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December 1, 1990

DRAFT

Sedco Partners  
I don't have address

→ SEDCO

Re: Sedco Claims Option  
Maricopa County, Arizona

Dear Mr. Somebody,

A.F. Budge (Mining) Ltd. has completed its evaluation of the Sedco claim group and has elected not to exercise the option to lease as provided for in section bla-de-blah of the agreement dated blah-de-blah. Enclosed is a memo summarizing the results of our evaluation of the property. Also enclosed is a copy of the assessment document filed with both Maricopa County and the Bureau of Land Management for the year ending September 1, 1990, as required by section bla-de-blah of the agreement. We now consider the Sedco agreement between Sedco partners and Budge Mining terminated.

Thank you for the opportunity to evaluate your claim block.  
Good luck in your prospecting.

Sincerely,

Ronald R. Short  
General Manager

To: John W. Norby  
Chief Geologist  
A.F. Budge Mining Ltd.  
P.O. Box 20642  
1280 Terminal Way, #46  
Reno, Nevada 89502

From: Richard M. Guthrie  
9600 N. La Cholla Blvd.  
Tucson, Arizona 85741

Date: June 13, 1990

Subject: SEDCO claim group, final report

### Introduction

This property, which consists of 20 contiguous mining claims, is located three miles south of Wickenburg in sections 25 and 26, T7N, R5W. Previous exploratory work consists of a mine shaft, adit, a few old pits, a bulldozed trench (approximately 500' long), and numerous drill holes (both core and rotary).

The primary focus of the field work conducted by myself in May 1990 was to evaluate the potential for gold mineralization occurring along detachment fault surfaces on the property. This potential is exhibited by the "newsboy deposit" located along the Hassayampa river in the southeastern Vulture Mountains.

The secondary focus was to evaluate the potential for a porphyry copper target.

### Geology

The SEDCO claim group exhibits a capping area, or a area of significant copper oxide mineralization, that is about 125 acres in size. This area consists of Precambrian granite with minor Precambrian schist and Laramide(?) porphyry. The granite also contains numerous Tertiary rhyolite dikes. It is often closely fractured and flooded locally with red hematite. Grain size varies from fine to coarse and some are gneissic.

The granite outcrops comprise an inlier which is surrounded to the east and west by post-mineral volcanics. The eastern granitic boundary closely follows, in places, a detachment fault surface (mapped by Univ. of Ariz., 1987). Another detachment fault occurs close to the western boundary of the claim group. The volcanics appear upwarped against the pre-mineral rocks. Along the eastern granitic boundary, the volcanics generally strike north-south, dipping

steeply to the east.

The pre-mineral granite exhibits local zones of copper oxide mineralization, which appears strongest in the vicinity of the eastern pre-mineral/post-mineral contact.

### Field Reconnaissance

Twelve days were spent in the field during the period May 17 to June 1. Initially, the detachment faulting (which was mapped by the Univ. of Ariz., 1987; scale: 1:24000) was mapped on a scale of 1"=500' and geochem sampled as I went along. A total of 33 samples were collected from representative lithologies occurring along the detachment surfaces. No significant alteration was noted except in the vicinity of the trench (see description on sample list). The detachment fault along the western boundary of the claims revealed little granite, which appears mostly near the northern end.

Next, the granitic rocks were mapped and geochem sampled. A total of 19 outcrop samples were collected. An additional one sample was taken from the waste pile next to the mine shaft. The granite was found to contain numerous Tertiary dikes throughout and occasional Laramide(?) granitic rocks.

Finally, drill cuttings were collected from a total of 21 rotary drill holes to check for the presence of gold mineralization.

### Assay Results

Of the 33 samples collected along the detachment fault surfaces, Au was non-detected in all but 10. All but one were less than or equal to .03 ppm. Sample S-28 ran .14ppm. Silver was non-detected in all but 4 of the samples; of these, all were .5ppm or less. All samples were less than 100ppm Cu except 3, which ranged from 220 to 565ppm.

Of the 19 samples collected from granitic outcrops, Au was non-detected in 6. 13 carried less than or equal to .04ppm Au. Silver was non-detected in 8. 8 were less than 1.0ppm Ag. The remaining 3 ranged from 1.2 to 5.1ppm Ag. Of the copper assays, all but 3 were less than 600ppm. Sample S-43 carried .23% Cu, S-45 .11%, and S-49 .44%.

The sample collected from the waste pile next to the mine shaft (S-52) ran: .01ppm Au, 5.4ppm Ag and 2.54% Cu.

Of the 21 samples of drill cuttings collected around rotary drill holes, Au was non-detected in 13. The remaining 8 samples were less than or equal to .04ppm Au. Silver was non-detected in 2 samples. 13 were in the less than 1.0ppm Ag range, 1 was in the 1.0-2.0ppm range, and 5 in the 2.0-3.0ppm range. Copper assays revealed: 11 were less than 500ppm, 6 were from 500 to 1000ppm, and 4 were greater than .1% Cu.

- S-1 rhyolite porphyry-pale reddish-brown; feldspar phenocrysts are less than or equal to 3/16", quartz grains 1/16"; carries occasional black manganese along fractures.
- S-2 same
- S-3 granite- pale pinkish-gray; medium-grained; pervasive 1/16" quartz veinlets in rock. Red FeOx with black manganese locally.
- S-4 rhyolite porphyry- light gray to pale reddish-gray; fine-grained; black manganese common along fracture surfaces.
- S-5 granite- pale reddish-gray; fine-grained; red FeOx and black manganese locally along fractures. (outcrop appears to be a gneiss that carries local zones of coarser granite)
- S-6 granite- bright reddish-orange; fine-grained; strong red FeOx and black manganese is common.
- S-7 rhyolite porphyry- pale reddish-gray; fine to medium-grained; occasional black manganese along fractures.
- S-8 rhyolite porphyry- pale red; medium-grained. Rock is highly fractured; carries numerous hairline fractures filled with black manganese and moderate red FeOx locally.
- S-9 schist- medium to dark gray; fine-grained schistose texture; primarily mica and quartz.
- S-10 rhyolite porphyry- light gray to maroon; fine-grained; carries occasional 1/4" laths of plagioclase feldspar.
- S-11 same
- S-12 rhyolite porphyry- light gray to maroon; fine-grained; 1/16" phenocrysts of K-feldspar and sub-rounded quartz grains.
- S-13 granite- bright reddish-orange; fine-grained; pervasive red FeOx along fractures, also black manganese.

- S-14 rhyolite porphyry- reddish-gray; fine-grained; strong red FeOx and black manganese along fractures.
- S-15 rhyolite porphyry- pale reddish-gray; fine-grained; highly fractured.
- S-16 rhyolite- pale maroon; fine-grained.
- S-16-A rhyolite tuff- light to medium gray; fine-grained; highly brecciated.
- S-17 schist- bright orange, dark gray; fine-grained schistose texture. Composed of biotite, quartz, and feldspar. Highly weathered, strong bright orange FeOx. (schist appears as thin zones within granite/gneiss)
- S-18 granite- bright reddish-orange, medium gray; fine-grained equigranular; carries strong disseminated red hematite (after sulfides?). Strong silica content, may be a quartz monzonite?
- S-19 rhyolite porphyry- pale maroon; fine-grained; carries numerous 2/16" well to sub-rouded quartz grains.
- S-20 granite- light pinkish-gray; medium to coarse-grained equigranular. Feldspars are fresh/un-altered; carries moderate red FeOx and black manganese along fracture surfaces.
- S-21 rhyolite- pale maroon; fine-grained. Carries occasional 1/16" calcite veinlets.
- S-22 granite- bright reddish-orange; coarse-grained equigranular. Rock is highly fractured and fresh to partly weathered; strong FeOx and manganese along fracture surfaces.
- S-23 rhyolite porphyry- pale maroon; medium to coarse-grained. Rock is highly weathered with moderate black manganese along fractures.
- S-24 rhyolite porphyry- pale maroon; fine to medium-grained; carries 1/16" crystals of quartz and feldspar set in a very fine-grained groundmass of feldspar. Carries 2% disseminated flakes of fresh biotite.
- S-25 rhyolite porphyry- medium gray; fine-grained; strongly sheared/fractured with moderate calcite along fracture surfaces.

- S-26 Quartz monzonite?- medium-gray to pale reddish-gray; fine-grained, equigranular; 1% biotite, mostly fresh; strong red FeOx on fracture surfaces.
- S-27 rhyolite porphyry- pale pinkish-gray; medium to coarse-grained; strongly brecciated and FeOx staining.
- S-28 Quartz Monzonite?- medium gray, bright red; fine-grained, equigranular; strong red FeOx locally along fractures; also moderate black manganese.
- S-29 granite- bright orange to red; coarse-grained; highly fractured with pervasive red FeOx staining, also, moderate black manganese.
- S-30 rhyolite flow- pale reddish-gray fine-grained; thin quartz laminations suggest a flow rock.
- S-31 granite- light pinkish-gray, bright red; fine-grained, equigranular; carries moderate to strong bright red hematite locally (possibly after sulfides) and black manganese.
- S-32 Diorite?- dark gray to black; very fine-grained; composed of quartz, feldspar, and mica.
- S-33 rhyolite porphyry- pale reddish-gray; fine-grained; locally moderate red FeOx along fractures, carries numerous tiny calcite veinlets, many feldspars weathered to clays.
- S-34 Quartz Monzonite Porphyry- light to medium-gray, fine-grained to medium-grained; carries occasional well to sub-rounded quartz grains up to 3/16"; numerous feldspars are larger than groundmass, sub- to anhedral and clay-altered. Biotite is mostly altered to sericite; moderate red hematite locally (after sulfides?). Black manganese is common along fracture surfaces.
- S-35 Quartz Monzonite- bright red; fine-grained; carries numerous tiny rounded quartz eyes (less than 1/16"). Porphyritic texture not apparent. Biotite altered to sericite, feldspars partly to clays; strong red hematite and black manganese along fractures and occasional CuOx.
- S-36 granite- light gray to pale pinkish-gray; fine-grained equigranular; biotite altered to sericite and hematite; carries strong red hematite and black manganese locally.

- S-37 granite- pale pinkish-gray; fine-grained; feldspars are fresh to partly clay-altered; moderate to strong red hematite and black manganese along fractures.
- S-38 granite- light to medium-gray; fine to medium-grained, equigranular; feldspars are fresh to partly clay-altered, weak epidote locally; carries red FeOx and blue CuOx along some of the fractures.
- S-39 granite- light to medium gray; medium-grained; fresh to partly weathered.
- S-40 gneiss- light to medium-gray; very fine-grained, thinly foliated; no evidence of mineralization.
- S-41 granite- light to medium-gray; medium-grained, equigranular; fresh, black manganese along fractures.
- S-42 granite- light to medium gray; fine-grained; biotite is partly altered to sericite; carries red FeOx and blue CuOx along fractures.
- S-43 granite- light to medium gray; fine-grained; quartz flooding? Carries strong red FeOx and blue CuOx locally.
- S-44 granite- pale pinkish-gray; fine-grained; carries occasional chlorite and hematite along fractures.
- S-45 granite- light gray; medium-grained; CuOx locally.
- S-46 granite- pale pinkish-gray; medium-grained; red FeOx with black manganese locally.
- S-47 gneiss- pale pinkish-gray; fine-grained; black manganese common.
- S-48 granite- light to medium-gray; fine-grained; carries bright red hematite and black manganese locally along fractures.
- S-49 granite- light to medium gray; fine-grained; moderate CuOx, clays, and red FeOx.
- S-50 granite- bright red to orange; coarse-grained; highly fractured with red FeOx throughout; strong clay alteration.



- S-51 granite- light gray to pale pinkish-gray; fine-grained, equigranular; fresh other than red FeOx and black manganese along fracture surfaces.
- S-52 granite- bright red, reddish-gray; medium-grained; some pieces are highly fractured, some show quartz veining; pervasive red hematite (after sulfides?) fills many fractures, also quartz flooding?, and CuOx locally. (Sample taken from waste pile next to mine shaft).

Description of existing trench located near the northeast corner of claim group: The trench is approximately 500' long and has a general strike of N54° E. It traverses the detachment fault occurring on the eastside of the property and exposes the contact between the pre-mineral granite/schist complex and post mineral volcanics. The granite is fine to medium-grained and carries moderate to strong red FeOx and blue CuOx. Also, occasional moderate to strong epidote, calcite veins and manganese occur locally. The schist occurs as local thin zones within the granitic unit. The granite appears to be intruded by numerous zones or dikes of quartz monzonite porphyry which often carries blue CuOx. A core hole drilled approximately 70' south of the trench revealed: 0-77' (granite and schist), 77-82' quartz monzonite/porphyry, and 82-155' was granite and schist. Percent copper averaged .146 from 3 to 155'.

