATION

of

SEA HYDROMET, INC.

I. NAME

The name of the corporation is SEA HYDROMET, INC.

II. PURPOSE

The purpose for which this corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time, and specifically but not in limitation thereof, the purpose of developing technological innovations relating to the heap leaching of base and precious metals and patenting, selling and/or licensing the use of such innovations, and any and all other businesses of any type whatsoever growing out of, related to or in any manner whatsoever in connection with any of the items, businesses, relationships, purposes or powers described in these articles. No enumeration herein set forth shall in any manner be deemed to be exclusive of object or purposes not enumerated, but on the contrary such enumerations shall be construed as including all other and further objects and purposes of the same or similar type or character, regardless of how thin, vague, or indefinite the relationship or connection may be.

III. INITIAL BUSINESS

The corporation initially intends to conduct the business of developing technological innovations relating to the heap leaching of base and precious metals and patenting, selling and/or licensing the use of such innovations, and business activities associated therewith.

IV. AUTHORIZED CAPITAL

The corporation shall have the authority to issue One Million (1,000,000) shares of common stock, par value One (\$1) Dollar per share.

V. STATUTORY AGENT

The name and address of the initial statutory agent of the corporation is Jay S. Kittle, Attorney at Law, 509 Transamerica Building, 177 North Church Avenue, Tucson, Arizona, 85701.

VI. KNOWN PLACE OF BUSINESS

The known place of business of the corporation shall be 4500 East Speedway Boulevard, Suite 14, Tucson, Arizona, 85712.

VII. BOARD OF DIRECTORS

The business and affairs of the corporation shall be managed by the Board of Directors. The number of persons which shall constitute the whole Board of Directors shall not be less than one (1) nor more than ten (10). The specific number of persons on the Board of Directors shall be fixed, from time to time, by the Board of Directors, in accordance with these Articles and the Bylaws of the corporation. Until the first annual meeting of shareholders, and until their successors shall have been elected and qualified, the initial Board of Directors shall consist of two (2) directors, and the following persons shall be the initial directors of the corporation:

James A. Briscoe
4500 E. Speedway
Suite 14
Tucson, Arizona 85712

Richard F. Hewlett
2602 Monte Verde Way
Sparks, Nevada 89431

VIII. INCORPORATORS

The incorporators of the corporation are:

James A. Briscoe
4500 E. Speedway
Suite 14
Tucson, Arizona 85712

Richard F. Hewlett
2602 Monte Verde Way
Sparks, Nevada 89431

All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission for filing.

IX. DISTRIBUTIONS FROM CAPITAL SURPLUS

The Board of Directors of the corporation may, from time to time, distribute on a pro rata basis to its shareholders out of the capital surplus of the corporation a portion of its assets, in cash or property.

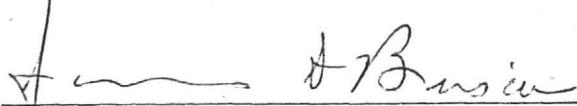
X. INDEMNIFICATION OF OFFICERS, DIRECTORS,
EMPLOYEES AND AGENTS

The corporation shall indemnify any person who incurs expenses by reason of the fact that he or she is or was an officer, director, employee or agent of the corporation, in accordance with the procedures more specifically set forth in the Bylaws of the corporation. This indemnification shall be mandatory under all circumstances in which indemnification is permitted by law.

XI. REPURCHASE OF SHARES

The Board of Directors of the Corporation may, from time to time, cause the corporation to purchase its own shares to the extent of the unreserved and unrestricted earned and capital surplus of the corporation.

IN WITNESS WHEREOF, the undersigned incorporators have hereunto set their hands this 29th day of January, 1979.



JAMES A. BRISCOE



RICHARD F. HEWLETT

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

Phoenix Address: 2222 West Encanto Blvd.
Suite 210-D
Phoenix, Arizona 85009

Tucson Address: 415 W. Congress Street
Tucson, Arizona 85701

Check Appropriate Box(s) "A", "B", OR "C"

CERTIFICATE OF DISCLOSURE
A.R.S. Sections 10-128 & 10-128.01

SEA Hydromet, Inc.
EXACT CORPORATE NAME

THE UNDERSIGNED CERTIFY THAT:

- A. No person serving either by election or appointment as officers, directors, trustees, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:
1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining of trade or monopoly in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven year period immediately preceding the execution of this certificate where such injunction, judgment, decree or permanent order:
- (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
 - (c) Involved the violation of the antitrust or restraint laws of trade laws of that jurisdiction.

B. For any person or persons who have been or are subject to one or more of the statements in Items A. 1 through A. 3 above, the following information "MUST" be attached.

1. Full name and prior names used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7 year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, the date and location, the court and public agency involved, and the file or cause number of the case.

C. Has any person(s) (a) serving either by election or appointment as an officer, director or trustee, incorporator of the corporation or, (b) controlling or holding 20% of the proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES _____ NO _____

- If your answer to the above question is "YES", you "MUST" attach the following information, for each such corporation:
- 1. Name and address of the corporation.
 - 2. Full name, including alias(s) and address(s) of each person(s) involved.
 - 3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
 - 4. Dates of corporate operation.
 - 5. A description of the bankruptcy, receivership, or charter revocation, including the date, the court or agency involved, and the file or cause number of the case.

Under penalties of law as set forth in A.R.S. Sec. 10-128.01 F., I declare that I have examined this report and the certificate, including any attachments, and to the best of my knowledge and belief it is true, correct and complete.

*NOTE: If a foreign corporation, the following declaration is also applicable: Under penalties of law I declare that I will comply with the Provisions of A.R.S. Sec. 128.01.

BY: James A. Briscoe DATE Jan. 28, 1979
James A. Briscoe, Incorporator, Director,

BY: Richard F. Hewlett DATE Jan. 28, 1979
Richard F. Hewlett, Incorporator, Director,

FILE:

TITLE:

COREY & KITTLE, P.C.

ATTORNEYS AT LAW

January 30, 1979

BARRY M. COREY
JAY S. KITTLE
PATRICK J. FARRELL
THOMAS A. STOOPS

SUITE 509 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701
(602) 882-4994

Arizona Corporation Commission
415 West Congress Street
Tucson, Arizona 85701

Re: SEA Hydromet, Inc.

Gentlemen:

C
O
P
Y
Enclosed herewith for filing please find the original and two copies of the Articles of Incorporation of SEA Hydromet, Inc. Also enclosed, please find a Certificate of Disclosure for the Incorporators and a check for \$50 as and for the filing fee.

The fiscal date of the corporation will be June 30. The corporate address is 4500 East Speedway Boulevard, Suite 14, Tucson, Arizona 85712.

I request that you file the enclosed Articles and return a copy to me at my office address. Your assistance with this matter is sincerely appreciated.

Sincerely yours,

Patrick J. Farrell

Patrick J. Farrell

PJF:ac
Enclosures

cc: James A. Briscoe

0626

RECEIVED FEB - 1 1979

COREY & KITTLE, P.C.

ATTORNEYS AT LAW

January 30, 1979

BARRY M. COREY
JAY S. KITTLE
PATRICK J. FARRELL
THOMAS A. STOOPS

SUITE 509 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701
(602) 882-4994

Southwestern Exploration Associates, Inc.
4500 East Speedway Boulevard, Suite 14
Tucson, Arizona 85712

Attn: Christine M. Dodson

Re: SEA Hydromet, Inc.

Dear Chris:

Enclosed herewith please find a Certificate of Disclosure relating to the captioned corporation which should be signed by you and Jane Talley.

According to Jim Briscoe, you and Jane will be acting as Secretary and Treasurer, respectively, of SEA Hydromet, Inc. Therefore, it is necessary that both of you sign the enclosed Certificate of Disclosure in the indicated spaces so that I may file it with the Corporation Commission.

I have indicated to the Corporation Commission that the fiscal date for SEA Hydromet, Inc. will be June 30 of each year. This is also the fiscal date for SEA and SEA Photography, and I am assuming that it is Jim's desire to have identical fiscal years for all of the corporations. In the event I am incorrect with regard to the fiscal year of SEA Hydromet, I would appreciate your contacting me immediately so that I may notify the Corporation Commission of the proper fiscal date.

I would be grateful if you would return the enclosed Certificate of Disclosure in the stamped, self-addressed envelope after you and Jane Talley have signed it. I will then file it with the Corporation Commission.

Thank you for your assistance with this matter. Should you have any questions concerning the foregoing, please feel free to contact me.

Sincerely yours,



Patrick J. Farrell

PJF:ac

Enclosures

0628

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

Phoenix Address: 2222 West Encanto Blvd.
Suite 210-D
Phoenix, Arizona 85009

Tucson Address: 415 W. Congress Street
Tucson, Arizona 85701

Check Appropriate Box(s) "A", "B", OR "C"

SEA Hydromet, Inc.
EXACT CORPORATE NAME

CERTIFICATE OF DISCLOSURE
A.R.S. Sections 10-128 & 10-128.01

THE UNDERSIGNED CERTIFY THAT:

- A. No person serving either by election or appointment as officers, directors, trustees, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:
1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining of trade or monopoly in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven year period immediately preceding the execution of this certificate where such injunction, judgment, decree or permanent order:
- (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
 - (c) Involved the violation of the antitrust or restraint laws of trade laws of that jurisdiction.

- B. For any person or persons who have been or are subject to one or more of the statements in Items A. 1 through A. 3 above, the following information "MUST" be attached.
1. Full name and prior names used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7 year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, the date and location, the court and public agency involved, and the file or cause number of the case.

- C. Has any person(s) (a) serving either by election or appointment as an officer, director or trustee, incorporator of the corporation or, (b) controlling or holding 20% of the proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES _____ NO _____
- If your answer to the above question is "YES", you "MUST" attach the following information, for each such corporation:
- 1. Name and address of the corporation.
 - 2. Full name, including alias(s) and address(s) of each person(s) involved.
 - 3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
 - 4. Dates of corporate operation.
 - 5. A description of the bankruptcy, receivership, or charter revocation, including the date, the court or agency involved, and the file or cause number of the case.

Under penalties of law as set forth in A.R.S. Sec. 10-128.01 F., I declare that I have examined this report and the certificate, including any attachments, and to the best of my knowledge and belief it is true, correct and complete.

*NOTE: If a foreign corporation, the following declaration is also applicable: Under penalties of law I declare that I will comply with the Provisions of A.R.S. Sec. 128.01.

BY: Christine M. Dodson DATE 2/1/79
Christine M. Dodson, Secretary

BY: _____ DATE _____
Jane E. Talley, Treasurer

TITLE: _____

file

ARTICLES OF INCORPORATION

of

SEA HYDROMET, INC.

I. NAME

The name of the corporation is SEA HYDROMET, INC.

II. PURPOSE

The purpose for which this corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time, and specifically but not in limitation thereof, the purpose of developing technological innovations relating to the heap leaching of base and precious metals and patenting, selling and/or licensing the use of such innovations, and any and all other businesses of any type whatsoever growing out of, related to or in any manner whatsoever in connection with any of the items, businesses, relationships, purposes or powers described in these articles. No enumeration herein set forth shall in any manner be deemed to be exclusive of object or purposes not enumerated, but on the contrary such enumerations shall be construed as including all other and further objects and purposes of the same or similar type or character, regardless of how thin, vague, or indefinite the relationship or connection may be.

III. INITIAL BUSINESS

The corporation initially intends to conduct the business of developing technological innovations relating to the heap leaching of base and precious metals and patenting, selling and/or licensing the use of such innovations, and business activities associated therewith.

IV. AUTHORIZED CAPITAL

The corporation shall have the authority to issue One Million (1,000,000) shares of common stock, par value One (\$1) Dollar per share.

V. STATUTORY AGENT

The name and address of the initial statutory agent of the corporation is Jay S. Kittle, Attorney at Law, 509 Transamerica Building, 177 North Church Avenue, Tucson, Arizona, 85701.

VI. KNOWN PLACE OF BUSINESS

The known place of business of the corporation shall be 4500 East Speedway Boulevard, Suite 14, Tucson, Arizona, 85712.

VII. BOARD OF DIRECTORS

The business and affairs of the corporation shall be managed by the Board of Directors. The number of persons which shall constitute the whole Board of Directors shall not be less than one (1) nor more than ten (10). The specific number of persons on the Board of Directors shall be fixed, from time to time, by the Board of Directors, in accordance with these Articles and the Bylaws of the corporation. Until the first annual meeting of shareholders, and until their successors shall have been elected and qualified, the initial Board of Directors shall consist of two (2) directors, and the following persons shall be the initial directors of the corporation:

James A. Briscoe
4500 E. Speedway
Suite 14
Tucson, Arizona 85712

Richard F. Hewlett
2602 Monte Verde Way
Sparks, Nevada 89431

VIII. INCORPORATORS

The incorporators of the corporation are:

James A. Briscoe
4500 E. Speedway
Suite 14
Tucson, Arizona 85712

Richard F. Hewlett
2602 Monte Verde Way
Sparks, Nevada 89431

All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission for filing.

IX. DISTRIBUTIONS FROM CAPITAL SURPLUS

The Board of Directors of the corporation may, from time to time, distribute on a pro rata basis to its shareholders out of the capital surplus of the corporation a portion of its assets, in cash or property.

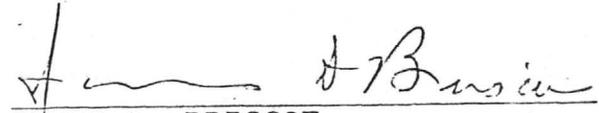
X. INDEMNIFICATION OF OFFICERS, DIRECTORS,
EMPLOYEES AND AGENTS

The corporation shall indemnify any person who incurs expenses by reason of the fact that he or she is or was an officer, director, employee or agent of the corporation, in accordance with the procedures more specifically set forth in the Bylaws of the corporation. This indemnification shall be mandatory under all circumstances in which indemnification is permitted by law.

XI. REPURCHASE OF SHARES

The Board of Directors of the Corporation may, from time to time, cause the corporation to purchase its own shares to the extent of the unreserved and unrestricted earned and capital surplus of the corporation.

IN WITNESS WHEREOF, the undersigned incorporators have hereunto set their hands this 27th day of January, 1979.



JAMES A. BRISCOE



RICHARD F. HEWLETT

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

Phoenix Address: 2222 West Encanto Blvd.
Suite 210-D
Phoenix, Arizona 85009

Tucson Address: 415 W. Congress Street
Tucson, Arizona 85701

Check Appropriate Box(s) "A", "B", OR "C"

CERTIFICATE OF DISCLOSURE
A.R.S. Sections 10-128 & 10-128.01

SEA Hydromet, Inc.
EXACT CORPORATE NAME

THE UNDERSIGNED CERTIFY THAT:

- A. No person serving either by election or appointment as officers, directors, trustees, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:
1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining of trade or monopoly in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven year period immediately preceding the execution of this certificate where such injunction, judgment, decree or permanent order:
- (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
 - (c) Involved the violation of the antitrust or restraint laws of trade laws of that jurisdiction.

B. For any person or persons who have been or are subject to one or more of the statements in Items A. 1 through A. 3 above, the following information "MUST" be attached.

1. Full name and prior names used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7 year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, the date and location, the court and public agency involved, and the file or cause number of the case.

C. Has any person(s) (a) serving either by election or appointment as an officer, director or trustee, incorporator of the corporation or, (b) controlling or holding 20% of the proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES _____ NO _____

If your answer to the above question is "YES", you "MUST" attach the following information, for each such corporation:

- 1. Name and address of the corporation.
- 2. Full name, including alias(s) and address(s) of each person(s) involved.
- 3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
- 4. Dates of corporate operation.
- 5. A description of the bankruptcy, receivership, or charter revocation, including the date, the court or agency involved, and the file or cause number of the case.

Under penalties of law as set forth in A.R.S. Sec. 10-128.01 F., I declare that I have examined this report and the certificate, including any attachments, and to the best of my knowledge and belief it is true, correct and complete.

*NOTE: If a foreign corporation, the following declaration is also applicable: Under penalties of law I declare that I will comply with the Provisions of A.R.S. Sec. 128.01.

