



CONTACT INFORMATION
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ARIZONA EXPLORATIONS INC.

November 29, 1990

via Fax and Certified Mail

Ms. Carol O'Brien
A.F. Budge (Mining) Limited
4301 N. 75th Street
Scottsdale, Arizona 85251-4630

RE: VULTURE MINE PROPERTY

Dear Carol;

Arizona-Ontario Explorations Inc. hereby gives notice, pursuant to Paragraph 3 of the "Reassignment" agreement dated March 1, 1990, that it intends to seek termination of the Lease agreement.

We are requesting that A.F. Budge (Mining) Limited waive it's right within the thirty (30) day period to receive reassignment of the Lease agreement.

Please give written notice as to your decision as to the waiver of your rights.

Yours truly,



ARIZONA EXPLORATIONS INC.
Hans L. Matthews, B.Sc.
Geologist

HLM/bjg

attachment

cc: Stanley W. Holmes
Michael R. Urman - DeConcini, McDonald, Brammer,
Yetwin & Lacy

RECEIVED NOV 30 1990

INTER-OFFICE MEMORANDUM

TO: Stanley W. Holmes
FROM: Hans L. Matthews
SUBJECT: VULTURE AGREEMENT - "TERMINATION NOTICE"
DATE: November 29, 1990

The "Option and Lease Agreement" between A.F. Budge (Mining) Limited and V.M.P., Inc. dated July 1, 1984 contains a "Termination" clause allowing 60 days notice:

Page 10, Section 8b. "Termination"

b. Termination by Budge - Budge shall have the right to terminate this Agreement at any time upon sixty (60) days prior written notice from Budge to Lessor. 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.

With regards to the "Reassignment Agreement" between Arizona-Ontario Explorations Inc. and A.F. Budge (Mining) Limited dated March 1, 1990 further conditions supersede the V.M.P., Inc. - Budge agreement. Arizona-Ontario Explorations Inc. is required to give Budge 30 days notice.

Page 2, Section 3 "Reassignment"

If, within four (4) years from and after the Effective Date hereof, AOEI, its successors or assigns, elects to terminate or otherwise abandon the Lease Agreement, AOEI shall give notice of contemplated action, and Budge shall have the right during such 30-day period, within which to notify AOEI of its desire to receive a reassignment of the Lease Agreement without further consideration to AOEI, its successors or assigns. Upon any election to receive a reassignment, AOEI shall promptly reassign the Lease Agreement to Budge without warranties except as to any claim of title by and through AOEI.

HLM/bjg

A handwritten signature in black ink, appearing to be initials or a stylized name, located below the typed text.

ARIZONA EXPLORATIONS INC.

October 23, 1990

Mr. John Osborne
Vulture Mine Property
P.O. Box 1869
Wickenburg, Arizona 85358

Dear John;

We are writing to inform you that our exploration activities at the Vulture Mine Property will terminate immediately. Excessive legal, lease and ancillary costs have forced us to stop all operations. Mr. Beal will not facilitate negotiations to help us reduce monthly lease payments. We may re-assign the property to another exploration group.

As a result we are no longer in need of your services effective November 30, 1990. Unless a favorable agreement is reached with V.M.P., Inc., you will be responsible for your support costs should you wish to continue living on the site.

Yours truly,



ARIZONA EXPLORATIONS INC.
Hans L. Matthews, B.Sc.
Geologist

HLM/bjg

RECEIVED OCT 25 1990

cc: Mr. Ron Short - A.F. Budge (Mining) Ltd.
Mr. Larry Beal - V.M.P., Inc.
Mr. Stanley W. Holmes - A.E.I.
Mr. Michael R. Urman - DeConcini, McDonald,
Brammer, Yetwin & Lacy

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
SPENCER A. SMITH	MICHAEL R. URMAN
DENISE M. BAINTON	DAVID F. GAONA
KAREN J. NYGAARD	FRANCES J. HAYNES
PHILIP R. WOOTEN	LUIS A. OCHOA
SUSAN E. MILLER	GARY F. URMAN
MARK D. LAMMERS	WAYNE E. YEHLING
CHRISTINA URIAS	

2525 EAST BROADWAY BOULEVARD, SUITE 200
TUCSON, ARIZONA 85716-5303
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October 21, 1991

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

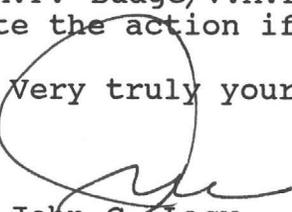
PLEASE REPLY TO TUCSON

Carole O'Brien
A. F. BUDGE (MINING) LIMITED
4301 N. 75th Street, Suite 105
Scottsdale, AZ 85251

Dear Carole:

I have enclosed herewith a copy of the order of the Court dismissing the action that we filed against V.M.P. arising out of asserted defaults under the A.F. Budge/V.M.P. lease. It is now up to Larry Beal to reinstitute the action if he wants to.

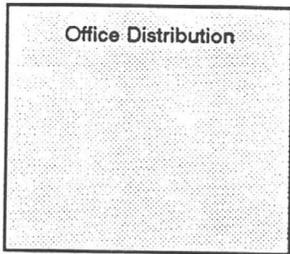
Very truly yours,


John C. Lacy

bpm

Enclosure

9110210948.jc12.900419



SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

RECEIVED PROCESSED
OCT 15 '91 OCT 16 '91
Clerk of the Court DIST. CENTER
CLERK OF THE COURT

2

October 15, 1991

HON. MARILYN A. RIDDEL

K. Miller
Deputy

NO. CV 90-15743

CLEARWATER MINING CORP., et al.

Michael R. Urman

v.

V M P, INC.,

W. Scott Donaldson

Pursuant to the minute entry order of June 28, 1991,
ORDERED dismissing this case.

Marilyn A. Riddel

DECONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

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DENISE M. BAINTON DAVID F. GAONA
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PHILIP R. WOOTEN LUIS A. OCHOA
SUSAN E. MILLER GARY F. URMAN
MARK D. LAMMERS WAYNE E. YEHLING
CHRISTINA URIAS

PLEASE REPLY TO TUCSON

2525 EAST BROADWAY BOULEVARD, SUITE 200
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October 4, 1991

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Mr. Ron Short
Ms. Carole O'Brien
A.F. Budge (Mining) Limited
4301 North 75th Street
Suite 105
Scottsdale, Arizona 85251-4630

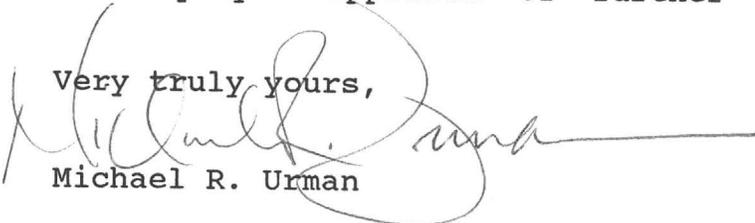
Re: Clearwater/A.F. Budge (Mining) Limited vs. VMP, Inc.

Dear Carole and Ron:

To follow up our conversation with Carole yesterday, this will confirm that our firm will make no further filings in the above-referenced lawsuit in the hope that the action will be dismissed pursuant to the Superior Court's Order that dismissal will occur on October 15, 1991 unless a proper Motion to Set the case for trial is filed before that date. Assuming that VMP, Inc. does not successfully act to keep the lawsuit alive past October 15, 1991, the dismissal will be without prejudice. This means that the lawsuit can be refiled by VMP, Inc. at some point in the future should it so desire. As we discussed on the telephone, however, VMP may acquire statute of limitations problems as to some or all of its claims by the time it makes any such refile, and even if such a refile does occur, we would still have all of our defenses as we previously set forth in our filed and draft paperwork for the present litigation.

Should either of you have any questions pertaining to any aspect of this matter, please feel free to give either John Lacy or myself a call. We will keep you apprised of further developments as they occur.

Very truly yours,


Michael R. Urman

MRU:las

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DeCONCINI McDONALD BRAMMER YETWIN & LACY
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ATTORNEYS AT LAW

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September 12, 1991

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PHOENIX, ARIZONA 85012-2736
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FAX: (602) 241-0220

PLEASE REPLY TO TUCSON

RECEIVED SEP 13 1991

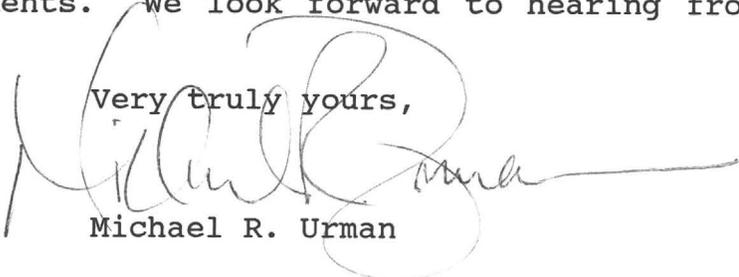
Mr. Ron Short
Ms. Carol O'Brien
A.F. Budge (Mining) Limited
4301 North 75th Street
Suite 105
Scottsdale, Arizona 85251-4630

Re: Clearwater/A.F. Budge (Mining) Limited vs. VMP, Inc.

Dear Carol and Ron:

Enclosed herewith is a copy of a draft Motion for Summary Judgment which we have prepared for filing in an effort to terminate the above-referenced litigation. We would appreciate your review of the motion and you should contact either John Lacy or myself with your comments. We look forward to hearing from you.

Very truly yours,


Michael R. Urman

MRU:las
Enclosure

9109120854.mru1.900075

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1 Michael R. Urman (I.D. No. 7611)
2 DECONCINI McDONALD BRAMMER
3 YETWIN & LACY, P.C.
4 2525 E. BROADWAY BLVD., #200
5 TUCSON, ARIZONA 85716-5303
6 (602) 322-5000

DRAFT

7 Attorneys for Plaintiff

8 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

9 IN AND FOR THE COUNTY OF MARICOPA

10 CLEARWATER MINING CORPORATION,)
11 an Arizona corporation, as)
12 nominee of A.F. BUDGE (MINING))
13 LIMITED, a foreign corporation,)

No. CV90-15743

Plaintiff,)

vs.)

MOTION FOR SUMMARY
JUDGMENT

V.M.P., INC., an Arizona)
corporation,)

Defendant.)

14 Plaintiff, by its counsel undersigned, hereby moves for
15 summary judgment as to the issues remaining in this action. This
16 motion is supported by the attached Memorandum and separately
17 filed Statement of Facts pursuant to Rule IV(f) of the Uniform
18 Rules of Practice.

19 Respectfully submitted this ____ day of September, 1991.

20 DeCONCINI McDONALD BRAMMER
21 YETWIN & LACY, P.C.

22
23 By _____

24 Michael R. Urman
25 2525 East Broadway Blvd., Suite 200
26 Tucson, Arizona 85716-5303
Attorneys for Plaintiff

DECONCINI McDONALD BRAMMER YETWIN & LACY
A PROFESSIONAL CORPORATION
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COPY of the foregoing mailed
this ____ day of September, 1991, to:

W. Scott Donaldson, Esq.
301 West Indian School Road
Suite 102
Phoenix, Arizona 85013-3214
Attorney for Defendant V.M.P., Inc.

COPY of the foregoing hand-delivered
this ____ day of September, 1991, to:

The Honorable Marilyn A. Riddel
Maricopa County Superior Court
101/201 West Jefferson
Phoenix, Arizona 85003-2205

MEMORANDUM

1
2 I. Factual Background.

3 Plaintiff Clearwater Mining Corporation is an Arizona
4 corporation and wholly-owned subsidiary of A.F. Budge (Mining)
5 Limited, an English corporation (hereafter collectively "Budge").
6 On or about July 1, 1984, Budge entered into an Option and Lease
7 Agreement (the "Agreement") with Defendant V.M.P., Inc.
8 ("V.M.P.") concerning patented and unpatented mining claims
9 located in Maricopa County. The patented and unpatented mining
10 claims subject to the Agreement are collectively known as the
11 Vulture Mine Property (the "Property").

12 Following execution of the Agreement, Budge exercised an
13 option under the Agreement to enter into a lease for the Property
14 with V.M.P. For this purpose, a First Amendment to Option and
15 Lease Agreement (the "First Amendment") was entered into by Budge
16 and V.M.P. effective February 1, 1985. The Agreement as
17 supplemented by the First Amendment continued in force and effect
18 after this date.

19 By letter dated May 9, 1990, V.M.P. gave notice of various
20 alleged events of default under the Agreement and/or First
21 Amendment (the "Default Letter"). In an effort to eliminate any
22 dispute, Budge responded to the Default Letter by correspondence
23 dated May 24, 1990. This effort by Budge was unsuccessful, and
24 to prevent unjust termination of the Agreement and First
25 Amendment (and consequent loss of the leasehold on the Property),
26 Budge initiated this action for declaratory relief. V.M.P.

1 thereafter filed a counterclaim against Budge asserting various
2 defaults under the Agreement and First Amendment.

3 Since institution of this litigation, the Agreement and
4 First Amendment have been voluntarily terminated.¹ Certain
5 disputes that arose during the term of the Agreement and First
6 Amendment, however, still exist between the parties. The
7 following three issues, as stated in V.M.P.'s counterclaim,
8 remain to be resolved between Budge and V.M.P.:

9 (1) Whether Budge "has failed to make [a] \$75,000
10 production bonus payment" as allegedly required by the First
11 Amendment;

12 (2) Whether Budge "failed to transfer the Vulture townsite
13 to V.M.P."; and

14 (3) Whether Budge "failed to employ John Osborne throughout
15 the term of the Agreement."

16 As demonstrated in the following sections, none of these
17 contentions give rise to any liability by Budge.

18 II. Budge Owes No Further Payments to V.M.P.

19 The Agreement and First Amendment set forth a variety of
20
21
22

23 ¹The present action was also initiated by Arizona-Ontario
24 Explorations, Inc., an assignee of Budge for the Agreement and
25 First Amendment. As the result of the consensual termination of
26 the Agreement and First Amendment, no issues remain that involve
Arizona-Ontario Explorations, Inc., and this party has been
removed from this litigation.

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payments to be made by Budge to V.M.P.² Among the provisions is the following, found in the First Amendment:

g. Production Bonus - If Budge elects to commence mineral production on the Property, Lessor shall be paid a one-time bonus of Seventy-Five Thousand Dollars (\$75,000.00). The decision to commence production shall occur when Budge commits to the expenditure of funds for a full-scale development of the Property based on the conclusions of a feasibility study and shall not include a pilot plant, bulk sampling or other large volume metallurgical or mine testing. The production bonus shall be paid on or before thirty (30) days after Budge's announcement to its stockholders that production will commence.

V.M.P. claims that certain activities of Budge on the Property require payment of the production bonus. The activities in question consist of the reprocessing of mine tailings from the Pit Gold patented mining claim.³ This reprocessing (which occurred via a cyanide heap-leach process) was not undertaken pursuant to any feasibility study, involved no new "mining" or removal of ore, and can in no manner be deemed a "full-scale development of the Property."

²The Agreement required that, prior to Budge's exercise of its option to lease the Property, Budge pay V.M.P. an option payment of \$6,500 per month. Upon exercise of the option (which exercise occurred via the First Amendment), a monthly advance minimum royalty tied to the buying price for industrial gold bullion was payable by Budge to V.M.P. In addition, a production royalty consisting of a specified percentage of the "Net Returns" from the sale of mined and marketed leased substances was payable by Budge to V.M.P. There is no dispute that Budge made all of these required payments to V.M.P.

³The Pit Gold patented mining claim is but one of some 471 patented and unpatented claims collectively comprising the Vulture Mine Property.

1 The language of the provision in question plainly requires
2 payment only upon the occurrence of certain events constituting
3 commencement of mineral production. The "commencement of
4 production" is specifically defined as occurring only upon
5 commencement of a full-scale development of the Property based on
6 the conclusions of a feasibility study. Neither of these
7 conditions has been met.

8 In Arizona, the interpretation of a contract is a question
9 of law for the court. Further, where the language of the
10 contract is clear and unambiguous, it must be given effect as it
11 is written. Hadley v. Southwest Properties, Inc., 111 Ariz. 503,
12 506, 570 P.2d 190, 193 (1977); Shattuck v. Precision-Toyota,
13 Inc., 115 Ariz. 586, 588, 566 P.2d 1332, 1334 (1977). The court
14 in Goodman v. Newzona Investment Co., 101 Ariz. 470, 421 P.2d 318
15 (1966) discussed these principles as follows:

16 Where parties bind themselves by a lawful
17 contract, in the absence of fraud a court
18 must give effect to the contract as it is
19 written, and the terms or provisions of the
20 contract, where clear and unambiguous, are
21 conclusive.

22 The intent of the parties, as ascertained by
23 the language used, must control the
24 interpretation of a contract. It is not
25 within the province or power of the court to
26 alter, revise, modify, extend, rewrite or
remake an agreement. Its duty is confined to
the construction or interpretation of the one
which the parties have made for themselves.

Where the intent of the parties is expressed
in clear and unambiguous language, there is
no need or room for construction or
interpretation and a court may not resort
thereto.

1 Id. at 472, 421 P.2d 320 (citations omitted)

2 Furthermore, other provisions in the Agreement and
3 First Amendment support the conclusion that the "production
4 bonus" provision has not been invoked. The provision itself
5 excepts its application to activities such as "a pilot plant,
6 bulk sampling or other large volume metallurgical or mine
7 testing," all of which activities could produce metal values and
8 could be far more extensive than the tailings reprocessing in
9 question. In addition, if the tailings reprocessing were to be
10 considered "full scale development," such construction would
11 cause considerable problems in the long-range exploration and
12 development of the Property as contemplated by the Agreement
13 because once "production" commences, the Agreement term becomes
14 fixed and continues in force only so long as production
15 continues. See First Amendment, paragraph 2. The short-duration
16 tailings reprocessing in question simply does not fit within this
17 scheme.

18 Given the foregoing, the "production bonus" provision has
19 not been invoked. Budge's reprocessing activities were of
20 relatively short term and did not consist of any "new mining,"
21 involved only a tiny fraction of the Property, and can in no
22 manner be deemed to comprise the requisite "full-scale
23 development" of the Property requisite to cause the provision to
24 apply. This is not to say that V.M.P. is entitled to nothing
25 under the Agreement and First Amendment, as the documents require
26 payment of advance minimum royalties and production royalties on

1 all metal values recovered from the Property. There is no
2 dispute that these amounts have been paid with regard to Budge's
3 tailings reprocessing and other activities on the Property.