Description of drill cuttings collected around rotary drill holes on sedco mining claims:

- SDH-1 mostly granitic, medium-grained? few schist and volcanics
- SDH-2 granite mostly, some fragments carry bright red hematite (after sulfides?); few quartz fragments with CuOx and epidote; few rhyolite flow chips
- SDH-3 60% rhyolite, 40% granite and quartz: no alteration/mineralization noted
- SDH-4 all granitic; quartz monzonite?, also quartz monzonite porphyry, some fragments carry red FeOx and blue CuOx; also epidote and clay-altered feldspars noted on some chips
- SDH-5 mostly granitic(80%)with few quartz monzonite porphyry? chips; weak to absent red FeOx, blue CuOx, and black manganese; few quartz-biotite schist fragments(10%), and rhyolite=(10%)
- SDH-6 40% biotite-chlorite schist, carries occasional moderate epidote; 50% rhyolite, occasional red FeOx on fracture surfaces; 10% granitic, medium-grained?, appears fresh and non-mineralized
- SDH-7 60% granitic, bright red FeOx common sometimes with black manganese; epidote is sparse to absent; 38% rhyolite, 2% schist
- SDH-8 50% granitic-quartz monzonite?, weak to absent FeOx and manganese; 40% quartz-biotite schist; 10% rhyolite
- SDH-9 50% quartz-biotite schist; 40% granitic, including some gneiss; occasional epidote, otherwise fresh/non-mineralized; 10% rhyolite
- SDH-10 90% gneiss, including 30% white quartz fragments; occasional weak epidote; 10% rhyolite
- SDH-11 50% gneiss, carries occasional moderate to strong epidote; 50% rhyolite and rhyolite porphyry

- SDH-12 40% granitic, including a few quartz monzonite porphyry chips, some carry moderate red to orange FeOx and black manganese; 40% quartz-biotite schist with occasional strong epidote; 20% rhyolite
- SDH-13 40% granitic, occasional red FeOx, otherwise fresh; 30% quartz-biotite schist, some quartz fragments carry moderate epidote; 30% rhyolite, including some flow rock-types, bright orange limonite on few broken surfaces
- SDH-14 60% gneiss? (about ½ of cuttings are white quartz), carries occasional chrysocolla and epidote; 30% quartz-biotite schist; 10% rhyolite
- SDH-15 80% granitic, mostly fresh, however, occasional red hematite and green epidote; 20% quartz-mica schist
- SDH-16 98% rhyolite, occasional bright red FeOx on broken surfaces; 2% granitic
- SDH-17 all granitic, carries moderate red FeOx and black manganese
- SDH-18 60% rhyolite; 40% granitic, carries moderate red FeOx
- SDH-19 all granitic, moderate red to orange FeOx is common; also occasional weak epidote and moderate black manganese
- SDH-20 90% granitic, some chips carry bright red hematite, after sulfides?, occasional epidote; 5% schist, 5% rhyolite
- SDH-21 90% granitic, carries occasional chrysocolla and bright red hematite; 10% rhyolite

# Certificate of Analysis

**MOUNTAIN STATES  
R & D INTERNATIONAL, INC.**

CERTIFICATE NO. 90-185-E

PROJECT NO. 1122

DATE 5/30/90

MSRD NO.	SAMPLE IDENTIFICATION			
		Au	Ag	Cu
		ppm	ppm	ppm
13822	S-1	ND	ND <.2	40
13823	2	ND	ND <.2	38
13824	3	ND	ND <.2	62
13825	4	ND	0.5	48
13826	5	ND	ND <.2	76
13827	6	ND	ND <.2	53
13828	7	ND	ND <.2	76
13829	8	ND	ND <.2	27
13830	9	0.01	ND <.2	48
13831	10	0.01	ND <.2	32
13832	11	ND	0.2	39
13833	12	ND	ND <.2	24
13834	13	ND	ND <.2	30
13835	14	ND	ND <.2	31
13836	15	ND	ND <.2	18
13837	16	ND	ND <.2	17
13838	16A	ND	ND <.2	14
13839	17	ND	ND <.2	565
13840	18	ND	0.3	420
13841	19	ND	ND <.2	44

**STATEMENT OF CHARGES. INVOICE WILL FOLLOW.**

Fire Assay	
20 Au&Ag @ \$ 10.00 :	\$ 200.00
20 Cu @ \$ 3.50 :	\$ 70.00
20 Sample Prep @ \$ 4.00 :	\$ 80.00
@ \$ :	\$

**Total Charge \$** 350.00

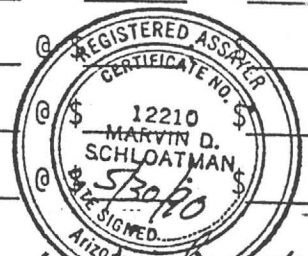
ND (None Detected)

\_\_\_\_\_ @ \$ \_\_\_\_\_ : \$ \_\_\_\_\_

\_\_\_\_\_ @ \$ \_\_\_\_\_ : \$ \_\_\_\_\_

\_\_\_\_\_ @ \$ \_\_\_\_\_ : \$ \_\_\_\_\_

\_\_\_\_\_ @ \$ \_\_\_\_\_ : \$ \_\_\_\_\_



*Marvin D. Schloatman*  
Registered Assayer

# Certificate of Analysis

**MOUNTAIN STATES  
R & D INTERNATIONAL, INC.**

CERTIFICATE NO. 90-186-E

PROJECT NO. 1122

DATE 5/30/90

MSRD NO.	SAMPLE IDENTIFICATION			Au	Ag	Cu			
				ppm	ppm	ppm			
13842	S-20			ND	ND <.2	76			
13843	21			ND	ND <.2	28			
13844	22			ND	ND <.2	39			
13845	23			ND	ND <.2	61			
13846	24			ND	ND <.2	34			
13847	25			ND	ND <.2	37			
13848	26			ND	ND <.2	220			
13849	27			ND	ND <.2	24			
13850	28			0.14	0.5	45			
13851	29			0.03	ND <.2	15			
13852	30			0.02	ND <.2	20			
13853	31			0.01	ND <.2	44			
13854	32			0.02	ND <.2	54			
13855	SDH-1			ND	0.4	282			
13856	2			0.01	0.3	888			
13857	3			0.01	ND <.2	162			
13858	4			0.01	0.6	985			

**STATEMENT OF CHARGES. INVOICE WILL FOLLOW.**

<b>Fire Assay</b>			
17	Au&Ag @ \$ 10.00 :	\$	170.00
17	Cu @ \$ 3.50 :	\$	59.50
17	Sample Prep @ \$ 4.00 :	\$	68.00
	@ \$ _____ :	\$	

**Total Charge \$: 297.50**

ND (None Detected)



*Marvin D. Schloatman*  
Registered Assayer

# Certificate of Analysis

**MOUNTAIN STATES  
R & D INTERNATIONAL, INC.**

CERTIFICATE NO. 90-025-F

PROJECT NO. 1122

DATE 6/12/90

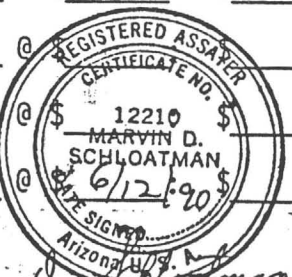
MSRD NO.	SAMPLE IDENTIFICATION			Au	Ag	Cu	Cu		
				ppm	ppm	ppm	%		
14511	S-33			0.03	ND<.2	58			
14512	S-34			0.02	0.4	140			
14513	S-35			0.04	0.5	215			
14514	S-36			ND	0.2	172			
14515	S-37			0.01	ND<.2	110			
14516	S-38			0.03	0.2	505			
14517	S-39			0.03	ND<.2	174			
14518	S-40			ND	ND<.2	65			
14519	S-41			0.01	1.2	192			
14520	S-42			0.04	4.2	334			
14521	S-43			0.02	5.1	---	0.23		JUST SW OF SHAFT
14522	S-44			0.02	ND<.2	62			
14523	S-45			0.03	ND<.2	---	0.11		700' SW OF SHAFT
14524	S-46			0.03	0.7	31			
14525	S-47			ND	ND<.2	28			
14526	S-48			ND	ND<.2	64			
14527	S-49			ND	0.5	---	0.44		500' SW OF SHAFT
14528	S-50			ND	0.3	54			
14529	S-51			0.02	0.4	274			
14530	S-52			0.01	5.4	---	2.54		LAST SW DICE 1100' TO SHAFT

**STATEMENT OF CHARGES. INVOICE WILL FOLLOW.**

20	Fire Assay Au&Ag	@ \$ 10.00 :	\$ 200.00
16	Cu	@ \$ 3.50 :	\$ 56.00
4	Cu AA Sample	@ \$ 5.50 :	\$ 22.00
20	Prep	@ \$ 4.00 :	\$ 80.00

**Total Charge \$ 358.00**

**ND (None Detected)**



*Marvin D. Schloatman*  
Registered Assayer

# Certificate of Analysis

**MOUNTAIN STATES  
R & D INTERNATIONAL, INC.**

CERTIFICATE NO. 90-026-F

PROJECT NO. 1122

DATE 6/12/90

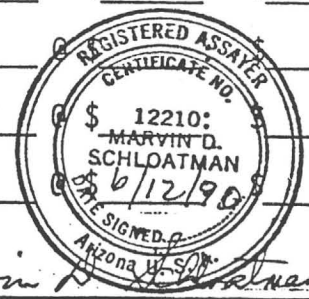
MSRD NO.	SAMPLE IDENTIFICATION	Au	Ag	Cu	Cu		
		ppm	ppm	ppm	%		
14531	SDH-5	0.04	2.6	774			
14532	SDH-6	0.03	0.3	132			
14533	SDH-7	0.02	2.6	165			
14534	SDH-8	ND	0.3	381			
14535	SDH-9	ND	0.7	580			
14536	SDH-10	ND	1.4	355			
14537	SDH-11	0.03	0.3	152			
14538	SDH-12	0.02	0.6	---	0.11		
14539	SDH-13	ND	2.9	---	0.14		
14540	SDH-14	ND	2.8	---	0.20		
14541	SDH-15	ND	0.7	305			
14542	SDH-16	ND	ND < 2	102			
14543	SDH-17	ND	0.5	381			
14544	SDH-18	ND	0.4	484			
14545	SDH-19	ND	2.1	---	0.21		
14546	SDH-20	ND	0.6	520			
14547	SDH-21	ND	0.2	555			

**STATEMENT OF CHARGES. INVOICE WILL FOLLOW.**

Fire Assay			
17 Au&Ag @ \$ 10.00:	\$	170.00	
13 Cu @ \$ 3.50:	\$	45.50	
4 Cu AA @ \$ 5.50:	\$	22.00	
Sample			
17 Prep @ \$ 4.00:	\$	68.00	

Total Charge \$: 305.50

ND (None Detected)



*Marvin D. Schloatman*

**Registered Assayer**

To: John W. Norby  
Chief Geologist  
A.F. Budge Mining Ltd.  
P.O. Box 20642  
1280 Terminal Way, #46  
Reno, Nevada 89502

From: Richard M. Guthrie  
9600 N. La Cholla Blvd.  
Tucson, Arizona 85741

Date: June 13, 1990

Subject: SEDCO claim group, final report

### Introduction

This property, which consists of 20 contiguous mining claims, is located three miles south of Wickenburg in sections 25 and 26, T7N, R5W. Previous exploratory work consists of a mine shaft, adit, a few old pits, a bulldozed trench (approximately 500' long), and numerous drill holes (both core and rotary).

The primary focus of the field work conducted by myself in May 1990 was to evaluate the potential for gold mineralization occurring along detachment fault surfaces on the property. This potential is exhibited by the "Newsboy deposit" located along the Hassayampa River in the southeastern Vulture Mountains.

The secondary focus was to evaluate the potential for a porphyry copper target.

### Geology

The SEDCO claim group exhibits a capping area, or a area of significant copper oxide mineralization, that is about 125 acres in size. This area consists of Precambrian granite with minor Precambrian schist and Laramide(?) porphyry. The granite also contains numerous Tertiary rhyolite dikes. It is often closely fractured and flooded locally with red hematite. Grain size varies from fine to coarse and some are gneissic.

The granite outcrops comprise an inlier which is surrounded to the east and west by post-mineral volcanics. The eastern granitic boundary closely follows, in places, a detachment fault surface (mapped by Univ. of Ariz., 1987). Another detachment fault occurs close to the western boundary of the claim group. The volcanics appear upwarped against the pre-mineral rocks. Along the eastern granitic boundary, the volcanics generally strike north-south, dipping



steeply to the east.

The pre-mineral granite exhibits local zones of copper oxide mineralization, which appears strongest in the vicinity of the eastern pre-mineral/post-mineral contact.

### Field Reconnaissance

Twelve days were spent in the field during the period May 17 to June 1. Initially, the detachment faulting (which was mapped by the Univ. of Ariz., 1987; scale: 1:24000) was mapped on a scale of 1"=500' and geochem sampled as I went along. A total of 33 samples were collected from representative lithologies occurring along the detachment surfaces. No significant alteration was noted except in the vicinity of the trench (see description on sample list). The detachment fault along the western boundary of the claims revealed little granite, which appears mostly near the northern end.

Next, the granitic rocks were mapped and geochem sampled. A total of 19 outcrop samples were collected. An additional one sample was taken from the waste pile next to the mine shaft. The granite was found to contain numerous Tertiary dikes throughout and occasional Laramide(?) granitic rocks.

Finally, drill cuttings were collected from a total of 21 rotary drill holes to check for the presence of gold mineralization. *(holes drilled by previous lessees not by Budge.)*

### Assay Results

Of the 33 samples collected along the detachment fault surfaces, Au was non-detected in all but 10. All but one were less than or equal to .03 ppm. Sample S-28 ran .14ppm. Silver was non-detected in all but 4 of the samples; of these, all were .5ppm or less. All samples were less than 100ppm Cu except 3, which ranged from 220 to 565ppm.

Of the 19 samples collected from granitic outcrops, Au was non-detected in 6. 13 carried less than or equal to .04ppm Au. Silver was non-detected in 8. 8 were less than 1.0ppm Ag. The remaining 3 ranged from 1.2 to 5.1ppm Ag. Of the copper assays, all but 3 were less than 600ppm. Sample S-43 carried .23% Cu, S-45 .11%, and S-49 .44%.

The sample collected from the waste pile next to the mine shaft (S-52) ran: .01ppm Au, 5.4ppm Ag, and 2.54% Cu.

Of the 21 samples of drill cuttings collected around rotary drill holes, Au was non-detected in 13. The remaining 8 samples were less than or equal to .04ppm Au. Silver was non-detected in 2 samples. 13 were in the less than 1.0ppm Ag range, 1 was in the 1.0-2.0ppm range, and 5 in the 2.0-3.0ppm range. Copper assays revealed: 11 were less than 500ppm, 6 were from 500 to 1000ppm, and 4 were greater than .1% Cu.

## Conclusions

Geologic mapping and sampling of the detachment fault surfaces occurring on the SEDCO mining claims has failed to reveal any evidence of significant gold mineralization or alteration characteristics.

Mapping and sampling of the Precambrian granite-schist complex has failed to reveal a porphyry copper target which has not already been drilled by Phelps Dodge Corp. Three drill holes tested the granite underneath post-mineral cover to the east of the granite-volcanic contact. Drill holes also tested the extent of copper mineralization to the north, south, and the west, where the volcanic cover thickens. Generally, all assays are less than .1% Cu. The highest grade occurred in a drill hole just south of the trench (152' of .146% Cu).

The copper oxide zone appears to have been delineated both laterally and vertically by Phelps Dodge Corp. An insignificant amount of ore-grade copper was found during the drilling program. I recommend that A.F. Budge Mining Ltd. release its mining claims in this area.