BY: James A. Briscoe DATE Jan. 25, 1979
James A. Briscoe, Incorporator, Director,

BY: Richard F. Hewlett DATE Jan. 25, 1979
Richard F. Hewlett, Incorporator, Director,

FILE:

TITLE:

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

Phoenix Address: 2222 West Encanto Blvd.
Suite 210-D
Phoenix, Arizona 85009

Tucson Address: 415 W. Congress Street
Tucson, Arizona 85701

Check Appropriate Box(s) "A", "B", OR "C"

SEA Hydromet, Inc.
EXACT CORPORATE NAME

CERTIFICATE OF DISCLOSURE
A.R.S. Sections 10-128 & 10-128.01

THE UNDERSIGNED CERTIFY THAT:

A. No person serving either by election or appointment as officers, directors, trustees, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:

1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining of trade or monopoly in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven year period immediately preceding the execution of this certificate where such injunction, judgment, decree or permanent order:
- (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
 - (c) Involved the violation of the antitrust or restraint laws of trade laws of that jurisdiction.

B. For any person or persons who have been or are subject to one or more of the statements in Items A. 1 through A. 3 above, the following information "MUST" be attached.

1. Full name and prior names used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7 year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, the date and location, the court and public agency involved, and the file or cause number of the case.

C. Has any person(s) (a) serving either by election or appointment as an officer, director or trustee, incorporator of the corporation or, (b) controlling or holding 20% of the proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES _____ NO _____

- If your answer to the above question is "YES", you "MUST" attach the following information, for each such corporation:
- 1. Name and address of the corporation.
 - 2. Full name, including alias(s) and address(s) of each person(s) involved.
 - 3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
 - 4. Dates of corporate operation.
 - 5. A description of the bankruptcy, receivership, or charter revocation, including the date, the court or agency involved, and the file or cause number of the case.

Under penalties of law as set forth in A.R.S. Sec. 10-128.01 F., I declare that I have examined this report and the certificate, including any attachments, and to the best of my knowledge and belief it is true, correct and complete.

*NOTE: If a foreign corporation, the following declaration is also applicable: Under penalties of law I declare that I will comply with the Provisions of A.R.S. Sec. 128.01.

2012
BY: Christine M. Dodson DATE 2/1/79
Christine M. Dodson, Secretary

BY: Jane E. Talley DATE 2/1/79
Jane E. Talley, Treasurer

TITLE: _____

COREY & KITTLE, P.C.

ATTORNEYS AT LAW

BARRY M. COREY
JAY S. KITTLE
PATRICK J. FARRELL
THOMAS A. STOOPS

February 1, 1979

SUITE 509 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701
(602) 882-4994

Southwestern Exploration Associates, Inc.
4500 East Speedway, Suite 14
Tucson, Arizona 85712

Attn: James A. Briscoe

Dear Jim:

When your time permits, will you please send us a copy of the letter agreement you entered into with Richard F. Hewlett relating to SEA Hydromet.

We should have a copy of this document for our files as a matter of course, but it can also serve as the basis of preparing an employment contract between the corporation and Mr. Hewlett.

Thank you for your assistance with the foregoing.

Sincerely yours,

Jay
Jay S. Kittle

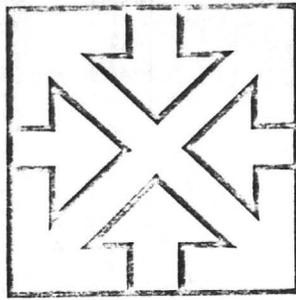
JSK:ac

*Original contract
Sent 2/10/79.
anf*

0633

Consultants in:

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- remote sensing • color aerial photography
- interpretation-image processing
- Worldwide Mobilization



4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

**Southwestern
Exploration Associates, Inc.**

January 24, 1979

Richard F. Hewlett
2602 Monte Verde Way
Sparks, Nevada 89431

RE: Letter Agreement for the Formation of S.E.A. Hydromet
Incorporated

Dear Dick,

During the fall months of 1978 in or about the first part of November you contacted me regarding metallurgical systems or techniques you had developed for more efficient heap leaching ores for gold, silver, molybdenum, tungsten and possibly other metals. These techniques involve your research with various combinations of chemical solvents, and your system of induced percolation systems which you term the IPS process. By using a combination of IPS and your chemical solvents, orders of magnitude increased efficiency in leaching of various types of ores can be attained. After our various discussions and your presentation to me of a brief outline on the IPS system, I feel that these techniques have considerable merit.

We have discussed on numerous occasions and specifically that particular telephone call during the evening of December between I in Searchlight, Nevada, and you in Reno, Nevada, we have agreed to form a subsidiary company to Southwestern Exploration Associates Incorporated called S.E.A. Hydromet Incorporated. The objectives of S.E.A. Hydromet Incorporated are as follows:

Richard F. Hewlett

January 24, 1979

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1. To conduct further metallurgical research into your techniques regarding IPS and various solvents and techniques for extraction of any and all metal or non-metallic constituents of economic value from ores, and to bring these techniques to patent if possible. In order to provide the company with its initial operating capital, we will purchase for cash a sufficient amount of the company's stock to cover initial incorporation expenses as well as initial operating overhead.
2. The licensing and/or sale of the techniques, ideas, and your services as a consultant acting under the auspices of S.E.A. Hydromet Incorporated.
3. The acquisition and leaching of various tailings and or mine dumps which may contain economically recoverable constituents, amenable to extraction by the IPS and/or your leaching techniques or those which might be developed during the course of future research. These tailings and mine dumps may be located in the various mining dumps of the western United States, Canada, Mexico or other mining areas of the world. This agreement will cover all such dumps or tailing deposits which we might be able to acquire under the auspices of S.E.A. Hydromet Incorporated anywhere in the world.

It would be the specific responsibility of S.E.A. Hydromet Incorporated to research the metallurgical aspects, engineer, and manage the exploitation of such dumps and tailings. It is understood, however, that the various other divisions of S.E.A. Incorporated, including Exploration Geology, Land Research/Mining Law, Literature Research, Drilling Services, Drafting and Scientific Illustration, S.E.A. Rental Equipment

Richard F. Hewlett

January 29, 1979

Page 3

and S.E.A. Photography, Inc., will yield their respective expertise and manage those aspects of any technical work which may fall within their area of responsibility.

4. We have agreed that S.E.A. Incorporated will own 51% of the stock of S.E.A. Hydromet Incorporated, while Richard F. Hewlett will own 49%. Richard F. Hewlett will act as Vice President and General Manager and have responsibility for all day-to-day operating details of S.E.A. Hydromet Inc., and exercise technical direction of the company. J.A. Briscoe will be President and Chief Executive Officer of S.E.A. Hydromet and will have the responsibility for overall business management and supervision of the company.

For consulting with clients of S.E.A. Hydromet Inc., Richard F. Hewlett will be reimbursed from collected billings 40% of his billable consulting rate. The remainder of his consulting fees will go to payment of overhead.

Careful documentation of all time expended in professional or managerial services by any employees of S.E.A. Hydromet Incorporated will be kept to the nearest tenth of an hour on a daily basis using the daytimer system which is enforced throughout the S.E.A. organization. Expense accounts will be kept on standard S.E.A. daytimer forms and submitted for approval and payment in not more than bi-weekly periods.

An employment contract detailing the above will be drawn as soon as practicable.

Richard F. Hewlett

January 29, 1979

Page 4

5. In recognition of your research work to date, after reasonable provisions have been made for capital needs and current operating expenses, bonus compensation, if any, shall be paid as follows:

75% Richard F. Hewlett
25% James A. Briscoe

The foregoing allocation shall apply until a total of \$100,000 bonus compensation has been paid. Thereafter, bonus compensation shall be paid as follows:

49% Richard F. Hewlett
51% James A. Briscoe

6. All patents, licensing rights, etc. will reside and be the property of S.E.A. Hydromet Incorporated.
7. As soon as practicable, you and I shall enter into a shareholders agreement concerning the disposition of capital stock in the event of death, disability, or retirement.


James A. Briscoe

Approved:


Richard F. Hewlett

Richard F. Hewlett

January 29, 1979

Page 4

5. In recognition of your research work to date, after reasonable provisions have been made for capital needs and current operating expenses, bonus compensation, if any, shall be paid as follows:

75% Richard F. Hewlett
25% S.E.A. Incorporated

The foregoing allocation shall apply until a total of \$100,000 bonus compensation has been paid. Thereafter, bonus compensation shall be paid as follows:

49% Richard F. Hewlett
51% S.E.A. Incorporated

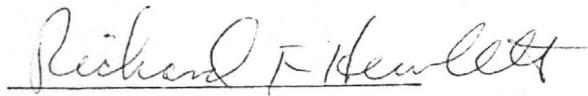
6. All patents, licensing rights, etc. will reside and be the property of S.E.A. Hydromet Incorporated.

7. As soon as practicable, you and I shall enter into a shareholders agreement concerning the disposition of capital stock in the event of death, disability, or retirement.


James A. Briscoe

1/28/79

Approved:


Richard F. Hewlett

1/28/79

T4/18

PRELIMINARY DRAFT
of
LEASE AGREEMENT

THIS AGREEMENT, dated this 7th day of February, 1979, by and between TOMBSTONE DEVELOPMENT COMPANY, an Arizona Corporation, hereinafter referred to as "Lessor", and Karin Lake Explorations Limited, hereinafter referred to as "Lessee".

RECITALS

Lessors are the owners of certain groups of patented and unpatented lode mining claims, referred to herein as "Leased Claims", all of which are situated in Cochise County, Arizona, Mineral Survey numbers of which, and the book and page of the recording in the office of the Recorder of Cochise County, Arizona, are more particularly described in Appendix "A" attached hereto.

Lessee desires to obtain from Lessor a mining lease covering the Leased Claims, described in Appendix "A", and Lessor desires to grant to Lessee such mining lease, on the terms hereinafter set forth:

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties herein, and other valuable consideration, Lessor hereby leases to Lessee for the term and purposes hereinafter mentioned, all that certain land referred to herein as the "Leased Claims".

1. PURPOSE: This lease is made for the sole purpose of examining, searching and testing for opening and operating mines, of, and extracting, producing, treating, selling and shipping any and all minerals contained therein. Lessor also leases to Lessee, the necessary rights of way, easements and water rights, in connection with the leased claims, so as to facilitate exploration and development thereof. The parties hereto agree that all surface and water rights shall be retained by Lessor, but that the retention of those surface and water rights shall not unreasonably interfere with the exploration or mining and associated activities conducted by Lessee.

2. TERM: The term of this lease shall be for the initial period of one(1) year from the date hereof, and as long thereafter as valuable mineral is produced from said land in commercial quantities and so long as royalties are paid to Lessors, provided, however, that all of the terms and conditions hereof are fully met and that this lease has not been terminated pursuant to any clause hereof.

3. ROYALTIES: Royalties are to be paid to Lessor on all minerals mined from the leased claims, as a percentage of their market value after being reduced to a marketable concentrate or other ^{saleable} minerals, and payable by a refinery of mutual choice on a basis of 5 % of the net smelter return. The proceeds of the refinery can be taken in kind by the parties subject to this agreement. Lessee agrees that it shall not unreasonably stockpile ore for any excessive period of time after active and substantial production from the leased claims has commenced, and in no event, shall Lessee stockpile ore for more than six months after production has commenced.

The royalty payable out of production for ores or concentrates sold from the leased claims are payable in varying percentages with the different percentages relating to different average gross value per ton of ore or concentrate produced and sold from the leased claims during each month. The average gross value of ore produced and sold from the leased claims over the period of each month shall be determined by dividing the net smelter returns as defined by 3(A) received for such ore produced by the number of tons mined and shipped during the month. The royalties are payable as follows:

(a) Subject to the provisions of this paragraph, Lessor shall be paid a limited royalty out of production, payable in varying percentages. Each different percentage shall be derived from the average gross value per ton of ore, or concentrate mined and shipped from the leased claims, listed as follows:

For any month in which the average gross value per ton of ore computed is less than \$15.00 per ton, the royalty will be five(5%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore computed is from \$15.00 to \$20.00 per ton, the royalty will be 6 percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$20.00 per ton or more, but less than \$25.00 per ton, the royalty will be eight(8%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$25.00 per ton or more, but less than \$40.00 per ton, the royalty will be nine (9%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$40.00 per ton or more, but less than \$80.00 per ton, the royalty will be ten (10%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$80.00 per ton or more, but less than \$100.00 per ton, the royalty will be twelve (12%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$100.00 per ton or more, but less than \$150.00 per ton, the royalty will be fifteen (15%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is more than \$150.00 per ton, the royalty will be twenty (20%) percent of the net smelter returns from mineral produced from the leased claims.

Definition of Net Smelter Income: The term net smelter return is understood by the parties to mean the amount received from the smelter after deducting actual freight for ore concentrate haulage from the mill to the smelter. For ores, minerals or metals not sent to the smelter, the lessee may deduct the actual cost of direct labor and materials for processing, but such cost deducted will not exceed 10% of the average gross value per ton of ore for that month. For example: If the average gross value of ore mined during a one month period is \$50.00 per ton, the maximum deduction for direct processing cost will be 10% or \$5.00 per ton. The royalty would be paid on \$45.00 per ton. The royalty percentage shall apply to all mineral and will be based on all monies received or the market value of all ore, metals, minerals, and non-metallic minerals removed from the property.

(b) Notwithstanding the above sub-paragraph, there shall be a minimum monthly royalty payable to Lessors of \$7,500 starting May 1, 1979 and payable on the first day of each month thereof.

(c) Notwithstanding said sub-paragraphs (a) and (b), there shall be an advance minimum royalty payable to Lessor equal to a sum of money of \$6,000.00, payable by Lessee, upon the execution of this agreement.

(d) The amount by which the minimum monthly royalty, or the advance minimum royalty, provided for in sub-paragraphs (b) and (c) herein, paid for any calendar month during the term of this lease, exceeds the royalty out of production for such month, may be recovered by Lessee out of, and credited against, the royalty out of production due for any succeeding month or months thereafter, during the term of this agreement.

4. OPERATION OF MINE: Lessee agrees to work said land in the manner necessary to good and economic mining, so as to bring about maximum and economic recovery from the property, with due regard to development and preservation of said premises as a workable mine. Lessee agrees to perform continuously and diligently in good faith, in an active and substantial way, development in mining work upon the said leased claims directed toward the discovery and production of minerals or ore therefrom. The equipment and machinery brought onto the leased claims by Lessee is and shall remain the personal property of lessee, with the exception of any building constructed by Lessee, and title thereto shall not vest in Lessor by operation of law. Appendix "B" is an inventory of equipment, buildings, and other property owned by Lessor, which the Lessee will take care of and may use for an operation on the leased claims. The obligation of Lessee set forth in this paragraph shall be suspended only while Lessee's compliance is prevented by the elements, accidents, strike, lockouts, riots, delays in transportation, inability to secure materials in the open market, or interference by governmental action, or by any other causes beyond the reasonable control of Lessee, whether similar or dissimilar to the causes specifically mentioned. Lessee agrees to furnish at its own cost, any and all environmental impact studies required by any governmental authority as a result of its undertaking the exploration, development and mining operation contemplated by this agreement. Lessee agrees to honor any and all contractual obligation undertaken by Lessor relating to the sale of water or surface use of the herein leased claims, so long as those said obligations do not interfere with the exploration, development, mining, or similar activity on the leased claims by Lessee. Lessee hereby recognizes that Lessor intends to develop up to 200 acres of the surface of certain claims situated in the immediate vicinity of the townsite of Tombstone. Those said claims consist of the Content, Cocopah, North Point, Contentment, Empire, Tranquil, Silver Belt, Silver Thread, Contention, ~~New Year, Cincinnati, Head Center, Yellow Jacket and Flora Morrisson claims.~~ Lessor agrees that the said development of the surface on the hereinabove mentioned claims shall not interfere with activities of Lessee contemplated by this lease. Notwithstanding with activities of Lessee, any development of the surface of the above mentioned leased claims, Lessor further agrees that Lessee shall have access on or across the above mentioned claims so as not to interfere with the exploration, development, mining, or associated activities of Lessee contemplated by this lease, on those above named claims. ~~If the Lessee, in its sole~~

However lessee will continue to have all rights for mineral exploration, development and mining 40 feet or more below the surface.

5. REPORTING: Lessee agrees that it will provide Lessor with a report on or before the 15th day of each month, pertaining to the previous month, to the Lessor, in writing, indicating the following:

- (a) The number of tons of waste and ore mined.
- (b) A summary of all assays taken on said ore and waste mined.
- (c) The number of tons processed for which royalty is payable pursuant to this lease through mills, smelting, or reduction plants used to process said ores.
- (d) The value of all minerals sold or otherwise disposed of from ores subject to royalty payments pursuant to this lease.