4 For all of these reasons, V.M.P. is entitled to no further
5 payments from Budge.

6 III. Budge Has No Obligation to Transfer its Portion of the
7 Vulture City Townsite to V.M.P.

8 During the term of the Agreement, the Bureau of Land
9 Management issued a decision dated December 5, 1985, declaring
10 four of the unpatented claims⁴ subject to the Agreement null and
11 void. The unpatented claims in question were the Vulture #81,
12 #81A, #82 and #83, and were deemed void from their inception
13 because the claims were located within lands previously patented
14 as the Vulture City Townsite.⁵ In other words, V.M.P. never had
15 any title to the ground in question. Upon further investigation,
16 Budge discovered that one of the patented mining claims⁶ subject
17 to the Agreement was also within the boundaries of the Vulture
18

19 _____
20 ⁴The Vulture Mine Property subject to the Agreement and
21 First Amendment consists of some 457 unpatented and 14 patented
22 mining claims.

23 ⁵The Townsite Act of July 1, 1864, provided a method of
24 transferring public lands to an organized city or town (or a
25 local judge in the absence of an organized city or town) in trust
26 for subsequent conveyance to individuals as town lots. The land
within the Vulture City Townsite was therefore not open for
mineral location purposes.

⁶The patented mining claim in question was the "Pit Gold"
patented mining claim.

1 City Townsite patent and therefore might be found to be illegally
2 issued.

3 To remedy the foregoing situation, Budge made two
4 applications to purchase the Vulture City Townsite from the Judge
5 of the Maricopa County Superior Court (as the successor in
6 interest to the Probate Judge who was granted the original title
7 as trustee for the occupants of Vulture City).⁷ One application
8 for purchase was made on behalf of V.M.P. for the purchase of
9 that portion of the townsite that was in conflict with its
10 patented Pit Gold mining claim (20.661 acres), and the second
11 application was made by Ben F. Dickerson III (then acting as
12 manager for Budge) to purchase the remaining portions of the
13 townsite (109.239 acres). The application for purchase was
14 approved, Mr. Dickerson and V.M.P. made their required payments,
15 and separate quitclaim deeds to the unclaimed townsite lots were
16 signed on March 4, 1987, granting the separate parcels to V.M.P.
17 and to Mr. Dickerson. Mr. Dickerson's interest was acquired on
18 behalf of Budge and subsequently transferred to Budge from Mr.
19 Dickerson's estate.

20 V.M.P. now contends that Budge has violated the Agreement by
21 failing to transfer the Vulture City Townsite (presumably those
22 portions acquired initially by Mr. Dickerson) to V.M.P. Nothing
23 in either the Agreement or First Amendment, however, supports
24 this position. In its default letter, V.M.P. makes reference to

25 ⁷This process is set forth in A.R.S. §§ 9-1131 to 9-1133.
26

1 paragraph 12 of the Agreement as somehow requiring the transfer.

2 This provision states:

3 12. Boundary Protection.

4 If Budge or Lessor locates mining claims
5 after the effective date of this Agreement,
6 any part of which claim is within one mile
7 from the exterior boundaries of the Property
8 (the "Area of Interest"), such claims shall
9 become part of the Property (unless in the
10 case of Lessor, Budge elects not to include
11 such claims) and such additional claims shall
12 constitute part of the Property as if
13 described herein.

14 By its terms, this provision applies only to situations involving
15 the location of mining claims within the "Area of Interest" set
16 forth in the provision.⁸ The provision has no application to a
17 purchase of private land from a third party.⁹

18 _____
19 ⁸The mining claim location process on federally-owned land
20 entails compliance with certain "staking" (monumenting) and
21 filing requirements, and the performance of at least \$100.00 in
22 "assessment work" each year on each claim located. The maximum
23 dimensions of an individual unpatented lode mining claim is 1500'
24 X 1600'. See generally 30 U.S.C. § 21 et seq.; A.R.S. § 27-201
25 et seq.

26 ⁹The Agreement elsewhere addresses "title correction"
situations, but these provisions are likewise inapplicable to the
purchase of land from a third party. Paragraph 7(c) of the
Agreement provides that if any portion of the Property exhibits
defective title, Budge was authorized to "perfect, defend or
initiate litigation to protect such title." Further, the cost of
such efforts was to be borne by V.M.P. In the present situation,
however, the Bureau of Land Management rejected the four mining
claims situated within the limits of the Vulture City Townsite
for the reason that V.M.P. never had any title to the ground in
question. The later purchase of the Vulture City Townsite was
therefore not a perfection or defense of V.M.P.'s title to the
Property, but was instead the acquisition of new rights from a
third party.

1 In addition to the foregoing, it is difficult to understand
2 V.M.P.'s argument when it is considered that, at the time of the
3 application for purchase, V.M.P. never asserted that the separate
4 acquisition of title by Mr. Dickerson was to be for V.M.P.'s
5 benefit. Indeed, as part of the same transaction, V.M.P. did
6 purchase in its name the acreage necessary to insure the
7 integrity of its patented claim located within the townsite
8 patent. Further, at no time has V.M.P. ever offered to pay any
9 of the costs associated with the transaction,¹⁰ as would be
10 required were this a "title correction" situation governed by the
11 Agreement. There is simply no basis under the Agreement, or any
12 logical reason otherwise, to require Budge to convey its portion
13 of the Vulture City Townsite to V.M.P. Budge purchased the
14 Property, and it belongs to Budge.

15 IV. V.M.P. Has No Standing to Maintain Any Claim by John
16 Osborne.

17 V.M.P. finally claims that Budge violated an obligation to
18 employ John Osborne "throughout the term of the Agreement." This
19 claim, however, belongs to John Osborne himself, and not V.M.P.
20 The Arizona Supreme Court long ago held that:

21 No person can maintain an action respecting a
22 subject matter, in respect of which he has no
interest, right, or duty, either personal or
fiduciary.

23 ¹⁰The total cost of the acquisition included \$12,046.83 in
24 legal fees and other costs associated with the action, an
25 appraisal fee of \$1,500.00, the purchase price of \$16,400.00, a
survey bill of \$5,409.72, and approximately \$10,000.00 of time
26 allocated to personnel of Budge.

1 Neil v. Chrisman, 26 Ariz. 566, 574, 229 Pac. 92 (1924). V.M.P.
2 therefore has no standing to assert John Osborne's claim.
3 Inasmuch as John Osborne is not a party to this action, then,
4 this claim must be dismissed.

5 In any event, Budge owes no obligation to John Osborne.
6 There is nothing in either the Agreement or First Amendment
7 requiring Mr. Osborne's employment or addressing Mr. Osborne at
8 all. The reference to Mr. Osborne's employment apparently arises
9 from a "Memorandum of Understanding" between Budge and V.M.P.
10 dated July 1, 1984, providing for compensation to James and John
11 Osborne for certain work during a preliminary or "option" term of
12 the Agreement as follows:

13 If Budge exercise its option, the parties
14 shall negotiate in good faith to achieve a
15 reasonable use of services that might be
16 provided by John and James Osbore [sic],
17 provided, however, that the decision to use
18 or not use such services shall be within the
19 sole discretion of Budge.

20 By the First Amendment effective February 1, 1985, Budge
21 exercised its option to lease the Property. Budge thereafter
22 utilized Mr. Osborne's services for an additional period of time
23 until August 1988, when Mr. Osborne was advised that no further
24 assistance was required. By the plain terms of the "Memorandum
25 of Understanding," Budge retained the sole discretion whether or
26 not to use Mr. Osborne's services. Budge has therefore fully
27 complied with any obligation owed Mr. Osborne, and no further
28 obligation is due.

29

DECONCINI McDONALD BRAMMER YETWIN & LACY
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
2525 EAST BROADWAY BOULEVARD, SUITE 200
TUCSON, ARIZONA 85716-5303
(602) 322-5000

1 V. Conclusion.

2 For all of the foregoing reasons, Budge is entitled to
3 summary judgment on the counterclaim asserted by V.M.P. As part
4 of such judgment, Budge is entitled to a declaration that V.M.P.
5 has no right, title or interest of any nature in and to the
6 Vulture City Townsite property now in Budge's possession.
7 Further, and pursuant to A.R.S. § 12-341.01, Budge is entitled to
8 its reasonable attorneys' fees incurred in this matter, and
9 counsel will submit an appropriate affidavit when necessary.

10 Respectfully submitted this ____ day of September, 1991.

11 DeCONCINI McDONALD BRAMMER
12 YETWIN & LACY, P.C.

13 By _____
14 Michael R. Urman
15 2525 East Broadway Blvd., Suite 200
16 Tucson, Arizona 85716-5303
17 Attorneys for Plaintiff

18 COPY of the foregoing mailed
19 this ____ day of September, 1991, to:

20 W. Scott Donaldson, Esq.
21 301 West Indian School Road
22 Suite 102
23 Phoenix, Arizona 85013-3214
24 Attorney for Defendant V.M.P., Inc.

25 COPY of the foregoing hand-delivered
26 this ____ day of September, 1991, to:

The Honorable Marilyn A. Riddel
Maricopa County Superior Court
101/201 West Jefferson
Phoenix, Arizona 85003-2205

9109031515.mru1.900075

DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

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RICHARD M. YETWIN
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JAMES A. JUTRY
MICHAEL R. URMAN
DAVID F. GAONA
FRANCES J. HAYNES
LUIS A. OCHOA
GARY F. URMAN
WAYNE E. YEHLING

May 24, 1991

2525 EAST BROADWAY BOULEVARD, SUITE 200
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2901 NORTH CENTRAL AVENUE, SUITE 1644
PHOENIX, ARIZONA 85012-2736
(602) 241-0100
FAX: (602) 241-0220

RECEIVED MAY 31 1991

PLEASE REPLY TO PHOENIX

Ms. Carol O'Brien
A.F. Budge (Mining) Limited
4301 North 75th Street
Suite 105
Scottsdale, Arizona 85251-4630

Re: **Clearwater/A.F. Budge (Mining) Limited v. VMP, Inc.**

Dear Ms. O'Brien:

Enclosed herewith is a copy of an Answer and Counterclaim filed by VMP, Inc. in the above-referenced action. As you will recall, this action was filed to maintain the lease for the Vulture Mine Property in the face of a formal default letter sent by VMP, Inc. Our office has prepared and filed a response to the Answer and Counterclaim, and copies of these documents are also enclosed herewith.

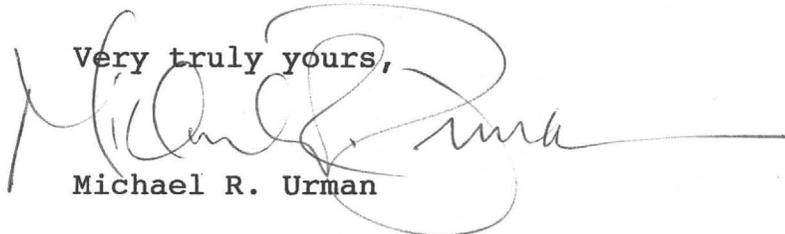
Given that the lease property has been turned back to VMP, Inc., much of what was previously at issue in this lawsuit is now moot. There remain, however, issues concerning VMP's claim against your company for a \$75,000 "production bonus," as well as an issue pertaining to John Osborne's employment and the ownership of the Vulture City Townsite. Given the filing of the Answer and Counterclaim by VMP, Inc., this lawsuit will now be moving along toward resolution of these issues.

At the present time, it is our recommendation that we amend our earlier filed Complaint in this action to accurately set forth for the court the present status of the leasehold for the property in question, i.e., that the leasehold has been turned back to VMP, Inc., and that the only real issues for resolution are those set forth above. We should then consider bringing some form of motion to have the issues decided short of trial. After you have had a chance to review the enclosed and to consider this matter further, please give

Ms. Carol O'Brien
May 24, 1991
Page 2

me a call so that we might further discuss how we will deal with this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael R. Urman", written over the typed name below. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael R. Urman

MRU:kaw

Enclosures

cc: John C. Lacy, Esq.

9105240813.mru1.900075

MAY 1 1991

2901 N. CENTRAL AVE., STE. 1044
PHOENIX, ARIZONA 85012-1044

W. Scott Donaldson
Attorney-at-Law
301 W. Indian School Rd. #102
Phoenix, Arizona 85013-3214
Arizona State Bar Number - 005708

Attorney for Counterclaimant

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

CLEARWATER MINING CORPORATION,)
an Arizona corporation, as)
nominee of A.F. BUDGE (Mining))
LIMITED, a Foreign corporation;)
and ARIZONA-ONTARIO)
EXPLORATIONS, INC., an)
Arizona Corporation)

Plaintiffs,)

vs.)

V.M.P. MINING PROPERTIES, INC.,)
("V.M.P.") an Arizona)
corporation,)

Defendant.)

NO. CV 90-15743

ANSWER AND COUNTERCLAIM

VULTURE MINING PROPERTIES,)
INC., (V.M.P.), an Arizona)
corporation,)

Counterclaimant,)

vs.)

CLEARWATER MINING CORPORATION,)
an Arizona corporation, as)
nominee of A.F. BUDGE (MINING))
LIMITED, a Foreign corporation;)
and ARIZONA-ONTARIO)
EXPLORATIONS, INC., an)
Arizona corporation,)

Counterdefendants.)

ANSWER

For its answer to the complaint, Defendant V.M.P. admit, deny and allege as follows:

Deny each, every and all allegations of the complaint except for those allegations which are specifically admitted.

Assert all of the affirmative defenses which may be asserted pursuant to the Rules of Civil Procedure. The defenses asserted include but are not limited to those mentioned in Rules 8 and 12. All affirmative defenses are asserted to the extent that facts are known or should become known to warrant their being asserted.

Affirmative defenses specifically being asserted at the time of this Answer are:

1. Failure to state a claim upon which relief can be granted.
2. Unclean hands.
3. Estoppel.
4. Waiver.
5. Failure of consideration.

To the extent that attorney fees might prove to be allowable pursuant to statute, rule or other basis, the Defendant request that it recover its attorney's fees of this action.

Defendant admits that V.M.P. Inc. is an Arizona corporation doing business in Maricopa County.

Defendant admits that the Superior Court of Maricopa County has jurisdiction to issue declaratory relief pursuant to Ariz. Rev. Stat. Ann. 12-1831. et seq.

Defendant admits that V.M.P., Inc. and A.F. Budge Mining Limited entered into an agreement. The agreements speaks for itself.

Defendant admits that V.M.P., Inc. and A.F. Budge Mining Limited entered into a First Amendment dated February 1, 1985. The agreement speaks for itself.

Defendant admits that it sent a letter dated May 1, 1990. The document speaks for itself.

Defendant admits that A.F. Budge Mining Limited sent a response dated May 24, 1990. The document speaks for itself.

WHEREFORE the Defendant prays for relief as follows:

1. For judgment declaring that Plaintiff defaulted under the Agreement and First Amendment.
2. That Defendant be awarded its costs and expenses of this action.
3. That Defendant be awarded its attorney' fees for this action.
4. For interest on the judgment at the maximum rate allowed by law.
5. For such other and further relief as is just and reasonable.

COUNTERCLAIM - BREACH OF CONTRACT

For its counterclaim against Plaintiffs, Defendant VMP alleges as follows:

1. On information and belief Plaintiffs A.F. Budge Mining Limited is a corporation licensed under the laws of England and Nevada.
2. Defendant VMP is an Arizona corporation doing business in

Maricopa Count.

3. On July 1, 1984, VMP and A.F. Budge Limited entered into an Option and Lease Agreement, concerning patented and unpatented mining claims in Maricopa County.

4. On February 1, 1985 VMP Incorporated and A.F. Budge Mining Limited entered into a First Amendment to the Agreement.

5. On information and belief Clearwater Mining Corporation is an Arizona corporation.

6. On information and belief Clearwater Mining Corporation is a wholly owned subsidiary of A.F. Budge Mining Limited.

7. Counterdefendants have caused an event to occur in Maricopa County, Arizona out of which this counterclaim arises.

8. On information and belief Arizona-Ontario Explorations, Inc. is an Arizona corporation doing business in Maricopa County as Arizona Explorations, Inc.

9. On information and belief Clearwater and Budge assigned the Agreement and First Amendment to Arizona Explorations on March 1, 1990.

10. VMP was neither consulted nor did it grant permission for this assignment.

11. A.F. Budge Mining Limited has failed to pay the advance minimum royalties due under the Agreement.

12. On information and belief A.F. Budge has failed to make the required \$75,000.00 production bonus payment required by the First Amendment.

13. On information and belief A.F. Budge failed to transfer the

Vulture townsite to V.M.P.

14. On information and belief A.F. Budge Mining Limited failed to employ John Osborn throughout the term of the Agreement.

15. A.F. Budge Mining Limited has breached its agreement with V.M.P.

16. To the extent that attorney's fees might be allowable pursuant to statute, rule or other basis the Defendant/Counterclaimant request that it recover its attorney's fees of this action.

WHEREFORE Defendant/Counterclaimant pray for judgment as follows:

1. For damages in an amount to be proven at trial plus prejudgment interest thereon to the extent that such interest is allowed by law.

2. For its costs, expenses and attorney's fees of this action.

3. For interest on the judgment at the maximum rate allowed by law.

4. For such other and further relief as the Court deems proper.

DATED this 29 day of April, 1991



W. Scott Donaldson
Attorney for Defendant/Counterclaimant

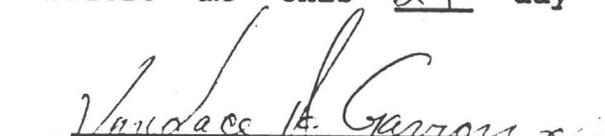
VERIFICATION

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

Larry Beal, being first duly sworn, deposes and says: that he is President for the Defendant/Counterclaimant named above and, as such, is authorized to make this verification; that he has read the foregoing Answer and Counterclaim and knows the contents thereof, and that the allegations therein contained are true in substance and in fact, except those made on information and belief, which are believed to be true.


Larry Beal - President

SUBSCRIBED AND SWORN to before me this 29th day of April, 1991.