Sincerely, *lease on the*

*Richard M. Guthrie*

Richard M. Guthrie

JCL  
03-19-90

SHORT FORM LICENSE AND OPTION AGREEMENT

THIS SHORT FORM is to give notice of a License and Option Agreement,

effective as of December 1, <sup>1989</sup> ~~1988~~ (the "Effective Date"),

by which DANIEL C. JACOBS and RAMONA R. JACOBS, husband and wife, and LAWRENCE G. CHANTLER and ERIKA O. CHANTLER, husband and wife, whose address is 357 Park Avenue, Prescott, Arizona 86303 ("Owner"),

granted certain rights to

A. F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 North 75th Street, Suite 101, Scottsdale, Arizona 85251 ("Budge"),

under the following terms and conditions:

1. Grant

a. License - By the Agreement, Owner has granted Budge, Budge, its successors and assigns, an exclusive license to enter upon the "Property" and conduct "Mineral Evaluation" during the term hereof.

b. Option to Purchase - By the Agreement, Owner has also granted Budge, its successors and assigns, during the term of the Agreement, the sole, exclusive and irrevocable option to purchase the Property.

c. Definitions - The words and phrases used in the above grant and in the Agreement have the following meanings:

(1) The "Property" includes the unpatented mining claims situated in Maricopa County, Arizona, more particularly described in Exhibit A attached hereto.

(2) "Mineral Evaluation" shall include the right of access to all portions of the Property:

(i) to drill and excavate holes, pits, shafts and other excavations, to construct roads and to conduct surveys, explorations, sampling, investigations and other

operations in such a manner and to the extent as Budge, in its sole judgment and discretion, may deem advisable for the purpose of ascertaining any and all facts relating to the occurrence of ores and minerals in and under the Property and the metallurgical and physical properties of any such ores;

(ii) to place, construct, maintain, use, and remove such structures, facilities, equipment, roadways, haulageways and such other improvements on the surface or subsurface of the Property as Budge may deem necessary, useful or convenient for the full enjoyment of all of the rights herein granted; and

(iii) to use other resources of the Property (to the extent that Owner may have such rights), including timber and water, in connection with the exploration rights granted hereunder.

## 2. Term

Unless sooner terminated as provided in the Agreement, the term of the Agreement is for one year, expiring at 5:00 p.m., MST, on the date one year from the Effective Date.

## 3. Payments to Lessor

Budge has made all payments required during the term of the Agreement. If the option to purchase is exercised, the purchase price will be paid in accordance with a promissory note and Deed of Trust to be executed at Closing.

## 4. Obligations of Lessee

By the terms of the Agreement, Budge is required to pay all expenses incurred by it in its operations on the Property and allow no liens arising from any act of Budge to remain on the Property, provided that Budge has the right to contest the validity or amount of liens. Budge is required to protect, defend and indemnify Owner against any suit, claim, judgment, demand, administrative proceeding or sanction or expense, including reasonable attorneys' fees arising out of Budge's exercise of any of its rights pursuant to the Agreement. Budge is also obligated to perform assessment work (unless excused, suspended or deferred) for the benefit of the Property during the term of the Agreement. All of the above obligations are set forth in detail in the Agreement.

## 5. Assignment

The rights of either party under the Agreement may be assigned in whole or in part and the provisions hereof inure to

the benefit of and be binding upon the heirs, personal representatives, beneficiaries, successors and assigns, but no change or division of ownership of the Property or payments hereunder, however accomplished, can operate to enlarge the obligations or diminish the rights of Budge under the Agreement.

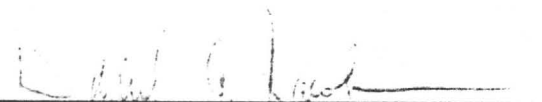
6. Copies of the Agreement

Copies of the Agreement are in the possession of the parties at the addresses indicated in the recitals.

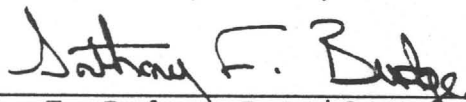
SIGNED, effective as of the date recited above.

OWNER:

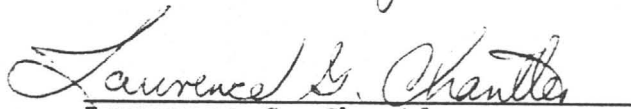
BUDGE:

  
Daniel C. Jacobs

A. F. BUDGE (MINING) LIMITED

By   
A. F. Budge, President and  
Chairman

  
Ramona R. Jacobs

  
Lawrence G. Chantler

  
Erika O. Chantler

STATE OF ARIZONA )  
 ) ss.  
County of Yavapai )

The foregoing instrument was acknowledged before me this 9<sup>th</sup> day of April, 1990, by Daniel C. Jacobs and Ramona R. Jacobs, husband and wife.

Betty Davis  
Notary Public

My commission expires:  
My Commission Expires Jan. 2, 1994

STATE OF ARIZONA )  
 ) ss.  
County of Yavapai )

The foregoing instrument was acknowledged before me this 3<sup>rd</sup> day of April, 1990, by Lawrence G. Chantler and Erika O. Chantler, husband and wife.

Norma A. High  
Notary Public

My commission expires:  
My commission expires October 26, 1992.

STATE OF ARIZONA )  
 ) ss.  
County of Maricopa )

The foregoing instrument was acknowledged before me this 12<sup>th</sup> day of April, 1990, by A. F. Budge, the President and Chairman of A. F. Budge (Mining) Limited, a Nevada corporation, for and on behalf of the corporation.

Carole A. O'Brien  
Notary Public

My commission expires:



**EXHIBIT A**

The "Property" that is the subject of the foregoing Agreement consists of the following unpatented mining claims situated in Sections 25 and 26, Township 7 North, Range 5 West, G&SRM, Maricopa County, Arizona, the names of which and the place of record of the location notices thereof in the official records of Maricopa County and the authorized office of the Bureau of Land Management are as follows:

<u>Name of Claim</u>	<u>Maricopa Cty Rec'd</u>		<u>BLM Serial No.</u>
	<u>Book</u>	<u>Page</u>	<u>A MC No.</u>
Sedco 1	83	381570	210423
Sedco 2	83	381571	210424
Sedco 3	83	381572	210425
Sedco 4	83	381573	210426
Sedco 5	83	381574	210427
Sedco 6	83	381575	210428
Sedco 7	83	381576	210429
Sedco 8	83	381577	210430
Sedco 9	83	381578	210431
Sedco 10	83	381579	210432
Sedco 11	83	381580	210433
Sedco 12	83	381581	210434
Sedco 13	83	381582	210435
Sedco 14	83	381583	210436
Sedco 15	83	381584	210437
Sedco 16	83	381585	210438
Sedco 17	83	381586	210439
Sedco 18	83	381587	210440
Sedco 19	83	381588	210441
Sedco 20	83	381589	210442

INCLUDING, ALSO, PURSUANT TO THE TERMS OF THE AGREEMENT, an "Area of Interest" consisting of any mining claims located by either Budge or Owner after the Effective Date and prior to Closing any part of which claim is within one mile from the exterior boundaries of the Property; provided, however, that Budge may, at its election chose not to include any claim or claims so located by Owner.

BUDGE.SEDCO.SHORT.FORM.890793

DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

JOHN R. McDONALD	J. WM. BRAMMER, JR.
RICHARD M. YETWIN	JOHN C. LACY
DINO DeCONCINI	ROBERT M. STRUSE
WILLIAM B. HANSON	JOHN C. RICHARDSON
DAVID C. ANSON	JAMES A. JUTRY
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SUSAN E. MILLER	GARY F. URMAN
MARK D. LAMMERS	FRANCES J. HAYNES
WAYNE E. YEHLING	CHRISTINA URIAS

2525 EAST BROADWAY BOULEVARD, SUITE 200  
TUCSON, ARIZONA 85716-5303  
(602) 322-5000  
FAX: (602) 322-5585

March 23, 1990

2901 NORTH CENTRAL AVENUE, SUITE 1644  
PHOENIX, ARIZONA 85012-2736  
(602) 241-0100  
FAX: (602) 241-0220

RECEIVED MAR 24 1990

PLEASE REPLY TO TUCSON

Mr. Ronald R. Short  
General Manager  
A.F. Budge (Mining) Limited  
4301 N. 75th Street, Suite 101  
Scottsdale, AZ 85251

Re: **Sedco Project; Maricopa County**

Dear Ron:

I have enclosed herewith for your use a short form of the License and Option Agreement related to the Sedco Project in Maricopa County, Arizona. Please circulate this document for signature and have it recorded. Please note that the document must be recorded in Maricopa County. If you wish, I can take care of this for you and, if you take care of the recording from your end, I would appreciate being furnished with a copy of the recorded version for my files.

Very truly yours,

  
John C. Lacy

bpm

Enclosure

0321900150.jcl2.890793



- Sidco -

Grover Desandrich - friend of Ben Dickson  
Heinrich - old friend of Ben W.

Joint Venture -

Grover Heinrich - Tucson called to ask about Sidco claims. Was interested in possible JV. if interested at later date. Found out from owner that we had lease on property. Knows nothing about property other than what he saw on surface. Represents unknown company.

Let's consider staking additional claims!!



A.F. Budge (Mining) Limited

(602) 945-4630

4301 North 75th Street  
Suite 105  
Scottsdale, AZ 85251-3504

FAX (602) 949-1737

October 11, 1990

Daniel C. Jacobs  
Lawrence G. Chantler  
357 Park Avenue  
Prescott, Arizona 86303

RE: Sedco Option

Dear Messrs. Jacobs and Chantler:

In accordance with Section 8.b. of the License and Option Agreement dated December 1, 1989, A.F. Budge (Mining) Limited hereby elects to terminate this Agreement, and waives any and all rights to the Property under this Agreement.

Yours very truly,

Ronald R. Short  
General Manager

cc: J.C. Lacy

RRS/jsn



**A.F. Budge (Mining) Limited**

November 9, 1989

Larry Chantler  
Dan Jacobs  
357 Park Avenue  
Prescott, AZ 86303

4301 North 75th Street  
Suite 101  
Scottsdale, AZ 85251-3504  
(602) 945-4630  
FAX (602) 949-1737

Re: 20 Unpatented Sedco Claims located in  
Maricopa County, Arizona

Dear Messrs. Chantler and Jacobs:

This letter is intended to outline the general terms and conditions by which A.F. Budge (Mining) Limited would acquire the referenced property through a Lease with Option to Purchase Agreement.

1. A.F. Budge (Mining) Limited would have an exclusive one year lease with option in which to evaluate the property. You would receive a \$2,000 payment in return for this consideration.

2. If the option to purchase is exercised, A.F. Budge (Mining) Limited would pay you \$25,000 per year on or before the anniversary date of the agreement.

3. If production ensues, you would receive \$8,000 per month or 10% of the "Net Profits" from the operation, whichever is greater. "Net Profits" would be defined in the final agreement.

4. All payments under items 2 and 3 would apply to the final purchase price which A.F. Budge (Mining) Limited would elect to pay of either \$1,000,000 or 10% of "Net Profits".

5. A.F. Budge (Mining) Limited agrees to perform assessment work for the benefit of the claims for each assessment year during which the agreement continues in force beyond July 1 of the applicable assessment year.

Messrs. Chantler and Jacobs  
November 9, 1989  
Page 2

6. Mining claims or other lands acquired by either party within one mile of the Sedco claim boundary will be made part of the agreement.

If these general terms and conditions are acceptable, please sign and return one copy of this letter to A.F. Budge (Mining) Limited. We will then instruct our legal counsel to prepare a final agreement for execution.

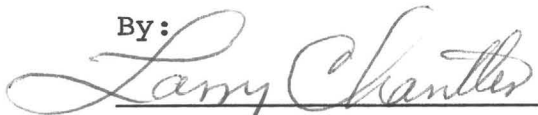
Yours very truly,



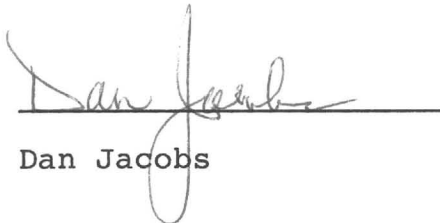
Ronald R. Short  
General Manager

Dated this 10<sup>TH</sup> day of November, 1989

By:



Larry Chantler



Dan Jacobs

# West Sedco, Inc.

P.O. Box 437

Congress, Arizona 85332

## MINERAL CLAIMS FOR LEASE/PURCHASE

### MINERAL CLAIMS

Twenty Sedco Mineral Claims, located September 1, 1983 and recorded in Maricopa County September 21, 1983 Book 83; Pages 381570-381589. The claims were recorded with the Bureau of Land Management on November 28, 1983 and assigned AMC # 210423-210442.

### LOCATION

Located in Township 7 North, Range 5 West, Sections 25 & 26, Maricopa County, Arizona.

### HISTORICAL DATA

The mineral claims were originally staked by ND Resources on March 28, 1966. The claims were known as the Mammoth Mineral Claims and became eligible for location on September 1, 1983 when ND Resources failed to complete the required annual assessment work. The apparent reason is ND Resources filed Chapter 11 bankruptcy during 1983.

Verbal information, which has not been confirmed, indicate Phillips 66 Petroleum drilled the mineral claims in the late 1960's and early 1970's and blocked out a copper, gold, and silver deposit. No estimates of grades have been determined.



**Tests place  
ore's value  
at \$4 billion**



**A.F. Budge (Mining) Limited**

November 9, 1989

4301 North 75th Street  
Suite 101

Larry Chantler  
Dan Jacobs  
357 Park Avenue  
Prescott, AZ 86303

Scottsdale, AZ 85251-3504  
(602) 945-4630  
FAX (602) 949-1737

Re: 20 Unpatented Sedco Claims located in  
Maricopa County, Arizona

Dear Messrs. Chantler and Jacobs:

This letter is intended to outline the general terms and conditions by which A.F. Budge (Mining) Limited would acquire the referenced property through a Lease with Option to Purchase Agreement.

1. A.F. Budge (Mining) Limited would have an exclusive one year lease with option in which to evaluate the property. You would receive a \$2,000 payment in return for this consideration.

2. If the option to purchase is exercised, A.F. Budge (Mining) Limited would pay you \$25,000 per year on or before the anniversary date of the agreement.

3. If production ensues, you would receive \$8,000 per month or 10% of the "Net Profits" from the operation, whichever is greater. "Net Profits" would be defined in the final agreement.

4. All payments under items 2 and 3 would apply to the final purchase price which A.F. Budge (Mining) Limited would elect to pay of either \$1,000,000 or 10% of "Net Profits".

5. A.F. Budge (Mining) Limited agrees to perform assessment work for the benefit of the claims for each assessment year during which the agreement continues in force beyond July 1 of the applicable assessment year.

Messrs. Chantler and Jacobs  
November 9, 1989  
Page 2

6. Mining claims or other lands acquired by either party within one mile of the Sedco claim boundary will be made part of the agreement.

If these general terms and conditions are acceptable, please sign and return one copy of this letter to A.F. Budge (Mining) Limited. We will then instruct our legal counsel to prepare a final agreement for execution.