The above referenced statement and reports are to be accompanied by a draft payable to the Lessor. If no royalty out of production is due for any monthly period hereof, then a report containing all of the pertinent details above required, shall be submitted to Lessor with a statement to the effect that there is no royalty out of production due for the preceding month,

In addition to the above, weekly progress reports will be sent to the Lessor, as well as all data generated relating to the leased claims.

6. ADDITIONAL REPORTS AND ACCESS: Lessee shall keep a full set of accounts and records, and shall allow Lessor, or its agents and employees to examine them from time to time. Lessee will allow lessor to enter upon said premises, and into any workings, mills, or reduction works thereon, or wherever said ore may be worked or reduced, for the purpose of inspection to ascertain whether the terms and conditions of this lease are being promptly carried out and to take samples and to make tests and measurements, and to affix notices. Lessee shall provide to Lessor, its agents and employees, copies of assay reports, drillhole logs, and any and all other data assembled which could be used as an aid in determining the location, quantity, and quality of any and all deposits on said land. All inspections shall be made at reasonable intervals, and shall be at the sole cost of, and risk of Lessor.

7. TAXES: Lessor shall pay all ad valorem and similar property taxes lawfully levied or assessed during the term of this agreement against the property, or any improvements thereto, but upon the receipt of a statement therefor from Lessor, Lessee shall reimburse Lessor for any such taxes paid by Lessor. In addition to the foregoing, Lessee shall pay all other taxes imposed by reason of Lessee's operation and improvements upon the property. Lessee shall pay any such taxes on installment basis upon receiving notice from Lessor that such installment payment of the said taxes is due. Lessee agrees to pay any such taxes before they become delinquent. Lessee shall not be liable for the payment of any tax assessment imposed by any city, county, state, federal or other law or ordinance, on the income of Lessor hereunder, or the interest reserved by Lessor thereunder or upon a transfer or passing by death or gift, of any interest of Lessor or for any similar tax. Lessee further agrees to do all other things necessary and required by federal, state and local laws and regulations to protect and defend and maintain Lessor's title to the leased claims, so that title will be as good as at the time of the execution of this agreement. A Performance Bond referred to in paragraph 12 will also cover tax payments.

8. WARRANTY: Lessor represents and warrants that it is the owner of the leased patented claims and the rights to unpatented claims, free of all claims, liens and encumbrances, and that Lessor has the exclusive possession of the leased claims, except for approximately two acres leased to the United States Department of Agriculture for surface and except to the extent that the United States Government holds title to unpatented claims. Also, Lessor may lease the "Vizina Mine Tour" provided the Lessor assumes all responsibility and liability for the tour enterprise.

9. BANKRUPTCY: In case Lessee shall be adjudged a bankrupt by either voluntary or involuntary proceedings, Lessor may, at its option, terminate this lease by written notice. After termination by notice, Lessor may re-enter the leased claims and take exclusive possession. Upon exercise of the option to terminate, the estate and rights in the herein leased claims of Lessee, and any person claiming through the Lessee, by act of the parties or operation of law, shall immediately terminate.

10. IMPROVEMENTS: Lessee may construct, reconstruct, demolish, remove, maintain, and use such roads, ditches, ponds, buildings, fixtures, machinery, pumps, PVC pipe, mine dumps, pad, heap, and headframes on, through and upon said leased claims, as may be necessary in carrying on mining operations during the term of this lease. At the termination hereof, Lessee may remove all personal property, machinery, tools, appliances, supplies, pumps, pipe, and equipment on said leased claims by Lessee; except shaft timbering and linings, any underground supports, rails, electric, water, or steam or airline pipes, provided no default shall at such time exist with respect to any payments or rentals, or in respect to any covenants, agreements, or conditions to be kept and performed by Lessee; provided that all machinery, tools, appliances and buildings, and all personal property remaining on said premises sixty (60) days after the termination (by notice or otherwise) of this lease, shall be held to have become the property of Lessor and shall not be removed therefrom by Lessee. Lessee agrees to perform all environmental restorations on the claims required by any governmental authority at its sole cost and expense.

Lessee will obtain approval from Lessor on the site and type of building constructed either for a plant and laboratory facility or a building for another lessee to enable use of the present 71 Minerals plant.

11. HOLD HARMLESS: Lessee agrees to release and to indemnify and hold harmless Lessor, and any corporation wholly or in part affiliated with, owned or controlled by Lessor, from and against all claims, causes of action, liabilities, costs and expenses for losses, or damage to, all property whatsoever and injuries to, or death of, all persons whomsoever, arising out of, or in any way connected with, the use and occupation of the leased premises or exercise of the rights hereunder. Lessee agrees to comply with all such regulations promulgated by the responsible governmental agencies in carrying out the activities contemplated by this lease, and to fence all open shafts, pits, etc., which exist upon the claims according to the requirements of the State Mine Inspector.

12. LIENS: Lessee agrees to pay in full, all persons who perform labor or services on, furnish materials, joined or affixed to, or provide equipment for, said leased claims, at Lessee's instance or request. Lessor shall not permit or suffer liens of any kind or nature to be enforced against said leased claims for such labor, services, materials, or equipment. Lessor shall have the right to pay any amount required to release any such lien, or liens, or to defend any action brought thereon, and to pay any judgement entered therein, and lessee shall be liable to Lessor for all costs, damages and reasonable attorney's fees, and any amounts expended in defending any proceedings or payment of any kind of said liens or any judgments obtained therefor. Lessee should also provide a bond in the amount of \$150,000.00 on payment of labor and materials on the property with the cost of the bond to be paid by the lessee.

13. ASSIGNMENT: This lease shall inure to the benefit of and be binding upon the respective heirs, administrators, executors, successors and assigns of the parties hereto. Upon such assignment all references herein to "Lessee" or "Lessor" shall be deemed to refer to such succeeding heirs, administrators, executors, successors and assigns of such alienating party.

14. TERMINATION: After an exploration/development expenditure of \$200,000, and an equivalent of 12 months advanced minimum royalties (\$90,000), *WBA RFA* Lessee shall have the right in its sole and exclusive discretion, to terminate

this lease upon giving thirty (30) days written notice of termination to Lessor.

Upon giving such notice of termination, Lessee shall be liable only for the payment of the minimum royalty or royalty out of production due for the thirty day period next following the date the notice of termination was given. Lessor can terminate this lease if the advanced minimum royalty is not sent by certified mail on the first day of every month, starting May 1, 1979, or if the Lessee is in default in regard to any other of the provisions of Paragraphs (3), (7) or (17) of this lease. Lessor shall give formal, written and detailed notice of the existence of same to Lessee. If Lessee has not cured the said default within thirty (30) days after receipt of said formal, written and detailed notice of default, Lessor can terminate the herein lease.

15. INSURANCE: Lessee agrees to maintain and keep in force at all times, a policy of liability insurance protecting Lessee and Lessor from personal and property liability that may be incurred on said leased claims in the amount of \$2,000,000.00. Lessee further agrees to maintain and keep in force at all times, workmens compensation insurance and to furnish certificates of insurance and copies of the Insurance policies to the Lessor. Lessor will be named as Additional Insured. *WBA*

16. NOTICES: Any and all notices required hereunder, or permitted to be given by either party to the other, shall be considered to have been delivered at the expiration of seventy-two (72) hours following deposit in the United States Mail, with registered or certified postage prepaid thereon, and addressed:

(a) If to Lessor: To: Tombstone Development Company
c/o William Hight
1824 North Broadwell
Grand Island, Nebrasks (68801)

(b) If to Lessee: To: Richard F. Hewlett
Tombstone, Arizona

James Briscoe
Southwest Exploration Associates
4500 E. Speedway
Suite # 14
Tucson, Arizona (85712)

Either of the parties may change the location to which required notices to it shall be addressed, upon ten (10) days written notice to the other party.

17. ASSESSMENT WORK: Lessee agrees to perform all necessary assessment work required by federal and state laws for the continuing validity of all mining claims subject to this lease. Lessee further agrees to do all other things necessary and required by federal, state, and local laws and regulations to protect, defend and maintain, Lessor's title to the above referenced claims in effect on February 7, 1979, so that title will be as good as at the time of the execution of this agreement. If conflicts exist on the 18 unpatented claims, Lessee will do everything possible to validate the claims.

18. FIRST RIGHT OF REFUSAL: It is agreed to by and between the parties hereto that Lessee shall be given the first right of refusal to buy the interest of Lessor, should Lessor entertain to sell its interest herein, or the leased claims. For the purpose of this paragraph, Lessee has the first right of refusal to buy the leased claims at the same price as set forth in any bona fide offer in writing, acceptable to Lessor, given by any individual or company. Lessor shall, at its own exclusive discretion, determine what collateral, guarantes, or other evidences of Lessee's ability to purchase the said interest of Lessor herein, for the leased claims, are to be provided by Lessee.

19. MISCELLANEOUS: This agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements of the parties hereto with respect to the subject matter hereof, and may not be waived, amended or modified in any manner except in writing and signed by the party to be charged. Representations, warranties and agreements of the parties hereto, herein contained, regardless of any disclosure made to, or any investigation made by or on behalf of any party not making such representations, warranties and agreements, shall survive the execution and delivery of this agreement. This agreement, and such representations, warranties and agreements, shall be binding upon, inure to the benefit of, and be enforceable, by and against the heirs, successors, or assign of each of the parties hereto.

This Agreement may be recorded or registered with the Clerk, Recorder or similar officer of the county or counties of which these claims are located, or in any appropriate office of the United States Government, or anywhere else Lessee deems appropriate in order to protect its interests hereunder. This agreement may be executed in any number of counterparts, which together will constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this agreement as of the date and year first above written.

Lessor:
TOMBSTONE DEVELOPMENT COMPANY

By W.B. Hight

By John Niedt

By [Signature]

By _____

Lessee:

By Richard F. Hendrix

By _____

PRELIMINARY DRAFT *AL 10/84*
of
LEASE AGREEMENT

(30)
YAK
Copy -
original
P-418
Vanet
file

THIS AGREEMENT, dated this 7th day of February, 1979, by and between
TOMBSTONE DEVELOPMENT COMPANY, an Arizona Corporation, hereinafter referred
to as "Lessor", and Tombstone Exploration, Inc, and The Austin Exploration &
Mining Corporation, hereinafter referred to as "Lessee".

RECITALS

Lessors are the owners of certain groups of patented and unpatented
mining claims, referred to herein as "Leased Claims", all of which
are situated in Cochise County, Arizona, Mineral Survey numbers of which,
and the book and page of the recording in the office of the Recorder of
Cochise County, Arizona, are more particularly described in Appendix "A"
attached hereto.

Lessee desires to obtain from Lessor a mining lease covering the
Leased Claims, described in Appendix "A", and Lessor desires to grant to
Lessee such mining lease, on the terms hereinafter set forth:

NOW, THEREFORE, in consideration of the mutual covenants and agreements
of the parties herein, and other valuable consideration, Lessor hereby
leases to Lessee for the term and purposes hereinafter mentioned, all
that certain land referred to herein as the "Leased Claims".

1. PURPOSE: This lease is made for the sole purpose of examining,
searching and testing for opening and operating mines, of, and extracting,
producing, treating, selling and shipping any and all minerals contained
therein. Lessor also leases to Lessee, the necessary rights of way,
easements and water rights, in connection with the leased claims, so as to
facilitate exploration and development thereof. The parties hereto agree
that all surface and water rights shall be retained by Lessor, but that the
retention of those surface and water rights shall not unreasonably interfere with
the exploration or mining and associated activities conducted by Lessee. Also,
oil and gas rights are retained by Lessor.

2. TERM: The term of this lease shall be for the initial period of one(1) year from the date hereof, and as long thereafter as valuable mineral is produced from said land in commercial quantities and so long as royalties are paid to Lessors, provided, however, that all of the terms and conditions hereof are fully met and that this lease has not been terminated pursuant to any clause reof.

3. ROYALTIES: Royalties are to be paid to Lessor on all minerals mined from the leased claims, as a percentage of their market value after being ^{saleable}duced to a marketable concentrate or other ^{saleable} minerals, and payable by a refinery of mutual choice on a basis of ^{5%} of the net smelter return. The proceeds of the refinery can be taken in kind by the parties subject to this agreement. Lessee agrees that it shall not unreasonably stockpile ore for any excessive period of time after active and substantial production from the leased claims has commenced, and in no event, shall Lessee stockpile ore for more than six months after production has commenced.

The royalty payable out of production for ores or concentrates sold from the leased claims are payable in varying percentages with the different percentages relating to different average gross value per ton of ore or concentrate produced and sold from the leased claims during each month.

The average gross value of ore produced and sold from the leased claims over the period of each month shall be determined by dividing the net elter returns as defined by 3(A) recieved for such ore produced by the number of tons mined and shipped during the month. The royalties are payable as follows:

(a) Subject to the provisions of this paragraph, Lessor shall be paid a limited royalty out of production, payable in varying percentages. Each different percentage shall be derived from the average gross value per ton of e, or concentrate mined and shipped from the leased claims, listed as follows:

For any month in which the average gross value per ton of ore computed is less than \$15.00 per ton, the royalty will be five(5%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore computed is from \$15.00 to \$20.00 per ton, the royalty will be 6 percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$20.00 per ton or more, but less than \$25.00 per ton, the royalty will be eight(8%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$25.00 per ton or more, but less than \$40.00 per ton, the royalty will be nine (9%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$40.00 per ton or more, but less than \$80.00 per ton, the royalty will be ten (10%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$80.00 per ton or more, but less than \$100.00 per ton, the royalty will be twelve (12%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$100.00 per ton or more, but less than \$150.00 per ton, the royalty will be fifteen (15%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is more than \$150.00 per ton, the royalty will be twenty (20%) percent of the net smelter returns from mineral produced from the leased claims.

Definition of Net Smelter Income: The term net smelter return is understood by the parties to mean the amount received from the smelter after deducting actual freight for ore concentrate haulage from the mill to the smelter. For ores, minerals or metals not sent to the smelter, the lessee may deduct the actual cost of direct labor and materials for processing, but such cost deducted will not exceed 10% of the average gross value per ton of ore for that month. For example: If the average gross value of ore mined during a one month period is \$50.00 per ton, the maximum deduction for direct processing cost will be 10% or \$5.00 per ton. The royalty would be paid on \$45.00 per ton. The royalty percentage shall apply to all mineral and will be based on all monies received or the market value of all ore, metals, minerals, and non-metallic minerals removed from the property.

(b) Notwithstanding the above sub-paragraph, there shall be a minimum monthly royalty payable to Lessors of \$7,500 starting May 1, 1979 and payable on the first day of each month thereof.

(c) Notwithstanding said sub-paragraphs (a) and (b), there shall be an advance minimum royalty payable to Lessor equal to a sum of money of \$6,000.00, payable by Lessee, upon the execution of this agreement.

(d) The amount by which the minimum monthly royalty, or the advance minimum royalty, provided for in sub-paragraphs (b) and (c) herein, paid for any calendar month during the term of this lease, exceeds the royalty out of production for such month, may be recovered by Lessee out of, and credited against, the royalty out of production due for any succeeding month or months thereafter, during the term of this agreement.

4. OPERATION OF MINE: Lessee agrees to work said land in the manner necessary to good and economic mining, so as to bring about maximum and economic recovery from the property, with due regard to development and preservation of said premises as a workable mine. Lessee agrees to perform continuously and diligently in good faith, in an active and substantial way, development in mining work upon the said leased claims directed toward the discovery and production of minerals or ore therefrom. The equipment and machinery brought onto the leased claims by Lessee is and shall remain the personal property of lessee, with the exception of any building constructed by Lessee, and title thereto shall not vest in Lessor by operation of law. Appendix "B" is an inventory of equipment, buildings, and other property owned by Lessor, which the Lessee will take care of and may use for an operation on the leased claims. The obligation of Lessee set forth in this paragraph shall be suspended only while Lessee's compliance is prevented by the elements, accidents, strike, lockouts, riots, delays in transportation, inability to secure materials in the open market, or interference by governmental action, or by any other causes beyond the reasonable control of Lessee, whether similar or dissimilar to the causes specifically mentioned. Lessee agrees to furnish at its own cost, any and all environmental impact studies required by any governmental authority as a result of its undertaking the exploration, development and mining operation contemplated by this agreement. Lessee agrees to honor any and all contractual obligation undertaken by Lessor relating to the sale of water or surface use of the herein leased claims, so long as those said obligations do not interfere with the exploration, development, mining, or similar activity on the leased claims by Lessee. Lessee hereby recognizes that Lessor intends to develop up to 200 acres of the surface of certain claims situated in the immediate vicinity of the townsite of Tombstone. Those said claims consist of the Content, Cocopah, North Point, Contentment, Empire, Tranquil, Silver Belt, Silver Thread, Contention, New Year, Cincinnati, Head Center, Yellow Jacket and Flora Morrisson claims. Lessor agrees that the said development of the surface on the hereinabove mentioned claims shall not interfere with activities of Lessee contemplated by this lease. Notwithstanding with activities of Lessee, any development of the surface of the above mentioned leased claims, Lessor further agrees that Lessee shall have access on or across the above mentioned claims so as not to interfere with the exploration, development, mining, or associated activities of Lessee contemplated by this lease, on those above named claims. ~~if the Lessee, in its sole~~

However lessee will continue to have all rights for mineral exploration, development and mining 40 feet or more below the surface.