Notary Public

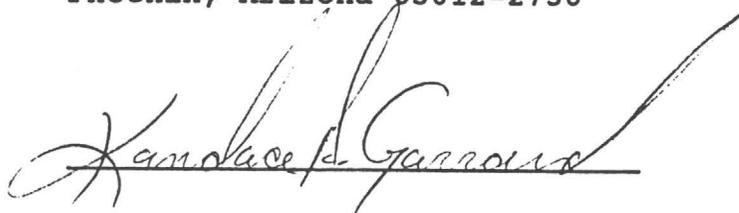
My commission expires:
My Commission Expires Aug. 31, 1994

Original of the foregoing
delivered this 30 day of
April, 1991 to:

Clerk of Superior Court
201 West Jefferson
Phoenix, Arizona

Copies of the foregoing
mailed this 30 day of
April, 1991 to:

Michael R. Urman
DeConcini McDonald Brammer Yetwin & Lacy, P.C.
2901 North Central Avenue, Suite 1644
Phoenix, Arizona 85012-2736


Kandace S. Garrard

DECONCINI McDONALD BRAMMER YETWIN & LACY
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
2901 NORTH CENTRAL AVENUE, SUITE 1644
PHOENIX, ARIZONA 85012-2736
(602) 241-0100

1 Michael R. Urman (I.D. No. 7611)
2 DeCONCINI McDONALD BRAMMER
3 YETWIN & LACY, P.C.
4 2901 North Central Avenue
5 Suite 1644
6 Phoenix, Arizona 85012-2736
7 (602) 241-0100

8 Attorneys for Plaintiffs

9 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
10 IN AND FOR THE COUNTY OF MARICOPA

11 CLEARWATER MINING CORPORATION,)
12 an Arizona corporation, as nominee)
13 of A.F. BUDGE (MINING) LIMITED, a)
14 foreign corporation, and ARIZONA-)
15 ONTARIO EXPLORATIONS, INC., an)
16 Arizona corporation,)

17 Plaintiffs,

18 vs.

19 V.M.P. INC., an Arizona)
20 corporation,)

21 Defendant.

22 VULTURE MINING PROPERTIES, INC.,)
23 ("V.M.P."), an Arizona)
24 corporation,)

25 Counterclaimant,

26 vs.

27 CLEARWATER MINING CORPORATION, an)
28 Arizona corporation, as nominee of)
29 A.F. BUDGE (MINING) LIMITED, a)
30 foreign corporation; and ARIZONA-)
31 ONTARIO EXPLORATIONS, INC., an)
32 Arizona corporation,)

33 Counterdefendants.

No. CV 90-15743

REPLY TO COUNTERCLAIM

1 Counterdefendant Clearwater Mining Corporation, an Arizona
2 corporation ("Clearwater"), as nominee to A.F. Budge (Mining)
3 Limited, a foreign corporation ("Budge"), hereby responds to the
4 Counterclaim of Vulture Mining Properties, Inc., an Arizona
5 corporation ("V.M.P."), as follows:

6 1. Clearwater and Budge admit paragraph 1 of the Counter-
7 claim.

8 2. Clearwater and Budge admit paragraph 2 of the Counter-
9 claim.

10 3. Clearwater and Budge admit paragraph 3 of the Counter-
11 claim.

12 4. Clearwater and Budge admit paragraph 4 of the Counter-
13 claim.

14 5. Clearwater and Budge admit paragraph 5 of the Counter-
15 claim.

16 6. Clearwater and Budge admit paragraph 6 of the Counter-
17 claim.

18 6. Clearwater and Budge admit paragraph 6 of the Counter-
19 claim.

20 7. Clearwater and Budge admit paragraph 7 of the Counter-
21 claim.

22 8. Clearwater and Budge admit paragraph 8 of the Counter-
23 claim.

24 9. Clearwater and Budge admit paragraph 9 of the Counter-
25 claim.

26

1 10. Clearwater and Budge deny the allegations in paragraph
2 10 of the Counterclaim.

3 11. Clearwater and Budge deny the allegations in paragraph
4 11 of the Counterclaim.

5 12. Clearwater and Budge deny the allegations in paragraph
6 12 of the Counterclaim, and affirmatively allege that no
7 "\$75,000.00 production bonus payment" is required under the terms
8 of either the Option and Lease Agreement or First Amendment
9 thereto.

10 13. In response to paragraph 13 of the Counterclaim,
11 Clearwater and Budge affirmatively allege that conveyance of the
12 Vulture City Townsite to V.M.P. is in no manner required under
13 the terms of either the Option and Lease Agreement or First
14 Amendment thereto, and that the Vulture City Townsite remains in
15 the possession of Budge.

16 14. In response to paragraph 14 of the Counterclaim,
17 Clearwater and Budge affirmatively allege that the employment of
18 John Osborne is in no manner required under the terms of either
19 the Option and Lease Agreement or First Amendment thereto.

20 15. Clearwater and Budge deny the allegation in Paragraph
21 15 of the Counterclaim.

22 16. Clearwater and Budge deny that V.M.P. is entitled to
23 any award of attorneys' fees for this action.

24 17. Clearwater and Budge hereby deny each and every
25 allegation contained in the Counterclaim that is not specifically
26 admitted herein.

1 18. Clearwater and Budge allege that the Counterclaim fails
2 to state any claim under which relief may be granted.

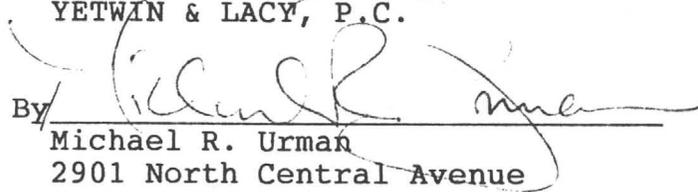
3 19. As and for affirmative defenses, Clearwater and Budge
4 assert waiver, estoppel, payment, laches, statute of limitations
5 and the statute of frauds. Additional affirmative defenses may
6 be revealed by discovery.

7 20. Clearwater and Budge further affirmatively allege that
8 V.M.P. is entitled to no relief on the counterclaim herein for
9 the reasons set forth in Exhibit D to the Complaint herein, which
10 exhibit is incorporated herein by this reference.

11 WHEREFORE, Clearwater and Budge request that the Counter-
12 claim herein be dismissed and that V.M.P. take nothing thereby,
13 and that Clearwater and Budge receive an award of their
14 attorneys' fees and costs of suit incurred in the defense of this
15 matter, along with such other and further relief as the Court
16 deems appropriate.

17 Respectfully submitted this 21st day of May, 1991.

18 DeCONCINI McDONALD BRAMMER
19 YETWIN & LACY, P.C.

20 By 
21 Michael R. Urman
22 2901 North Central Avenue
23 Suite 1644
24 Phoenix, Arizona 85012-2736
25 Attorneys for Plaintiffs

26 ORIGINAL of the foregoing hand-delivered
this 21st day of May, 1991, to:

Clerk of the Superior Court
201 West Jefferson
Phoenix, Arizona 85003

DECONCINI McDONALD BRAMMER YETWIN & LACY
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
2901 NORTH CENTRAL AVENUE, SUITE 1644
PHOENIX, ARIZONA 85012-2736
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COPY of the foregoing mailed
this 21st day of May, 1991, to:

W. Scott Donaldson, Esq.
301 West Indian School Road, #102
Phoenix, Arizona 85013-3214
Attorneys for Counterclaimant

9105210255.mru1.900075

DECONCINI McDONALD BRAMMER YETWIN & LACY
A PROFESSIONAL CORPORATION
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PHOENIX, ARIZONA 85012-2736
(602) 241-0100

1 Michael R. Urman (I.D. No. 7611)
2 DeCONCINI McDONALD BRAMMER
3 YETWIN & LACY, P.C.
4 2901 North Central Avenue
5 Suite 1644
6 Phoenix, Arizona 85012-2736
7 (602) 241-0100

8 Attorneys for Plaintiffs

9 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
10 IN AND FOR THE COUNTY OF MARICOPA

11 CLEARWATER MINING CORPORATION,)
12 an Arizona corporation, as nominee)
13 of A.F. BUDGE (MINING) LIMITED, a)
14 foreign corporation, and ARIZONA-)
15 ONTARIO EXPLORATIONS, INC., an)
16 Arizona corporation,)

17 Plaintiffs,)

18 vs.)

19 V.M.P. INC., an Arizona)
20 corporation,)

21 Defendant.)

22 _____)
23 VULTURE MINING PROPERTIES, INC.,)
24 ("V.M.P."), an Arizona)
25 corporation,)

26 Counterclaimant,)

vs.)

27 CLEARWATER MINING CORPORATION, an)
28 Arizona corporation, as nominee of)
29 A.F. BUDGE (MINING) LIMITED, a)
30 foreign corporation; and ARIZONA-)
31 ONTARIO EXPLORATIONS, INC., an)
32 Arizona corporation,)

33 Counterdefendants.)
34 _____)

No. CV 90-15743

MOTION TO DISMISS
COUNTERCLAIM BY
COUNTERDEFENDANT
ARIZONA-ONTARIO
EXPLORATIONS, INC.

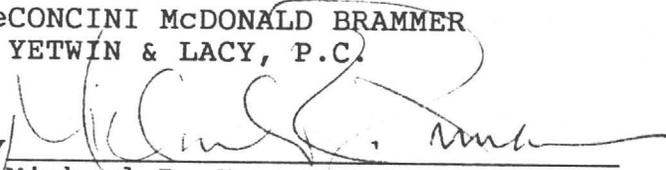
1 Counterclaim defendant Arizona-Ontario Explorations, Inc.,
2 an Arizona corporation ("Arizona Explorations"), by its counsel
3 undersigned, hereby moves that the Counterclaim filed by Vulture
4 Mining Properties, Inc., an Arizona corporation ("V.M.P."), be
5 dismissed. V.M.P.'s Counterclaim against Arizona Explorations
6 should be dismissed for the following reasons:

7 1. On March 4, 1991, Arizona Explorations voluntarily
8 dismissed its claims in this action pursuant to Rule 41(a) of the
9 A.R.C.P. From this point forward, Arizona Explorations ceased to
10 be a party to this litigation, and the above-referenced
11 Counterclaim is therefore inappropriate.

12 2. V.M.P.'s Counterclaim makes no allegations or claims
13 for relief as to Arizona Explorations, or which could be
14 construed as a claim against Arizona Explorations. Therefore,
15 because the Counterclaim states no claim against Arizona
16 Explorations, the Counterclaim should be dismissed for this
17 reason as well.

18 Respectfully submitted this 21st day of May, 1991.

19 DeCONCINI McDONALD BRAMMER
20 YETWIN & LACY, P.C.

21 By 
22 Michael R. Urman
23 2901 North Central Avenue
24 Suite 1644
Phoenix, Arizona 85012-2736
Attorneys for Plaintiffs

25 ORIGINAL of the foregoing
26 hand-delivered this 21st day
of May, 1991, to:

DECONCINI McDONALD BRAMMER YETWIN & LACY
A PROFESSIONAL CORPORATION
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Clerk of the Superior Court
201 West Jefferson
Phoenix, Arizona 85003

COPY of the foregoing mailed
this 21st day of May, 1991, to:

W. Scott Donaldson, Esq.
301 West Indian School Road, #102
Phoenix, Arizona 85013-3214
Attorneys for Counterclaimant

9105210241.mru1.900075

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
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SUSAN E. MILLER	GARY F. URMAN
MARK D. LAMMERS	WAYNE E. YEHLING
CHRISTINA URIAS	

July 9, 1991

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

2901 NORTH CENTRAL AVENUE, SUITE 1644
PHOENIX, ARIZONA 85012-2736
(602) 241-0100
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PLEASE REPLY TO PHOENIX

RECEIVED JUL 10 1991

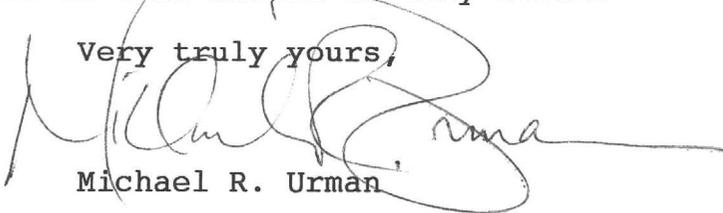
Mr. Ron Short
A.F. Budge (Mining) Limited
4301 North 75th Street
Suite 105
Scottsdale, Arizona 85251-4630

RE: Clearwater/A.F. Budge (Mining) Limited v. VMP, Inc.

Dear Ron:

Enclosed herewith is a copy of an order from the Maricopa County Superior Court granting, with defendant's consent, our motion for leave to amend the complaint in the above case. We will continue to keep you apprised of developments in this matter as they occur.

Very truly yours,


Michael R. Urman

Encl.

MRU:mv

9107090145.900419.short

Office Distribution

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

2

RECEIVED PROCESSED
JUL 01 '91 JUL 02 '91
CLERK OF THE COURT

June 27, 1991

HON. MARILYN A. RIDDEL

J. Ciesielski
Deputy

NO. CV 90-15743

CLEARWATER MINING CORP., et al

Michael R. Urman

v.

V M P, INC.

W. Scott Donaldson

No oral argument having been requested and no response having been filed within the time permitted by law or at all, under the rules, Defendant thereby consents to the granting of Plaintiffs' motion for leave to amend complaint.

So ordered, and the amended complaint is filed this date.

1 Michael R. Urman (I.D. No. 7611)
2 DeCONCINI McDONALD BRAMMER
3 YETWIN & LACY, P.C.
4 2901 North Central Avenue
5 Suite 1644
6 Phoenix, Arizona 85012-2736
7 (602) 241-0100

8 Attorneys for Plaintiff

9 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

10 IN AND FOR THE COUNTY OF MARICOPA

11 CLEARWATER MINING CORPORATION,)
12 an Arizona corporation, as)
13 nominee of A.F. BUDGE (MINING))
14 LIMITED, a foreign corporation,)

No. CV90-15743

15 Plaintiff,)

AMENDED COMPLAINT

16 vs.)

17 V.M.P., INC., an Arizona)
18 corporation,)

19 Defendant.)
20 _____)

21 The Plaintiff, by its counsel undersigned, and pursuant to
22 A.R.S. § 12-1831 et seq., for its claim for declaratory relief
23 alleges as follows:

24 1. Plaintiff Clearwater Mining Corporation ("Clearwater")
25 is an Arizona corporation. Clearwater is a wholly-owned
26 subsidiary and nominee of A.F. Budge (Mining) Limited ("Budge"),
a corporation registered under the laws of England and the State
of Nevada, on an Option and Lease Agreement (and First Amendment
thereto) entered into between Budge and Defendant V.M.P., Inc.

1 2. Defendant V.M.P., Inc. ("V.M.P.") is an Arizona
2 corporation doing business in Maricopa County, Arizona.

3 3. This Court has jurisdiction to issue the declaratory
4 relief sought herein pursuant to A.R.S. § 12-1831 et seq.

5 4. On or about July 1, 1984, Budge and V.M.P. entered into
6 an Option and Lease Agreement (the "Agreement") concerning
7 patented and unpatented mining claims situated in Maricopa
8 County, Arizona. A copy of the Agreement is attached hereto as
9 Exhibit A and is incorporated herein by this reference.
10 Thereafter, on or about February 1, 1985, these same parties
11 entered into a First Amendment to the Agreement (the "First
12 Agreement"). A copy of the First Amendment is attached hereto as
13 Exhibit B and is incorporated herein by this reference.

14 5. On or about March 1, 198⁹⁰5, Clearwater and Budge
15 assigned the Agreement and First Amendment to Arizona-Ontario
16 Explorations, Inc., an Arizona corporation ("Arizona
17 Explorations") reserving therein a contingent right of
18 reassignment to Clearwater and Budge.

19 6. Paragraph 8(a) of the Agreement provides that, in the
20 event of any claim by lessor (V.M.P.) of default under the
21 Agreement, if the lessee "in good faith disputes the existence of
22 a default, Budge shall initiate appropriate action in a court of
23 competent jurisdiction" within a thirty (30) day period from any
24 notice of default provided by lessor V.M.P.

25 7. By letter dated May 9, 1990 ("Default Letter"), V.M.P.
26 gave notice of various alleged events of default under the

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Agreement. A copy of the Default Letter (without exhibits) is attached hereto as Exhibit C and is incorporated herein by this reference. In response to the allegations in the Default Letter, and in an effort to eliminate any dispute, Budge responded to the default letter by correspondence dated May 24, 1990. A copy of this correspondence is attached hereto as Exhibit D and is incorporated herein by this reference.

8. As of the date of the filing of the lawsuit herein, the allegations contained in the V.M.P. Default Letter had not been withdrawn. Accordingly, and to prevent unjust termination of the Agreement and First Amendment, Plaintiff filed this action for declaratory relief pursuant to Paragraph 8(a) of the Agreement.

9. Since the date of filing of the lawsuit herein, Arizona Explorations, the assignee of the Agreement and First Amendment, elected to terminate the Agreement and First Amendment. Said termination became effective as of May 3, 1991.

10. Although the Agreement and First Amendment have been terminated, the allegations of the Default Letter remain to be resolved between Plaintiff and V.M.P. In this regard, V.M.P. filed an Answer and Counterclaim to the original action hereto.

11. The Plaintiff disputes the allegations of V.M.P.'s Default Letter and Counterclaim. As set forth in Exhibit D, none of V.M.P.'s allegations are sufficient or supportable to establish any violation of the terms of the Agreement and First Amendment that would entitle V.M.P. to any relief against Plaintiff.

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1 12. Plaintiff is entitled to an award of its reasonable
2 attorneys' fees incurred in connection with this litigation.

3 WHEREFORE, Plaintiff seeks relief as follows:

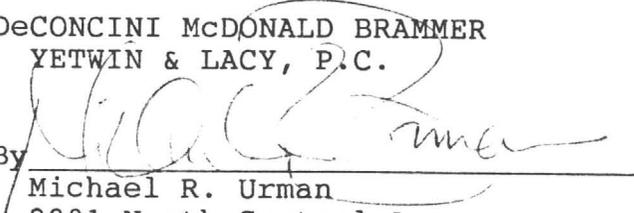
4 1. For a judgment of this Court declaring that no default
5 has occurred under the Agreement and First Amendment, and that
6 V.M.P. is entitled to no relief thereunder;

7 2. For Plaintiff's cost of suit and reasonable attorneys'
8 fees incurred herein; and

9 3. For such other and further relief as the Court deems
10 appropriate.