Yours very truly,

Ronald R. Short  
General Manager

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 1989

By:

\_\_\_\_\_  
Larry Chantler

\_\_\_\_\_  
Dan Jacobs



A.F. Budge (Mining) Limited

4301 N. 75th Street, Suite 101  
Scottsdale, AZ 85251-3504

Date: Nov. 16, 1989 Time: 9:00 AM

To: JOHN LACY

FAX # \_\_\_\_\_

From: ROD SHORT

Comments/Remarks: \_\_\_\_\_

Total number pages including cover: 4

Please call (602) 945-4630 if all pages are not received.

Origination FAX # 602-949-1737



~~143 ORF~~  
~~220~~

(Frank Kennedy)

\$2000 one year option  
option year assessment with 1899  
year \$25,000 exercise

2 annual 25,000,  
2 30,000 2ND  
3 35,000  
4 35,000  
5 35,000

\$1,000,000 purchase price -  
annual payments to be credit toward  
purchase price. or 10% of profits, Budgets  
discretion

Area of influence - one mile radius  
of Sedco claim group -  
Sedco claims consist of 20 unpatented  
claims in Sect TS R

Location of Sedco Claims  
- Maricopa County - Arizona  
Township 7 North Range 5 West Sections 25 & 26

DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

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WILLIAM B. HANSON JOHN C. RICHARDSON  
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SUSAN E. MILLER GARY F. URMAN  
MARK D. LAMMERS FRANCES J. HAYNES  
WAYNE E. YEHLING MELINDA CAUVIN  
CHRISTINA URIAS

2525 EAST BROADWAY BOULEVARD, SUITE 200  
TUCSON, ARIZONA 85716-5303  
(602) 322-5000  
FAX: (602) 322-5585

January 30, 1990

2901 NORTH CENTRAL AVENUE, SUITE 1644  
PHOENIX, ARIZONA 85012-2736  
(602) 241-0100  
FAX: (602) 241-0220

PLEASE REPLY TO TUCSON

Mr. Ronald R. Short  
General Manager  
A. F. BUDGE (MINING) LIMITED  
4301 N. 75th Street, Suite 101  
Scottsdale, AZ 85251

Re: **SEDCO Project**

Dear Ron:

I have enclosed a new version of the Deed of Trust and Promissory Note for your use in the SEDCO Project. The only change in the Deed of Trust was to repeat the non-recourse language from the Promissory Note to insure that the two documents paralleled each other. Additionally, I found a small typographic error in the Promissory Note that has been corrected.

These documents should be attached as exhibits to the final agreement. Please give me a call if you have any questions.

Very truly yours,

  
John C. Lacy

bpm

Enclosure

0129900330.jcl2.890793

DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

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SUSAN E. MILLER	GARY F. URMAN
MARK D. LAMMERS	FRANCES J. HAYNES
WAYNE E. YEHLING	MELINDA CAUVIN
CHRISTINA URIAS	

2525 EAST BROADWAY BOULEVARD, SUITE 200  
TUCSON, ARIZONA 85716-5303  
(602) 322-5000  
FAX: (602) 322-5585

January 24, 1990

2901 NORTH CENTRAL AVENUE, SUITE 1644  
PHOENIX, ARIZONA 85012-2736  
(602) 241-0100  
FAX: (602) 241-0220

PLEASE REPLY TO TUCSON

Mr. Ronald R. Short  
General Manager  
A. F. BUDGE (MINING) LIMITED  
4301 North 75th Street, Suite 101  
Scottsdale, AZ 85251-3504

Re: **SEDCO Project**

Dear Ron:

I have enclosed herewith an updated version of the License and Option Agreement between A. F. Budge (Mining) Limited and Daniel C. Jacobs, et ux. and Lawrence G. Chantler, et ux. The License and Option Agreement was changed to:

1. Establish an effective date of December 1, 1990;
2. Eliminate "Pre-Production Costs" from the definition of "Net Profits" and establish a "per ton" recovery charge against gross income for all "Development Costs" which are defined as all costs incurred after a decision is made to put a mine into operation based on a production feasibility study and prior to "Commencement of Production" as defined in the Agreement;
3. Define "dollars" as United States currency; and
4. Section 6 has been modified to include the requirement for compliance with "local" laws, regulations and ordinances.

The Deed of Trust (Exhibit B) remains essentially the same, but the Promissory Note (Exhibit C) was amended to reflect the changes in the definition of Net Profits.

If this agreement is executed, I would appreciate it if you would furnish me with a copy of the executed version at which

DeCONCINI McDONALD BRAMMER YETWIN & LACY  
A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW

Mr. Ronald Short  
January 24, 1990  
Page 2

time I will also prepare a short form of the agreement for recording purposes.

Very truly yours,



John C. Lacy

bpm

Enclosure

0123900415.jcl2.890793

JCL  
01-29-90

EXHIBIT B

DEED OF TRUST

BY THIS DEED OF TRUST,

made this \_\_\_ day of \_\_\_\_\_, 19\_\_\_,

between A.F. BUDGE (MINING) LIMITED, a Nevada corporation, whose mailing address is 4301 North 75th St., Suite 101, Scottsdale, AZ 85251, (the "Trustor" herein),

\_\_\_\_\_, an Arizona corporation, whose mailing address is \_\_\_\_\_, (the "Trustee" herein),

and

DANIEL C. JACOBS and RAMONA R. JACOBS, husband and wife, LAWRENCE G. CHANTLER and ERIKA O. CHANTLER, husband and wife, whose mailing address is 357 Park Avenue, Prescott, Arizona 86303, (collectively the "Beneficiary" herein),

the Trustor hereby conveys, transfers and assigns to Trustee in Trust, with Power of Sale, those certain mining claims more particularly described in Exhibit A attached hereto and by this reference made a part hereof (the "Property" herein); TOGETHER WITH the rents, issues, profits and income thereof (all of which are hereinafter called "Property Income"), SUBJECT HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such Property Income.

This Deed of Trust is given for the purpose of securing: (1) the performance of each agreement of Trustor herein contained, and (2) payment of the indebtedness evidenced by a promissory note of even date herewith and any extension or renewal thereof in the principal sum of NINE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$975,000.00), executed by Trustor in favor of Beneficiary.

To protect the security of this Deed of Trust, it is agreed that:

1. Obligations of Trustor

a. Conduct of Operations - All work performed by Trustor on the Property until the purchase price evidenced by the promissory note has been fully paid shall be done in a good and workmanlike manner and in compliance with all state or federal laws and regulations governing mineral exploration, development, mining and processing operations.

b. Protection from Liens - Trustor shall pay all expenses incurred by it in its operations on the Property hereunder and shall allow no liens arising from any act of Trustor to remain upon the Property; provided, however, that Trustor shall not be required to remove any such lien as long as Trustor is contesting in good faith the validity or amount thereof.

c. Indemnity - Trustor shall protect, defend and indemnify Trustee against and hold Beneficiary and Trustee harmless from any suit, claim, judgment or demand, administrative proceeding or sanction, expense, including reasonable attorneys' fees, whatsoever arising out of Trustor's exploration, development, mining and mineral processing activities on the Property, provided that if the Beneficiary or any person or instrumentality acting on Beneficiary's behalf shall have been a contributing cause to the event giving rise to such suit, claim, demand or judgment, Trustor and Beneficiary shall be responsible to the extent that each contributed to the cause giving rise to such suit, claim, demand or judgment.

d. Assessment Work - Trustor agrees to perform assessment work (unless excused, suspended or deferred) for the benefit of the unpatented mining claims included within the Property for each assessment year until the purchase price has been fully paid or this Deed of Trust has been foreclosed prior to July 1 of the applicable assessment year. The work performed shall be of a kind generally accepted as assessment work, and Trustor shall expend the total amount sufficient to meet the minimum requirements with respect to all of the unpatented claims. Trustor shall further furnish to Beneficiary, not later than December 15 of any applicable assessment year, a copy of the assessment affidavit together with proof of filing with the county and Bureau of Land Management. Trustee and Beneficiary acknowledge that the mining claims included within the Property constitute a contiguous block and that Trustor shall have the right to perform assessment work required hereunder pursuant to a common plan of exploration or development, whether such work is performed on or off the Property.

## 2. Default and Foreclosure

a. Notice of Foreclosure by Trustee - If Trustor defaults in the performance of its obligations under the promissory note or the obligations imposed under the terms of this Deed of Trust, Trustee shall give Trustor written notice specifying the default. If the default is not cured within thirty (30) days after Trustor has received the notice, or in the case of defaults not requiring the payment of funds, if Trustor has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Trustee shall, upon delivery to Trustee of Beneficiary's written declaration that the purchase price is immediately due and payable, (1) declare all sums

secured hereby immediately due and payable and (2) on delivery by Beneficiary to Trustee of written notice of election to have the Property sold, and after the giving of notice of sale in the manner provided by law, proceed to sell the Property at public auction the property under the power of sale contained herein. If Trustor in good faith disputes the existence of a default, Trustor shall initiate appropriate action in a court of competent jurisdiction within the 30-day period and the time to cure shall run from the date of a final determination that a default exists. Upon issuance of a notice of default, Beneficiary shall deposit with Trustee this Deed of Trust, the promissory note and all documents evidencing expenditures secured hereby.

b. Foreclosure Sale - At any sale of the Property under the power of sale contained herein any person, including Trustor, Trustee or Beneficiary (which for the purposes of this paragraph shall include the owner and holder including pledgee, of the promissory note secured hereby, whether or not named as Beneficiary herein), may purchase at such sale; Trustee shall deliver to purchaser its Trustee's Deed, without covenant or warranty, express or implied to the Property so sold. After deducting costs and expenses of exercising the power of sale, and of the sale, including but not limited to costs of evidence of title, the Trustee's fees and Trustee's attorney's fees, if any. Trustee shall apply the proceeds of the Trustee's sale in the manner provided by law. The purchaser at the Trustee's sale shall be entitled to immediate possession of the Property as against the Trustor and shall have a right to the summary proceedings to obtain possession provided in Chapter 8, Article 4, Arizona Revised Statutes, together with costs and reasonable attorney's fee.

c. Delivery of Data - If this Deed of Trust is foreclosed or the Property is otherwise deeded back to Beneficiary without foreclosure action, upon written request given by Beneficiary within thirty (30) days from and after foreclosure or other conveyance of the Property to Beneficiary, Trustor shall, within a reasonable time, furnish Beneficiary copies of all available noninterpretive exploration, development and mining data pertaining to the Property prepared by or for Trustor.

d. No Recourse Debt - Should the Trustor default under any of the provisions of this Deed of Trust or the promissory note, the Beneficiary's sole remedy shall be to foreclose this Deed of Trust and Trustor is hereby released from any and all other liability to the extent that such release does not operate to invalidate the lien of this Deed of Trust securing the promissory note. If the Deed of Trust is foreclosed, or Beneficiary takes any other action to enforce the collection of the indebtedness evidenced by the promissory note, Beneficiary agrees, and any holder thereof shall be deemed by acceptance thereof to have agreed, not to take a judgment or deficiency judgment against the

Trustor with respect to said indebtedness. Notwithstanding the foregoing, however, Trustor shall be fully liable to the Beneficiary or other holder of the promissory note for (1) all damages suffered by Beneficiary on account of fraud or willful misrepresentation, and (2) the retention of any Property Income after an event of default has occurred under the terms of this Deed of Trust and prior to the cure (if any) of such default.

3. Title Matters

a. Defense of Actions - Trustor shall appear in and defend any action or proceeding purporting to affect the possessory rights in the Property or the rights or powers of the Beneficiary or Trustee; and shall pay all costs and expenses, including cost of evidence of title and reasonable attorney's fees, in such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

b. Amendment, Relocation and Patent of Mining Claims - Trustor shall have the right to amend, relocate or patent in its name any of the unpatented claims that are subject to this Deed of Trust that Trustor, in its sole discretion deems advisable to amend, relocate or patent. Trustor shall not be liable to Trustee or Beneficiary for any act (or failure to act) by it or any of its agents in connection with the amendment, relocation or patent of such claims as long as such act (or omission) does not arise from gross negligence or is not made in bad faith. Further, if the laws of the United States concerning acquisition of mineral rights on federally managed lands is repealed, amended, or new legislation is enacted, Trustor shall have the right to take whatever action it deems appropriate to preserve a right to explore for, develop, and mine from the Property. Any unpatented mining claim so amended, relocated, or patented shall be subject to the terms of this Deed of Trust as if described herein.

c. Abandonment of Mining Claims - Trustor shall have the right to abandon any of the unpatented mining claims that are secured by this Deed of Trust that Trustor, in its sole discretion deems advisable to abandon. Trustor shall give Beneficiary thirty (30) days written notice of its intention to abandon, and Beneficiary may during such 30-day period direct Trustor to quitclaim such unpatented mining claims to Beneficiary. After any such abandonment or quitclaim to Beneficiary, Trustor shall have no further obligation with regard to the unpatented mining claims so abandoned or quitclaimed.

d. Condemnation Awards - Any award of damages in connection with any condemnation for public use of or injury to the Property or any part thereof is hereby assigned and shall be paid to Beneficiary and shall be applied to the purchase price as



if the same were payment of "Net Profits" under the terms of the promissory note. Any balance of such award in excess of the purchase price shall be paid to Trustor.

4. Release

Upon written request of Beneficiary (or proof of the same furnished by Trustor) stating that all sums secured hereby have been paid and upon surrender of this Deed of Trust and the promissory note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall by Deed of Release and Full Reconveyance release and reconvey the Property, without covenant or warranty, express or implied. The recitals in such Deed of Release and Full Reconveyance of any matters shall be conclusive proof of the truthfulness thereof. The grantee in such Deed of Release and Full Reconveyance may be described as "The Person or Persons Legally Entitled Thereto."

5. Trustee's Rights and Obligations

a. Acceptance - Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

b. Resignation - Trustee herein may resign by mailing or delivering notice thereof to Beneficiary and to Trustor. Upon such resignation, the Beneficiary may appoint a successor trustee, which appointment shall constitute a substitution of trustee upon the mailing and recording of written notice thereof by the Beneficiary in the manner prescribed by law for the substitution of a trustee of a deed of trust. A successor trustee herein shall, without conveyance from the predecessor trustee, succeed to all the predecessor's title, estate, rights, powers and duties.

6. Inurement

This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns.

7. Construction

a. Time of Essence - By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay. Time is of the essence of this Deed of Trust and each and every provision hereof.

b. No Implied Covenants - It is expressly agreed that no implied covenant or condition whatsoever shall be read into any obligation of Trustor, either under this Deed of Trust or the License and Option Agreement relating to any time frame as the measure of diligence for prospecting, mining, resumption of mining if mining operations once commenced are suspended, or any operations of Trustor hereunder.