5. REPORTING: Lessee agrees that it will provide Lessor with a report on or before the 15th day of each month, pertaining to the previous month, to the Lessor, in writing, indicating the following:

- (a) The number of tons of waste and ore mined.
- (b) A summary of all assays taken on said ore and waste mined.
- (c) The number of tons processed for which royalty is payable pursuant to this lease through mills, smelting, or reduction plants used to process said ores.
- (d) The value of all minerals sold or otherwise disposed of from ores subject to royalty payments pursuant to this lease.

The above referenced statement and reports are to be accompanied by a draft payable to the Lessor. If no royalty out of production is due for any monthly period hereof, then a report containing all of the pertinent details above required, shall be submitted to Lessor with a statement to the effect that there is no royalty out of production due for the preceding month,

In addition to the above, weekly progress reports will be sent to the Lessor, as well as all data generated relating to the leased claims.

6. ADDITIONAL REPORTS AND ACCESS: Lessee shall keep a full set of accounts and records, and shall allow Lessor, or its agents and employees to examine them from time to time. Lessee will allow lessor to enter upon said premises, and into any workings, mills, or reduction works thereon, or wherever said ore may be worked or reduced, for the purpose of inspection to ascertain whether the terms and conditions of this lease are being promptly carried out and to take samples and to make tests and measurements, and to affix notices. Lessee shall provide to Lessor, its agents and employees, copies of assay reports, drillhole logs, and any and all other data assembled which could be used as an aid in determining the location, quantity, and quality of any and all deposits on said land. All inspections shall be made at reasonable intervals, and shall be at the sole cost of, and risk of Lessor.

7. TAXES: Lessor shall pay all ad valorem and similar property taxes lawfully levied or assessed during the term of this agreement against the property, or any improvements thereto, but upon the receipt of a statement therefor from Lessor, Lessee shall reimburse Lessor for any such taxes paid by Lessor. In addition to the foregoing, Lessee shall pay all other taxes imposed by reason of Lessee's operation and improvements upon the property. Lessee shall pay any such taxes on installment basis upon receiving notice from Lessor that such installment payment of the said taxes is due. Lessee agrees to pay any such taxes before they become delinquent. Lessee shall not be liable for the payment of any tax assessment imposed by any city, county, state, federal or other law or ordinance, on the income of Lessor hereunder, or the interest reserved by Lessor thereunder or upon a transfer or passing by death or gift, of any interest of Lessor or for any similar tax. Lessee further agrees to do all other things necessary and required by federal, state and local laws and regulations to protect and defend and maintain Lessor's title to the leased claims, so that title will be as good as at the time of the execution of this agreement. A Performance Bond referred to in paragraph 12 will also cover tax payments.

8. WARRANTY: Lessor represents and warrants that it is the owner of the leased patented claims and the rights to unpatented claims, free of all claims, liens and encumbrances, and that Lessor has the exclusive possession of the leased claims, except for approximately two acres leased to the United States Department of Agriculture for surface and except to the extent that the United States Government holds title to unpatented claims. Also, Lessor may lease the "Vizina Mine Tour" provided the Lessor assumes all responsibility and liability for the tour enterprise.

9. BANKRUPTCY: In case Lessee shall be adjudged a bankrupt by either voluntary or involuntary proceedings, Lessor may, at its option, terminate this lease by written notice. After termination by notice, Lessor may re-enter the leased claims and take exclusive possession. Upon exercise of the option to terminate, the estate and rights in the herein leased claims of Lessee, and any person claiming through the Lessee, by act of the parties or operation of law, shall immediately terminate.

10. IMPROVEMENTS: Lessee may construct, reconstruct, demolish, remove, maintain, and use such roads, ditches, ponds, buildings, fixtures, machinery, pumps, PVC pipe, mine dumps, pad, heap, and headframes on, through and upon said leased claims, as may be necessary in carrying on mining operations during the term of this lease. At the termination hereof, Lessee may remove all personal property, machinery, tools, appliances, supplies, pumps, pipe, and equipment on said leased claims by Lessee; except shaft timbering and linings, any underground supports, rails, electric, water, or steam or airline pipes, provided no default shall at such time exist with respect to any payments or rentals, or in respect to any covenants, agreements, or conditions to be kept and performed by Lessee; provided that all machinery, tools, appliances and buildings, and all personal property remaining on said premises sixty (60) days after the termination (by notice or otherwise) of this lease, shall be held to have become the property of Lessor and shall not be removed therefrom by Lessee. Lessee agrees to perform all environmental restorations on the claims required by any governmental authority at its sole cost and expense.

Lessee will obtain approval from Lessor on the site and type of building constructed either for a plant and laboratory facility or a building for another lessee to enable use of the present 71 Minerals plant.

11. HOLD HARMLESS: Lessee agrees to release and to indemnify and hold harmless Lessor, and any corporation wholly or in part affiliated with, owned or controlled by Lessor, from and against all claims, causes of action, liabilities, costs and expenses for losses, or damage to, all property whatsoever and injuries to, or death of, all persons whomsoever, arising out of, or in any way connected with, the use and occupation of the leased premises or exercise of the rights hereunder. Lessee agrees to comply with all such regulations promulgated by the responsible governmental agencies in carrying out the activities contemplated by this lease, and to fence all open shafts, pits, etc., which exist upon the claims according to the requirements of the State Mine Inspector.

12. LIENS: Lessee agrees to pay in full, all persons who perform labor or services on, furnish materials, joined or affixed to, or provide equipment for, said leased claims, at Lessee's instance or request. Lessor shall not permit or suffer liens of any kind or nature to be enforced against said leased claims for such labor, services, materials, or equipment. Lessor shall have the right to pay any amount required to release any such lien, or liens, or to defend any action brought thereon, and to pay any judgement entered therein, and lessee shall be liable to Lessor for all costs, damages and reasonable attorney's fees, and any amounts expended in defending any proceedings or payment of any kind of said liens or any judgments obtained therefor. Lessee should also provide a bond in the amount of \$150,000.00 on payment of labor and materials on the property with the cost of the bond to be paid by the lessee.

13. ASSIGNMENT: This lease shall inure to the benefit of and be binding upon the respective heirs, administrators, executors, successors and assigns of the parties hereto. Upon such assignment all references herein to "Lessee" or "Lessor" shall be deemed to refer to such succeeding heirs, administrators, executors, successors and assigns of such alienating party.

14. TERMINATION: After an exploration/development expenditure of \$200,000, and an equivalent of 12 months advanced minimum royalties(\$90,000), *W.B.H.* *CFH* Lessee shall have the right in its sole and exclusive discretion, to terminate

this lease upon giving thirty (30) days written notice of termination to Lessor. Upon giving such notice of termination, Lessee shall be liable only for the payment of the minimum royalty or royalty out of production due for the thirty day period next following the date the notice of termination was given. Lessor can terminate this lease if the advanced minimum royalty is not sent by certified mail on the first day of every month, starting May 1, 1979, or if the Lessee is in default in regard to any other of the provisions of Paragraphs (3), (7) or (17) of this lease. Lessor shall give formal, written and detailed notice of the existence of same to Lessee. If Lessee has not cured the said default within thirty (30) days after receipt of said formal, written and detailed notice of default, Lessor can terminate the herein lease.

15. INSURANCE: Lessee agrees to maintain and keep in force at all times, a policy of liability insurance protecting Lessee and Lessor from personal and property liability that may be incurred on said leased claims in the amount of \$2,000,000.00. Lessee further agrees to maintain and keep in force at all times, workmens compensation insurance and to furnish certificates of insurance and copies of the Insurance policies to the Lessor. Lessor will be named as Additional Insured. *W.B.H.* *FFH*

16. NOTICES: Any and all notices required hereunder, or permitted to be given by either party to the other, shall be considered to have been delivered at the expiration of seventy-two (72) hours following deposit in the United States Mail, with registered or certified postage prepaid thereon, and addressed:

(a) If to Lessor: To: Tombstone Development Company
c/o William Hight
1824 North Broadwell
Grand Island, Nebrasks (68801)

(b) If to Lessee: To: Tombstone Exploration, Inc.
c/o Thomas H. Schloss

The Austin Exploration & Mining Corporation
c/o James A. Briscoe
4500 E. Speedway
Suite # 14
Tucson, Arizona (85712)

Either of the parties may change the location to which required notices to it shall be addressed, upon ten (10) days written notice to the other party.

17. ASSESSMENT WORK: Lessee agrees to perform all necessary assessment work required by federal and state laws for the continuing validity of all mining claims subject to this lease. Lessee further agrees to do all other things necessary and required by federal, state, and local laws and regulations to protect, defend and maintain, Lessor's title to the above referenced claims in effect on February 7, 1979, so that title will be as good as at the time of the execution of this agreement. If conflicts exist on the 18 unpatented claims, Lessee will do everything possible to validate the claims.

18. FIRST RIGHT OF REFUSAL: It is agreed to by and between the parties hereto that Lessee shall be given the first right of refusal to buy the interest of Lessor, should Lessor entertain to sell its interest herein, or the leased claims. For the purpose of this paragraph, Lessee has the first right of refusal to buy the leased claims at the same price as set forth in any bona fide offer in writing, acceptable to Lessor, given by any individual or company. Lessor shall, at its own exclusive discretion, determine what collateral, guarantes, or other evidences of Lessee's ability to purchase the said interest of Lessor herein, for the leased claims, are to be provided by Lessee.

19. MISCELLANEOUS: This agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements of the parties hereto with respect to the subject matter hereof, and may not be waived, amended or modified in any manner except in writing and signed by the party to be charged. Representations, warranties and agreements of the parties hereto, herein contained, regardless of any disclosure made to, or any investigation made by or on behalf of any party not making such representations, warranties and agreements, shall survive the execution and delivery of this agreement. This agreement, and such representations, warranties and agreements, shall be binding upon, inure to the benefit of, and be enforceable, by and against the heirs, successors, or assign of each of the parties hereto.

This Agreement may be recorded or registered with the Clerk, Recorder or
similar officer of the county or counties of which these claims are located,
or in any appropriate office of the United States Government, or anywhere
else Lessee deems appropriate in order to protect its interests hereunder.
This agreement may be executed in any number of counterparts, which
together will constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this agreement
as of the date and year first above written.

Lessor:
TOMBSTONE DEVELOPMENT COMPANY

By *W. B. [Signature]*

By *John Niedhart*

By *[Signature]*

By *Merne Byrnes*

Lessee:
TOMBSTONE EXPLORATION, INC.

By *Thomas H. Schloss*
Thomas H. Schloss

THE AUSTIN EXPLORATION & MINING CORP.

By *James A. Briscoe*
James A. Briscoe

Appendix A

TOMBSTONE DEVELOPMENT COMPANY CLAIMS

<u>Claim Name</u>	<u>Designation</u>
North Point	E-4
Cocopah	E-2
Silver Belt	E-9
Empire	D-3
Hawkeye	D-7
Little Wonder	
Way Up	D-16
Goodenough	D-6
Gilded Age	D-5
Vigina	D-15
Poor X	D-10
Survey	D-12
Toughnut	D-13
SW Ext. Toughnut	D-11
Fortuna	D-4
Tranquillity	D-14
Protectors	E-5
Contentment	E-7
Content	E-3
Cinnicinatti	E-8
Houghton	F-36
Defense	D-2
Surveyor	D-27
Westside	D-17
Sulphuret	D-25
Mayflower	D-23
Alta	H-1
San Rafael	F-28
Ninety Nine	D-24
Last Chance #2	D-8
Boss	D-1
Herald	D-22
Tribute	D-19/F-39
Eastside	F-6
Blue Monday	D-18/F-38
Eastside No.2	F-7
Old Guard	D-26/F-2
Lucky Cuss	F-16
COD	F-5
Lucky Sure	F-1
McCann	F-19
Owl's Last Hoot	F-23
Owl's Nest	F-24
Escondido	F-10
Wedge	F-33
Black Hawk	F-4
Oregon	C-2
Prompter	F-25
Contact	C-1

<u>Claim Name</u>	<u>Designation</u>
Florodoro	F-12
Antelope	C-5
Shoo Fly	C-5
Verde	C-9
Mexicana	F-18
Extacy	F-11
Shorty	F-29
Emerald So. Mine	F-9
Emerald	F-8
Hidden Treasure	F-15
Revenue	F-27
Telephone	F-32
Grand Dipper	F-14
Rattlesnake	F-26
Mammoth	F-19
Bunker Hill	F-3
Little Comet	C-4
Big Comet	C-4
Miner's Dream	C-4
Sidney	F-31
So. Ext. Central	F-30
Southern Belle	F-37
Buffalo	F-34
Naumkeag	F-21
Moonlight	F-20
Grand Central	F-13
Illinois	F-37
Michigan	F-37
Flora Morrison	F-41
Head Center	D-21
Yellow Jacket	D-21
Contention	D-20/F-20
New Year	F-22
Cornell	F-35

RECEIVED FEB 8 1979

COREY & KITTLE, P.C.

ATTORNEYS AT LAW

February 8, 1979

BARRY M. COREY
JAY S. KITTLE
PATRICK J. FARRELL
THOMAS A. STOOPS

SUITE 509 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701
(602) 882-4994

The Daily Reporter
1 West Orange Grove Road
Tucson, Arizona 85704

Re: SEA Hydromet, Inc.

Gentlemen:

Enclosed herewith please find a certified copy of the Articles of Incorporation of SEA Hydromet, Inc.

I request that you publish these Articles on February 14, 15 and 16, 1979, as provided by law, returning to me an Affidavit of Publication and the enclosed Articles.

Your assistance with this matter is very much appreciated.

Sincerely yours,



Patrick J. Farrell

PJF:ac
Enclosure

cc: Southwestern Exploration Associates, Inc.
Attn: Christine M. Dodson

C
O
P
Y

0639

REVIEWED

RECEIVED FEB 13 1979

*JAB
Hydromet
file.*

FEB 24 1979

COREY & KITTLE, P. C.

ATTORNEYS AT LAW

By *[Signature]*

February 12, 1979

BARRY M. COREY
JAY S. KITTLE
PATRICK J. FARRELL
THOMAS A. STOOPS

SUITE 509 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701
(602) 882-4994

Southwestern Exploration Associates, Inc.
4500 East Speedway, Suite 14
Tucson, Arizona 85712

Attn: Christine M. Dodson

Re: Bylaws and Minutes of Organizational Meeting of
Board of Directors of SEA Hydromet, Inc.

Dear Chris:

Enclosed herewith please find the following materials relating
to SEA Hydromet, Inc:

- (a) Photocopy of Bylaws.
- (b) Minutes of Organizational Meeting of Board of Directors
and Accompanying Waiver of Notice.

*- Pat Farrell
has original*

The bylaws which I have prepared for the Corporation are the
standard set which we use for our corporate clients. I will
retain the original Bylaws in the corporate minute book, and I
am enclosing this copy for your file.

I have arbitrarily selected February 15, 1979, as the date of
the organizational meeting of the board of directors. The minutes
of this meeting set forth the various items of business conducted
at such meeting and also contain the election of Officers of the
Corporation for the initial year of its existence. I would appre-
ciate it if you would have Jim and Richard Hewlett sign both the
minutes and the waiver of notice in the indicated spaces and
return them to my office in the enclosed, stamped, self-addressed
envelope. After I receive them from you I will place them in the
corporate minute book.

I would also appreciate receiving from you in the near future
the Certificate of Disclosure relating to this Corporation to be
signed by you and Jane Talley, which I recently sent to you.

Thank you for your assistance with this matter. Should you have
any questions concerning the foregoing, please feel free to contact me.

Sincerely yours,

[Signature]
Patrick J. Farrell

PJF:ac
Enclosures

*Done -
Enclosed*

*Did you
receive
this?*

*Thanks,
Chris*

0641

WAIVER OF NOTICE OF ORGANIZATIONAL MEETING

of

BOARD OF DIRECTORS

of

SEA HYDROMET, INC.