11 Respectfully submitted this 10th day of June, 1991.

12 DeCONCINI McDONALD BRAMMER
13 YETWIN & LACY, P.C.

14 By 
15 Michael R. Urman
16 2901 North Central Avenue
17 Suite 1644
18 Phoenix, Arizona 85012-2736
19 Attorneys for Plaintiff

20 COPY of the foregoing mailed
21 this 10 day of June, 1991, to:

22 W. Scott Donaldson, Esq.
23 301 West Indian School Road
24 Suite 102
25 Phoenix, Arizona 85013-3214
26 Attorney for Defendant

9106100206.mru1.900075

08-14-84
JCL

OPTION AND LEASE AGREEMENT

BY THIS OPTION AND LEASE AGREEMENT

effective as of the 1st day of July, 1984,

by and between V. M. P., INC., an Arizona corporation, whose address is Wickenburg, Arizona 85358 ("Lessor" herein),

and

A.F. BUDGE (MINING) LIMITED, a registered corporation (No. 1824873) under the laws of England ("Budge"), whose address is West Carr Road, Retford, Nottinghamshire, England DN22 7SW,

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

1. Recitals

Lessor is the owner of certain mineral properties in Maricopa County, Arizona, more particularly described in Exhibit A. Budge desires to evaluate the mineral potential of Property and lease the Property if he deems development is feasible. It is the understanding of the parties that if Budge exercises its option, Budge shall form a subsidiary corporation authorized to transact business in Arizona, and that such corporation will constitute Budge for the further provisions of this Agreement.

2. Grant; Definitions

a. Grant - Lessor hereby grants to Budge the sole and exclusive option to enter into a lease with the Lessor, which lease shall lease and let the Property exclusively unto Budge, its successors and assigns. During the term of the option Budge shall have the right to conduct Mineral Exploration and upon exercise of its option, Budge shall thereafter have the right to conduct Mining Activities to produce, process and market Leased Substances during the term hereof.

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

(1) The "Property" shall include that certain real property situated in Maricopa County, Arizona, more

EXHIBIT A

EXHIBIT 1

particularly described in Exhibit A attached hereto.

(2) "Leased Substances" shall include, but without being limited to, all soil, sand and gravel, rock, ores, minerals and mineral rights in, upon and under the Property, excluding, however, coal, geothermal resources, oil, gas, and associated hydrocarbon gases.

(3) "Mineral Exploration" shall include those activities that Budge, in its sole judgment and discretion, may deem advisable for the purpose of ascertaining any facts relating to the occurrence of ores and minerals in and under the Property and the metallurgical and physical properties of such ores and minerals; including, but not limited to, surface trenching, excavations, geophysical and geochemical surveys, drilling, the sinking of shafts for bulk sampling, and further including the right to use the surface for access, to place and use facilities on the surface and to use water and other surface resources that may be useful or convenient in connection with such activities.

(4) "Mining Activities" shall include, in addition to those activities constituting Mineral Exploration, all activities related to the mineral development and mining of the Property including the right:

-- to mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract, mill, store, process, remove and market Leased Substances from the Property;

-- 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;

-- to mix or commingle Leased Substances with any other ores produced off the Property, provided that Budge shall first weigh, sample, and assay the Leased Substances in accordance with recognized industry practice;

-- to conduct any mining upon the Property and Budge's mining of adjoining or nearby lands as a single mining operation as if the Property and all such other properties constituted a single tract of land, in which event Budge shall have the exclusive right to use structures, facilities, equipment,

roadways, haulageways, and all other appurtenances installed on the Property for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from adjoining or nearby property owned or controlled by Budge and the right to mine and remove Leased Substances from the Property through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property;

-- to use the surface of the Property to deposit waste, overburden, surface stripping and other materials from mining operations on the Property and adjoining properties being mined with the Property as a single mining operation; provided that materials from other lands may not be deposited on the Property if it would interfere with potential mining operations on the Property.

3. Term

Unless sooner terminated under the termination provisions hereinafter contained, the term of the option shall be for one year but may be further extended for an additional year by Budge. Thereafter, if the option is exercised, this Agreement shall be for an term of twenty (20) years commencing on the effective date of exercise of the option and for so long thereafter as Leased Substances are continuously produced from the Property. The term may be extended by reasons of force majeure, as specified in Section 11 hereof. Operations shall be deemed continuous as long as mining, processing or marketing operations do not cease for a period of more than ninety (90) consecutive days or if the Property does not produce Three Hundred Fifty Thousand Dollars (\$350,000.00) in gross sales or stockpiled values of Leased Substances for any calendar year.

4. Payments to Lessor

a. Option Payments - Budge shall pay Lessor Six Thousand Five Hundred Dollars (\$6,500.00) per month in order to keep its option to lease in full force and effect. Such payment shall be payable monthly three months in advance. The first payment consisting of Nineteen Thousand Five Hundred Dollars (\$19,500.00) and representing the payment for the months of July, August, and September, 1984, shall be payable upon execution of this Agreement. Additionally, if Budge elects to extend its option for the second year, it shall pay Lessor a one-time bonus of Twenty-Five Thousand Dollars (\$25,000.00).

b. Advance Minimum Royalty - At such time Budge exercises its option to lease the Property, the option

payments (but not any bonus) made to Lessor under the provisions of subsection a above shall constitute an advance minimum royalty. Budge shall thereafter pay Lessor Six Thousand Five Hundred Dollars (\$6,500.00) per month as an advance minimum royalty payable in the same manner as set forth above. Such advance royalties shall be a credit insofar as they will go toward any monies due Lessor under the provisions of subsection c of this Section 4.

c. Production Royalty - If Budge mines and markets Leased Substances from the Property, Budge shall pay to Lessor a production royalty of a specified percentage of the "Net Returns" received by Budge from the sale or other disposition of Leased Substances. Such percentage shall be based on the price of gold as determined on the date of sale or other disposition of Leased Substances according to the Englehard buying price of industrial bullion on the date of sale as follows: If gold is \$400 or less, 6%; \$401 to \$600, 7%; \$601 to \$800, 8%; \$801 to \$1,000, 9%; \$1,001 to \$1,200, 10%; \$1,201 to \$1,400, 11%; \$1,401 or more, 12%. The term "Net Returns" shall mean the total dollar value received from the purchaser of Leased Substances, less:

(1) in the case of sale of raw ore or concentrates: (a) any weighing, sampling, penalty, processing or other charges assessed by the purchaser; (b) selling charges; (c) any sales, severance, gross production, privilege or similar taxes assessed on or in connection with the ore or measured by the value thereof; and (d) the cost of transportation from the Property to the purchaser.

(2) in the case of leaching or other solution mining techniques in addition to the deductions specified in (1) above, all processing and recovery costs incurred beyond the point at which the leaching reagents are applied to the ore being treated (including the cost of reagents) shall be deducted from the selling price.

If ores or concentrates are processed at a smelter or other facility owned, operated or controlled by Budge or treated on a toll basis for Budge, the selling price shall be computed in the above manner with deductions for all charges and items of cost equivalent to the deductions set forth above and in any case not more than would be available at the nearest purchaser otherwise willing to accept such Leased Substances.

d. Payment of Production Royalty - Production royalty paid to Lessor hereunder shall be due and payable within thirty (30) days after the end of each calendar quarter for those Leased Substances sold and a settlement sheet received during the applicable calendar quarter after first deducting any advance minimum royalty paid for the applicable annual

period under Section 4b hereof. All production royalty shall be accompanied by the settlement sheets or a similar statement showing the basis upon which the payment was computed.

e. Method of Making Payments - All payments required hereunder may be mailed or delivered to Lessor's address or to any single depository as Lessor may instruct. Upon making payment to the authorized agent or depository, Budge shall be relieved of any responsibility for the distribution of such payment to Lessor. The delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

f. Fractional Interest - All payments under this Agreement, unless specified otherwise, are based on a grant by Lessor of full undivided rights and title to the Property. If Lessor's interest in the Property or any compensable damage or improvement is less than such full interest, all payments made hereunder shall be paid in the same proportion thereof as the undivided rights and title actually owned by Lessor bear to the entire undivided rights and title to the Property, the areas included therein, or any compensable damages or improvements.

5. Inspection

Lessor and its agents authorized in writing, at Lessor's risk and expense, may (1) 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, and (2) inspect the accounts and records used in calculating production royalty paid to Lessor hereunder, which right may be exercised, at any reasonable time during a period of one (1) year from and after the date on which the applicable quarterly payment of production royalty was made. Lessor agrees to treat all information received hereunder as confidential and not to disclose the same without prior permission 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 or federal laws and regulations governing such operations.

b. Weights and Analysis - In all cases where ore or concentrates are stockpiled off the Property or commingled with ore or concentrates not mined from the Property, Budge shall measure ore, weigh other product, and take and analyze samples thereof, in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a

basis for computing royalty payments, which records shall be available for inspection by Lessor in accordance with Section 5.

c. 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.

d. Indemnity - Budge shall indemnify Lessor against and hold Lessor harmless from any suit, claim, judgment or demand whatsoever arising out of negligence on the part of Budge in the exercise of any of its rights pursuant to this Agreement, provided that Lessor, or any one of them, or any person or instrumentality acting on its behalf, shall not have been a contributing cause to the event giving rise to such suit, claim, demand or judgment. Budge shall maintain insurance to support the indemnification required by this Agreement and provide Lessor with copies of such policies or a certificate of such insurance showing the amount of coverage.

e. Payment of Taxes - Budge shall pay all taxes levied against its improvements on the Property. In the event of commercial development of the Property, Budge shall pay all ad valorem taxes assessed against that amount of the Property used in such commercial development and shall, in addition, pay all taxes related to production of Leased Substances from the Property, subject to Budge's right to deduct the amount of such production-related taxes from the dollar value received from the purchaser of Leased Substances in the computation of Net Returns under the provisions of subsection c(1)(c) of Section 4. Lessor shall pay, before delinquency, all other taxes and assessments on the Property and improvements of Lessor thereon. In no event shall Budge be liable for any taxes levied or measured by income of Lessor, or for taxes applicable to or levied against or based upon advance or production royalty payments made to Lessor under this Agreement. Budge shall have the right to contest, in the courts or otherwise, the validity or amount of any taxes or assessments, before it shall be required to pay the same. Budge shall have the right, at its sole discretion, to pay any delinquent property taxes, together with interest, penalties and charges, that are the responsibility of the Lessor, the payment of which shall be a credit against payments thereafter to be made by Budge under the provisions of Section 4. If this Agreement is terminated or otherwise expires, all ad valorem taxes that are Budge's responsibility shall be prorated as of the date Budge has removed its

improvements from the Property or Lessor agrees to their abandonment.

f. Work Requirements -

(1) Budge 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 during which this Agreement continues in force beyond July 1 of the applicable assessment year. 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. Lessor acknowledges and agrees that the mining claims included within the Property are one contiguous group and that development and exploration work on any one or more of the claims will be for the benefit of all of them. Lessor further agrees that if Budge acquires a right to explore areas adjacent to the Property by location, purchase, lease or option, Budge shall have the right to perform assessment work required hereunder pursuant to a common plan of exploration or development of all the areas, claims or groups of claims, whether performed on or off the Property.

(2) During the term of the option, Budge shall expend in the conduct of exploration ("Work") not less than Fifty Thousand Dollars (\$50,000.00). The nature, place and conduct of such Work shall be at the sole discretion of Budge, so long as such Work benefits the exploration, development or mining of the Property. The amount of the expenditures shall be determined by the direct cost to Budge of Work performed, the salaries, expenses and benefits burden of Budge's employees or consultants performing work.

g. Improvements and Structures on the Property - Budge shall conduct all of its operations under this Agreement in such a way as to avoid, wherever possible, damage to any and all improvements on the Property. If any such improvements are destroyed or rendered non-usable by operations of Budge, Lessor shall be compensated for the reasonable value thereof. The value shall be the replacement cost for comparable improvements. Prior to conducting any activities that might damage or destroy an existing structure on the Property, Budge shall notify Lessor, and Lessor may elect within the following thirty-day period, to move such structure in which case Budge shall pay one-half of the cost of such move to a point designated by Lessor not more than one-half mile from the existing location of such structure.

h. Reclamation - At the conclusion of any operations contemplated under this Agreement, Budge shall undertake or

shall have completed those reclamation and land restoration measures as may be required by state or federal law and regulations for those lands disturbed or conditions created by activities of Budge under this Agreement. In any case, prior to the commencement of mining operations under this Agreement, Budge shall provide Lessor with a reclamation plan to be put into effect where portions of the Property are no longer needed for mining and production related activities permitted under this Agreement. Such plan shall include at a minimum (i) the segregation and saving of topsoil during exploration and mining operations, (ii) the measures that will be taken to control erosion, landslides, and water runoff, (iii) the isolation, removal or control of toxic materials, and (iv) the reshaping of the areas disturbed, application of the topsoil, and revegetation of disturbed areas, where reasonably practicable.

7. Title Matters

a. Representations and Warranties - Lessor represents and warrants to Budge that: (1) Insofar as the Property includes fee lands, the Lessor owns the entire undivided title to the Property, including the surface and mineral estate, and has the exclusive possession thereof; (2) insofar as the Property includes unpatented mining claims, the claims 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 claims; (3) with respect to the Property as a whole, except as specified in Exhibit A, Lessor's title or possessory right to the Property is free and clear of all liens and encumbrances, and (4) the Lessor 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, Lessor shall promptly deliver to Budge all abstracts of title to and copies of all title documents affecting the Property which Lessor has in its possession.

c. Title Defects, Defense and Protection - If -- (1) in the opinion of counsel retained by Budge, Lessor's title to any of the Property is defective or less than as represented herein, or (2) title to any of the Property is contested or questioned by any person, entity or governmental agency -- and if Lessor is unable or unwilling to promptly correct the defects or alleged defects in title, Budge may attempt, with all reasonable dispatch, to perfect, defend or

initiate litigation to protect such title. In that event, Lessor shall take such actions as are reasonably necessary to assist Budge in its efforts to perfect, defend or protect such title. If title is less than as represented in this Section 6, then (and only then) the costs and expenses of perfecting, defending or correcting title (including, but without being limited to, the cost of attorney's fees and the cost of releasing or satisfying any mortgages, liens and encumbrances), shall be a credit against payments thereafter to be made by Budge under the provisions of Section 4, unless the encumbrance or dispute arises from Budge's failure to perform obligations hereunder (in which case such costs shall be borne by Budge).

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 Lessor hereunder in the proportion that the interest actually owned by Lessor bears to the interest as represented herein.

e. Amendment and Relocation of Mining Claims - Budge shall have the right to amend or relocate in the name of Lessor the unpatented claims which are subject to this Agreement which Budge, in its sole discretion deems advisable to amend or relocate. Where Budge has notified Lessor of such actions taken or to be taken, and Lessor has approved (or failure to act) by it or any of its agents in connection with the amendment or relocation of such claims as long as such act (or omission) is not made in bad faith.

f. Patent Proceedings - Upon request of Budge at any time or times during the term of this Agreement, Lessor agrees to undertake to obtain patent to any or all of the unpatented mining claims which are subject to this Agreement. Budge shall prepare all documents and compile all data and comply in all respects with the applicable law, all at the expense of Budge. Lessor shall execute any and all documents required for this purpose and shall cooperate fully with Budge in the patent application proceedings subsequent thereto. If Lessor begins such proceedings and Budge thereafter requests Lessor to discontinue such proceedings, or if this Agreement is terminated while proceedings are pending, Budge shall have no further obligation with respect thereto except to pay any unpaid expenses accrued in such proceedings prior to its request to discontinue or prior to termination, whichever occurs first.

g. Change of Law - If the laws of the United States concerning acquisition of mineral rights on federally managed

lands is repealed, amended, or new legislation is enacted, Budge shall have the right to take whatever action it deems appropriate to preserve a right to explore for, develop, and mine Leased Substances. If Budge elects to take any action under the terms of this subsection, it shall first notify Lessor in writing setting forth the nature of the proposed action and an explanation thereof. Lessor agrees to cooperate with Budge and execute whatever documents are deemed necessary by Budge to accomplish such action. Nothing in this subsection shall impose any obligation upon Budge to take any action, or diminish the right of Lessor to take action it deems appropriate; provided, however, that if Lessor chooses to take any action, it will first inform Budge of the nature of such contemplated action.

h. 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 Lessor - if Budge defaults in the performance of its obligations hereunder, Lessor 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, Lessor 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. Lessor 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 upon sixty (60) days prior written notice from Budge to Lessor. 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 six (6) months 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 Lessor of the same; provided, however, that Budge may still be required to remove such property upon notice from Lessor at any time during the six-month period and thirty (30) days thereafter. Lessor may also, within fifteen (15) days after such notice of termination by Budge, elect to purchase any structures placed on the Property by Budge. The purchase price shall be determined by an independent appraiser mutually satisfactory to the parties which appraisal shall be final. Lessor shall tender the amount of such appraisal in legal tender of the United States within thirty (30) days after completion of the appraisal.

d. Delivery of Data - If this Agreement is terminated, upon written request given by Lessor within thirty (30) days of said termination, Budge shall, within a reasonable time, furnish Lessor 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 Lessor 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. In the case of notice to Budge, duplicate notice shall be given to DMEA Ltd., 4203 N. Brown Avenue, Suite F, Scottsdale, Arizona 85251. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices.

10. Binding Effect; Assignment

Neither party shall assign its rights in this Agreement or the Property without the prior written consent of the other party, which consent shall not be unreasonably withheld. This provision shall not apply to mergers, transfers through operation of law, or sales and assignments

to subsidiaries of the parties, their corporate parents or subsidiaries of their corporate parents. A subsidiary shall be deemed any corporation or other entity in which the party or its parent owns or controls a majority of the stock or interest.

11. Force Majeure; No Implied Covenants

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 set forth in Sections 4 and 6), 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, the inability to obtain environmental clearance or operating permits that may be required by governmental authorities, or if the prevailing levels of operating costs in relation to prevailing levels of prices makes it economically impractical for Budge to conduct production operations. 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 prospecting, mining, or any operations of Budge hereunder.

12. Boundary Protection

If Budge or Lessor locates mining claims after the effective date of this Agreement, any part of which claim is within one mile from the exterior boundaries of the Property (the "Area of Interest"), such claims shall become part of the Property (unless in the case of Lessor, 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

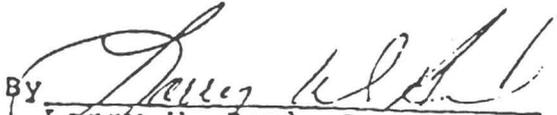
State of Arizona.