IN WITNESS WHEREOF, this Deed of Trust has been executed as of the date recited above.

TRUSTOR:

A.F. BUDGE (MINING) LIMITED

By \_\_\_\_\_  
Anthony F. Budge, President

STATE OF ARIZONA                    )  
  )  
County of Maricopa                    )        ss.

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 1990, by Anthony F. Budge, the President of A.F. BUDGE (MINING) LIMITED, a Nevada corporation, for and on behalf of the corporation.

My commission expires:

\_\_\_\_\_  
Notary Public

JCL2.BUDGE.SEDCO.DEED.OF.TRUST

JCL  
01-29-90

EXHIBIT C  
PROMISSORY NOTE

Effective Date: \_\_\_\_\_ Maricopa County, Arizona

MAKER:

A.F. BUDGE (MINING) LIMITED  
4301 North 75th St., Suite 101  
Scottsdale, AZ 85251

PAYEE:

DANIEL C. JACOBS and RAMONA R. JACOBS, husband and wife  
LAWRENCE G. CHANTLER and ERIKA O. CHANTLER, husband and wife  
357 Park Avenue, Prescott, Arizona 86303

PRINCIPAL AMOUNT:

\$975,000

INTEREST RATE:

None stated

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1. CONSIDERATION:

For value received, the Maker promises to pay to the order of Payee the Principal Amount without interest according to the terms stated herein.

2. SECURITY:

This Note is secured by a Deed of Trust of even date herewith encumbering certain unpatented mining claims situated in Maricopa County, Arizona, more particularly described in the Deed of Trust of even date herewith (the "Property" herein).

3. PROVISIONS REGARDING PRINCIPAL PAYMENTS:

a. DEFINITIONS:

(1) "Net Profits" for any fiscal year shall be determined by deducting from "Gross Revenues" all "Development

Costs" and all "Operating Costs" related to mineral development and production.

(2) "Gross Revenues" shall mean the gross receipts from the sales of the ore, minerals, or mineral products resulting from the exploitation of the Property.

(3) "Development Costs" shall include all costs incurred after a decision is made to mine the Property based on a production feasibility study and until "Commencement of Production." Development Costs shall be allocated on a per ton basis to the mine reserve estimate fixed by the feasibility study and charged as a deduction from Gross Revenues on an "as mined" basis. If the mine reserves are expanded, the additional Development Costs associated with such expanded reserves shall be likewise be allocated on a per ton basis to such newly designated reserves.

(4) "Commencement of Production" shall occur when Maker reaches eighty percent (80%) of the production capacity (as determined in a production feasibility study to process material from the Property) for a period of 60 consecutive days.

(5) "Operating Costs" shall mean those costs and expenses incurred by or for Maker in connection with or attributable to the exploitation of the Property. Such costs and expenses shall include, but not be limited to, the costs and expenses of mining, milling, smelting, refining, freight, administrative overhead, insurance and marketing the products resulting from the exploration, development and exploitation of the Property; all royalties and rental payments required under any Agreement to acquire the Property or other similar payments required to mine the Property resulting therefrom; all ad valorem, transaction privilege, license, sales, severance, and other taxes imposed on the activities of Maker hereunder, except taxes measured by Maker's corporate profit from such operations; the depreciation of all buildings, structures, machinery and equipment over the useful lives of such items, any sinking fund reasonably deemed advisable for the future reclamation of the Property; and in the event of plant or mine expansion involving construction or replacement of buildings, structures and the addition of machinery and equipment, the depreciation of such items over their useful lives, and interest charges incurred in financing operations on the Property.

b. AMOUNT OF PAYMENTS:

(1) Payee shall pay Maker not less than Twenty-Five Thousand Dollars (\$25,000.00) per year after the execution

and delivery of this Note on or before each anniversary of the Effective Date.

(2) After Commencement of Production, the payments applicable toward the purchase price shall include minimum payments to Payee of Eight Thousand Dollars (\$8,000.00) per month or ten percent (10%) of the Net Profits from mining operations on the Property, whichever is greater. The minimum payments either prior to or after Commencement of Production and the payment of a portion of the Net Profits are not cumulative, and Maker shall only be required to pay the greater of the applicable amount. At such time as a total of Nine Hundred Seventy-Five Thousand Dollars (\$975,000.00) (or such lesser amount if subsection d of Section 7 of the License and Option Agreement effective December 1, 1989, between the parties hereto is applicable or other credits permitted under such Agreement are applicable) has been paid to Payee by Maker, Maker shall have no further obligation to make any further payments to Payee.

c. PAYMENT OF NET PROFITS INTEREST:

Net Profits shall be paid annually and shall be due thirty (30) days after the close of Maker's fiscal year for United States federal tax purposes. The Net Profits payable to Payee, as determined above, shall be reduced by all previous costs and expenses that have not been recovered from gross revenue of such prior period. Accounting for gross revenues and costs and expenses shall be on the accrual basis and in accordance with generally accepted accounting principles.

4. INTEREST:

The Maker is not required to pay any interest to Payee under the terms of this Note so long as there have been no defaults in the payments of principal required above. Any imputation of interest by the United States Internal Revenue Service shall be allocated between interest and principal according to the then current regulations of the Internal Revenue Service, provided that in no event shall any allocation be made that would require the Maker to pay any amounts of money not contemplated by the provisions hereof regarding payment.

5. NO PENALTY FOR PREPAYMENT:

This Note may be prepaid, in whole or in part, at any time without penalty to the Maker.

6. ACCELERATION:

Should default be made in payment of any installment when due, the total sum remaining unpaid shall bear interest at the rate of eighteen percent (18%) per annum until paid. In addition, should default occur in payment of any installment when due, the total sum remaining unpaid may be declared immediately due and payable at the option of the Payee or holder of the Note.

7. WAIVERS:

The Maker, sureties, endorsers, and guarantors of this Note jointly and severally waive demand for payment, notice of nonpayment, protest and notice of protest of this Note, and consent to extensions of time of payment without notice. The construction, validity, and effect hereof shall be governed by the laws of the state of Arizona, and the Maker consents that suit or other collection proceedings to enforce this Note may be brought against Maker by the Payee or holder of this Note in the courts of Maricopa County, Arizona.

8. COLLECTION FEES:

Should this Note be placed in the hands of an attorney for collection, the Maker severally agrees to pay reasonable collection costs, including reasonable attorneys' fees incurred, whether or not suit is brought on this Note. If any court action is instituted to enforce this Note, all costs and fees shall be determined by the court. All costs and fees shall be added to the Principal Amount and bear interest at the same rate as on said principal.

9. NO RECOURSE DEBT:

Should the Maker default under the terms of this Note or any of the provisions of the Deed of Trust, the Payee's sole remedy shall be to foreclose the Deed of Trust and Maker is hereby released from any and all other liability to the extent that such release does not operate to invalidate the lien of the Deed of Trust securing this Note. If the Deed of Trust is foreclosed, or Payee takes any other action to enforce the collection of the indebtedness evidenced by this Note, Payee agrees, and any holder hereof shall be deemed by acceptance hereof to have agreed, not to take a judgment or deficiency judgment against the Maker with respect to said indebtedness. Notwithstanding the foregoing, however, Maker shall be fully liable to the Payee or other holder of this Note for (1) all damages suffered by Payee on account of fraud or willful misrepresentation, and (2) the retention of any Property Income (as defined in the Deed of Trust) after an event of default has occurred under the terms of the Deed of Trust and prior to the cure (if any) of such default.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 1990.

A.F. BUDGE (MINING) LIMITED

By \_\_\_\_\_  
A.F. Budge, President  
and Chairman

)  
) ss.  
)

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 1990, by A.F. Budge, President and Chairman of A.F. Budge (Mining) Limited, a Nevada corporation, for and on behalf of the corporation.

My commission expires: \_\_\_\_\_  
Notary Public \_\_\_\_\_

JCL2.BUDGE.SEDCO.PROMISSORY.NOTE



JCL  
12-13-89

LICENSE AND OPTION AGREEMENT

*Date option signed*

BY THIS LICENSE AND OPTION AGREEMENT

effective as of the ~~18<sup>th</sup>~~ day of ~~December~~ <sup>Dec 1<sup>st</sup></sup> 1989 (the "Effective Date")

by and between DANIEL C. JACOBS and RAMONA R. JACOBS, husband and wife, and LAWRENCE G. CHANTLER and ERIKA O. CHANTLER, husband and wife, whose address is 357 Park Avenue, Prescott, Arizona 86303 ("Owner"),

and

A. F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 North 75th Street, Suite 101, Scottsdale, Arizona 85251 ("Budge"),

Owner, in consideration of the agreements set forth herein, has granted certain rights to Budge under the following terms and conditions:

1. Grant; Definitions

a. Grant - Owner hereby grants a ~~(license)~~ <sup>license</sup> exclusively ~~unto~~ <sup>to</sup> Budge, its successors and assigns, to enter upon the "Property" and conduct "Mineral Evaluation" during the term hereof.

b. Option to Purchase - For the consideration recited herein, Owner hereby gives, grants, and conveys to Budge, during the term of this Agreement, the sole, exclusive and irrevocable option to purchase the Property.

c. Definitions - The words and phrases used in the above grant and in this Agreement shall have the following meanings:

(1) The "Property" shall include the unpatented mining claims situated in Maricopa County, Arizona, more particularly described in Exhibit A attached hereto, and shall include any rights defined under Section 12 of this Agreement.

(2) "Mineral Evaluation" shall include the right of access to all portions of the Property:

(i) to drill and excavate holes, pits, shafts and other excavations, to construct roads and to conduct surveys, explorations, sampling, investigations and other operations in such a manner and to the extent as Budge, in its sole judgment and discretion, may deem advisable for the purpose of ascertaining any and all facts relating to the

occurrence of ores and minerals in and under the Property and the metallurgical and physical properties of any such ores;

(ii) to place, construct, maintain, use, and remove such structures, facilities, equipment, roadways, haulageways and such other improvements on the surface or subsurface of the Property as Budge may deem necessary, useful or convenient for the full enjoyment of all of the rights herein granted; and

(iii) to use other resources of the Property (to the extent that Owner may have such rights), including timber and water, in connection with the exploration rights granted hereunder.

(3) "Net Profits" for any fiscal year shall be determined by deducting from "Gross Revenues" (all) "Operating Costs" related to such mineral production activities. The words and phrases used above shall have the following meanings:

*excluded*  
(i) "Pre-production Costs" shall include all "Operating Costs" relating to the ~~(exploration)~~ and (development) of the Property that are incurred prior to "Commencement of Mining."

(ii) "Commencement of Mining" shall occur when Budge reaches eighty percent (80%) of the production capacity (as determined in a production feasibility study to process material from the Property) for a period of 60 consecutive days.

(iii) "Gross Revenues" shall mean the gross receipts from the sales of the Leased Substances resulting from the exploitation of the Property.

*excluded exploration*  
(iv) "Operating Costs" shall mean those costs and expenses incurred by or for Budge in connection with or attributable to the ~~exploration, development and~~ exploitation of the Property. Such costs and expenses shall include, but not be limited to, the costs and ~~(expenses of exploring, developing,~~ mining, milling, smelting, refining, freight, administrative overhead, insurance and marketing the products resulting from the ~~exploration, development and~~ exploitation of the Property; all royalties and rental payments required under this Agreement or other similar payments required to mine the Property resulting therefrom; all ad valorem, transaction privilege, license, sales, severance, and other taxes imposed on the activities of Budge hereunder, except taxes measured by Budge's corporate profit from such operations; the depreciation of all

N.G.

*What to include amortization of all development cost leading to the exploitation of the property.*

~~Structure~~  
buildings, structures, machinery and equipment over the useful lives of such items, any sinking fund reasonably deemed advisable for the future reclamation of the Property; and in the event of plant or mine expansion involving construction or replacement of buildings, structures and the addition of machinery and equipment, the depreciation of such items over their useful lives, and interest charges incurred in financing operations on the Property. ~~A/C~~

2. Term

Unless sooner terminated under Section 8, the term of this Agreement is for one year, expiring at 5:00 p.m., MST, on the date one year from the effective date hereof.

3. Payments to Owner

a. Option Payment - As consideration for the grant of rights made herein, Budge has paid Owner Two Thousand Dollars (\$2,000.00) prior to execution of this Agreement, the receipt and sufficiency of which is hereby acknowledged. No payment made hereunder shall limit or detract from the right of Budge to terminate this Agreement under the provisions of subsection b of Section 8, and provided further that if this Agreement is terminated for any reason except by exercise of an option to purchase by Budge, all payments made from Budge to Owner shall not be refundable.

b. Purchase Price - If the option to purchase is exercised, Budge shall pay Owner as the purchase price, One Million Dollars (\$1,000,000.00), which purchase price shall be paid to Owner as follows: Budge shall pay Owner Twenty-Five Thousand Dollars (\$25,000.00) at closing, and a minimum of Twenty-Five Thousand Dollars (\$25,000.00) per year thereafter on or before the anniversary of the date of Closing. After Commencement of Mining, the payments applicable toward the purchase price shall include minimum payments to Owner of Eight Thousand Dollars (\$8,000.00) per month or ten percent (10%) of the Net Profits (as defined in subsection c(3) of Section 1) from mining operations on the Property, whichever is greater. (The minimum payments either prior to or after Commencement of Mining and the payment of a portion of the Net Profits are not cumulative and Budge shall only be required to pay the greater of the applicable amount.) At such time as a total of One Million Dollars (\$1,000,000.00) (or such lesser amount if subsection d of Section 7 is applicable or other credits permitted herein are applicable) has been paid to Owner by Budge, Budge shall have no further obligation hereunder. o-k  
?  
o-k  
o-k

4. Exercise of Option

↓  
Pmt's,  
same as  
option.

✓ a. Exercise of Option - Budge may elect to exercise its option to purchase the Property at any time during the term specified in Section 1 by giving written notice of its election in the manner specified in Section 9 of this Agreement.

b. Closing - Within ten (10) days after Budge has exercised its option to purchase, Owner shall deliver to Budge a quitclaim deed to the Property. Budge shall likewise during the ten-day period deliver to Owner: (1) the first annual payment of the purchase price, and (2) a nonrecourse promissory note and deed of trust (in the form attached hereto as Exhibits B and C respectively) securing the payment of the promissory note. If Owner has not already done so, upon the tender by Budge of the first annual payment, the executed promissory note and deed of trust, Owner shall deliver the fully executed deed and such other documents as may be necessary to convey the Property to Budge. Either party may require this Agreement to be placed in escrow, in which case the parties agree to execute and deliver to any escrow agent such instructions and other documents that may be required by the escrow agent. One-half of the charges of any escrow agent shall be paid by each party. Budge shall pay all recording fees in connection with its exercise of its option to purchase.