WE, the undersigned, being all of the Directors of the Corporation, hereby agree and consent that the organizational meeting of the Board of Directors of the Corporation be held on the date and at the time and place designated hereunder, and do hereby waive all notice whatsoever of such meeting and of any adjournment or adjournments thereof.

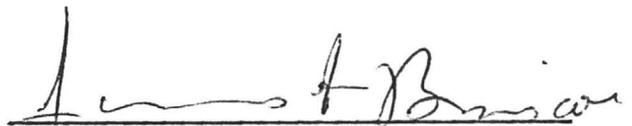
We do further agree and consent that any and all lawful business may be transacted at such meeting or at any adjournment or adjournments thereof as may be deemed advisable by the Directors present thereat. Any business transacted at such meeting or at any adjournment or adjournments thereof shall be as valid and legal and of the same force and effect as if such meeting or adjourned meeting were held after notice.

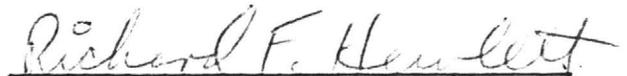
Place of Meeting: 4500 East Speedway Boulevard, Suite 14
Tucson, Arizona

Date of Meeting: February 15, 1979

Time of Meeting: 10:00 a.m.

DATED: Feb. 15, 1979


JAMES A. BRISCOE


RICHARD F. HEWLETT

MINUTES OF ORGANIZATIONAL MEETING

of

BOARD OF DIRECTORS

of

SEA HYDROMET, INC.

The organizational meeting of the Board of Directors of the Corporation was held, at the call of a majority of the Directors named in the Articles of Incorporation, on the date, and at the time and place set forth in the written Waiver of Notice signed by all of the Directors and Prefixed to the Minutes of this meeting.

There were present the following: James A. Briscoe and Richard F. Hewlett, being all of the Directors of the Corporation. James A. Briscoe called the meeting to order and stated the objectives thereof. He thereupon selected himself Chairman and Richard F. Hewlett Temporary Secretary for purposes of the meeting.

The Chairman presented to the Directors for their examination a copy of the Articles of Incorporation as executed by the Incorporators. On motion duly made and seconded, the Articles were unanimously approved by the Directors.

The Chairman advised the Directors that the original of the Articles had been filed with the Incorporating Division of the Arizona Corporation Commission on February 1, 1979, and that a certified copy had been delivered to THE DAILY REPORTER for publication in accordance with the requirements of law. He advised the Directors that the certified copy of

the Articles of Incorporation would be placed in the Minute Book as the first item therein, and that a receipt from the Corporation Commission and a copy of the Affidavit of Publication would be placed in the Minute Book as the second item therein.

The Chairman presented for examination a proposed form of By-Laws prepared by Counsel for the Corporation, and such By-Laws were carefully examined by all the Directors. On motion duly made and seconded, the proposed By-Laws were unanimously adopted as the By-Laws of this Corporation and the Chairman directed that the original of the By-Laws be inserted in the Minute Book as the third item immediately following the Affidavit of Publication and immediately prior to the Minutes of this meeting.

The Chairman then presented for examination a proposed form of stock certificate for the Corporation. Upon motion duly made and seconded, the proposed form of stock certificate was unanimously adopted and approved by the Directors, and the Chairman directed that a specimen copy be placed in the Minute Book of the Corporation immediately following the By-Laws.

The Chairman then advised the Directors that the next item of business was the matter of issuing the Common Stock of the Corporation. He noted that a domestic Corporation qualifying as a "small business corporation", as defined in Section 1244 of the Internal Revenue Code of 1954, as amended, may issue common stock for money or other property with the result that any shares issued under such Section will qualify for the tax treatment provided therein, which allows an ordinary loss deduction for losses on such stock (subject to the limitations set forth

in Section 1244). He pointed out that in order to qualify under such Section, the Corporation must comply with the following requirements:

1. The Corporation must qualify as a "small business corporation" under Section 1244, which means that the aggregate amount of money and other property received by the Corporation for stock, as a contribution to capital and as paid-in surplus, may not exceed One Million (\$1,000,000) Dollars. This determination must be made as of the time of the issuance of the stock in question, but shall include amounts received for such stock and for all stock theretofore issued.

2. The stock must be issued for money or other property other than stock or securities. The amount taken into account with respect to any property received by the Corporation other than money is the amount equal to the adjusted basis to the Corporation of such property for determining gain, reduced by any liability to which the property is subject or which is assumed by the Corporation. This determination must be made as of the time the property is received by the Corporation.

3. More than fifty (50%) percent of the Corporation's aggregate gross receipts must be derived from sources other than royalties, rents, dividends, interest, annuities and sales or exchanges of stock or securities during the Corporation's five most recent taxable years ending before the date any loss on such stock is sustained by the person to whom it was issued.

4. If the Corporation issues stock the aggregate value of which exceeds One Million (\$1,000,000) Dollars, then it must designate which shares are to be treated as Section 1244 stock.

After the foregoing explanation, upon motion duly made and seconded, the following resolution was adopted unanimously:

BE IT RESOLVED by the Board of Directors of SEA HYDROMET, INC. that the common stock of this Corporation shall be issued in accordance with Section 1244 of the Internal Revenue Code of 1954, as amended, to the extent that all the necessary requirements of such Section are complied with by the Corporation in the issuance of its common stock.

The Chairman next stated that a Corporate Bank account should be opened and suggested that an account be opened at a bank located in the State of Arizona and mutually agreed upon by the Directors. Thereupon, on motion duly made and seconded, the following resolution was unanimously adopted:

BE IT RESOLVED by the Board of Directors of SEA HYDROMET, INC. that the Officers of this Corporation shall be and they are hereby authorized to open a Corporate bank account at a bank located in the State of Arizona mutually agreed upon by the Board of Directors.

BE IT FURTHER RESOLVED that checks, drafts, and other orders drawn on or affecting the checking account of this Corporation including but not limited to checks or drafts drawn to the individual order of any person authorized to sign, shall be signed with the Corporate name followed by the signature of the President.

BE IT FURTHER RESOLVED that the signature card of the account, upon the form supplied by the Bank for that purpose, executed on or after the date of this meeting shall be valid and binding upon the Corporation and that this authorization shall remain effective until the Bank receives written notice to the contrary, signed by duly authorized Officers of the Corporation, specifically revoking this authorization. The revocation of any authorizations made with respect to the account shall not affect the validity of any check or other instrument signed or endorsed by any person or persons at the time authorized to act. This Corporation will guarantee payment of any overdraft created in the account.

The Chairman then discussed the advisability of authorizing Officers of the Corporation to borrow funds from the Bank so chosen by the Board of Directors. After deliberation and discussion, on motion duly made and seconded, it was

RESOLVED that any one of the following Officers or designated agents of this Corporation, to wit: the President, is hereby authorized on behalf of this Corporation to borrow money and obtain credit from such Bank chosen by the Board of Directors in which to place the Corporation's Corporate Account, or to discount with or guarantee to the Bank the obligations of others and for such purpose to execute, or endorse and deliver the note or other obligations of this Corporation, or of others, therefor, and in connection therewith the Bank shall have no duty to inquire as to the circumstances of the issue or the disposition of the proceeds of any such instrument whether the same be payable to the order of or in favor of any of its officers or other persons, and whether the same be deposited to the individual credit of or tendered in payment of the obligation of any of its Officers or other person, or otherwise; and to grant security interests and mortgages and pledge any of the inventory, accounts, contract rights, chattel paper, instruments, as defined in the Uniform Commercial Code, or other assets of this Corporation, including real estate, for the purpose of securing the payment of money so borrowed or obligations discounted or guaranteed, and for such purpose to execute and deliver any bond, mortgage, security agreement, financing statement, power or other instrument required by the Bank; and such Officers are specifically authorized to enter into the foregoing transactions at interest rates to be negotiated, however, in no event will the interest rate exceed the maximum authorized, all in accordance with law.

FURTHER RESOLVED, that the above authorization shall continue and remain in force and effect until notice of its revocation by Resolution of the Board of Directors has been received in writing by the Bank mutually agreed upon by them, and, further, that the Secretary is hereby authorized and directed to certify to the Bank, from time to time, the names of the persons herein authorized to sign for borrowings on behalf of this Corporation.

The Chairman then suggested that the Secretary of the Corporation should be authorized to procure the books and records necessary to begin the business of the Corporation, and that the President of the Corporation should be authorized to pay all expenses and to reimburse all persons for expenses made in

connection with the organization of this Corporation. After deliberation and discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

BE IT RESOLVED by the Board of Directors of SEA HYDROMET, INC. that the Secretary of this Corporation shall be and hereby is authorized and directed to procure all Corporate books, books of account and stock books required by the Statutes of the State of Arizona, or necessary or appropriate in connection with the business of this Corporation; and

BE IT FURTHER RESOLVED that the President of this Corporation shall be and hereby is authorized to pay all charges and expenses, including attorney's fees, incident to or arising from the organization of this Corporation and to reimburse any person who has made any disbursement therefor.

The Chairman then suggested that all previous actions undertaken by the Directors and Officers of the Corporation with regard to the organization of the Corporation be formally ratified and adopted by the Board of Directors. After deliberation and discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED that all previous actions undertaken by the Directors and Officers of the Corporation in connection with the organization of the Corporation are hereby formally approved and ratified as valid and proper actions of the Corporation.

The Chairman reminded the Directors that the Incorporators had indicated to the Arizona Corporation Commission that the fiscal year for the Corporation would end on June 30 of each calendar year. The Directors then concurred that such fiscal date should be ratified at this time. Thereupon, upon motion duly made and seconded, the following resolution was adopted unanimously:

BE IT RESOLVED by the Board of Directors of SEA HYDROMET, INC. that the act of the Incorporators of this Corporation in setting the fiscal and taxable year of this Corporation to end annually on June 30 is hereby ratified and approved.

The Chairman then discussed the desirability of granting to the President of the Corporation comprehensive authority to buy, sell, trade, assign and deal with assets of the Corporation. After discussion, and upon motion duly made, seconded, and unanimously carried, it was:

RESOLVED that the President of this Corporation be and is hereby authorized to convey, lease, mortgage, sell and assign any and all real, personal or mixed property owned, held or controlled by said Corporation, and to execute and deliver, in the name of said Corporation, subdivision plats, deeds, mortgages, promissory notes, bills of sale, security agreements, financing agreements, satisfactions and assignments of mortgages, liens and encumbrances of all kinds, claims for liens, lien waivers, transfers and assignments of both real and personal property, and any other instruments in connection with any real or personal property owned, held or controlled by said Corporation, and to take whatever actions are deemed necessary by him toward the conduct of the business of the Corporation, including, but not limited to, the entering into of contracts, leases, agreements and all other necessary conduct pertaining to the operation of the Corporation;

BE IT FURTHER RESOLVED, that the authority hereby conferred upon said Officer of this Corporation shall remain and be in full force and effect until such time as said authority may be hereafter revoked and a certified copy thereof recorded in the office of the County Recorder of each County in which this resolution is of record.

The final order of business dealt with the election of officers of the Corporation. Upon motion duly made, seconded, and unanimously carried, it was:

RESOLVED that James A. Briscoe be and the same is hereby elected President of SEA HYDROMET, INC., to serve until the next Annual Meeting of the Board of Directors; it was

FURTHER RESOLVED that Richard F. Hewlett be and the same is hereby elected Vice-President of SEA HYDROMET, INC., to serve until the next Annual Meeting of the Board of Directors; it was

FURTHER RESOLVED that Jane E. Talley be and the same is hereby elected Treasurer of SEA HYDROMET, INC., to serve until the next Annual Meeting of the Board of Directors; it was

FURTHER RESOLVED that Christine M. Dodson be and the same is hereby elected Secretary of SEA HYDROMET, INC., to serve until the next Annual Meeting of the Board of Directors.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously carried, the meeting was adjourned.

Richard F. Hewlett
Richard F. Hewlett, Temporary Secretary

ATTEST:

James A. Briscoe
James A. Briscoe

Richard F. Hewlett
Richard F. Hewlett

DAY/TIMER
Time-Saver

LETTER

IN REFERENCE TO:

Southwestern Exploration Assoc., Inc.
4500 E. SPEEDWAY, SUITE 14
TUCSON, ARIZONA 85712

(602) 795-6097

Credit Cards + SEA Aviation
SEA Hydromet
FIRST-CLASS MAIL INTER-OFFICE

FOR

JAB

HOW TO USE THIS

DAY/TIMER

Time-Saver LETTER TO SAVE TIME.

Type or write your reply in the space below. Then mail the white copy to us and keep the pink copy for your files. You'll save time and effort, and we'll have your answer much faster! Thank you.

MESSAGE

DATE:

2/14/79

FOLD

Phoned Mt. Bell 2/14/79 - ordered #'s for both SEA Hydromet + SEA Aviation - will be about 10 days before delivery.

Note: Phoned back 2/14/79 to find out if it could be done faster - Answer: No - This is due to the computer control in the interest of safeguarding the #'s - Even if we send a representative to Mt. Bell office (or even if someone there calls us directly) they cannot release numbers. Sams!

REPLY

BY

Chris

DATE:

2/19/79

Thanks JAB

BY

COREY & KITTLE, P. C.

ATTORNEYS AT LAW

February 14, 1979

BARRY M. COREY
JAY S. KITTLE
PATRICK J. FARRELL
THOMAS A. STOOPS

SUITE 509 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701
(602) 882-4994

Arizona Corporation Commission
415 West Congress Street
Tucson, Arizona 85701

Attn: Incorporating Division

Re: SEA Hydromet, Inc.

Gentlemen:

Enclosed herewith please find a Certificate of Disclosure relating to SEA Hydromet, Inc., which has been signed by the Secretary and Treasurer of the Corporation.

A Certificate of Disclosure has already been sent to your office with respect to the Incorporators, Directors, President and Vice-President of this Corporation.

Thank you for your assistance with this matter.

Sincerely yours,



Patrick J. Farrell

PJF:ac
Enclosure

cc: Southwestern Exploration Associates, Inc.
Attn: Christine M. Dodson

RECEIVED FEB 15 1979

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C
O
P
Y

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

Phoenix Address: 2222 West Encanto Blvd.
Suite 210-D
Phoenix, Arizona 85009

Tucson Address: 415 W. Congress Street
Tucson, Arizona 85701

Check Appropriate Box(s) "A", "B", OR "C"

SEA Hydromet, Inc.
EXACT CORPORATE NAME

CERTIFICATE OF DISCLOSURE
A.R.S. Sections 10-128 & 10-128.01

THE UNDERSIGNED CERTIFY THAT:

A. No person serving either by election or appointment as officers, directors, trustees, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:

1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining of trade or monopoly in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven year period immediately preceding the execution of this certificate where such injunction, judgment, decree or permanent order:
- (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
 - (c) Involved the violation of the antitrust or restraint laws of trade laws of that jurisdiction.

B. For any person or persons who have been or are subject to one or more of the statements in Items A. 1 through A. 3 above, the following information "MUST" be attached.

1. Full name and prior names used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7 year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, the date and location, the court and public agency involved, and the file or cause number of the case.

C. Has any person(s) (a) serving either by election or appointment as an officer, director or trustee, incorporator of the corporation or, (b) controlling or holding 20% of the proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES _____ NO _____

- If your answer to the above question is "YES", you "MUST" attach the following information, for each such corporation:
- 1. Name and address of the corporation.
 - 2. Full name, including alias(s) and address(s) of each person(s) involved.
 - 3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
 - 4. Dates of corporate operation.
 - 5. A description of the bankruptcy, receivership, or charter revocation, including the date, the court or agency involved, and the file or cause number of the case.

Under penalties of law as set forth in A.R.S. Sec. 10-128.01 F., I declare that I have examined this report and the certificate, including any attachments, and to the best of my knowledge and belief it is true, correct and complete.

*NOTE: If a foreign corporation, the following declaration is also applicable: Under penalties of law I declare that I will comply with the Provisions of A.R.S. Sec. 128.01.

2012
BY: Christine M. Dodson DATE 2/1/79
Christine M. Dodson, Secretary

BY: Jane E. Talley DATE 2/1/79
Jane E. Talley, Treasurer

TITLE: _____

*File
Hydromet*

COREY & KITTLE, P.C.

RECEIVED FEB 21 1979

ATTORNEYS AT LAW

BARRY M. COREY
JAY S. KITTLE
PATRICK J. FARRELL
THOMAS A. STOOPS

February 20, 1979

SUITE 509 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701
(602) 882-4994

Arizona Corporation Commission
415 West Congress Street
Tucson, Arizona 85701

Attn: Incorporating Division

Re: SEA Hydromet, Inc.