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.

SIGNED, effective as of the date recited above.

LESSOR:

V. M. P., INC.

BY 
Larry W. Beal, President

BUDGE:

A. F. BUDGE (MINING) LIMITED

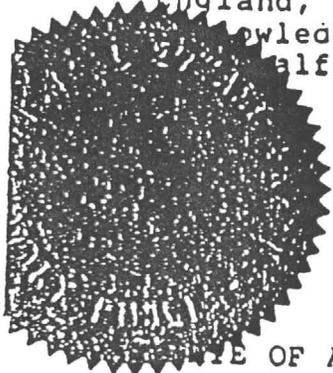
BY 
A. F. Budge, Chairman

UNITED KINGDOM

)
) ss.
)

[Handwritten signature]

Before me, the undersigned officer, personally appeared A. F. Budge, known to me to be the Chairman of A. F. Budge (Mining) Limited, a registered corporation under the laws of England, this 21st day of August, 1984, and acknowledged that he executed the foregoing document for and on behalf of the corporation with full authority to do so.



[Handwritten signature]

Title: Notary Public

STATE OF ARIZONA

)
) ss.
)

County of Maricopa

The foregoing instrument was acknowledged before me this 31st day of August, 1984, by Larry w. Beal, the President of V. M. P., Inc., an Arizona corporation, for and on behalf of the corporation.

My commission expires:
My Commission Expires April 14, 1987

Larry A. O'Brien
Notary Public

EXHIBIT A

The "Property" consists of those certain patented and unpatented mining claims situated in the Vulture Mining District, Maricopa County, Arizona, in Sections 24, 25, 26, 27, 34, 35, and 36, Township 6 North, Range 6 West, Sections 16, 17, 19, 20, 21, 28, 29, 30, 31, and 32, Township 6 North, Range 5 West, Sections 1, 2, and 12, Township 5 North, Range 6 West, and Sections 5, 6, and 7, Township 5 North, Range 5 West, G&SRM, and are more particularly described as follows:

Patented Lode Mining Claims:

<u>Name of Claim</u>	<u>Mineral Survey No.</u>
Canon City	1797
Gold Nugget	1797
Astor	2511
Conkling	2511
Custer	2511
Elmore	2511
Hamilton	2511
Jane Elmore	2511
Sheridan	2511
Sherman	2511
Talmage	2511
Van Buren	2511
Pit Gold	2522
Vulture Extension	3146

Unpatented Lode Mining Claims:

The names and place of record of the location notices of the unpatented lode mining claims in the official records of the Maricopa County Recorder and the authorized office of the Arizona State Office of the Bureau of Land Management are as follows:

<u>Name of Claim</u>	<u>Mrcpa Cty</u> <u>Book/Dkt</u>	<u>Rclds</u> <u>Page</u>	<u>BLM Serial No.</u> <u>A MC</u>
Central	35	386	71742
Vindicator #1	35	389	71743
Vulture South	35	59	71744
Desert #1	29	595	71745
Desert #5	29	598	71746
Desert #8	29	596	71747
Desert #9	29	597	71748
Reserve #1	1965	161	71749
Reserve #2	1965	162	71750
Reserve #3	1965	163	71751

<u>Name of Claim</u>	<u>Mrcpa Book</u>	<u>Cty</u>	<u>Rclds Page</u>	<u>BLM Serial No. A MC</u>
Rosa de Oro	29		591	71752
Rosa de Oro #2	29		592	71753
Thomas	29		593	71754
Vulture North	35		60	71755
J.S. Group 1 to 25 inclusive	7682		390-439	71756 to 71780 inclusive
Desert Group D-1A, 2, 3, 4, 5A, 6, 7, 8A, 9A, 10 to 142 inclusive, 144 to 155 inclusive	15828		475-781	160603 to 160756 inclusive
Vulture Group V-1 to 20 inclusive, V-25 to 81 inclusive, 81A, 82 to 89 inclusive, 90A, 91 to 174 inclusive	15828		79-419	160432 to 160602 inclusive
B-Lan Group 1 to 21 inclusive, 22, and 23	15952 16260		600-640 601-603	167064 to 167084 inclusive 170741 and 170742
Zen Group 1 to 21 inclusive	15952		544-584	167085 to 167105 inclusive
Alan Group 1 to 42 inclusive	15952 and 16025		451-509 518-540	167034 to 167063 inclusive 170729 to 170740 inclusive

Unpatented Placer Mining Claims:

The names and place of record of the location notices of the unpatented placer mining claims in the official records of the Maricopa County Recorder and the authorized office of the Arizona State Office of the Bureau of Land Management are as follows:

<u>Name of Claim</u>	<u>Mrcpa Book</u>	<u>Cty</u>	<u>Rclds Page</u>	<u>BLM Serial No. A MC</u>
V.M.P. Claims 1 to 13 inclusive, 18 to 38 inclusive	11693		739-776	77018 to 77051 inclusive
J.S. Group 1 to 16 inclusive	7685		387-402	71781 to 71796 inclusive

FIRST AMENDMENT TO OPTION AND LEASE AGREEMENT

BY THIS FIRST AMENDMENT TO OPTION AND LEASE AGREEMENT

effective February 1, 1985,

by and between V. M. P., Inc., an Arizona Corporation, whose address is Box 20202, Wickenburg, Arizona 85358 ("Lessor" herein),

and

A. F. BUDGE (MINING) LIMITED, a registered corporation under the laws of England, whose address is West Carr Road, Retford, Nottinghamshire, England DN22 7SW ("Budge"),

the Lessor and Budge, in consideration of mutual promises and obligations, have modified their Option and Lease Agreement entered into effective July 1, 1984 (the "Agreement"), as follows:

1. Exercise of Option

By this Amendment Budge has exercised its option to lease the Property and the Agreement hereafter constitute a lease of the Property under the terms of the Agreement as modified by this Amendment.

2. Term

The provisions of Section 3 of the Agreement are hereby deleted and the following substituted therefor:

Unless sooner terminated under the termination provisions of the Agreement, this Amendment shall be for a term that shall remain in force for so long as Budge makes the payments specified in Section 3 hereinafter contained and performs annual work as required by subsection f(1) of Section 6.

Once production commences, the lease shall remain in force so long as Leased Substances are continuously produced from the Property. The term may be extended by reasons of force majeure, as specified in Section 11 of the Agreement. Operations shall be deemed continuous as long as mining, processing or marketing operations do not cease for a period of more than ninety (90) consecutive days or if the Property does not produce Three Hundred Fifty Thousand Dollars (\$350,000.00) in gross sales or stockpiled values of Leased Substances.

3. Payments to Lessor

Subsection a of Section 4 is hereby deleted; subsection b of Section 4 is hereby deleted and the following substituted

therefor, and a new subsection g of Section 4 is hereby added as follows:

b. Advance Minimum Royalty - Budge shall pay Lessor an Advance Minimum Royalty based on the average Handy and Harmon quoted buying price for industrial gold bullion for the two-month period preceding the due date of the applicable payment as published in the Wall Street Journal. The amount payable shall be calculated based on the following scale:

<u>H&H Price/Ounce</u>	<u>Monthly Payment</u>
Less than \$266.99	\$2,500.00
\$267.00 to \$299.99	\$3,000.00
\$300.00 to \$333.99	\$3,500.00
\$334.00 to \$366.99	\$4,000.00
\$367.00 to \$399.99	\$4,500.00
\$400.00 to \$433.99	\$5,000.00
\$434.00 to \$466.99	\$5,500.00
\$467.00 and above	\$6,000.00

Such Advance Minimum Royalty payments shall be payable monthly in advance on or before the fifth day of the month and shall be a credit insofar as they will go toward any monies due Lessor under the provisions of subsection c of this Section 4.

g. Production Bonus - If Budge elects to commence mineral production on the Property, Lessor shall be paid a one-time bonus of Seventy-Five Thousand Dollars (\$75,000.00). The decision to commence production shall occur when Budge commits to the expenditure of funds for a full-scale development of the Property based on the conclusions of a feasibility study and shall not include a pilot plant, bulk sampling or other large volume metallurgical or mine testing. The production bonus shall be paid on or before thirty (30) days after Budge's announcement to its stockholders that production will commence.

4. Notice

The address for duplicate notices to Budge is hereby changed to DMEA Ltd., 7340 E. Shoeman Lane, Suite 111 "B" (E), Scottsdale, Arizona 85251.

5. Ratification

Except as specifically modified herein, the Agreement remains in full force and effect.

SIGNED, effective as of the date recited above.

LESSOR:

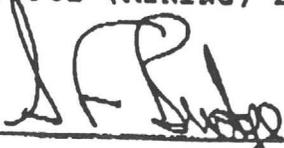
V.M.P., INC.

By: 

Larry W. Beal, President

BUDGE:

A.F. BUDGE (MINING) LIMITED

By: 

A.F. Budge, Chairman

UNITED KINGDOM

)
) ss.
)

Before me, the undersigned officer, personally appeared A. F. Budge, known to me to be the Chairman of A. F. Budge (Mining) Limited, a registered corporation under the laws of England, this 15th day of April, 1985, and acknowledged that he executed the foregoing document for and on behalf of the corporation with full authority to do so.

[Signature]
Title: Notary Public

STATE OF ARIZONA

)
) ss.
)

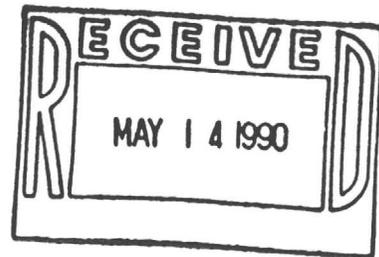
County of Maricopa

The foregoing instrument was acknowledged before me this 8th day of April, 1985, by Larry W. Beal, the President of V. M. P., Inc., an Arizona corporation, for and on behalf of the corporation.

Larry A. O'Brien
Notary Public

My commission expires:
My Commission Expires April 14, 1987

W. SCOTT DONALDSON
ATTORNEY-AT-LAW
301 WEST INDIAN SCHOOL ROAD, SUITE 10
PHOENIX, ARIZONA 85013-3214
TELEPHONE (602) 264-1351
TELECOPIER (602) 279-9018



RECEIVED
DeCONCINI McDONALD, BRAMMER
YETWIN & LACY, P.C.

MAY 14 1990

May 9, 1990

250T N. CENTRAL AVE., STE. 1644
PHOENIX, ARIZONA 85012-2736

A. F. Budge
West Carr Road
Retford, Nottinghamshire,
England DN22 7SW

DMEA Limited
7340 East Shoeman Lane
Suite 111 "B"
Scottsdale, Arizona 85251

John C. Lacy
DeConcini, McDonald, Bremmer, Yetwin, Lacy & Zimmerman, P.C.
2525 East Broadway Blvd., Suite 200
Tucson, Arizona 85716

Arizona Exploration, Inc.
Exodyne Business Park
8433 North Black Canyon Hwy., Ste. 158
Phoenix, Arizona 85021

Re: V.M.P., Inc. - A.F. Budge (Mining) Limited
Option and Lease Agreement: Notice of Default

Gentlemen:

V.M.P., Inc., an Arizona corporation ("V.M.P."), pursuant to Section 8 of the above-referenced Option and Lease Agreement dated July 1, 1984, and the First Amendment thereto, hereby gives A.F. Budge (Mining) Limited ("Budge") notice of default. The defaults are specifically described below.

1. Budge, or its agent, is treating or detoxifying solid wastes from another property at the Vulture mine site. The details of this operation are provided in Exhibit A. This activity is not "Mineral Exploration" or "Mining Activities" as defined in Sections 2.b.(3) and 2.b.(4) of the Agreement. V.M.P. requests that Budge immediately cease this activity and remove the approximately one hundred twenty five (125) cubic yards of material.

2. Budge has assigned the Agreement to Arizona - Ontario Exploration, Inc. ("Arizona Exploration") without permission of V.M.P. That assignment is described in Exhibit B. Section 10 of the Agreement requires consent by V.M.P. before an assignment is effective. V.M.P. will not approve the assignment because Arizona Exploration is not complying with federal mining laws and regulations as described in paragraph 3.

3. Arizona Exploration is conducting mineral exploration activities on the property. The location of those activities is shown by the well registration documents attached hereto as Exhibit C. As of May 4, 1990, Arizona Exploration is conducting

EXHIBIT C

W. SCOTT DONALDSON
ATTORNEY-AT-LAW
301 WEST INDIAN SCHOOL ROAD, SUITE 102
PHOENIX, ARIZONA 85013-3214
TELEPHONE: (602) 264-1351
TELECOPIER: (602) 279-9018

Page two
V.M.P., Inc.

those activities without having applied for or obtained the requisite federal permits or notices.

4. Budge has failed to properly maintain all of the unpatented mining claims as required by Sections 6.a. and 6.f.(1) of the Agreement. The details of this failure are outlined in Exhibit D.

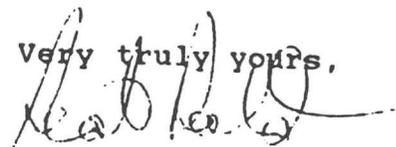
5. Budge has failed to pay the advance minimum royalties due, pursuant to Section 4.b. of the Agreement as amended, on March 5, April 5, and May 5, 1990. Although Arizona Exploration has attempted to make the April 5 payment, as indicated by Exhibit E, V.M.P. cannot accept this payment since it has not approved the Budge - Arizona Exploration assignment.

6. Budge has failed to make the \$75,000.00 Production Bonus Payment called for in Section 3.g. of the "First Amendment to Option and Lease Agreement" dated February 1, 1985. Budge has been operating a heap leaching facility on the property since approximately May 27, 1988 as is indicated by Exhibit F. This activity must be defined as mineral production since Budge is sending concentrates to G.D. Resources, Inc. and receiving payments therefrom, as indicated by the settlement statements attached hereto as Exhibit G. Budge is calculating the advance mineral royalties paid to V.M.P. against income from G.D. Resources, Inc. The "Remarks Sheet" (Exhibit H), given to Larry Beal on February 20, 1990 by Ron Short, shows this calculation and leaves V.M.P. convinced that Budge is producing minerals from the property.

7. Budge has failed to transfer the Vulture townsite to V.M.P. V.M.P.'s intent in agreeing to Section 12 of the Agreement was that any interest associated with the Vulture Mine and obtained by Budge within the described boundaries would be subject to V.M.P. ownership.

8. Budge has failed to employ John Osborn throughout the term of the Agreement pursuant to Ben Dickerson's agreement with V.M.P.

Very truly yours,



W. Scott Donaldson, Esq.

WSD/dmm
cc: V.M.P., Inc.
Enclosures

MR.

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
SPENCER A. SMITH	MICHAEL R. URMAN
DENISE M. BAINTON	DAVID F. GAONA
KAREN J. NYGAARD	LUIS A. OCHOA
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

May 24, 1990

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

PLEASE REPLY TO TUCSON

V.M.P., Inc.
c/o Scott Donaldson, Esq.
Attorney at Law
301 W. Indian School Road
Suite 102
Phoenix, AZ 85013-3214

Re: Vulture Mine Properties, Inc. - A. F. Budge (Mining) Limited; Option and Lease Agreement, Notice of Default dated May 9, 1990

Gentlemen:

This letter is in response to Mr. Scott Donaldson's letter dated May 9, 1990, which was styled as a Notice of Default on behalf of V.M.P., Inc. under the referenced Agreement (the "Notice"). This letter is in response to the allegations contained in the Notice.

Item Number 1:

By Item No. 1 of the Notice, it is asserted that the actions undertaken by A. F. Budge and Western Technologies in performing a remediation of certain material removed from land outside of the land subject to the Agreement is not "mineral exploration" nor "mining activities" as granted under the terms of the Agreement. All of the actions related to the bio-remediation complained of are being taken on portions of the Vulture City Townsite purchased by A.F. Budge (Mining) Ltd., from the Superior Court of the State of Arizona, which land is the sole property of A.F. Budge and not subject to the terms of the Agreement.

Items Number 2, 3, and 5:

Items Nos. 2, 3, and 5 of the Notice are inter-related and will thus be discussed together.

EXHIBIT D

V.M.P., Inc.
May 24, 1990
Page 2

As to the assertion in Item No. 2, V.M.P. has previously been requested by A. F. Budge to approve an assignment of the Agreement to Arizona Explorations, Inc. and V.M.P. refused to take any action and has also insisted on some sort of money payment for the transfer, which payment is not required by the Agreement. By the Notice, the only basis for this refusal is that requisite federal permits for operations on the Property have not been obtained by Arizona Explorations. It is the position of A. F. Budge that V.M.P. originally withheld approval of the assignment without reasonable cause as evidenced by the fact that only post-assignment operations form the basis for the allegations of the Notice. Further, the deficiency asserted as set forth in Item No. 3 is that "as of May 4, 1990, Arizona Exploration is conducting those activities without having applied for or obtained the requisite federal permits or notices." To date, Arizona Explorations has drilled two holes on the property, both of which have been on patented mining claims and therefore has filed requisite notices with the Arizona Department of Water Resources for the drilling and completion of these drill holes. Because these activities have not taken place on federal land, it is A. F. Budge's position that no additional permitting is required and therefore there has been full compliance with the terms of the Agreement.

These facts also relate to the allegations of Item No. 5, by which it is asserted that certain payments have not been made as required by the Agreement because such payments have been tendered by Arizona Explorations without approval of the assignment. However, since no violation of the terms of the Agreement exists, as discussed above, V.M.P. is in no position to assert that it cannot accept payments from Arizona Explorations.

Item Number 4:

Under the allegations contained in Item No. 4 of the Notice, V.M.P. has asserted that A. F. Budge has failed to properly maintain all of the unpatented mining claims as required by Sections 6.a. and 6.f.(1) of the Agreement. This assertion apparently stems from two letters addressed to V.M.P. from the United States Bureau of Land Management dated May 12 and 13, 1990, wherein it was asserted that certain mining claims were being voided as a result of improper filings of annual assessment work. Subsequent to receipt of these letters, and as a result of actions taken by A. F. Budge, this decision of the Bureau of Land Management was vacated in part by a letter to Mr. Larry Beal on April 10, 1990, which decision reinstated all of the mining

V.M.P., Inc.
May 24, 1990
Page 3

claims subject to the Agreement with the exception of the Vulture ## 81-83, 81A and VMP 6 and 7.