*We need Q.C. Deed from Budge back to us, to be held in escrow. THIRD PROPERTY Hold deed. Trust co hold title until satisfaction*

*Vice-Versa ↗*

5. Inspection

✓ Owner or its agents authorized in writing, at its risk and expense, may enter upon the Property to inspect the same at such times and upon such notice to Budge as shall not unreasonably or unnecessarily hinder or interrupt the operations of Budge.

6. Obligations of Budge

✓ a. Conduct of Operations - All work performed by Budge on the Property pursuant to this Agreement shall be done in a good and workmanlike manner and in compliance with all state, <sup>(county)</sup> or federal laws and regulations governing such operations.

✓ b. Protection from Liens - Budge shall pay all expenses incurred by it in its operations on the Property hereunder and shall allow no liens arising from any act of Budge to remain upon the Property; provided, however, that Budge shall not be required to remove any such lien as long as Budge is contesting in good faith the validity or amount thereof.

✓ c. Indemnity - Budge shall protect, defend and indemnify Owner against and hold Owner harmless from any suit, claim, judgment or demand, administrative proceeding or sanction, expense, including reasonable attorneys' fees, whatsoever arising out of Budge's exercise of any of its rights pursuant to this Agreement, provided that if Owner or any person or instrumentality acting on Owner's behalf shall have been a

contributing cause to the event giving rise to such suit, claim, demand or judgment, Budge and Owner shall each be responsible only to the extent that each contributed to the cause giving rise to such suit, claim, demand or judgment.

✓  
d. Assessment Work - Budge agrees to perform assessment work (unless excused, suspended or deferred) for the benefit of the unpatented mining claims included within the Property during the option period. The work performed shall be of a kind generally accepted as assessment work, and Budge shall expend the total amount sufficient to meet the minimum requirements with respect to all of the unpatented claims. Owner acknowledges that the mining claims included within the Property constitute a contiguous block and that Budge shall have the right to perform assessment work required hereunder pursuant to a common plan of exploration or development, whether such work is performed on or off the Property. *And Tshtky-owners by July 15, ea. yr., work has been performed, and record same at Budge's expense.*

7. Title Matters

←  
a. Representations and Warranties - Owner represents and warrants to Budge that: (1) the unpatented mining claims constituting the Property have been located and appropriate record made thereof in compliance with the laws of the United States and the laws of Arizona, the assessment work for the year ending September 1 prior to the effective date of this Agreement has been performed and appropriate record made thereof in compliance with applicable law, and there is no claim of adverse mineral rights affecting such mining claims; (2) except as specified in Exhibit A, Owner's possessory right to the Property is free and clear of all liens and encumbrances, and (3) the Owner has the full right, power and capacity to enter into this Agreement upon the terms set forth herein. *addressed in deed of trust*

*reference to title documents*  
b. Title Documents - Upon written request of Budge at any time during the term hereof, Owner shall promptly deliver to Budge all (abstracts of title) to and copies of all (title) documents affecting the Property which Owner has in its possession. *can deliver copies of claims & A.O.A.'s, & a Quit Claim document.*

c. Title Examination - Budge may conduct any and all examination of Owner's title to the Property during the term of this Agreement and Owner agrees to cooperate with Budge in such examination. The exercise of Budge's option to purchase shall constitute an approval of title.

OK  
d. Lesser Interest Provisions - If the rights and title granted hereunder are less than represented herein, Budge shall have the right and option, without waiving any other rights it may have hereunder, to reduce all payments to be made to Owner hereunder in the proportion that the interest actually owned by Owner bears to the interest as represented herein.

e. General - Nothing herein contained and no notice or action which may be taken under this Section 7 shall limit or detract from Budge's right to terminate this Agreement in the manner hereinafter provided.

8. Termination; Removal of Property; Data

a. Termination by Owner - If Budge defaults in the performance of its obligations hereunder, Owner shall give Budge written notice specifying the default. If the default is not cured within thirty (30) days after Budge has (received) the notice, or if Budge has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Agreement by (delivering) to Budge written notice of such termination, subject to Budge's right to remove its property and equipment from the Property, as hereinafter provided. If Budge in good faith disputes the existence of a default, Budge shall initiate appropriate action in a court of competent jurisdiction within the 30-day period and the time to cure shall run from the date of a final determination that a default exists. Owner shall have no right to terminate this Agreement except as set forth in this subsection a of Section 8.

b. Termination by Budge - Budge shall have the right to terminate this Agreement at any time by written notice from Budge to Owner. From and after the date of termination, all right, title and interest of Budge under this Agreement shall terminate, and Budge shall not be required to make any further payments or to perform any further obligations hereunder concerning the Property, except payment and obligations, the due dates for the payment or performance of which occur prior to the termination date, including the obligations related to damages to the surface and improvements thereon.

c. Removal of Property - Upon any termination or expiration of this Agreement, Budge shall have a period of ninety (90) days from and after the effective date of termination within which it must remove from the Property all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Property. Failure of Budge to so remove the same shall constitute an abandonment by Budge to Owner of the same; provided, however, that Budge may still be required to remove such property upon notice from Owner at any time during the ninety-day period and thirty (30) days thereafter.

d. Delivery of Data - If this Agreement is terminated, upon written request given by Owner within thirty (30) days of said termination, Budge shall, within a reasonable time, furnish Owner copies of all available noninterpretive exploration, development

✓ and mining data pertaining to the Property prepared by or for Budge.

✓ e. Relinquishment of Record - If this Agreement is terminated or otherwise expires, Budge shall provide Owner with a recordable document sufficient to provide notice that Budge no longer asserts rights to the Property under this Agreement.

(d - Quit claim - See b-4  
9. Notices

o X Any notice or communication required or permitted hereunder shall be effective when personally delivered or deposited, postage prepaid, certified or registered, in the United States mail to the addresses specified above. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices.

10. Binding Effect; Assignment

✓ The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon the heirs, personal representatives, beneficiaries, successors and assigns, but no change or division of ownership of the Property or payments hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Budge hereunder.

11. Force Majeure

✓ If Budge is delayed or interrupted in or prevented from exercising its rights or performing its obligations, as herein provided, by reasons of "force majeure," then, and in all such cases, Budge shall be excused, without liability, from performance of its obligations set forth in this Agreement (except as to obligations to pay money as set forth in Sections 3 and 4), but the provisions shall again come into full force and effect upon the termination of the period of delay, prevention, disability or condition. "Force majeure" includes all disabilities arising from causes beyond the reasonable control of Budge; including, without limitation, acts of God, accidents, fires, damages to facilities, labor troubles, unavailability of fuels, supplies and equipment, orders or requirements of courts or government agencies, or the inability to obtain environmental clearance or operating permits that may be required by governmental authorities. It is expressly agreed that no implied covenant or condition whatsoever shall be read into this Agreement relating to any time frame as the measure of diligence for any operations of Budge hereunder.

12. Area of Interest

If either Budge or Owner locates mining claims after the Effective Date and prior to Closing, any part of which claim is within one mile from the exterior boundaries of the Property (the "Area of Interest"), such mining claims shall become part of the Property (unless in the case of any claims located by Owner, Budge elects not to include such claims) and such additional claims shall constitute part of the Property as if described herein.

13. Memorandum

The parties to this Agreement agree to execute and record a Memorandum of this Agreement in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded in the official records of Maricopa County, Arizona, ~~& the B.L.R.~~ *only if we exercise option.*

14. Construction *will review title for this if we don't exercise option see section.*

a. Governing Law - This Agreement shall be construed by the internal laws but not the laws of conflict of the State of Arizona.

b. Headings - The headings used in this Agreement are for convenience only and shall not be deemed to be a part of this Agreement for purposes of construction.

c. Entire Agreement - All of the agreements and understandings of the parties with reference to the Property are embodied in this Agreement, and this Agreement supersedes all prior agreements or understandings between the parties.

15. Enforcement

If any legal action is instituted under the terms of this Agreement, the prevailing party, as a part of any award, shall be entitled to an award of reasonable attorney's fees as a part of any judgment.

16. Further Assurances

The parties agree to perform all acts and execute all documents that may be necessary to carry out the spirit and intent of this Agreement.

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 1989.

17. All money in U.S. Currency -

18. - Any litigation by Az. Courts

19. - Any litigation by arbitrations - 3 parties -

*fact of offering purchase - no fee*

*if owner to lease yes*

1 - appointed by Owner

1 - " " " "

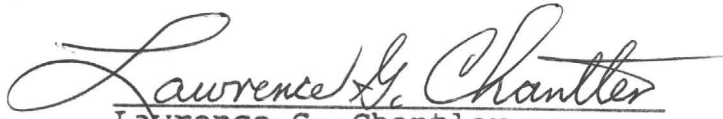
1 - both parties agree on.



OWNER:

Daniel C. Jacobs  
Soc.Sec.# 478-28-6844

Ramona R. Jacobs  
Soc.Sec.# \_\_\_\_\_

  
Lawrence G. Chantler  
Soc.Sec.# 553-09-1450

Erika O. Chantler  
Soc.Sec.# 526-63-8272

BUDGE:

A. F. BUDGE (MINING) LIMITED

By A. F. Budge, President and  
Chairman

STATE OF ARIZONA                    )  
  ) ss.  
County of Yavapai                    )

The foregoing instrument was acknowledged before me this \_\_\_  
day of \_\_\_\_\_, 1989, by Daniel C. Jacobs and Ramona R.  
Jacobs, husband and wife.

My commission expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF ARIZONA                    )  
  ) ss.  
County of Yavapai                    )

The foregoing instrument was acknowledged before me this \_\_\_  
day of \_\_\_\_\_, 1989, by Lawrence G. Chantler and Erika  
O. Chantler, husband and wife.

My commission expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

)  
) ss.  
)

The foregoing instrument was acknowledged before me this \_\_\_  
day of \_\_\_\_\_, 1989, by A. F. Budge, the President  
and Chairman of A. F. Budge (Mining) Limited, a Nevada  
corporation, for and on behalf of the corporation.

My commission expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

EXHIBIT A

The "Property" that is the subject of the foregoing Agreement consists of the following unpatented mining claims situated in Sections 25 and 26, Township 7 North, Range 5 West, G&SRM, Maricopa County, Arizona, the names of which and the place of record of the location notices thereof in the official records of Maricopa County and the authorized office of the Bureau of Land Management are as follows:

<u>Name of Claim</u>	<u>Maricopa Cty Rec'd</u>		<u>BLM Serial No.</u>
	<u>Book</u>	<u>Page</u>	<u>A MC No.</u>
Sedco 1	83	381570	210423
Sedco 2	83	381571	210424
Sedco 3	83	381572	210425
Sedco 4	83	381573	210426
Sedco 5	83	381574	210427
Sedco 6	83	381575	210428
Sedco 7	83	381576	210429
Sedco 8	83	381577	210430
Sedco 9	83	381578	210431
Sedco 10	83	381579	210432
Sedco 11	83	381580	210433
Sedco 12	83	381581	210434
Sedco 13	83	381582	210435
Sedco 14	83	381583	210436
Sedco 15	83	381584	210437
Sedco 16	83	381585	210438
Sedco 17	83	381586	210439
Sedco 18	83	381587	210440
Sedco 19	83	381588	210441
Sedco 20	83	381589	210442

BUDGE.SEDCO.OPTION.AGR.890793

JCL  
01-23-90

**LICENSE AND OPTION AGREEMENT**

BY THIS LICENSE AND OPTION AGREEMENT

effective as of the 1st day of December, 1989 (the "Effective Date")

by and between DANIEL C. JACOBS and RAMONA R. JACOBS, husband and wife, and LAWRENCE G. CHANTLER and ERIKA O. CHANTLER, husband and wife, whose address is 357 Park Avenue, Prescott, Arizona 86303 ("Owner"),

and

A. F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 North 75th Street, Suite 101, Scottsdale, Arizona 85251 ("Budge"),

Owner, in consideration of the agreements set forth herein, has granted certain rights to Budge under the following terms and conditions:

1. Grant; Definitions

a. Grant - Owner hereby grants a license exclusively unto Budge, its successors and assigns, to enter upon the "Property" and conduct "Mineral Evaluation" during the term hereof.

b. Option to Purchase - For the consideration recited herein, Owner hereby gives, grants, and conveys to Budge, during the term of this Agreement, the sole, exclusive and irrevocable option to purchase the Property.

c. Definitions - The words and phrases used in the above grant and in this Agreement shall have the following meanings:

(1) The "Property" shall include the unpatented mining claims situated in Maricopa County, Arizona, more particularly described in Exhibit A attached hereto, and shall include any rights defined under Section 12 of this Agreement.

(2) "Mineral Evaluation" shall include the right of access to all portions of the Property:

(i) to drill and excavate holes, pits, shafts and other excavations, to construct roads and to conduct surveys, explorations, sampling, investigations and other operations in such a manner and to the extent as Budge, in its sole judgment and discretion, may deem advisable for the purpose of ascertaining any and all facts relating to the

occurrence of ores and minerals in and under the Property and the metallurgical and physical properties of any such ores;

(ii) to place, construct, maintain, use, and remove such structures, facilities, equipment, roadways, haulageways and such other improvements on the surface or subsurface of the Property as Budge may deem necessary, useful or convenient for the full enjoyment of all of the rights herein granted; and

(iii) to use other resources of the Property (to the extent that Owner may have such rights), including timber and water, in connection with the exploration rights granted hereunder.

(3) "Net Profits" for any fiscal year shall be determined by deducting from "Gross Revenues" all "Development Costs" and all "Operating Costs" related to mineral development and production. The words and phrases used above shall have the following meanings:

(i) "Gross Revenues" shall mean the gross receipts from the sales of the Leased Substances resulting from the exploitation of the Property.

(ii) "Development Costs" shall include all costs incurred after a decision is made to mine the Property based on a production feasibility study and until "Commencement of Production." Development Costs shall be allocated on a per ton basis to the mine reserve estimate fixed by the feasibility study and charged as a deduction from Gross Revenues on an "as mined" basis. If the mine reserves are expanded, the additional Development Costs associated with such expanded reserves shall be likewise be allocated on a per ton basis to such newly designated reserves.

(iii) "Commencement of Production" shall occur when Budge reaches eighty percent (80%) of the production capacity (as determined in a production feasibility study to process material from the Property) for a period of 60 consecutive days.