Gentlemen:

Enclosed herewith please find the original Affidavit of Publication issued by The Daily Reporter, relating to the publication of the Articles of Incorporation of SEA Hydromet, Inc.

Your assistance with this matter is very much appreciated.

Sincerely yours,



Patrick J. Farrell

PJF:ac
Enclosure

cc: Southwestern Exploration Associates, Inc.
Attn: Christine M. Dodson

0652

RECEIVED FEB 21 1979

INCORPORATION of
SEA HYDROMET, INC.

I. NAME The name of the corporation is SEA HYDROMET, INC.

II. PURPOSE The purpose for which this corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time, and specifically but not in limitation thereof, the purpose of developing technological innovations relating to the heap leaching of base and precious metals and patenting, selling and/or licensing the use of such innovations, and any and all other businesses of any type whatsoever growing out of, related to or in any manner whatsoever in connection with any of the items, businesses, relationships, purposes or powers described in these articles. No enumeration herein set forth shall in any manner be deemed to be exclusive of object or purposes not enumerated but on the contrary such enumerations shall be construed as including all other and further objects and purposes of the same or similar type or character, regardless of how thin, vague, or indefinite, the relationship or connection may be.

III. INITIAL BUSINESS The corporation initially intends to conduct the business of developing technological innovations relating to the heap leaching of base and precious metals and patenting, selling and/or licensing the use of such innovations, and business activities associated therewith.

IV. AUTHORIZED CAPITAL The corporation shall have the authority to issue One Million (1,000,000) shares of common stock, par value One (\$1) Dollar per share.

V. STATUTORY AGENT The name and address of the initial statutory agent of the corporation is Jay S. Kittle, Attorney at Law, 509 Transamerica Building, 177 North Church Avenue, Tucson, Arizona, 85701.

VI. KNOWN PLACE OF BUSINESS The known place of business of the corporation shall be 4500 East Speedway Boulevard, Suite 14, Tucson, Arizona, 85712.

VII. BOARD OF DIRECTORS The business and affairs of the corporation shall be managed by the Board of Directors. The number of persons which shall constitute the whole Board of Directors shall not be less than one (1) nor more than ten (10). The specific number of persons on the Board of Directors shall be fixed, from time to time, by the Board of Directors, in accordance with these Articles and the Bylaws of the corporation.

Until the first annual meeting of shareholders, and until their successors shall have been elected and qualified, the initial Board of Directors shall consist of two (2) directors, and the following persons shall be the initial directors of the corporation: James A. Briscoe, 4500 E. Speedway Suite 14 Tucson, Arizona 85712 Richard F. Hewlett 2602 Monte Verde Way Sparks, Nevada 89431

VIII. INCORPORATORS The incorporators of the corporation are: James A. Briscoe 4500 E. Speedway Suite 14 Tucson, Arizona 85712 Richard F. Hewlett 2602 Monte Verde Way Sparks, Nevada 89431 All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission for filing.

IX. DISTRIBUTIONS FROM CAPITAL SURPLUS The Board of Directors of the corporation may, from time to time, distribute on a pro rata basis to its shareholders out of the capital surplus of the corporation a portion of its assets, in cash or property.

X. INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS The corporation shall indemnify any person who incurs expenses by reason of the fact that he or she is or was an officer, director, employee or agent of the corporation, in accordance with the procedures more specifically set forth in the Bylaws of the corporation. This indemnification shall be mandatory under all circumstances in which indemnification is permitted by law.

XI. REPURCHASE OF SHARES The Board of Directors of the Corporation may, from time to time, cause the corporation to purchase its own shares to the extent of the unreserved and unrestricted earned and capital surplus of the corporation.

IN WITNESS WHEREOF, the undersigned incorporators have hereunto set their hands this 28th day of January, 1979. James A. Briscoe JAMES A. BRISCOE Richard F. Hewlett RICHARD F. HEWLETT 502374 ARIZONA CORPORATION COMMISSION Incorporating Division-T FILED FEB 1 1979 At 11:30 A.M. at request of Patrick J. Farrell, Esq. Address 509 Transamerica Bldg. Tucson, Arizona 85701 By: Nikki A. Chayet EVO J. DeCONCINI, ASSISTANT EXECUTIVE SECRETARY R-56998 Pub: The Daily Reporter February 14, 15, 16, 1979

The DAILY REPORTER

AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA)

: ss.

COUNTY OF PIMA)

Jack B. Jewett

being first duly sworn, deposes and says that (he) (she) is the

Assistant to the Publisher

of THE DAILY REPORTER, a daily newspaper printed and published in the City of Tucson, County of Pima, State of Arizona, and of general circulation in said City, County, State and elsewhere, and that the hereto attached Articles of Incorporation of Sea Hydromet, Inc.

was printed and published correctly in the regular and entire issue of said THE DAILY REPORTER for 3 issues; that the first was made on the 14 day of February 19 79, and the last publication thereof was made on the 16 day of February 19 79; that said publication was made on each of the following dates, to-wit:

February 14, 15, 16, 1979

Dated at Tucson, Pima County, Arizona, this 16

day of February, 19 79.

Jack B. Jewett

Subscribed and sworn to before me this 16

day of February, 19 79.

Barbara V. Fairfield
Notary Public

My Commission Expires:
My Commission Expires Nov. 14, 1982

Request of Corey & Kittle, P.C.



February 20, 1979

Eocene Research, Ltd.
Box 475
Tombstone, Arizona 85638

Gentlemen:

Re: License Agreement

Eocene Research, Ltd. (Eocene), ^{a NEVADA CORPORATION} ~~a limited partnership organized~~ under the laws of Connecticut, has expressed its desire to enter upon certain abandoned millsite claims (millsites) of Tenneco Oil Company (TENNECO) located on its Boquillas Ranch in Cochise County, Arizona, and to take samples from the tailing dumps located thereon for assay purposes in order to determine whether or not such tailing dumps contain metals in sufficient quantities to be processed commercially, and to obtain an option to process these tailings for precious metals in the event an assay of such samples indicates the commercial feasibility of processing such deposits.

Said millsites are located on the east side of the San Pedro River approximately two miles northerly of Charleston Crossing and/or were originally designated by the following names:

- a. Sunset
- b. Grand Central
- c. Boston
- d. Gird
- e. Corbin

Tenneco is willing and does hereby grant to Eocene a license to enter upon the above described millsites and to take samples from the tailing dumps located thereon and an option to process these tailings to extract the metallic minerals from such tailing deposits subject to the following terms and conditions:

1. Eocene shall have the right of ingress to and egress from said millsites by means of existing roads across Tenneco's Boquillas Ranch. Eocene shall not have the right to the use of any of Tenneco's properties outside of the millsites except for the use of said existing roads for the purpose of access to such millsites.

2. The term of this license shall commence on the 1st day of May, 1979 and shall continue thereafter for 45 days.

Tenneco Oil

Eocene Research, Ltd.

February 20, 1979

Page 2

3. Eocene shall have the right to enter upon the said millsites or any of them and to locate and determine the approximate tonnage of tailings at each such millsite, and to take samples of such tailings and have them assayed. In entering upon the premises, Eocene shall use the most direct accessible route to each location using the existing roads and keeping the use of the surface and damages to such millsites to a minimum.

4. Eocene shall notify Tenneco's Tucson office by telephone prior to each entry upon Tenneco's property, and Tenneco shall have the right to have a person present to witness and collect samples during each such operation if it so desires. Also, Eocene shall advise the Boquillas Ranch foreman prior to each entry upon the Ranch.

5. Eocene shall furnish Tenneco with detailed information concerning its operations on the millsites, including the location of the respective tailing dumps, approximate tonnage of each tailing dump, all assay results of samples from each respective tailing dump, and the access route used to reach each tailing dump.

6. Eocene agrees to pay Tenneco for all damages caused by its operations to any portion of Tenneco's Boquillas Ranch, including but not limited to the above described millsites during the term of this agreement; and Eocene agrees to indemnify and hold Tenneco harmless from any damages or injury caused to any persons, including but not limited to any employees of Eocene, or any property belonging to Tenneco or third parties.

7. Tenneco hereby grants to Eocene an option to be exercised during the 45 day period of the license granted hereby to enter into a contract with Tenneco to process the tailing deposits located on the millsites and to own the metals extracted therefrom subject to the terms and conditions of said contract, which said contract is attached hereto as Exhibit A. The option granted hereby may be only exercised by Eocene during the said 45 day period by giving written notice to Tenneco to the address shown above on this letterhead together with a cashier's check in the amount of \$50,000.00 to be applied as the first advance annual minimum royalty; such written notice of the exercise of said option by Eocene and cashier's check must be actually received by Tenneco during said 45 day period. Upon receipt of such written notice and cashier's check by Tenneco, the terms and provisions of the contract attached hereto as Exhibit A shall become applicable by the parties and said contract shall be binding without further execution and the term of the contract shall commence on such date; provided, however, the parties agree that upon request of either party both parties will execute a formal contract on the form attached as Exhibit A, dated the date of receipt of such notice and check by Tenneco. Time is of the essence and failure by Eocene to exercise the option granted hereby in strict conformance with the terms herein set out shall terminate all of Eocene's rights hereunder.

Tenneco Oil

Eocene Research, Ltd.

February 20, 1979

Page 3

In the event the foregoing satisfactorily and completely sets forth the terms and conditions under which you are granted a license to enter upon Tenneco's Boquillas Ranch and the option pursuant to which you have the right to enter into a contract to process tailing dumps located on the said millsites and extract the metals contained therein, please signify your acceptance of this contract by your execution in the space provided below. Unless this contract is accepted and executed by you and returned to Tenneco within 30 days from the date hereof, this agreement shall become null and void and no subsequent execution shall be valid.

Yours very truly,

TENNECO OIL COMPANY

By *JM Ouellet*

ACCEPTED AND AGREED TO this
17th day of APRIL, 1979.

EOCENE RESEARCH, LTD.

By *George M. Jourd'heuil, President*

TLP/sc

September 8, 1978

TO THE LIMITED PARTNERS OF EOCENE RESEARCH

I am sorry to advise that I have been unable to obtain unanimous consent from all the Limited Partners of Eocene Research to the Cosgriff proposal of July 11, 1978 and it is not possible to raise additional financing on the present partnership agreement. Since the partnership has insufficient funds to continue operating, I am exercising my option under the partnership agreement and liquidating the partnership.

I have formed a corporation in Nevada known as Eocene Research, Ltd., and the initial ownership in this company for those limited partners of the liquidated partnership, who sign this letter accepting an interest in Eocene Research, Ltd. and return their acceptance to Peter Cosgriff by September 25, 1978, will be as follows:

George M. Jewett,	1978 SAL. 649 SHARES	20%	3127	3000 shares (G.M.J. 15%)
Hugh A. Ghiringhelli	1977 SAL. 81 SHARES	7%		1050 shares (KRISTINNE 15%)
Gregory Grosbard	TOTAL 729 SHARES	4%		600 shares (LAMONT 15%)
John G. Dean (to be acquired over 8 months at 56.25 shares per month in return for his services to Eocene Research, Ltd.)		3%		450 shares (M.H. JEWETT 15%)
Present Non-Subscribing Limited Partners (pro-rated as per Cosgriff's letter of July 11, 1978)		5%		750 shares
Present Subscribing Limited Partners (In the form of convertible debentures for the total sum of \$435,000 at 1% earned interest convertible at their option into a 25% interest (3750 shares) on January 1, 1981 or cash over a two year period from that date at Eocene's choosing. These convertible debentures will be allocated to the present subscribing limited partners using their relative percentage as shown in Cosgriff's letter of July 11, 1978.)		25%		3750 shares
New Financing of \$300,000 (will be achieved by the selling of 36% interest in Eocene Research, Ltd. at \$55.56 per share or \$8,333.33 for each additional 1% interest. 14.4% to come from the above interest has been set aside for immediate interim financing, 2,160 shares, to be sold this week.)		36%		5400 shares

There are presently authorized 50,000 shares of Eocene Research, Ltd., and I will at present issue or reserve for conversion of debentures 15000 shares to

TO THE LIMITED PARTNERS OF EOCENE RESEARCH

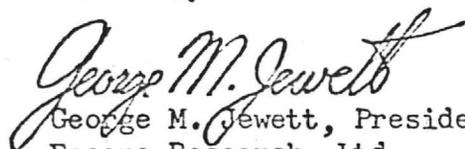
September 8, 1978

-2-

represent 100% ownership in Eocene Research, Ltd. after the present financing is completed. Those limited partners that do not sign this letter and return it to Peter Cosgriff by September 25, 1978 will have no interest in the new company.

Please advise your interest in participating in the new financing of Eocene Research Ltd., and to what extent you wish to participate. Whatever part is not desired by the present limited partners has been spoken for by new investors. I plan on completing the financing by September 30, 1978, so if you wish to participate in the new financing you must reply to Peter Cosgriff or contact me before September 25, 1978.

Sincerely


George M. Jewett, President
Eocene Research, Ltd.

I, _____, a Limited Partner of Eocene Research, accept the above proposal and the interest offered me in Eocene Research, Ltd., a Nevada corporation.

Signed _____

EXHIBIT A
ATTACHED TO AND MADE A PART OF
LICENSE AGREEMENT DATED THE 20TH DAY OF FEBRUARY 1979

PROCESSING LICENSE

THIS AGREEMENT is entered into this _____ day of _____ 1979, by and between TENNECO OIL COMPANY (TENNECO), a Delaware corporation, whose address is P. O. Box 2511, Houston, Texas 77001, and EOCENE RESEARCH, LTD. (EOCENE), a limited partnership organized under the laws of Connecticut, whose address is Box 475, Tombstone, Arizona 85638.

W I T N E S S E T H:

WHEREAS, Eocene desires to enter into an arrangement with Tenneco pursuant to which Eocene will have the right to enter upon certain abandoned millsite claims (millsites) located on the property belonging to Tenneco within the boundaries of its Boquillas Ranch in Cochise County, Arizona and to remove therefrom tailing dumps, or portions thereof, containing commercial quantities of metals and to process such deposits for the purpose of extracting metals contained in such deposits; and

WHEREAS, Tenneco is willing to grant to Eocene a license to enter upon such millsites and to process the tailing dump deposits, subject to the terms and conditions hereinafter set out;

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein set out, the parties hereto agree as follows:

1. Tenneco does hereby grant to Eocene the right to enter upon and the exclusive right to remove and process, during the term hereof, the tailing dump deposits located on the following described abandoned millsites situated within the boundaries of Tenneco's Boquillas Ranch in Cochise County, Arizona, ~~being located on the east side of the San Pedro River approximately 2 miles~~ northerly of the Charleston Crossing, said millsites being originally designated by the following names:

- a. Sunset
- b. Grand Central
- c. Boston
- d. Gird
- e. Corbin

2. The cash consideration to be paid to Tenneco by Eocene is \$50,000.00 per year payable in advance. Payment of the first \$50,000.00 payment has been received and is hereby acknowledged by Tenneco. Payment of the second \$50,000.00 payment shall be due on or before one year from date hereof, unless this agreement is then terminated.

3. The term of this contract shall commence on the date hereof and shall continue for two calendar years thereafter (the first calendar being the twelve months following the date hereof; and the second calendar year being the twelve months following the first anniversary date hereof); provided Eocene shall have the right to terminate this contract at the end of one year from its commencement date by giving Tenneco sixty (60) days prior written notice of such termination and be relieved of the obligations to make the second \$50,000.00 payment required under Paragraph 1. hereof. Unless sooner terminated as herein provided, at the end of 24 months following the date hereof, this contract shall terminate and Eocene shall have no further right to remove deposits of tailing dumps from said millsites.

4. All tailing deposits removed from said millsites will be promptly processed in Eocene's mill located approximately seven (7) miles east of said millsites between said millsites and Tuscon, Arizona. Title to said tailings shall remain in Tenneco's possession until they are processed. Any tailings not processed within a reasonable time shall be returned to the millsite from which they were removed. All tailings will be weighed on certified scales prior to processing, and Tenneco shall have the right to have a representative present at such weighing should it so desire. Monthly reports shall be made by Eocene to Tenneco reflecting the tonnage of material weighed, and types and quantities of metal extracted.