In this regard, I call your attention to the fact that the Vulture #81, #81A, #82 and #83, were declared null and void by a decision of the Arizona State Office of the Bureau of Land Management dated December 5, 1985, for the reason that these mining claims were located within the limits of the Vulture City Townsite and thus were void from their inception. As you will recall, this decision was appealed to the Interior Board of Land Appeals and was affirmed by an Order dated November 3, 1987. The possibility of taking appeal from this decision was then discussed with Mr. Scott Donaldson and the decision was made to not appeal to the United States Federal District Court.

As for the VMP 6 and 7, these claims were originally located on land owed by the State of Arizona (Section 2) and were therefore void from their inception.

Item Number 6:

By Item No. 6, the assertion is made that V.M.P. is owed \$75,000.00 as a production bonus payment. Under the terms of subsection g of Section 4 of the Agreement, if A. F. Budge elects to commence mineral production on the Property, V.M.P. was to be paid a one time production bonus of \$75,000. The "commencement of production" under the terms of the Agreement occurs when:

. . . Budge commits to the expenditure of funds for a full-scale development of the Property based on the conclusions of a feasibility study and shall not include a pilot plant, bulk sampling or other large volume metallurgical or mine testing. The production bonus shall be paid on or before 30 days after Budge's announcement to its stockholders that production will commence.

The activities that Budge has undertaken on the Property consists of reprocessing mine tailings from the Pit Gold patented mining claim and from within portions of the Vulture City Townsite which operation was not based on any mine feasibility study. The parties contemplated that actual mining operations would be required as a prerequisite to this payment as evidenced by the contractual provision making the payment contingent upon "a full-scale development of the Property." The reprocessing of

V.M.P., Inc.
May 24, 1990
Page 4

the tailings is not a "mining operation" in the strict sense of the word and the terms of the Agreement for purposes of the production bonus. No claim has ever been asserted that V.M.P. is not entitled to royalties on metal values recovered from the tailings.

Further, other provisions of the Agreement suggest that the tailings reprocessing would not be the "full-scale mining" contemplated by the Agreement because if such processing were considered full-scale mining, such construction would cause considerable problems in the long-range development of the Property because once "production" commences, the term is fixed on the continuation of production. The reprocessing of the tailings is a relatively short-term activity and the intent of the parties was that the full-scale production would constitute a mining operation and not a short-term reprocessing operation of the mine tailings.

Item Number 7:

By Item No. 7 of the Notice, it was stated that A. F. Budge had refused to convey the Vulture City Townsite to V.M.P. in violation of the terms of the Agreement. By the terms of subsection c of Section 7 of the Agreement, if title to any of the Property was defective, A. F. Budge was authorized to "perfect, defend or initiate litigation to protect such title." Further, in the course of such activities, A. F. Budge was permitted to deduct the cost of "perfecting, defending or correcting title (including . . . the cost of releasing or satisfying any mortgages, liens and encumbrances) . . ." Thus, the Agreement clearly contemplates that some sort of correction of defects in title would be entailed. As referred to above, in this case, the Bureau of Land Management rejected a number of mining claims that were situated within the limits of what turned out to be the Vulture City Townsite in effect holding that V.M.P. never had any title to the ground in question.

After appealing the Bureau of Land Management decision without success, A. F. Budge took certain actions to acquire title to the unsold portions of the Vulture City Townsite from the Judge of the Arizona Superior Court for Maricopa County (as the successor in interest to the Probate Judge who was granted the original title as trustee for the occupants of Vulture City). Such purchase was not a perfection or defense of V.M.P.'s title to the Property, but was instead the acquisition of new rights from a third party. There are instances under the Agreement

V.M.P., Inc.
May 24, 1990
Page 5

where such new rights are to be included under the Agreement, but it appears that the instances when any such new rights will be included within the terms of the Agreement are limited to the location of mining claims within the "Area of Interest" as specified under Section 12 of the original Agreement.

When application was made to purchase the unsold portions of the Vulture City Townsite by Ben F. Dickerson, then acting as manager for A.F. Budge, because the "Pit Gold" patented mining claim was also within the boundaries of the townsite patent and therefore might be found to be illegally issued, this office prepared the requisite paperwork to permit V.M.P. to purchase that portion of the townsite that was in conflict with the Pit Gold. As a part of this process Mr. Dickerson purchased 109.239 acres and Mr. Beal purchased 20.661 acres. Separate Quitclaim Deeds to Unclaimed Townsite Lots were signed on March 4, 1987, granting the separate parcels to Vulture Mine Properties, Inc., an Arizona corporation and to Ben F. Dickerson, III. This interest was later acquired by A.F. Budge (Mining) Limited from Mr. Dickerson's estate. The total cost of acquisition to A. F. Budge included, without limitation, \$12,046.83 in legal fees and other costs associated with the action, an appraisal fee of \$1,500, the purchase price of \$16,400.00, a survey bill of \$5,409.72, and approximately \$10,000.00 of time allocated to personnel of A.F. Budge. At the time of the application, Mr. Beal never asserted that the separate acquisition of title was to be for his benefit, as for example, the perfection of the Pit Gold patented claim was, nor has Mr. Beal ever offered to pay the costs associated with such acquisition.

Item Number 8:

By Item No. 8 of the Notice, it has been asserted that A. F. Budge has failed to employ John Osborne. Compensation to be paid to Mr. Osborne by A. F. Budge has, to the knowledge of personnel of A. F. Budge, been referred to in only one document, which document is a 1984 "Memorandum of Understanding" providing for compensation to James and John Osborne for certain work during a preliminary or "option" term of the Agreement, but providing that:

If Budge exercises its option, the parties shall negotiate in good faith to achieve a reasonable use of services that might be provided by John and James Osborne [sic], provided however, that the decision to

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

V.M.P., Inc.
May 24, 1990
Page 6

use or not use such services shall be within the sole discretion of Budge.

This provision thus refers to the option granted under the terms of the Agreement, the application provision of which (Section 3) provides that:

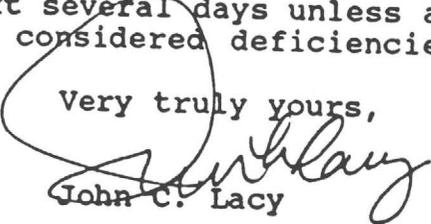
Unless sooner terminated under the termination provisions herein contained, the term of the option shall be for one year but may be further extended for an additional year by Budge. Thereafter, if the option is exercised, this Agreement shall be for a term of twenty (20) years commencing on the effective date of the exercise of the option and for so long thereafter as Leased Substances are continuously produced from the Property.

By the First Amendment to Option and Lease Agreement effective February 1, 1985, A. F. Budge exercised its option to lease the Property, and after having used Mr. John Osborne's services for an additional period of time, in August, 1988, advised Mr. Osborne that no further assistance was required.

A. F. Budge has fully complied with any obligations to V.M.P. regarding Mr. Osborne, and under the terms of the applicable provisions, has the sole discretion whether or not to use Mr. Osborne's services.

I hope that the foregoing answers the allegations contained in the Notice. However, inasmuch as the Agreement requires the filing of an action in Superior Court if a disagreement exists over any assertion of default, A.F. Budge intends to file such an action concerning all allegations referred to in the Notice dated May 9, 1990, within the next several days unless advised that the allegations are no longer considered deficiencies based on the contents of this letter.

Very truly yours,


John C. Lacy

c: A. F. Budge
Carole A. O'Brien
Stanley W. Holmes
0517900310.jcl2.840127

DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

JOHN R. McDONALD
RICHARD M. YETWIN
DINO DeCONCINI
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PHILIP R. WOOTEN
SUSAN E. MILLER
MARK D. LAMMERS
CHRISTINA URIAS

J. WM. BRAMMER, JR.
JOHN C. LACY
ROBERT M. STRUSE
JOHN C. RICHARDSON
JAMES A. JUTRY
MICHAEL R. URMAN
DAVID F. GAONA
FRANCES J. HAYNES
LUIS A. OCHOA
GARY F. URMAN
WAYNE E. YEHLING

June 10, 1991

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

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

PLEASE REPLY TO PHOENIX

Mr. Ron Short
A.F. Budge (Mining) Limited
4301 North 75th Street
Suite 105
Scottsdale, Arizona 85251-4630

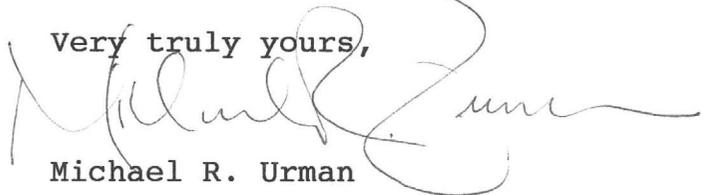
Re: **Clearwater/A.F. Budge (Mining) Limited v. VMP, Inc.**

Dear Ron:

Enclosed herewith is a copy of a Motion to Amend Complaint and Amended Complaint our office has prepared for the above-referenced litigation. As we previously discussed, we are amending the Complaint to set forth events occurring since the initial filing, namely, the termination of the Lease and Option Agreement for the Vulture property.

Our office is in the process of preparing a Motion for Summary Judgment in an attempt to resolve this litigation, and when we have a draft prepared, we will get it to you for review and comment. Should you have any questions in the interim, please don't hesitate to call.

Very truly yours,



Michael R. Urman

MRU:kaw

Enclosures

9106100240.mru1.900075

DECONCINI McDONALD BRAMMER YETWIN & LACY
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
2901 NORTH CENTRAL AVENUE, SUITE 1644
PHOENIX, ARIZONA 85012-2736
(602) 241-0100

1 Michael R. Urman (I.D. No. 7611)
2 DeCONCINI McDONALD BRAMMER
3 YETWIN & LACY, P.C.
4 2901 North Central Avenue
5 Suite 1644
6 Phoenix, Arizona 85012-2736
7 (602) 241-0100

8 Attorneys for Plaintiff

9 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

10 IN AND FOR THE COUNTY OF MARICOPA

11 CLEARWATER MINING CORPORATION,)
12 an Arizona corporation, as)
13 nominee of A.F. BUDGE (MINING))
14 LIMITED, a foreign corporation,)

15 Plaintiff,)

16 vs.)

17 V.M.P., INC., an Arizona)
18 corporation,)

19 Defendant.)
20)
21)
22)
23)
24)
25)
26)

No. CV90-15743

MOTION FOR LEAVE
TO AMEND COMPLAINT

Plaintiff, by its counsel undersigned, hereby moves for leave to amend the Complaint herein. A copy of the proposed Amended Complaint is attached hereto as Exhibit A, the original of which has been lodged with the Court.

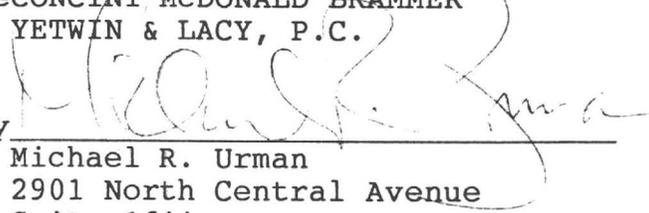
Plaintiff seeks to amend its Complaint herein to set forth additional facts occurring since the initiation of this litigation. Among the facts of importance are the termination of the Lease and Option Agreement, and First Amendment thereto, which are the subject of this litigation. This termination narrows the dispute in this case. Further, pursuant to A.R.C.P.

1 Rule 15(a), leave to amend "shall be freely given when justice
2 requires."

3 Here, amendment is sought only to conform the posture of
4 this litigation to factual events occurring since the initial
5 filing. Further, inasmuch as Defendant is aware of these events,
6 and no trial date has yet been set in this case, no possible
7 prejudice can be envisioned to the Defendant's position herein.
8 Accordingly, the Court should grant Plaintiff leave to amend and
9 order the proposed Amended Complaint filed by the clerk.

10 Respectfully submitted this 10th day of June, 1991.

11 DeCONCINI McDONALD BRAMMER
12 YETWIN & LACY, P.C.

13 By 
14 Michael R. Urman
15 2901 North Central Avenue
16 Suite 1644
17 Phoenix, Arizona 85012-2736
18 Attorneys for Plaintiff

17 COPY of the foregoing mailed
18 this 10 day of June, 1991, to:

18 W. Scott Donaldson, Esq.
19 301 West Indian School Road
20 Suite 102
21 Phoenix, Arizona 85013-3214
22 Attorney for Defendant

21 9106100150.mru1.900075

DECONCINI McDONALD BRAMMER YETWIN & LACY
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
2901 NORTH CENTRAL AVENUE, SUITE 1644
PHOENIX, ARIZONA 85012-2736
(602) 241-0100

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3 YETWIN & LACY, P.C.
4 2901 North Central Avenue
5 Suite 1644
6 Phoenix, Arizona 85012-2736
7 (602) 241-0100

8 Attorneys for Plaintiff

9 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
10 IN AND FOR THE COUNTY OF MARICOPA

11 CLEARWATER MINING CORPORATION,)
12 an Arizona corporation, as)
13 nominee of A.F. BUDGE (MINING))
14 LIMITED, a foreign corporation,) No. CV90-15743
15)
16 Plaintiff,) AMENDED COMPLAINT
17 vs.)
18 V.M.P., INC., an Arizona)
19 corporation,)
20)
21 Defendant.)

22 The Plaintiff, by its counsel undersigned, and pursuant to
23 A.R.S. § 12-1831 et seq., for its claim for declaratory relief
24 alleges as follows:

25 1. Plaintiff Clearwater Mining Corporation ("Clearwater")
26 is an Arizona corporation. Clearwater is a wholly-owned
subsidiary and nominee of A.F. Budge (Mining) Limited ("Budge"),
a corporation registered under the laws of England and the State
of Nevada, on an Option and Lease Agreement (and First Amendment
thereto) entered into between Budge and Defendant V.M.P., Inc.

EXHIBIT A

1 2. Defendant V.M.P., Inc. ("V.M.P.") is an Arizona
2 corporation doing business in Maricopa County, Arizona.

3 3. This Court has jurisdiction to issue the declaratory
4 relief sought herein pursuant to A.R.S. § 12-1831 et seq.

5 4. On or about July 1, 1984, Budge and V.M.P. entered into
6 an Option and Lease Agreement (the "Agreement") concerning
7 patented and unpatented mining claims situated in Maricopa
8 County, Arizona. A copy of the Agreement is attached hereto as
9 Exhibit A and is incorporated herein by this reference.
10 Thereafter, on or about February 1, 1985, these same parties
11 entered into a First Amendment to the Agreement (the "First
12 Agreement"). A copy of the First Amendment is attached hereto as
13 Exhibit B and is incorporated herein by this reference.

14 5. On or about March 1, 198⁹⁰5, Clearwater and Budge
15 assigned the Agreement and First Amendment to Arizona-Ontario
16 Explorations, Inc., an Arizona corporation ("Arizona
17 Explorations") reserving therein a contingent right of
18 reassignment to Clearwater and Budge.

19 6. Paragraph 8(a) of the Agreement provides that, in the
20 event of any claim by lessor (V.M.P.) of default under the
21 Agreement, if the lessee "in good faith disputes the existence of
22 a default, Budge shall initiate appropriate action in a court of
23 competent jurisdiction" within a thirty (30) day period from any
24 notice of default provided by lessor V.M.P.

25 7. By letter dated May 9, 1990 ("Default Letter"), V.M.P.
26 gave notice of various alleged events of default under the

1 Agreement. A copy of the Default Letter (without exhibits) is
2 attached hereto as Exhibit C and is incorporated herein by this
3 reference. In response to the allegations in the Default Letter,
4 and in an effort to eliminate any dispute, Budge responded to the
5 default letter by correspondence dated May 24, 1990. A copy of
6 this correspondence is attached hereto as Exhibit D and is
7 incorporated herein by this reference.

8 8. As of the date of the filing of the lawsuit herein, the
9 allegations contained in the V.M.P. Default Letter had not been
10 withdrawn. Accordingly, and to prevent unjust termination of the
11 Agreement and First Amendment, Plaintiff filed this action for
12 declaratory relief pursuant to Paragraph 8(a) of the Agreement.

13 9. Since the date of filing of the lawsuit herein, Arizona
14 Explorations, the assignee of the Agreement and First Amendment,
15 elected to terminate the Agreement and First Amendment. Said
16 termination became effective as of May 3, 1991.

17 10. Although the Agreement and First Amendment have been
18 terminated, the allegations of the Default Letter remain to be
19 resolved between Plaintiff and V.M.P. In this regard, V.M.P.
20 filed an Answer and Counterclaim to the original action hereto.

21 11. The Plaintiff disputes the allegations of V.M.P.'s
22 Default Letter and Counterclaim. As set forth in Exhibit D, none
23 of V.M.P.'s allegations are sufficient or supportable to
24 establish any violation of the terms of the Agreement and First
25 Amendment that would entitle V.M.P. to any relief against
26 Plaintiff.

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12. Plaintiff is entitled to an award of its reasonable attorneys' fees incurred in connection with this litigation.

WHEREFORE, Plaintiff seeks relief as follows:

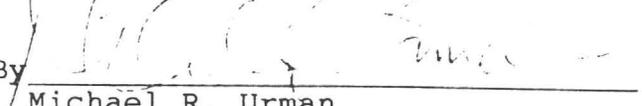
1. For a judgment of this Court declaring that no default has occurred under the Agreement and First Amendment, and that V.M.P. is entitled to no relief thereunder;

2. For Plaintiff's cost of suit and reasonable attorneys' fees incurred herein; and

3. For such other and further relief as the Court deems appropriate.

Respectfully submitted this 10th day of June, 1991.

DeCONCINI McDONALD BRAMMER
YETWIN & LACY, P.C.

By 
Michael R. Urman
2901 North Central Avenue
Suite 1644
Phoenix, Arizona 85012-2736
Attorneys for Plaintiff

COPY of the foregoing mailed
this 10 day of June, 1991, to:

W. Scott Donaldson, Esq.
301 West Indian School Road
Suite 102
Phoenix, Arizona 85013-3214
Attorney for Defendant

9106100206.mrul.900075

ARIZONA EXPLORATIONS INC.

8433 North Black Canyon, Ste. 158
Phoenix, Arizona 85021
(602) 864-6202 FAX #(602) 864-6116

FACSIMILE COVER SHEET

Please deliver the following pages to:

PERSON/DEPARTMENT: Carole O'Brien

COMPANY NAME: G. J. Budge Mining

FROM: Paul Gram

DATE: March 5, 1991

FAX TRANSMITTAL No: 949-1737

NUMBER OF PAGES (including this sheet): Two (2)

MESSAGE: Carole - Stan thought you might
like a copy of this.
[Signature]

(If you do not receive all pages clearly, please contact Barbara Grams at our office (602) 864-6202).