(iv) "Operating Costs" shall mean those costs and expenses incurred by or for Budge in connection with or attributable to the exploitation of the Property. Such costs and expenses shall include, but not be limited to, the costs and expenses of mining, milling, smelting, refining, freight, administrative overhead, insurance and marketing the products resulting from exploitation of the Property; all royalties and rental payments required under this Agreement or other similar payments required to mine the

Property resulting therefrom; all ad valorem, transaction privilege, license, sales, severance, and other taxes imposed on the activities of Budge hereunder, except taxes measured by Budge's corporate profit from such operations; the depreciation of all buildings, structures, machinery and equipment over the useful lives of such items, any sinking fund reasonably deemed advisable for the future reclamation of the Property; and in the event of plant or mine expansion involving construction or replacement of buildings, structures and the addition of machinery and equipment, the depreciation of such items over their useful lives, and interest charges incurred in financing operations on the Property.

(4) "Dollars" as used herein means Dollars in the currency of the United States of America.

2. Term

Unless sooner terminated under Section 8, the term of this Agreement is for one year, expiring at 5:00 p.m., MST, on the date one year from the effective date hereof.

3. Payments to Owner

a. Option Payment - As consideration for the grant of rights made herein, Budge has paid Owner Two Thousand Dollars (\$2,000.00) prior to execution of this Agreement, the receipt and sufficiency of which is hereby acknowledged. No payment made hereunder shall limit or detract from the right of Budge to terminate this Agreement under the provisions of subsection b of Section 8, and provided further that if this Agreement is terminated for any reason except by exercise of an option to purchase by Budge, all payments made from Budge to Owner shall not be refundable.

b. Purchase Price - If the option to purchase is exercised, Budge shall pay Owner as the purchase price, One Million Dollars (\$1,000,000.00), which purchase price shall be paid to Owner as follows: Budge shall pay Owner Twenty-Five Thousand Dollars (\$25,000.00) at closing, and a minimum of Twenty-Five Thousand Dollars (\$25,000.00) per year thereafter on or before the anniversary of the date of Closing. After Commencement of Production, the payments applicable toward the purchase price shall include minimum payments to Owner of Eight Thousand Dollars (\$8,000.00) per month or ten percent (10%) of the Net Profits (as defined in subsection c(3) of Section 1) from mining operations on the Property, whichever is greater. The minimum payments either prior to or after Commencement of Production and the payment of a portion of the Net Profits are not cumulative and Budge shall only be required to pay the greater of the applicable amount. At such time as a total of One Million Dollars

(\$1,000,000.00) (or such lesser amount if subsection d of Section 7 is applicable or other credits permitted herein are applicable) has been paid to Owner by Budge, Budge shall have no further obligation hereunder.

#### 4. Exercise of Option

a. Exercise of Option - Budge may elect to exercise its option to purchase the Property at any time during the term specified in Section 1 by giving written notice of its election in the manner specified in Section 9 of this Agreement.

b. Closing - Within ten (10) days after Budge has exercised its option to purchase, Owner shall deliver to Budge a quitclaim deed to the Property. Budge shall likewise during the ten-day period deliver to Owner: (1) the first annual payment of the purchase price, and (2) a nonrecourse promissory note and deed of trust (in the form attached hereto as Exhibits B and C respectively) securing the payment of the promissory note. If Owner has not already done so, upon the tender by Budge of the first annual payment, the executed promissory note and deed of trust, Owner shall deliver the fully executed deed and such other documents as may be necessary to convey the Property to Budge. Either party may require this Agreement to be placed in escrow, in which case the parties agree to execute and deliver to any escrow agent such instructions and other documents that may be required by the escrow agent. One-half of the charges of any escrow agent shall be paid by each party. Budge shall pay all recording fees in connection with its exercise of its option to purchase.

#### 5. Inspection

Owner or its agents authorized in writing, at its risk and expense, may enter upon the Property to inspect the same at such times and upon such notice to Budge as shall not unreasonably or unnecessarily hinder or interrupt the operations of Budge.

#### 6. Obligations of Budge

a. Conduct of Operations - All work performed by Budge on the Property pursuant to this Agreement shall be done in a good and workmanlike manner and in compliance with all federal, state or local laws, regulations or ordinances governing such operations.

b. Protection from Liens - Budge shall pay all expenses incurred by it in its operations on the Property hereunder and shall allow no liens arising from any act of Budge to remain upon the Property; provided, however, that Budge shall not be required to remove any such lien as long as Budge is contesting in good faith the validity or amount thereof.

c. Indemnity - Budge shall protect, defend and indemnify Owner against and hold Owner harmless from any suit, claim, judgment or demand, administrative proceeding or sanction, expense, including reasonable attorneys' fees, whatsoever arising out of Budge's exercise of any of its rights pursuant to this Agreement, provided that if Owner or any person or instrumentality acting on Owner's behalf shall have been a contributing cause to the event giving rise to such suit, claim, demand or judgment, Budge and Owner shall each be responsible only to the extent that each contributed to the cause giving rise to such suit, claim, demand or judgment.

d. Assessment Work - Budge agrees to perform assessment work (unless excused, suspended or deferred) for the benefit of the unpatented mining claims included within the Property during the option period. The work performed shall be of a kind generally accepted as assessment work, and Budge shall expend the total amount sufficient to meet the minimum requirements with respect to all of the unpatented claims. Owner acknowledges that the mining claims included within the Property constitute a contiguous block and that Budge shall have the right to perform assessment work required hereunder pursuant to a common plan of exploration or development, whether such work is performed on or off the Property.

## 7. Title Matters

a. Representations and Warranties - Owner represents and warrants to Budge that: (1) the unpatented mining claims constituting the Property have been located and appropriate record made thereof in compliance with the laws of the United States and the laws of Arizona, the assessment work for the year ending September 1 prior to the effective date of this Agreement has been performed and appropriate record made thereof in compliance with applicable law, and there is no claim of adverse mineral rights affecting such mining claims; (2) except as specified in Exhibit A, Owner's possessory right to the Property is free and clear of all liens and encumbrances, and (3) the Owner has the full right, power and capacity to enter into this Agreement upon the terms set forth herein.

b. Title Documents - Upon written request of Budge at any time during the term hereof, Owner shall promptly deliver to Budge copies of all documents affecting Owner's possessory interest in the Property which Owner has in its possession.

c. Title Examination - Budge may conduct any and all examination of Owner's title to the Property during the term of this Agreement and Owner agrees to cooperate with Budge in such examination. The exercise of Budge's option to purchase shall constitute an approval of title.



d. Lesser Interest Provisions - If the rights and title granted hereunder are less than represented herein, Budge shall have the right and option, without waiving any other rights it may have hereunder, to reduce all payments to be made to Owner hereunder in the proportion that the interest actually owned by Owner bears to the interest as represented herein.

e. General - Nothing herein contained and no notice or action which may be taken under this Section 7 shall limit or detract from Budge's right to terminate this Agreement in the manner hereinafter provided.

8. Termination; Removal of Property; Data

a. Termination by Owner - If Budge defaults in the performance of its obligations hereunder, Owner shall give Budge written notice specifying the default. If the default is not cured within thirty (30) days after Budge has received the notice, or if Budge has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Agreement by delivering to Budge written notice of such termination, subject to Budge's right to remove its property and equipment from the Property, as hereinafter provided. If Budge in good faith disputes the existence of a default, Budge shall initiate appropriate action in a court of competent jurisdiction within the 30-day period and the time to cure shall run from the date of a final determination that a default exists. Owner shall have no right to terminate this Agreement except as set forth in this subsection a of Section 8.

b. Termination by Budge - Budge shall have the right to terminate this Agreement at any time by written notice from Budge to Owner. From and after the date of termination, all right, title and interest of Budge under this Agreement shall terminate, and Budge shall not be required to make any further payments or to perform any further obligations hereunder concerning the Property, except payment and obligations, the due dates for the payment or performance of which occur prior to the termination date, including the obligations related to damages to the surface and improvements thereon.

c. Removal of Property - Upon any termination or expiration of this Agreement, Budge shall have a period of ninety (90) days from and after the effective date of termination within which it must remove from the Property all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Property. Failure of Budge to so remove the same shall constitute an abandonment by Budge to Owner of the same;

provided, however, that Budge may still be required to remove such property upon notice from Owner at any time during the ninety-day period and thirty (30) days thereafter.

d. Delivery of Data - If this Agreement is terminated, upon written request given by Owner within thirty (30) days of said termination, Budge shall, within a reasonable time, furnish Owner copies of all available noninterpretive exploration, development and mining data pertaining to the Property prepared by or for Budge.

e. Relinquishment of Record - If this Agreement is terminated or otherwise expires, Budge shall provide Owner with a recordable document sufficient to provide notice that Budge no longer asserts rights to the Property under this Agreement.

#### 9. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or deposited, postage prepaid, certified or registered, in the United States mail to the addresses specified above. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices.

#### 10. Binding Effect; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon the heirs, personal representatives, beneficiaries, successors and assigns, but no change or division of ownership of the Property or payments hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Budge hereunder.

#### 11. Force Majeure

If Budge is delayed or interrupted in or prevented from exercising its rights or performing its obligations, as herein provided, by reasons of "force majeure," then, and in all such cases, Budge shall be excused, without liability, from performance of its obligations set forth in this Agreement (except as to obligations to pay money as set forth in Sections 3 and 4), but the provisions shall again come into full force and effect upon the termination of the period of delay, prevention, disability or condition. "Force majeure" includes all disabilities arising from causes beyond the reasonable control of Budge; including, without limitation, acts of God, accidents, fires, damages to facilities, labor troubles, unavailability of fuels, supplies and equipment, orders or requirements of courts or government agencies, or the inability to obtain environmental clearance or operating permits that may be required by

governmental authorities. It is expressly agreed that no implied covenant or condition whatsoever shall be read into this Agreement relating to any time frame as the measure of diligence for any operations of Budge hereunder.

12. Area of Interest

If either Budge or Owner locates mining claims after the Effective Date and prior to Closing, any part of which claim is within one mile from the exterior boundaries of the Property (the "Area of Interest"), such mining claims shall become part of the Property (unless in the case of any claims located by Owner, Budge elects not to include such claims) and such additional claims shall constitute part of the Property as if described herein.

13. Memorandum

The parties to this Agreement agree to execute and record a Memorandum of this Agreement in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded in the official records of Maricopa County, Arizona.

14. Construction

a. Governing Law - This Agreement shall be construed by the internal laws but not the laws of conflict of the State of Arizona.

b. Headings - The headings used in this Agreement are for convenience only and shall not be deemed to be a part of this Agreement for purposes of construction.

c. Entire Agreement - All of the agreements and understandings of the parties with reference to the Property are embodied in this Agreement, and this Agreement supersedes all prior agreements or understandings between the parties.

15. Enforcement

If any legal action is instituted under the terms of this Agreement, venue for the action shall be in the courts of the State of Arizona and the prevailing party, as a part of any award, shall be entitled to an award of reasonable attorney's fees as a part of any judgment.

16. Further Assurances

The parties agree to perform all acts and execute all documents that may be necessary to carry out the spirit and intent of this Agreement.

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 1989.

OWNER:

Daniel C. Jacobs  
Daniel C. Jacobs  
Soc. Sec. # 478-28-6844

Ramona R. Jacobs  
Ramona R. Jacobs  
Soc. Sec. # 478-28-8556

Lawrence G. Chantler  
Lawrence G. Chantler  
Soc. Sec. # 553-09-1450

Erika O. Chantler  
Erika O. Chantler  
Soc. Sec. # 526-63-8242

BUDGE:

A. F. BUDGE (MINING) LIMITED

By A. F. Budge  
A. F. Budge, President and  
Chairman

STATE OF ARIZONA )  
 ) ss.  
County of Yavapai )

The foregoing instrument was acknowledged before me this 12<sup>th</sup> day of February, 1990, by Daniel C. Jacobs and Ramona R. Jacobs, husband and wife.

Betty Davis  
Notary Public

My commission expires:  
My Commission Expires Jan. 2, 1994

STATE OF ARIZONA )  
 ) ss.  
County of Yavapai )

The foregoing instrument was acknowledged before me this 9<sup>th</sup> day of February, 1990, by Lawrence G. Chantler and Erika O. Chantler, husband and wife.

Lawrence A. Higbie  
Notary Public

My commission expires:  
My commission expires October 26, 1992.

)  
 ) ss.  
 )

The foregoing instrument was acknowledged before me this 20<sup>th</sup> day of February, 1990, by A. F. Budge, the President and Chairman of A. F. Budge (Mining) Limited, a Nevada corporation, for and on behalf of the corporation.

[Signature]  
Notary Public

My commission expires:  
[Signature]



EXHIBIT A

The "Property" that is the subject of the foregoing Agreement consists of the following unpatented mining claims situated in Sections 25 and 26, Township 7 North, Range 5 West, G&SRM, Maricopa County, Arizona, the names of which and the place of record of the location notices thereof in the official records of Maricopa County and the authorized office of the Bureau of Land Management are as follows:

<u>Name of Claim</u>	<u>Maricopa Cty Rec'd</u>		<u>BLM Serial No.</u>
	<u>Book</u>	<u>Page</u>	<u>A MC No.</u>
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Sedco 2	83	381571	210424
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Sedco 18	83	381587	210440
Sedco 19	83	381588	210441
Sedco 20	83	381589	210442

BUDGE.SEDCO.OPTION.AGR.890793

SEDCO CLAIMS

United States Department of the Interior Bureau of Land Management  
**AFFIDAVIT OF PERFORMANCE OF ANNUAL WORK  
AND/OR NOTICE OF INTENTION TO HOLD**  
(ALL CLAIMS LISTED ON A SINGLE AFFIDAVIT MUST BE CONTIGUOUS)

Evidence of Annual Assessment Work or a Notice of Intention to Hold must be filed each calendar year following the calendar year in which the claim/site was located.

FOR AN AFFIDAVIT OF LABOR, FILL IN ALL ITEMS EXCEPT ITEM 5. FOR A NOTICE OF INTENTION TO HOLD, FILL IN ONLY ITEMS 1 THROUGH 5 AND ITEM 10. NOTICES OF INTENTION TO HOLD FOR MILL SITES OR TUNNEL SITES DO NOT NEED TO BE COUNTY RECORDED OR NOTARIZED. FOR MINING CLAIMS THE FORM FILED WITH BLM MUST BE IDENTICAL TO THE ONE THAT WAS OR WILL BE FILED WITH THE COUNTY. **FILE ON OR BEFORE DECEMBER 30th (NOT THE 31st).** WHEN FILING, BLM REQUIRES A \$5.00 NONREFUNDABLE SERVICE CHARGE FOR EACH MINING CLAIM, MILL SITE OR TUNNEL SITE.