5. Each year during the term hereof, Eocene agrees to pay Tenneco monthly, as royalty hereunder, an amount equal to 2% of the market value of the metals extracted from said tailing dumps, until 5% of the market value of such metals extracted during such year equal \$50,000.00 after which Eocene agrees to pay to Tenneco monthly as royalty 7% of the market value of such metals extracted during such year. Royalties payable as a result of metals extracted during any month shall be valued as of the first day of the following month based on published market value as shown in the Engineering and Mining Journal. In the event no such values are published during any given month, such value shall be determined on the bases of the then most recent publication

of the Engineering and Mining Journal which does reflect such values. Amounts owing as royalty for metals extracted during any month shall be paid to Tenneco at its Houston office, at the address shown above, on or before the 15th day of the following month.

6. In conducting its operations hereunder, Eocene agrees to comply with all laws and regulations, both Federal and State, including but not limited to regulations promulgated under the Environmental Pollution Act and the Occupational Safety and Health Act. Also, in conducting its operations hereunder, Eocene agrees to utilize only that portion of the surface of said millsites as is reasonably necessary to conduct such operations and agrees to indemnify and hold Tenneco harmless from all damages or injuries caused to persons or property as a result of Eocene's operations.

7. Tenneco hereby grants Eocene during the term of this agreement the right to utilize existing roads across Tenneco's Boquillas Ranch for purposes of ingress to and egress from said millsites. Eocene agrees to be responsible for damages caused to such roads and to make any repair of any damages to such roads as may be caused by it, all at Eocene's sole cost and expense. Upon termination hereof, Eocene agrees to repair all surface damages and restore the surface of the millsites as nearly as practicable to its present condition and shall plant the disturbed ground with native grass seed. Eocene agrees to furnish Tenneco its bond in the amount of \$10,000.00, guaranteed by a corporate surety satisfactory to Tenneco, insuring the repair of all surface damages in accordance herewith.

8. Eocene agrees to keep accurate books and records concerning all operations involving the processing of the tailing deposits hereunder and extracting of metals therefrom and agrees that Tenneco's personnel shall have access at all reasonable times to such books and to inspect Eocene's processing mill and laboratory for purposes of observing, auditing and verifying all facets of Eocene's operations pursuant hereto. Eocene agrees to maintain its books and records available for audit by Tenneco for a period two years beyond the expiration of the term hereof.

9. So long as Eocene is removing deposits of tailing dumps from the millsites pursuant hereto, Eocene agrees not to process in its mill any material acquired from other sources, and in the event other material is processed in said mill during the term hereof, this agreement shall ipso facto terminate without notice and Eocene shall have no further rights hereunder; provided,

however, Eocene shall not be relieved of any obligations theretofore accrued hereunder.

10. In conducting operations hereunder, Eocene agrees to notify Tenneco's Exploration Research office at 1001 E. Mossman Road #1, Tucson, Arizona 85706, telephone (602) 889-8027, prior to each entry on Tenneco's property so that Tenneco may have a representative present during such operation if it so desires. Also, Eocene agrees to notify Tenneco's Boquillas Ranch foreman at Fairbanks, Arizona prior to each entry upon said Ranch.

11. Eocene, at its expense, shall carry: (a) workmen's compensation insurance, (b) public liability insurance with liability limits of such reasonable amounts as may be required from time to time by Tenneco, but in no event less than \$200,000 for the injury to or death of one person and \$500,000 for the injury to or death of more than one person in any one accident, and (c) property damage insurance with liability limits of not less than \$50,000. All such policies shall provide:

(i) Underwriters will have no right of recovery or subrogation against Tenneco, its divisions, affiliates, or subsidiary companies, it being the intention of the parties that the insurance so effected shall protect both parties and be primarily liable for any and all losses covered by the above described insurance; and

(ii) Underwriters acknowledge the existence of liability and property damage insurance carried by Tenneco, its affiliated and subsidiary companies, and it is understood and agreed that the provisions relating to other insurance in this policy, if any, shall not be applicable to said company or companies. It is further understood that the insurance provided by this policy shall be primary insurance for all assureds, and such other companies, shall not be called upon by these insurers for contributing, deficiency, concurrent or double insurance or otherwise.

All such insurance shall be carried with insurance companies satisfactory to Tenneco, and shall cover not only the liability of Eocene for bodily injury to or death of persons and property damage, but also such liability which has been assumed by Eocene under the indemnity agreement of this license. Eocene shall forthwith procure and cause to be furnished to Tenneco certificates from Eocene's insurers stating that such insurance is in full force and effect, that the premiums have been paid thereon and that the insurers will give Tenneco at least

thirty (30) days prior written notice of any termination, cancellation or modification of the terms of such insurance.

12. Tenneco makes no representation or warranty of the quality, quantity or suitability of use of the tailing deposits within the premises.

13. This license shall be binding upon and insure to the benefit of the heirs, administrators, executors, successors and assigns of the respective parties. Eocene shall not, however, and it hereby agrees that it will not sublicense the premises or any party thereof, or assign, transfer, mortgage or otherwise convey this license or any of its rights and interest hereunder without prior written consent of Tenneco.

14. This agreement is not and shall not be considered as an agreement for the sale of tangible personal property. If, however, the removal or sale of the materials are alleged or determined to be subject to Sales or Use taxes, Eocene agrees to pay such taxes when due, and Tenneco shall have no responsibility or liability for any part thereof.

IN WITNESS WHEREOF, the parties have executed this license in duplicate as of the date hereinabove written.

TENNECO OIL COMPANY

By _____

EOCENE RESEARCH, LTD.

By _____

file:
famco

FAMCO /

1700 Broadway • New York, New York 10019 • (212) 247-0420

February 26th, 1979

TOMBSTONE DEVELOPMENT CO.
c/o Mr. William Hight
1824 North Broadwell
Grand Island, Nebraska 69901

Dear Mr. Hight:

At the request of Richard Hewlett I am writing you to describe my background.

My partner, Dwight Lee and myself have been in the investment business for over ten years. During this time I have known and pursued mining interests with Mr. Hewlett for ten years, and Mr. Briscoe for seven years.

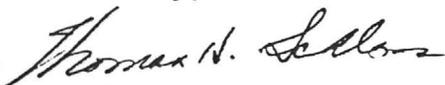
For the last five years our firm, FAMCO, has had a seat on the New York Stock Exchange, American Stock Exchange and The Chicago Board Option Exchange. We specialize in the hedging of securities for institutions and money management clients. If you need further information in regard to this firm I can suggest that the New York Stock Exchange is best qualified to give an unbiased answer to any questions you might want to ask.

We have also been involved in the venture capital business and have successfully invested in this area for about seven years.

For personal, as well as business references, I suggest you contact Mr. Howard Poduska, Vice Chairman of the Board, The Bank of New York.

If you need any further information please give me a call and if by chance you are in New York I would look forward to meeting with you.

Sincerely,



Thomas H. Schloss
Chairman of the Board

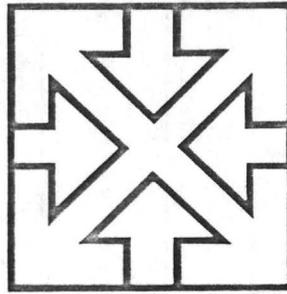
THS/avc

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Consultants in:

- base & precious metals • uranium
- coal • geothermal • environment
- remote sensing • color aerial photography
- interpretation-image processing
- Worldwide Mobilization



file
P-418

4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

**Southwestern
Exploration Associates, Inc.**

February 26, 1979

Mr. Leo Smith
Verity, Smith & Kearns, P.C.
Transamerica Bldg.
Tucson, AZ 85701

Dear Mr. Smith:

At the request of Mr. Jim Briscoe, and in connection with your conversation with him this morning, we are enclosing one (1) copy of each of the following:

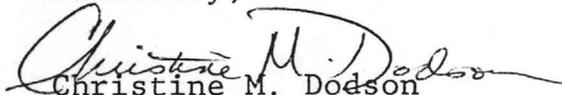
Preliminary Draft of Lease
Agreement, Tombstone Development Company

Agreement between James A. Briscoe and
Thomas H. Schloss, Dwight Lee and FAMCO

It is my understanding that you will review these agreements and give your recommendations to Mr. Briscoe as soon as possible.

Thank you.

Sincerely,


Christine M. Dodson
Mgr., Business Services

CMD: jmp
encl.
P-418
2070

Agreement between JAMES BRISCOE hereinafter called JAB and THOMAS H. SCHLOSS, DWIGHT E. LEE AND FAMCO or other investors designated by SCHLOSS OR LEE (hereinafter called INVESTORS).

Investors desired to invest and JAB desires to sell present interest and future interest on the following basis in the mineral rights described below in the following manner:

<u>DOLLARS INVESTED</u>	<u>% OWNERSHIP IN MINERAL AREA</u>	<u>TIMING OF CASH TRANSFER</u>
\$ 25,000	25%	on signing
50,000	30%	when required but not less than 14 days from signing
75,000	35%	
100,000	40%	by May 31, 1979
125,000	45%	
150,000	50%	
175,000	55%	
200,000	60%	

MINERAL RIGHTS

Mineral rights shall include but not be limited to the rights listed in the preliminary draft of lease agreement dated February 7, 1979, between TOMBSTONE DEVELOPMENT COMPANY (hereinafter referred to as either Lessor or TDC) and KARIN LAKE EXPLORATION COMPANY (hereinafter referred to either as Lessee or JAB). JAB intends to develop the patent and unpatent claims described in the TDC agreement and including the 200 acres of certain claims situated in the immediate vicinity of the townsite of Tombstone. Those claims consist of the Content, Cocopah, North Point, Contentment, Empire, Tranquil, Silver Belt, Silver Red, Contention, New Year, Cincinnati, Head Center, Yellow Jacket and Flora Morrison claims plus the Vigna Mine Tour claims. Also included above, but not specifically mentioned is the heap located on the TDC property.

Although the lease speaks of surface rights it is understood to mean for the agreement, surface rights as well as underground mining if the economics warrant. We have the right to clarify or correct or

perfect any inconsistencies that may be present in the current TDC lease. What may be part of the same ore body or offset from the TDC are the Tombstone Extension, Tombstone Mineral Reserve (TMR), and the State of Maine area. The State of Maine area and other claims are chiefly owned by the Escapules and concern only the T2001 underground ore zones on a joint venture with the Escapules. The Seth Horn and Robbers Roost area are potential porphyry copper targets. Although it is not planned at this time to explore or mine the porphyry copper area it is understood that at a later time when an agreement is reached with owners of these areas, investors would participate in the same manner through their ownership in the TDC agreement.

SIGNING

A. Upon signing of this agreement \$25,000 will be paid to JAB to be used to start the chemical process plant defined. These funds will pay for the initiation of spray leaching. Any resulting cash flow and or remaining part of the \$25,000 will be used to lease a crusher to process certain parts of the heap, to verify the process and determine what the cost will be based on the type of ore to be processed. After these results have been obtained and analyzed then a decision will be made to continue or terminate the program. Attachment 1 is the current estimate for the use of funds for the first \$25,000.

B. If continued, an additional \$25,000 to \$50,000 will be used to sample the heap if appropriate, and to increase the daily capacity of the heap plus to start building the plant for the leaching operation. Based upon these cost configurations a decision will be made to continue or terminate.

C. The rest of the funds will be raised by Memorial Day, but credited as raised and needed and used according to JAB directive to: first, process the heap; second, to sample and drill the open pit potential; and third, to secure the mineral rights of the areas currently not under contract at this time.

DEPOSIT OF FUNDS, DISBURSEMENT AND BOOKKEEPING

Funds will be deposited to the THL (Tombstone Heap Leach) Trust account #957-06641 1st National Bank of Arizona University Medical Branch, Tucson, Arizona.

All disbursements will be by the purchase order system used throughout S.E.A., Inc. organization.

During the expenditure of the first \$25,000, Phase A items over \$100 will be approved by J. A. Briscoe.

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J. A. Briscoe, singly; bookkeeper J. E. Talley and Business Service Manager C. M. Dodson, jointly; will have capability to write checks against this THL checking account.

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Required capital investment for the slope leach is as follows:

A.	Power hook-up		\$2400
B.	Electric		2000
C.	Pump installation/electric		1000
D.	Water line installation		2040
E.	Spray lines/manifolds		100
F.	Directional rainbirds		80
G.	Preg pond		100
H.	Laboratory		100
I.	Building		200
J.	Plants		2200
K.	Tanks		1000
L.	Chemicals		
	1. Resin-SR-3	100#	650
	2. Lime	1000# (.087)	87
	3. Salt		
	4. NaOCl	5-55 gal	247.50
	5. $\text{Na}_2\text{S}_2\text{O}_3$	300#	73.80
	6. NaCN	1000#	561.50
	7. Na_2S	400#	99.20
	8. Powd. Zinc	100#	66.20
M.	Insurance and bond		4500
N.	Management		4000
O.	Labor		2000
P.	Misc.		<u>1495</u>
			25,000

Crushing

Rate

Crushing

Duration

200 Tons per Day

250 months

400 "

125 "

600 "

83.3 "

1000 "

50 "

3000 "

16.7 "

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J.	Plants		2200
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	8. Powd. Zinc	100#	66.20
M.	Insurance and bond		4500
N.	Management		4000
O.	Labor		2000
P.	Misc.		<u>1495</u>
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Rate

Crushing

Duration

200 Tons per Day	250 months
400 "	125 "
600 "	83.3 "
1000 "	50 "
3000 "	16.7 "

PRELIMINARY DRAFT
of
LEASE AGREEMENT

THIS AGREEMENT, dated this 7th day of February, 1979, by and between TOMBSTONE DEVELOPMENT COMPANY, an Arizona Corporation, hereinafter referred to as "Lessor", and Karin Lake Explorations Limited, hereinafter referred to as "Lessee".

RECITALS

Lessors are the owners of certain groups of patented and unpatented lode mining claims, referred to herein as "Leased Claims", all of which are situated in Cochise County, Arizona, Mineral Survey numbers of which, and the book and page of the recording in the office of the Recorder of Cochise County, Arizona, are more particularly described in Appendix "A" attached hereto.

Lessee desires to obtain from Lessor a mining lease covering the Leased Claims, described in Appendix "A", and Lessor desires to grant to Lessee such mining lease, on the terms hereinafter set forth:

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties herein, and other valuable consideration, Lessor hereby leases to Lessee for the term and purposes hereinafter mentioned, all that certain land referred to herein as the "Leased Claims".

1. PURPOSE: This lease is made for the sole purpose of examining, searching and testing for opening and operating mines, of, and extracting, producing, treating, selling and shipping any and all minerals contained therein. Lessor also leases to Lessee, the necessary rights of way, easements and water rights, in connection with the leased claims, so as to facilitate exploration and development thereof. The parties hereto agree that all surface and water rights shall be retained by Lessor, but that the retention of those surface and water rights shall not unreasonably interfere with the exploration or mining and associated activities conducted by Lessee.

2. TERM: The term of this lease shall be for the initial period of one(1) year from the date hereof, and as long thereafter as valuable mineral is produced from said land in commercial quantities and so long as royalties are paid to Lessors, provided, however, that all of the terms and conditions hereof are fully met and that this lease has not been terminated pursuant to any clause hereof.

3. ROYALTIES: Royalties are to be paid to Lessor on all minerals mined from the leased claims, as a percentage of their market value after being reduced to a marketable concentrate or other ^{saleable} minerals, and payable by a refinery of mutual choice on a basis of 5 % of the net smelter return. The proceeds of the refinery can be taken in kind by the parties subject to this agreement. Lessee agrees that it shall not unreasonably stockpile ore for any excessive period of time after active and substantial production from the leased claims has commenced, and in no event, shall Lessee stockpile ore for more than six months after production has commenced.

The royalty payable out of production for ores or concentrates sold from the leased claims are payable in varying percentages with the different percentages relating to different average gross value per ton of ore or concentrate produced and sold from the leased claims during each month. The average gross value of ore produced and sold from the leased claims over the period of each month shall be determined by dividing the net smelter returns as defined by 3(A) received for such ore produced by the number of tons mined and shipped during the month. The royalties are payable as follows:

(a) Subject to the provisions of this paragraph, Lessor shall be paid a limited royalty out of production, payable in varying percentages. Each different percentage shall be derived from the average gross value per ton of ore, or concentrate mined and shipped from the leased claims, listed as follows:

For any month in which the average gross value per ton of ore computed is less than \$15.00 per ton, the royalty will be five(5%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore computed is from \$15.00 to \$20.00 per ton, the royalty will be 6 percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$20.00 per ton or more, but less than \$25.00 per ton, the royalty will be eight(8%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$25.00 per ton or more, but less than \$40.00 per ton, the royalty will be nine (9%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$40.00 per ton or more, but less than \$80.00 per ton, the royalty will be ten (10%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$80.00 per ton or more, but less than \$100.00 per ton, the royalty will be twelve (12%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is \$100.00 per ton or more, but less than \$150.00 per ton, the royalty will be fifteen (15%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is more than \$150.00 per ton, the royalty will be twenty (20%) percent of the net smelter returns from mineral produced from the leased claims.