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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PHILIP R. WOOTEN	LUIS A. OCHOA
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MARK D. LAMMERS	WAYNE E. YEHLING
CHRISTINA URIAS	

2525 EAST BROADWAY BOULEVARD, SUITE 200
TUCSON, ARIZONA 85716-5303
(602) 322-9000
FAX: (602) 322-5585

March 4, 1991

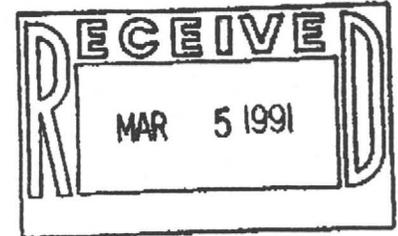
2901 NORTH CENTRAL AVENUE, SUITE 1644
PHOENIX, ARIZONA 85012-2736
(602) 241-0100
FAX: (602) 241-0220

PLEASE REPLY TO PHOENIX

Mr. Larry W. Beal, President
V.M.P., Inc.
Box 20202
Wickenburg, Arizona 85358

Via Certified Mail

Mr. Larry W. Beal, President
V.M.P., Inc.
1414 East Purdue
Phoenix, Arizona 85020



V.M.P., Inc.
Vulture Mine
P.O. Box 1869
Wickenburg, Arizona 85358

Re: Option and Lease Agreement of July 1, 1984 and First Amendment to Option and Lease Agreement of February 1, 1985/V.M.P., Inc. and A.F. Budge (Mining) Ltd. (Vulture Mine Property)

Dear Mr. Beal:

As you know, this firm represents Arizona-Ontario Explorations, Inc., Clearwater Mining Corporation and A.F. Budge (Mining) Limited. This is to provide formal notice that our clients have elected to terminate the above-referenced Agreement. Accordingly, pursuant to Paragraph 8(b) and other applicable provisions of the Option and Lease Agreement, the Agreement will terminate sixty (60) days from the date of this notice.

Please contact me should you have any questions pertaining to this matter.

Very truly yours,

Michael R. Urman

MRU:bm

cc: Dr. Stanley W. Holmes
John C. Lacy, Esq.

ARIZONA EXPLORATIONS INC.

November 12, 1990

Mr. Ronald Short,
General Manager
A.F. Budge (Mining) Ltd.
4301 N. 75th Street
Scottsdale, Arizona 85251

RE: VULTURE MINE PROPERTY

Dear Ron;

I had a telephone conversation with Dale Allen on November 9, 1990 concerning generator repairs and maintenance at the Vulture Mine Property. He has requested that we share in the repair costs to maintain services for Mr. Osborne. It is Arizona Explorations Inc.'s position that it will not be responsible for maintaining the generator.

As you stated in your letter to us dated October 10, 1990, V.M.P., Inc. is solely responsible for all support costs including generators and ancillary costs on Mr. John Osborne's behalf. We also informed Mr. Osborne on October 23, 1990 that V.M.P., Inc. will assume all costs incurred by his activities on the Vulture site.

We suggest that you contact Mr. Larry Beal and make appropriate arrangements to either dispose and/or replace and/or repair the generator.

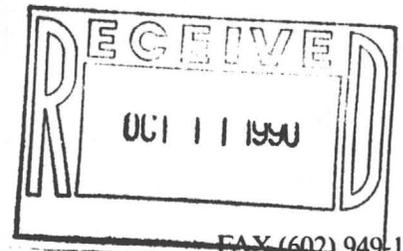
Yours truly,



ARIZONA EXPLORATIONS INC.
Hans L. Matthews, B.Sc.
Geologist

HLM/bjg

cc: Dale Allen - Vulture Mine Property
Larry Beal - V.M.P., Inc.
Stanley W. Holmes - A.E.I.
Carole O'Brien - A.F. Budge (Mining) Ltd.
John Osborne - Vulture Mine Property
Michael Urman - DeConcini, McDonald, Brammer,
Yetwin & Lacy



A.F. Budge (Mining) Limited

(602) 945-4630

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

October 10, 1990

Dr. Stanley W. Holmes
Arizona Explorations, Inc.
Exodyne Business Park
8433 North Black Canyon Highway
Suite 158
Phoenix, Arizona 85021

Re: Vulture Mine Property

Dear Dr. Holmes:

This letter will confirm that A.F. Budge (Mining) Limited has completed the first phase of the detoxification of the heap leach piles at the Vulture Mine, and all activities associated with this operation will cease on Friday, October 19.

With the deactivation of the plant, power and water to the site will not be necessary and thus these facilities will be cut off. It would be advisable to relocate your trailer outside the fence perimeter as the site will become henceforth unaccessible. The three-inch water line leading from the well to the leach area (approximately 7,000 feet) will be left in place and maintained in the event that further detoxification of the heaps is required at a future date.

We have advised Mr. John Osborne that prior to our departure, he will be supplied with a full tank of diesel fuel for the generator, plus 50 gallons of oil. After our departure, the care, maintenance and operation of the generator including the cost of same will be the responsibility of V.M.P., Inc. and/or its owner/agent.

Our only obligation will be to the Department of Environmental Quality for the safe and complete detoxification of the heaps. We have no other obligations to V.M.P., Inc. The assignment of the lease to Arizona Explorations, Inc. waives our responsibility for the filing of assessment work on the claims for the 1990 assessment period. Taxes on the Townsite, which we own, will be our only financial obligation.

S.W. Holmes
October 10, 1990
Page 2

By a copy of this letter we are also apprising V.M.P., Inc.
of this situation.

Very truly yours,



Ronald R. Short
General Manager

RRS/ca

c: Larry W. Beal
V.M.P., Inc.

ARIZONA EXPLORATIONS INC.

November 12, 1990

Mr. Ronald Short,
General Manager
A.F. Budge (Mining) Ltd.
4301 N. 75th Street
Scottsdale, Arizona 85251

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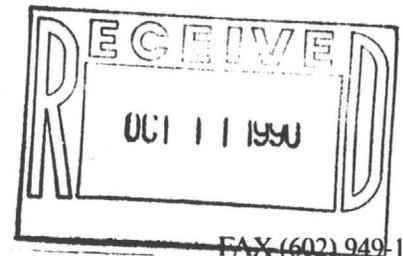


ARIZONA EXPLORATIONS INC.
Hans L. Matthews, B.Sc.
Geologist

RECEIVED NOV 13 1990 ¹⁴

HLM/bjg

cc: Dale Allen - Vulture Mine Property
Larry Beal - V.M.P., Inc.
Stanley W. Holmes - A.E.I.
Carole O'Brien - A.F. Budge (Mining) Ltd.
John Osborne - Vulture Mine Property
Michael Urman - DeConcini, McDonald, Brammer,
Yetwin & Lacy



A.F. Budge (Mining) Limited

(602) 945-4630

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

October 10, 1990

Dr. Stanley W. Holmes
Arizona Explorations, Inc.
Exodyne Business Park
8433 North Black Canyon Highway
Suite 158
Phoenix, Arizona 85021

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S.W. Holmes
October 10, 1990
Page 2

By a copy of this letter we are also apprising V.M.P., Inc.
of this situation.

Very truly yours,

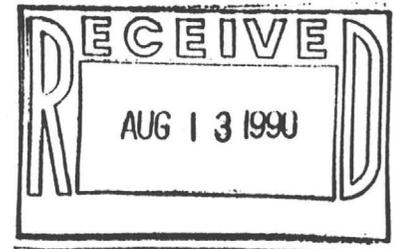


Ronald R. Short
General Manager

RRS/ca

c: Larry W. Beal
V.M.P., Inc.

W. SCOTT DONALDSON
ATTORNEY-AT-LAW
301 WEST INDIAN SCHOOL ROAD, SUITE 102
PHOENIX, ARIZONA 85013-3214
TELEPHONE: (602) 264-1351
TELECOPIER: (602) 279-9018



August 9, 1990

Dr. Stanley W. Holmes, President
Arizona Explorations, Inc.
Exodyne Business Park
8433 North Black Canyon Hwy., Suite 158
Phoenix, Arizona 85021

Re: Vulture Mine Properties, Inc.

Dr. Holmes:

We have received your letters but are adamant about our position. However, in the interest of fairness to both parties, we are willing to allow you to operate on the Vulture Mine on a month-to-month basis through November 31, 1990.

As compensation for our agreement, Arizona Explorations would pay the monthly sums called for in the A.F. Budge - V.M.P. agreement. Our proposal would, in no way, reflect upon the issues raised in the ongoing lawsuits.

Very truly yours,

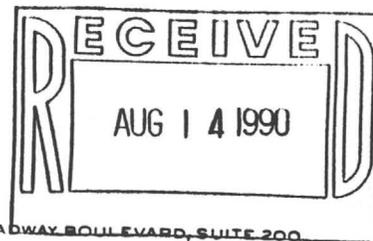

W. Scott Donaldson, Esq.

WSD/kag

cc: Vulture Mining Properties, Inc.

Michael C. Irwin - DeConcini McDonald Brammer
Yetwin & Lacy

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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DENISE M. BAINTON	DAVID F. GAONA
KAREN J. NYGAARD	LUIS A. OCHOA
SUSAN E. MILLER	GARY F. URMAN
MARK D. LAMMERS	FRANCES J. HAYNES
WAYNE E. YEHLING	CHRISTINA URIAS
PHILIP R. WOOTEN	

August 13, 1990

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

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

PLEASE REPLY TO PHOENIX

W. Scott Donaldson, Esq.
301 West Indian School
Suite 102
Phoenix, Arizona 85013-3214

Re: Vulture Mine Properties, Inc./Arizona Explorations

Dear Scott:

I received a copy of your August 9, 1990 letter to Dr. Holmes and have discussed same with Dr. Holmes. It appears that your client is attempting to find some mechanism by which to cash the advance minimum royalty checks my client has tendered each month pursuant to the Budge/V.M.P. agreement without arguably hurting his position in some manner in the litigation.

As you are aware, the only issue in the litigation that pertains directly to Arizona Explorations is the question of whether legal and justifiable grounds exist for your client to withhold consent to the assignment of Budge's interest in the Budge/V.M.P. agreement to Arizona Explorations. No such grounds exist, and as I believe you are aware, the case law in Arizona forbids the withholding of such consent unreasonably and without good reason.

Accordingly, my client offers the foregoing proposal in response to your letter. Your client may cash all presently held and future advance minimum royalty checks, and we will stipulate in writing here, and in the lawsuit itself should you wish, that the payment and acceptance of such funds in no manner affects the position your client has taken in its default letter, with one exception. That exception would be the dropping of the issue concerning the assignment to Arizona Explorations.

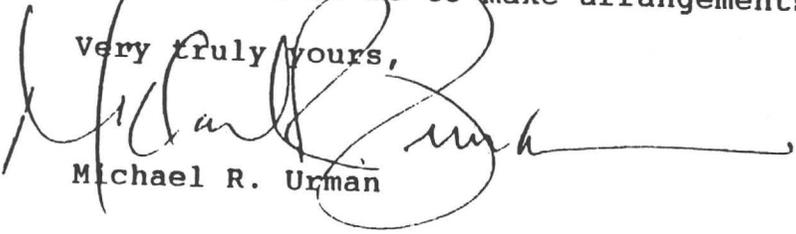
I believe the foregoing would represent a very positive predicate step to getting the entirety of this dispute resolved. If the foregoing were agreed to, our respective clients could sit down

W. Scott Donaldson, Esq.
Page Two
August 13, 1990

and discuss an agreement for the future of the property -- and perhaps use their respective influence to resolve the Budge dispute as well. As I believe I've explained before, my client has no interest in litigation -- my client is interested only in reaching an agreement fair to all for the exploration and future development of the Vulture Mine Property.

Please contact your client and give me a call as to your response. If your client would like to meet to discuss all of this further, please contact either Dr. Holmes or me to make arrangements.

Very truly yours,



Michael R. Urman

MRU:laz

c: Dr. Stanley W. Holmes

9008131333.MRU.900075

ARIZONA EXPLORATIONS INC.

August 14, 1990

Mr. W. Scott Donaldson
Attorney At Law
301 W. Indian School Rd., #102
Phoenix, Arizona 85013

RE: VULTURE MINE PROPERTIES, INC.

Dear Mr. Donaldson;

This will acknowledge your interesting letter of August 9, 1990 in which you propose that Arizona Explorations Inc. make monthly payments to your client V.M.P., Inc. on a month to month basis for which we would receive the rights to carry out exploration on the Vulture Mine Properties. You know our position on this subject. We are of the opinion "on advice of counsel" that the rights of assignability have been granted to us under Arizona law and that the case law in Arizona forbids the withholding of such consent unreasonably and without good reason.

Your proposal to make monthly payments is not only ridiculous to us but also humorous. Your client, V.M.P., Inc. has cashed the majority of checks that we have been forwarding on a monthly basis. This action in accordance with the terms of the contract are in "the opinion of our counsel" indicative that V.M.P., Inc. has accepted the fact that Arizona Explorations Inc. has valid reassignment rights to the Vulture Mine Property.

We know from Citibank the following;

Checks issued to V.M.P., Inc.:

<u>Date</u>	<u>Ck. #</u>	<u>Sum</u>	<u>Date Cleared</u>
4-16-90	1005	\$5,000.00	8-6-90
4-24-90	1006	5,000.00	8-6-90
5-04-90	1013	4,500.00	8-6-90
6-05-90	1017	4,500.00	8-6-90

Total amount of monies cashed by V.M.P., Inc. = \$19,000.00

Balance of checks in possession of V.M.P., Inc. = \$9,000.00

We have attached the letters verifying the issuance of these checks for your perusal. We would ask you to communicate with your client and discuss with him the fact that by cashing these checks V.M.P., Inc. has acknowledged the assignability from A.F. Budge (Mining) Limited to A.E.I. of the Vulture property and that we consider the matter closed.

This is the reason we cannot understand the proposal you make in your letter of August 9, 1990 involving monthly payments for the right of A.E.I. to explore. We have been doing this for the past 6 (six) months, and your client has been paid in full. You talk about being adamant! Lets just be reasonable and act with some degree of intelligence and professionalism.

We would appreciate if you could bring V.M.P., Inc. to a meeting so that we may discuss our on going agreement, commitments, and a plan of exploration.

With kindest regards,

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Stanley W. Holmes". The signature is written in black ink and is positioned below the typed name.

ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

SWH/bjg

enclosure

cc: Hans L. Matthews - A.E.I.
Michael R. Urman - DeConcini, McDonald, Brammer,
Yetwin & Lacy
Carole O'Brien - A.F. Budge (Mining) Limited

ARIZONA EXPLORATIONS  **INC.**

April 16, 1990

Mr. Larry W. Beal, President
V.M.P., Inc.
1414 E. Purdue
Phoenix, AZ 85020

RE: LEASE PAYMENTS TO V.M.P., INC.

Dear Mr. Beal;

In accordance with the original lease between V.M.P., Inc. and A.F. Budge (Mining) Limited and the subsequent assignment to Arizona-Ontario Explorations Inc. on March 1st, 1990, we are enclosing the advance minimum royalty payment due to V.M.P., Inc. effective March 5th, 1990.

The March 5th payment of \$5,000.00 in accordance with the above agreement is attached.

With kindest regards,

Sincerely yours,



ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

SWH/bjg

enclosure

CC: Mr. Ronald R. Short - A.F. Budge (Mining) Limited

CASHED

ARIZONA EXPLORATIONS INC.

April 24, 1990

Mr. Larry W. Beal, President
V.M.P., Inc.
1414 E. Purdue
Phoenix, AZ 85020

RE: LEASE PAYMENTS TO V.M.P., INC.

Dear Mr. Beal;

In accordance with the original lease between V.M.P., Inc. and A.F. Budge (Mining) Limited and the subsequent assignment to Arizona-Ontario Explorations Inc. on March 1st, 1990, we are enclosing the advance minimum royalty payment due to V.M.P., Inc. effective April 5th, 1990.

The April 5th payment of \$5,000.00 in accordance with the above agreement is attached.

With kindest regards,

Sincerely yours,



ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

SWH/bjg

enclosure

cc: Mr. Ronald Short - A.F. Budge (Mining) Limited
Ms. Carole O'Brien - A.F. Budge (Mining) Limited
Mr. Scott Donaldson

CASHED

ARIZONA EXPLORATIONS INC.

May 5, 1990

Mr. Larry W. Beal, President
V.M.P., Inc.
1414 E. Purdue
Phoenix, AZ 85020

RE: LEASE PAYMENTS TO V.M.P., INC.

Dear Mr. Beal;

In accordance with the original lease between V.M.P., Inc. and A.F. Budge (Mining) Limited and the subsequent assignment to Arizona-Ontario Explorations Inc. on March 1st, 1990, we are enclosing the advance minimum royalty payment due to V.M.P., Inc. effective May 5th, 1990.

The May 5th payment of \$4,500.00 in accordance with the above agreement is attached.

With kindest regards,

Sincerely yours,

Stanley W. Holmes
ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

SWH/bjg

enclosure

CASHED

ARIZONA EXPLORATIONS **INC.**

June 5, 1990

Mr. Larry W. Beal, President
V.M.P., Inc.
1414 E. Purdue
Phoenix, AZ 85020

RE: LEASE PAYMENTS TO V.M.P., INC.

Dear Mr. Beal;

In accordance with the original lease between V.M.P., Inc. and A.F. Budge (Mining) Limited and the subsequent assignment to Arizona-Ontario Explorations Inc. on March 1st, 1990, we are enclosing the advance minimum royalty payment due to V.M.P., Inc. effective June 5th, 1990.

The June 5th payment of \$4,500.00 in accordance with the above agreement is attached.

With kindest regards,

Sincerely yours,



ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

SWH/bjg

enclosure

CASHED

ARIZONA EXPLORATIONS  **INC.**

June 25, 1990

Mr. Larry W. Beal, President
V.M.P., Inc.
1414 E. Purdue
Phoenix, AZ 85020

RE: LEASE PAYMENTS TO V.M.P., INC.