- 1. State of Arizona, County of MARICOPA ss:
- 2. I, (Name) RICHARD M. GUTHRIE
- 3. Reside at (Address) 9600 N. LA CHOLLA BLVD.  
City TUCSON,, County PIMA, State AZ Zip 85741

being duly sworn, deposes and says that he/she is a citizen of the United States, more than eighteen years of age, that all of the facts set forth in this affidavit/notice, subject to the provisions and penalties of 18 USC 1001 pertaining to the filing of false, fictitious, or fraudulent statements with the United States, are true and correct according to the best of my knowledge, information and belief.

- 4. Owner's Name and Address (if not shown above) CHECK HERE IF THIS IS A CHANGE OF ADDRESS

5. NOTE, THIS ITEM SHOULD ONLY BE FILLED IN IF THIS IS A NOTICE OF INTENTION TO HOLD. NOTICES OF INTENTION TO HOLD ARE FOR MILL SITES AND TUNNEL SITES OR FOR MINING CLAIMS WHEN ASSESSMENT WORK HAS NOT BEEN DONE, REGARDLESS OF WHETHER THE ANNUAL ASSESSMENT HAS BEEN SUSPENDED, DEFERRED, OR NOT YET ACCRUED. THE FILING OF A NOTICE OF INTENTION TO HOLD SHALL NOT RELIEVE THE OWNER OF COMPLYING WITH FEDERAL AND STATE LAWS PERTAINING TO THE PERFORMANCE OF ANNUAL ASSESSMENT WORK.

I intend to hold the claim(s)/site(s) listed on the reverse side of this document for the calendar year 19\_\_\_\_\_.

- 6. That I am personally acquainted with the mining claim(s). The work and improvements were made by and at the expense of the owner(s) of said claim(s). Said contiguous group of claims listed on the reverse side of this document are situated in the \_\_\_\_\_ Mining District, MARICOPA County, Arizona, the location of which is recorded in the office of the County Recorder of said County in: Book(s) 83  
Page(s) 381570-381589  
Notice of location is posted in Section(s) 25, 26  
Township(s) 7N, Range(s) 5W, GSR Meridian

- 7. That between the dates starting at 12 o'clock noon on September 1, 19 89 and ending at 12 o'clock noon on September 1, 19 90 at least \$ \_\_\_\_\_ dollars worth of work and improvements were done and performed upon said claim(s) or upon one or more of a contiguous group of claims for the benefit of all, or wholly or partly outside of a contiguous group of claims for the benefit of all, not including the location work.

- 8. That the following persons were employed to perform the work and improvements described herein: \_\_\_\_\_

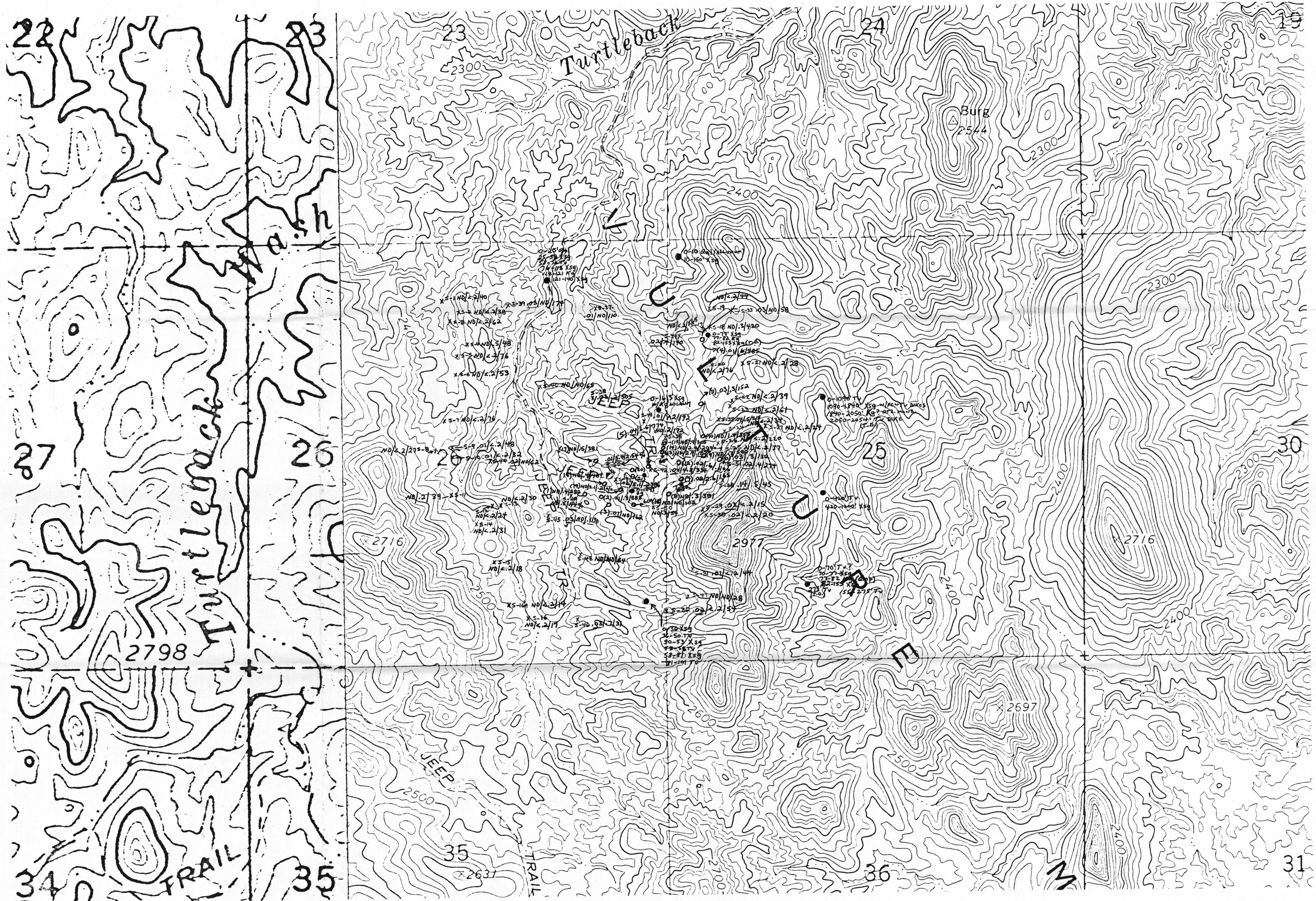
RICHARD M. GUTHRIE

- 9. That the work and improvements performed were: \_\_\_\_\_

GEOLOGIC MAPPING AND SAMPLING OF THE CLAIM GROUP.  
ASSAYING ALL GEOCHEM SAMPLES.

- 10. Dated 7-29-90, Signature Richard M. Guthrie

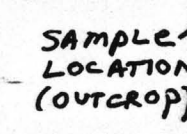
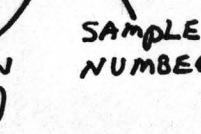
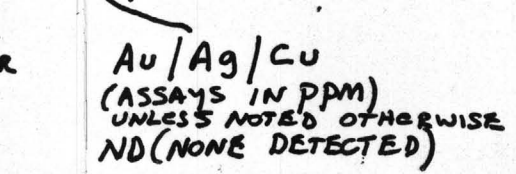
SUBSCRIBED AND SWORN TO before me, a Notary Public, this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_\_  
by \_\_\_\_\_ MY COMMISSION EXPIRES \_\_\_\_\_, Notary Public \_\_\_\_\_



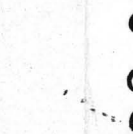
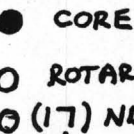
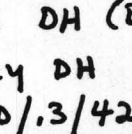
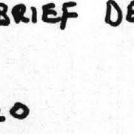
SEDCO CLAIMS  
MARICOPA COUNTY, ARIZ.

WHILE AF BUDGE (MINING) LTD BELIEVES  
THE INFORMATION IN THIS REPORT TO  
HAVE BEEN OBTAINED IN ACCORDANCE WITH  
INDUSTRY STANDARD PRACTICES, WE MAKE  
NO REPRESENTATION WITH RESPECT TO, NOR  
DO WE ASSUME ANY RESPONSIBILITY FOR,  
THE CORRECTNESS OR COMPLETENESS THEREOF.

EXPLANATION:

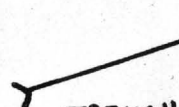
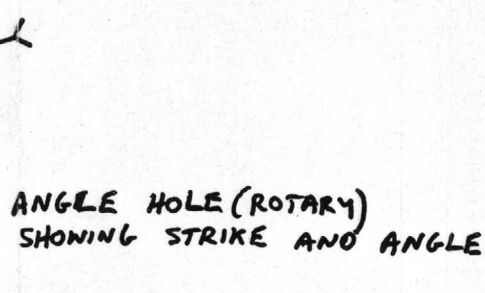
 SAMPLE LOCATION (outcrop)  
 SAMPLE NUMBER  
 Au/Ag/Cu (ASSAYS IN PPM) UNLESS NOTED OTHERWISE ND (NONE DETECTED)

DRILL HOLES:

 CORE DH (BRIEF DESCRIPTION OF LOG WHERE DATA AVAILABLE)  
 ROTARY DH  
 Au/Ag/Cu - ALL IN PPM  
 SAMPLE # (DRILL CUTTINGS, SDH - SEDCO DRILL HOLE)

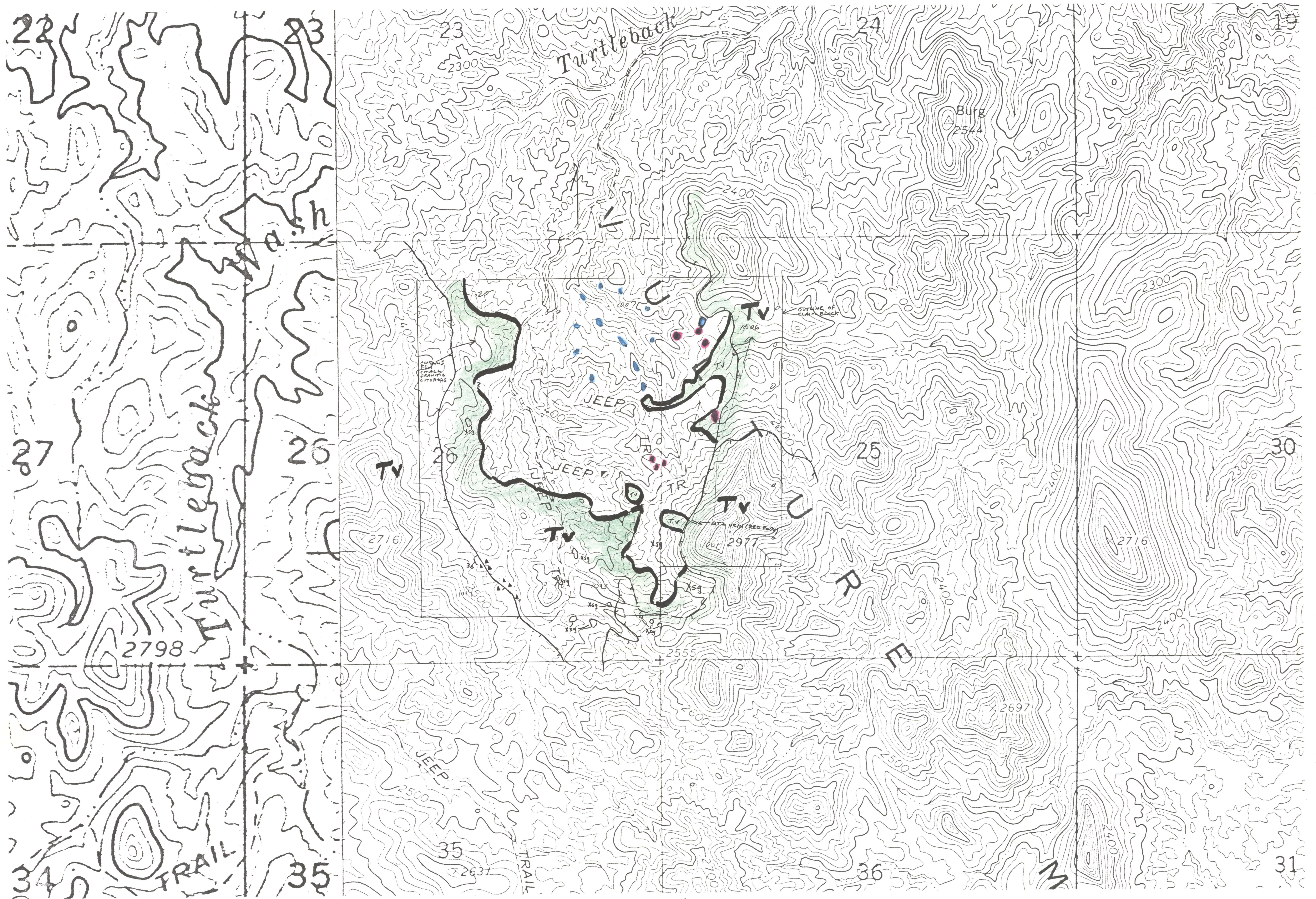
PLEASE NOTE: SDH 20 - ND/6/520  
SDH 21 - ND/2/555  
(NO ROOM TO PLOT ASSAYS)

SYMBOLS:

 TRENCH  
 ANGLE HOLE (ROTARY) SHOWING STRIKE AND ANGLE 60°

AF BUDGE (MINING) LTD  
6/90





WHILE AF BUDGE (MINING) LTD BELIEVES THE INFORMATION IN THIS REPORT TO HAVE BEEN OBTAINED IN ACCORDANCE WITH STANDARD INDUSTRY PRACTICES, WE MAKE NO REPRESENTATION WITH RESPECT TO, NOR DO WE ASSUME ANY LIABILITY OR RESPONSIBILITY FOR, THE CORRECTNESS OR COMPLETENESS, THEREOF.

SEDCO CLAIM GROUP  
MARICOPA COUNTY, ARIZ.

SCALE: 1" = 500'  
CONTOUR INTERVAL = 20'

EXPLANATION:

- TV TERTIARY VOLCANICS (POST-MINERAL)
- Xsg PRECAMBRIAN SCHIST (PRE-MINERAL) AND GRANITE
- GRANITIC PORPHYRY (K?) (QUARTZ MONZONITE PORPHYRY?)
- LOCALLY STRONG BLUE CuOx, RED FeOx

- DETACHMENT FAULT
- BRECCIATED

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6/90