Definition of Net Smelter Income: The term net smelter return is understood by the parties to mean the amount received from the smelter after deducting actual freight for ore concentrate haulage from the mill to the smelter. For ores, minerals or metals not sent to the smelter, the lessee may deduct the actual cost of direct labor and materials for processing, but such cost deducted will not exceed 10% of the average gross value per ton of ore for that month. For example: If the average gross value of ore mined during a one month period is \$50.00 per ton, the maximum deduction for direct processing cost will be 10% or \$5.00 per ton. The royalty would be paid on \$45.00 per ton. The royalty percentage shall apply to all mineral and will be based on all monies received or the market value of all ore, metals, minerals, and non-metallic minerals removed from the property.

(b) Notwithstanding the above sub-paragraph, there shall be a minimum monthly royalty payable to Lessors of \$7,500 starting May 1, 1979 and payable on the first day of each month thereof.

(c) Notwithstanding said sub-paragraphs (a) and (b), there shall be an advance minimum royalty payable to Lessor equal to a sum of money of \$6,000.00, payable by Lessee, upon the execution of this agreement.

(d) The amount by which the minimum monthly royalty, or the advance minimum royalty, provided for in sub-paragraphs (b) and (c) herein, paid for any calendar month during the term of this lease, exceeds the royalty out of production for such month, may be recovered by Lessee out of, and credited against, the royalty out of production due for any succeeding month or months thereafter, during the term of this agreement.

4. OPERATION OF MINE: Lessee agrees to work said land in the manner necessary to good and economic mining, so as to bring about maximum and economic recovery from the property, with due regard to development and preservation of said premises as a workable mine. Lessee agrees to perform continuously and diligently in good faith, in an active and substantial way, development in mining work upon the said leased claims directed toward the discovery and production of minerals or ore therefrom. The equipment and machinery brought onto the leased claims by Lessee is and shall remain the personal property of lessee, with the exception of any building constructed by Lessee, and title thereto shall not vest in Lessor by operation of law. Appendix "B" is an inventory of equipment, buildings, and other property owned by Lessor, which the Lessee will take care of and may use for an operation on the leased claims. The obligation of Lessee set forth in this paragraph shall be suspended only while Lessee's compliance is prevented by the elements, accidents, strike, lockouts, riots, delays in transportation, inability to secure materials in the open market, or interference by governmental action, or by any other causes beyond the reasonable control of Lessee, whether similar or dissimilar to the causes specifically mentioned. Lessee agrees to furnish at its own cost, any and all environmental impact studies required by any governmental authority as a result of its undertaking the exploration, development and mining operation contemplated by this agreement. Lessee agrees to honor any and all contractual obligation undertaken by Lessor relating to the sale of water or surface use of the herein leased claims, so long as those said obligations do not interfere with the exploration, development, mining, or similar activity on the leased claims by Lessee. Lessee hereby recognizes that Lessor intends to develop up to 200 acres of the surface of certain claims situated in the immediate vicinity of the townsite of Tombstone. Those said claims consist of the Content, Cocopah, North Point, Contentment, Empire, Tranquil, Silver Belt, Silver Thread, Contention, New Year, Cincinnati, Head Center, Yellow Jacket and Flora Morrisson claims. Lessor agrees that the said development of the surface on the hereinabove mentioned claims shall not interfere with activities of Lessee contemplated by this lease. Notwithstanding with activities of Lessee, any development of the surface of the above mentioned leased claims, Lessor further agrees that Lessee shall have access on or across the above mentioned claims so as not to interfere with the exploration, development, mining, or associated activities of Lessee contemplated by this lease, on those above named claims. IF the Lessee, in its sole

However lessee will continue to have all rights for mineral exploration, development and mining 40 feet or more below the surface.

5. REPORTING: Lessee agrees that it will provide Lessor with a report on or before the 15th day of each month, pertaining to the previous month, to the Lessor, in writing, indicating the following:

(a) The number of tons of waste and ore mined.

(b) A summary of all assays taken on said ore and waste mined.

(c) The number of tons processed for which royalty is payable pursuant to this lease through mills, smelting, or reduction plants used to process said ores.

(d) The value of all minerals sold or otherwise disposed of from ores subject to royalty payments pursuant to this lease.

The above referenced statement and reports are to be accompanied by a draft payable to the Lessor. If no royalty out of production is due for any monthly period hereof, then a report containing all of the pertinent details above required, shall be submitted to Lessor with a statement to the effect that there is no royalty out of production due for the preceding month,

In addition to the above, weekly progress reports will be sent to the Lessor, as well as all data generated relating to the leased claims.

6. ADDITIONAL REPORTS AND ACCESS: Lessee shall keep a full set of accounts and records, and shall allow Lessor, or its agents and employees to examine them from time to time. Lessee will allow lessor to enter upon said premises, and into any workings, mills, or reduction works thereon, or wherever said ore may be worked or reduced, for the purpose of inspection to ascertain whether the terms and conditions of this lease are being promptly carried out and to take samples and to make tests and measurements, and to affix notices. Lessee shall provide to Lessor, its agents and employees, copies of assay reports, drillhole logs, and any and all other data assembled which could be used as an aid in determining the location, quantity, and quality of any and all deposits on said land. All inspections shall be made at reasonable intervals, and shall be at the sole cost of, and risk of Lessor.

7. TAXES: Lessor shall pay all ad valorem and similar property taxes lawfully levied or assessed during the term of this agreement against the property, or any improvements thereto, but upon the receipt of a statement therefor from Lessor, Lessee shall reimburse Lessor for any such taxes paid by Lessor. In addition to the foregoing, Lessee shall pay all other taxes imposed by reason of Lessee's operation and improvements upon the property. Lessee shall pay any such taxes on installment basis upon receiving notice from Lessor that such installment payment of the said taxes is due. Lessee agrees to pay any such taxes before they become delinquent. Lessee shall not be liable for the payment of any tax assessment imposed by any city, county, state, federal or other law or ordinance, on the income of Lessor hereunder, or the interest reserved by Lessor thereunder or upon a transfer or passing by death or gift, of any interest of Lessor or for any similar tax. Lessee further agrees to do all other things necessary and required by federal, state and local laws and regulations to protect and defend and maintain Lessor's title to the leased claims, so that title will be as good as at the time of the execution of this agreement. A Performance Bond referred to in paragraph 12 will also cover tax payments.

8. WARRANTY: Lessor represents and warrants that it is the owner of the leased patented claims and the rights to unpatented claims, free of all claims, liens and encumbrances, and that Lessor has the exclusive possession of the leased claims, except for approximately two acres leased to the United States Department of Agriculture for surface and except to the extent that the United States Government holds title to unpatented claims. Also, Lessor may lease the "Vizina Mine Tour" provided the Lessor assumes all responsibility and liability for the tour enterprise.

9. BANKRUPTCY: In case Lessee shall be adjudged a bankrupt by either voluntary or involuntary proceedings, Lessor may, at its option, terminate this lease by written notice. After termination by notice, Lessor may re-enter the leased claims and take exclusive possession. Upon exercise of the option to terminate, the estate and rights in the herein leased claims of Lessee, and any person claiming through the Lessee, by act of the parties or operation of law, shall immediately terminate.

10. IMPROVEMENTS: Lessee may construct, reconstruct, demolish, remove, maintain, and use such roads, ditches, ponds, buildings, fixtures, machinery, pumps, PVC pipe, mine dumps, pad, heap, and headframes on, through and upon said leased claims, as may be necessary in carrying on mining operations during the term of this lease. At the termination hereof, Lessee may remove all personal property, machinery, tools, appliances, supplies, pumps, pipe, and equipment on said leased claims by Lessee; except shaft timbering and linings, any underground supports, rails, electric, water, or steam or airline pipes, provided no default shall at such time exist with respect to any payments or rentals, or in respect to any covenants, agreements, or conditions to be kept and performed by Lessee; provided that all machinery, tools, appliances and buildings, and all personal property remaining on said premises sixty (60) days after the termination (by notice or otherwise) of this lease, shall be held to have become the property of Lessor and shall not be removed therefrom by Lessee. Lessee agrees to perform all environmental restorations on the claims required by any governmental authority at its sole cost and expense.

Lessee will obtain approval from Lessor on the site and type of building constructed either for a plant and laboratory facility or a building for another lessee to enable use of the present 71 Minerals plant.

11. HOLD HARMLESS: Lessee agrees to release and to indemnify and hold harmless Lessor, and any corporation wholly or in part affiliated with, owned or controlled by Lessor, from and against all claims, causes of action, liabilities, costs and expenses for losses, or damage to, all property whatsoever and injuries to, or death of, all persons whomsoever, arising out of, or in any way connected with, the use and occupation of the leased premises or exercise of the rights hereunder. Lessee agrees to comply with all such regulations promulgated by the responsible governmental agencies in carrying out the activities contemplated by this lease, and to fence all open shafts, pits, etc., which exist upon the claims according to the requirements of the State Mine Inspector.

12. LIENS: Lessee agrees to pay in full, all persons who perform labor or services on, furnish materials, joined or affixed to, or provide equipment for, said leased claims, at Lessee's instance or request. Lessor shall not permit or suffer liens of any kind or nature to be enforced against said leased claims for such labor, services, materials, or equipment. Lessor shall have the right to pay any amount required to release any such lien, or liens, or to defend any action brought thereon, and to pay any judgement entered therein, and lessee shall be liable to Lessor for all costs, damages and reasonable attorney's fees, and any amounts expended in defending any proceedings or payment of any kind of said liens or any judgments obtained therefor. Lessee should also provide a bond in the amount of \$150,000.00 on payment of labor and materials on the property with the cost of the bond to be paid by the lessee.

13. ASSIGNMENT: This lease shall inure to the benefit of and be binding upon the respective heirs, administrators, executors, successors and assigns of the parties hereto. Upon such assignment all references herein to "Lessee" or "Lessor" shall be deemed to refer to such succeeding heirs, administrators, executors, successors and assigns of such alienating party.

14. TERMINATION: After an exploration/development expenditure of \$200,000, and an equivalent of 12 months advanced minimum royalties (\$90,000), *W.B.H.* *R.F.H.* Lessee shall have the right in its sole and exclusive discretion, to terminate this lease upon giving thirty (30) days written notice of termination to Lessor. Upon giving such notice of termination, Lessee shall be liable only for the payment of the minimum royalty or royalty out of production due for the thirty day period next following the date the notice of termination was given. Lessor can terminate this lease if the advanced minimum royalty is not sent by certified mail on the first day of every month, starting May 1, 1979, or if the Lessee is in default in regard to any other of the provisions of Paragraphs (3), (7) or (17) of this lease. Lessor shall give formal, written and detailed notice of the existence of same to Lessee. If Lessee has not cured the said default within thirty (30) days after receipt of said formal, written and detailed notice of default, Lessor can terminate the herein lease.

15. INSURANCE: Lessee agrees to maintain and keep in force at all times, a policy of liability insurance protecting Lessee and Lessor from personal and property liability that may be incurred on said leased claims in the amount of \$2,000,000.00. Lessee further agrees to maintain and keep in force at all times, workmens compensation insurance and to furnish certificates of insurance and copies of the Insurance policies to the Lessor. Lessor will be named as Additional Insured. *W.B.H.* *R.F.H.*

16. NOTICES: Any and all notices required hereunder, or permitted to be given by either party to the other, shall be considered to have been delivered at the expiration of seventy-two (72) hours following deposit in the United States Mail, with registered or certified postage prepaid thereon, and addressed:

(a) If to Lessor: To: Tombstone Development Company
c/o William Hight
1824 North Broadwell
Grand Island, Nebrasks (68801)

(b) If to Lessee: To: Richard F. Hewlett
Tombstone, Arizona

James Briscoe
Southwest Exploration Associates
4500 E. Speedway
Suite # 14
Tucson, Arizona (85712)

Either of the parties may change the location to which required notices to it shall be addressed, upon ten (10) days written notice to the other party.

17. ASSESSMENT WORK: Lessee agrees to perform all necessary assessment work required by federal and state laws for the continuing validity of all mining claims subject to this lease. Lessee further agrees to do all other things necessary and required by federal, state, and local laws and regulations to protect, defend and maintain, Lessor's title to the above referenced claims in effect on February 7, 1979, so that title will be as good as at the time of the execution of this agreement. If conflicts exist on the 18 unpatented claims, Lessee will do everything possible to validate the claims.

18. FIRST RIGHT OF REFUSAL: It is agreed to by and between the parties hereto that Lessee shall be given the first right of refusal to buy the interest of Lessor, should Lessor entertain to sell its interest herein, or the leased claims. For the purpose of this paragraph, Lessee has the first right of refusal to buy the leased claims at the same price as set forth in any bona fide offer in writing, acceptable to Lessor, given by any individual or company. Lessor shall, at its own exclusive discretion, determine what collateral, guarantes, or other evidences of Lessee's ability to purchase the said interest of Lessor herein, for the leased claims, are to be provided by Lessee.

19. MISCELLANEOUS: This agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements of the parties hereto with respect to the subject matter hereof, and may not be waived, amended or modified in any manner except in writing and signed by the party to be charged. Representations, warranties and agreements of the parties hereto, herein contained, regardless of any disclosure made to, or any investigation made by or on behalf of any party not making such representations, warranties and agreements, shall survive the execution and delivery of this agreement. This agreement, and such representations, warranties and agreements, shall be binding upon, inure to the benefit of, and be enforceable, by and against the heirs, successors, or assign of each of the parties hereto.

This Agreement may be recorded or registered with the Clerk, Recorder or similar officer of the county or counties of which these claims are located, or in any appropriate office of the United States Government, or anywhere else Lessee deems appropriate in order to protect its interests hereunder. This agreement may be executed in any number of counterparts, which together will constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this agreement as of the date and year first above written.

Lessor:
TOMBSTONE DEVELOPMENT COMPANY

By Rob Hight

By John Niedt

By [Signature]

By _____

Lessee:

By Richard F. [Signature]

By _____

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Appendix A

TOMBSTONE DEVELOPMENT COMPANY CLAIMS

<u>Claim Name</u>	<u>Designation</u>
North Point	E-4
Cocopah	E-2
Silver Belt	E-9
Empire	D-3
Hawkeye	D-7
Little Wonder	
Way Up	D-16
Goodenough	D-6
Gilded Age	D-5
Vigina	D-15
Poor X	D-10
Survey	D-12
Toughnut	D-13
SW Ext. Toughnut	D-11
Fortuna	D-4
Tranquillity	D-14
Protectors	E-5
Contentment	E-7
Content	E-3
Cinncinatti	E-8
Houghton	F-36
Defense	D-2
Surveyor	D-27
Westside	D-17
Sulphuret	D-25
Mayflower	D-23
Alta	H-1
San Rafael	F-28
Ninety Nine	D-24
Last Chance #2	D-8
Boss	D-1
Herald	D-22
Tribute	D-19/F-39
Eastside	F-6
Blue Monday	D-18/F-38
Eastside No. 2	F-7
Old Guard	D-26/F-2
Lucky Cuss	F-16
COD	F-5
Luck Sure	F-1
McCann	F-19
Owl's Last Hoot	F-23
Owl's Nest	F-24
Escondido	F-10
Wedge	F-33
Black Hawk	F-4
Oregon	C-2
Prompter	F-25
Contact	C-1

<u>Claim Name</u>	<u>Designation</u>
Florodoro	F-12
Antelope	C-5
Shoo Fly	C-5
Verde	C-9
Mexicana	F-18
Extacy	F-11
Shorty	F-29
Emerald So. Mine	F-9
Emerald	F-8
Hidden Treasure	F-15
Revenue	F-27
Telephone	F-32
Grand Dipper	F-14
Rattlesnake	F-26
Mammoth	F-19
Bunker Hill	F-3
Little Comet	C-4
Big Comet	C-4
Miner's Dream	C-4
Sidney	F-31
So. Ext. Central	F-30
Southern Belle	F-37
Buffalo	F-34
Naumkeag	F-21
Moonlight	F-20
Grand Central	F-13
Illinois	F-37
Michigan	F-37
Flora Morrison	F-41
Head Center	D-21
Yellow Jacket	D-21
Contention	D-20/F-20
New Year	F-22
Cornell	F-35

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