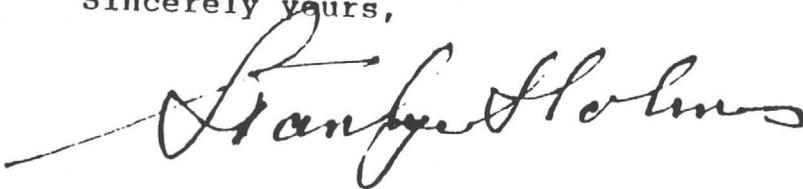
Dear Mr. Beal;

In accordance with the original lease between V.M.P., Inc. and A.F. Budge (Mining) Limited and the subsequent assignment to Arizona-Ontario Explorations Inc. on March 1st, 1990, we are enclosing the advance minimum royalty payment due to V.M.P., Inc. effective July 5th, 1990.

The July 5th payment of \$4,500.00 in accordance with the above agreement is attached.

With kindest regards,

Sincerely yours,



ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

SWH/bjg

enclosure

ARIZONA EXPLORATIONS  **INC.**

July 27, 1990

Mr. Larry W. Beal, President
V.M.P., Inc.
1414 E. Purdue
Phoenix, AZ 85020

RE: LEASE PAYMENTS TO V.M.P., INC.

Dear Mr. Beal;

In accordance with the original lease between V.M.P., Inc. and A.F. Budge (Mining) Limited and the subsequent assignment to Arizona-Ontario Explorations Inc. on March 1st, 1990, we are enclosing the advance minimum royalty payment due to V.M.P., Inc. effective August 5th, 1990.

The August 5th payment of \$4,500.00 in accordance with the above agreement is attached.

With kindest regards,

Sincerely yours,



ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

SWH/bjg

enclosure

W. SCOTT DONALDSON
ATTORNEY-AT-LAW
301 WEST INDIAN SCHOOL ROAD, SUITE 102
PHOENIX, ARIZONA 85013-3214
TELEPHONE: (602) 264-1351
TELECOPIER: (602) 279-9018

August 15, 1990

Stanley W. Holmes, President
Arizona Explorations Inc.
8433 North Black Canyon Highway, Suite 158
Phoenix, Arizona 85021

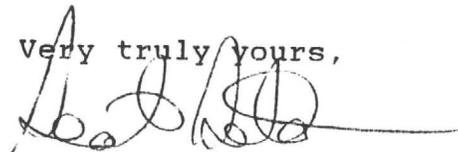
Re: Vulture Mine Properties, Inc.

Mr. Holmes:

Your August 14, 1990 letter discusses intelligence and professionalism. Do not directly contact this office or my client regarding this matter. Address all correspondence through your attorney, also counsel for A.F. Budge.

We have no interest in meeting with you or discussing your findings on the Vulture Mine. Our differences will be resolved in Maricopa County Superior Court.

Very truly yours,



W. Scott Donaldson, Esq.

cc: Vulture Mine Properties, Inc.
Michael R. Urman, Esq.

June 22, 1990

Mr. W. Scott Donaldson
Attorney At Law
301 E. Indian School Rd., #102
Phoenix, Arizona 85013-3214

RE: VULTURE MINING CLAIMS

Dear Mr. Donaldson;

This will acknowledge your letter of June 21, 1990, concerning the VULTURE MINING PROPERTY. We have outlined below the type of agreement that we feel would be advantageous to both of V.M.P., Inc. and A.E.I. We have also outlined the work carried out to date and our conclusions.

I would appreciate you discussing our proposal with V.M.P., Inc. as I am of the opinion that it could be the solution to the current situation with respect to, 1) allowing V.M.P., Inc. and Clearwater to separately carry out their litigation and, 2) allow exploration to proceed on the Vulture Property with no encumbrances to V.M.P., Inc. or A.E.I., 3) allow V.M.P. to receive a monthly rental without restrictions.

We are of the opinion that V.M.P., Inc. and Arizona Explorations Inc. could come to an agreement which is quite separate from the pending V.M.P. and Clearwater action. In this respect, we would ask V.M.P. to come to an agreement with A.E.I. and allow exploration to proceed on the property. We have been informed by counsel that both of these "situations" could be made separate under the current circumstances and allow the respective parties to proceed with their own affairs. I have outlined briefly for V.M.P.'s perusal, the work carried out by A.E.I. to date:

- 1) Compilation and study of all exploration data since 1930 - i.e.
 - a) United Verde Mines
 - b) Cyprus Mines
 - c) Noranda Mines
 - d) Pegasus Gold
 - e) Budge Mining
- 2) Airborne magnetometer compilation and interpretation of claim block and surrounding area (Jens Touborg Consultants).
- 3) Geological mapping (1" - 500.0') of the entire claim block (457 claims).
- 4) Detailed geological mapping (1.0" - 100.0') mine area.
- 5) Detailed stratigraphic studies of the mine area formations with respect to ore localization.
- 6) Diamond drilling - one hole (1200.0') to ascertain stratigraphy and ore localization. (Talmadge - Astor Block).
- 7) Underground geological mapping (1.0" - 50.0') and stratigraphic studies.
- 8) Structural analysis of the Talmadge, Astor and Schoolhouse Fault systems with respect to faulted ore positions.
- 9) Induced polarization (IP) geophysical surveys of the mined area and pits to test for remnant unmined sections.
- 10) Laboratory (petrographic) studies of the important rock types. (University of Western Ontario).
- 11) Ore sample analysis - gold content/rock type.

CONCLUSIONS

Our conclusion's from the above studies are as follows:

- 1) At least 60% of the claim group has no apparent potential and could be dropped resulting in a yearly saving of some \$25,000.00.
- 2) The mineralized zone is completely "mined-out" and has no immediate potential.
- 3) The remaining 40% of the claim group (east of the mine area) has potential targets-geologically inferred. This will require deep drilling (2000.0' holes) and will be costly/difficult.
- 4) The property is basically a "grass root's prospect" - high risk.

PROPOSAL

A.E.I. would consider testing some of the "inferred targets" based on their studies. We are going to file the Affidavit of Labor (\$49,285.00) for the year 1990. We propose to V.M.P., Inc. the following, however, it must be emphasized that this is a "high risk venture".

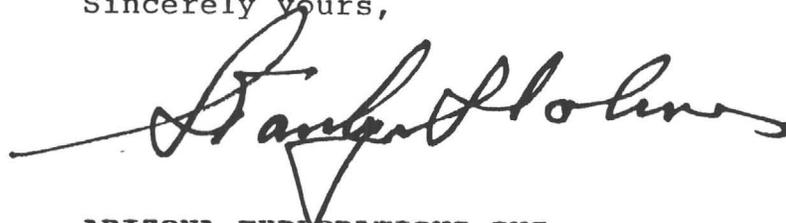
- 1) A 4 year explorations agreement with monthly payments of \$3,000./per month until the end of the 48th month.
- 2) A 12 month feasibility study period following the exploration period in which to decide as to whether or not the project is feasible. Monthly payments of \$4,000./per month.
- 3) A 6 month period following feasibility to make a production decision. Monthly payments of \$5,000./per month.
- 4) When a production decision is made, V.M.P., Inc. will receive \$100,000./per year until production commences.

- 5) When production commences, there will be a buyout of V.M.P.'s (Vulture) assets at a total price of \$5,000,000.00. This will be paid on yearly installments of \$500,000./per year for 10 years. A.E.I. may exercise its option to purchase V.M.P.'s assets at any time after execution of the agreement's.
- 6) A.E.I. will be able to terminate the agreement at any time during the period with a 30 day notice. If A.E.I. terminates, all technical data and ancillary material will be turned over to V.M.P.
- 7) V.M.P. will receive periodic reports regarding the work carried out and the progress being made on the project. V.M.P. will have complete access to the property and all current data.

We think that an agreement as outlined above, could be the basis for a mutually productive association between V.M.P. and A.E.I. It will assure V.M.P. of monthly rentals being kept current on the property and also allow exploration to carry on rather than the property be tied up in litigation for at least the next several years.

With kindest regards,

Sincerely yours,



ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

SWH/bjg

cc: Mr. Larry F. Beal - V.M.P., Inc.
Mr. Hans L. Matthews - A.E.I.
Mr. Michael R. Urman - DeConcini McDonald Brammer
Yetwin & Lacy

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
SPENCER A. SMITH	MICHAEL R. URMAN
DENISE M. BAINTON	DAVID F. GAONA
KAREN J. NYGAARD	LUIS A. OCHOA
SUSAN E. MILLER	GARY F. URMAN
MARK D. LAMMERS	FRANCES J. HAYNES
WAYNE E. YEHLING	CHRISTINA URIAS

June 8, 1990

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

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

PLEASE REPLY TO TUCSON

Carole A. O'Brien
A.F. Budge (Mining) Limited
4301 North 75th Street
Suite 105
Scottsdale, AZ 85251-3504

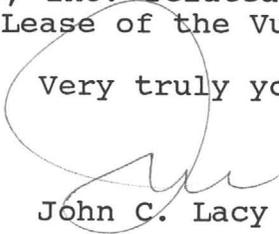
Ronald R. Short
General Manager
A.F. Budge (Mining) Limited
4301 N. 75th Street, Suite 105
Scottsdale, AZ 85251

Re: **Clearwater and Arizona-Ontario Explorations v.
V.M.P.**

Dear Carole and Ron:

I have enclosed herewith for your information a copy of the Complaint we filed on behalf of Clearwater Mining Corporation and Arizona-Ontario Explorations, Inc. related to V.M.P.'s assertion of default under the Mining Lease of the Vulture Mine.

Very truly yours,


John C. Lacy

bpm

Enclosure

0608900200.jcl2.900419

RECEIVED JUN 12 1990
RECEIVED JUN 12 1990

DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

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June 8, 1990

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PLEASE REPLY TO TUCSON

Carole A. O'Brien
A.F. Budge (Mining) Limited
4301 North 75th Street
Suite 105
Scottsdale, AZ 85251-3504

Ronald R. Short
General Manager
A.F. Budge (Mining) Limited
4301 N. 75th Street, Suite 105
Scottsdale, AZ 85251

Re: **Clearwater and Arizona-Ontario Explorations v.
V.M.P.**

Dear Carole and Ron:

I have enclosed herewith for your information a copy of the Complaint we filed on behalf of Clearwater Mining Corporation and Arizona-Ontario Explorations, Inc. related to V.M.P.'s assertion of default under the Mining Lease of the Vulture Mine.

Very truly yours,


John C. Lacy

bpm

Enclosure

0608900200.jc12.900419

DECONCINI McDONALD BRAMMER YETWIN & LACY
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
2901 NORTH CENTRAL AVENUE, SUITE 1644
PHOENIX, ARIZONA 85012-2736
(602) 241-0100

1 Michael R. Urman (I.D. No. 007511)
2 DeCONCINI McDONALD BRAMMER
3 YETWIN & LACY, P.C.
4 2901 North Central Avenue
5 Suite 1644
6 Phoenix, Arizona 85012-2736
7 (602) 241-0100

8 Attorneys for Plaintiffs

9 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
10 IN AND FOR THE COUNTY OF MARICOPA

11 CLEARWATER MINING CORPORATION,)
12 an Arizona corporation, as)
13 nominee of A.F. BUDGE (MINING))
14 LIMITED, a Foreign corporation;)
15 and ARIZONA-ONTARIO)
16 EXPLORATIONS, INC., an Arizona)
17 corporation,)
18 Plaintiffs,)
19 vs.)
20 V.M.P., INC., an Arizona)
21 corporation,)
22 Defendant.)

NO. CV 90-15743

C O M P L A I N T

(Declaratory Relief-
Contract)

RECEIVED

JUN 08 1990

DeConcini McDonald Brammer
Yetwin & Lacy - Tucson, AZ

19 The Plaintiffs, by their counsel undersigned, and pursuant to
20 A.R.S. § 12-1831 et seq., for their claim for declaratory relief
21 allege as follows:

22 1. Plaintiff Clearwater Mining Corporation ("Clearwater")
23 is an Arizona corporation. Clearwater is a wholly-owned subsidiary
24 and nominee of A.F. Budge (Mining) Limited ("Budge"), a corporation
25 registered under the laws of England and the State of Nevada, on an
26 Option and Lease Agreement (and First Amendment thereto) entered

1 into between Budge and Defendant V.M.P., Inc.

2 2. Plaintiff Arizona-Ontario Explorations, Inc. ("Arizona
3 Explorations") is an Arizona corporation doing business in Maricopa
4 County, Arizona as Arizona Explorations, Inc.

5 3. Defendant V.M.P., Inc. ("V.M.P.") is an Arizona
6 corporation doing business in Maricopa County, Arizona.

7 4. This Court has jurisdiction to issue the declaratory
8 relief sought herein pursuant to A.R.S. § 12-1831 et seq.

9 5. On or about July 1, 1984, Budge and V.M.P. entered into
10 an Option and Lease Agreement (the "Agreement") concerning patented
11 and unpatented mining claims situated in Maricopa County, Arizona.
12 A copy of the Agreement is attached hereto as Exhibit A and is
13 incorporated herein by this reference. Thereafter, on or about
14 February 1, 1985, these same parties entered into a First Amendment
15 to the Agreement (the "First Amendment"). A copy of the First
16 Amendment is attached hereto as Exhibit B and is incorporated herein
17 by this reference.

18 6. On or about March 1, 1990, Clearwater and Budge assigned
19 the Agreement and First Amendment to Arizona Explorations, reserving
20 therein a contingent right of reassignment to Clearwater and Budge.

21 7. Paragraph 8(a) of the Agreement provides that, in the
22 event of any claim by lessor (V.M.P.) of default under the
23 Agreement, if the lessee "in good faith disputes the existence of
24 a default, Budge shall initiate appropriate action in a court of
25 competent jurisdiction" within a thirty (30) day period from any
26 notice of default provided by lessor V.M.P.

1 8. By letter dated May 9, 1990 ("default letter"), V.M.P.
2 gave notice of various alleged events of default under the
3 Agreement. A copy of the default letter (without exhibits) is
4 attached hereto as Exhibit C and is incorporated herein by this
5 reference. In response to the allegations in the default letter,
6 and in an effort to eliminate any dispute, Budge responded to the
7 default letter by correspondence dated May 24, 1990. A copy of this
8 correspondence is attached hereto as Exhibit D and is incorporated
9 herein by this reference.

10 9. As of the date of this lawsuit, the allegations contained
11 in the V.M.P. default letter have not been withdrawn. Accordingly,
12 and to prevent unjust termination of the Agreement, Plaintiffs have
13 filed this action for declaratory relief pursuant to Paragraph 8(a)
14 of the Agreement.

15 10. The Plaintiffs herein dispute the allegations of the
16 default letter. As set forth in Exhibit D, none of the allegations
17 contained in the default letter are sufficient or supportable to
18 establish any default pursuant to the terms of the Agreement and
19 First Amendment.

20 11. Plaintiffs are entitled to a declaration from this Court
21 that no default exists with regard to the Agreement and First
22 Amendment.

23 12. Plaintiffs are entitled to an award of their reasonable
24 attorneys' fees incurred in connection with this litigation.

25 WHEREFORE, Plaintiffs seek relief as follows:
26

DECONCINI McDONALD BRAMMER YETWIN & LACY
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
2901 NORTH CENTRAL AVENUE, SUITE 1644
PHOENIX, ARIZONA 85012-2736
(602) 241-0100

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1. For a judgment of this Court declaring that no default has occurred under the Agreement and First Amendment;

2. For Plaintiffs' costs of suit and reasonable attorneys' fees incurred herein; and

3. For such other and further relief as the Court deems appropriate.

RESPECTFULLY SUBMITTED this 6th day of June, 1990.

DeCONCINI McDONALD BRAMMER
YETWIN & LACY, P.C.

By 

Michael R. Urman
2901 North Central Avenue
Suite 1644
Phoenix, Arizona 85012-2736
Attorneys for Plaintiffs

08-14-84
JCL

OPTION AND LEASE AGREEMENT

BY THIS OPTION AND LEASE AGREEMENT

effective as of the 1st day of July, 1984,

by and between V. M. P., INC., an Arizona corporation, whose address is Wickenburg, Arizona 85358 ("Lessor" herein),

and

A.F. BUDGE (MINING) LIMITED, a registered corporation (No. 1824873) under the laws of England ("Budge"), whose address is West Carr Road, Retford, Nottinghamshire, England DN22 7SW,

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

1. Recitals

Lessor is the owner of certain mineral properties in Maricopa County, Arizona, more particularly described in Exhibit A. Budge desires to evaluate the mineral potential of Property and lease the Property if he deems development is feasible. It is the understanding of the parties that if Budge exercises its option, Budge shall form a subsidiary corporation authorized to transact business in Arizona, and that such corporation will constitute Budge for the further provisions of this Agreement.

2. Grant; Definitions

a. Grant - Lessor hereby grants to Budge the sole and exclusive option to enter into a lease with the Lessor, which lease shall lease and let the Property exclusively unto Budge, its successors and assigns. During the term of the option Budge shall have the right to conduct Mineral Exploration and upon exercise of its option, Budge shall thereafter have the right to conduct Mining Activities to produce, process and market Leased Substances during the term hereof.

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

(1) The "Property" shall include that certain real property situated in Maricopa County, Arizona, more

EXHIBIT A

EXHIBIT 1

particularly described in Exhibit A attached hereto.

(2) "Leased Substances" shall include, but without being limited to, all soil, sand and gravel, rock, ores, minerals and mineral rights in, upon and under the Property, excluding, however, coal, geothermal resources, oil, gas, and associated hydrocarbon gases.

(3) "Mineral Exploration" shall include those activities that Budge, in its sole judgment and discretion, may deem advisable for the purpose of ascertaining any facts relating to the occurrence of ores and minerals in and under the Property and the metallurgical and physical properties of such ores and minerals; including, but not limited to, surface trenching, excavations, geophysical and geochemical surveys, drilling, the sinking of shafts for bulk sampling, and further including the right to use the surface for access, to place and use facilities on the surface and to use water and other surface resources that may be useful or convenient in connection with such activities.

(4) "Mining Activities" shall include, in addition to those activities constituting Mineral Exploration, all activities related to the mineral development and mining of the Property including the right:

-- to mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract, mill, store, process, remove and market Leased Substances from the Property;

-- 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;

-- to mix or commingle Leased Substances with any other ores produced off the Property, provided that Budge shall first weigh, sample, and assay the Leased Substances in accordance with recognized industry practice;

-- to conduct any mining upon the Property and Budge's mining of adjoining or nearby lands as a single mining operation as if the Property and all such other properties constituted a single tract of land, in which event Budge shall have the exclusive right to use structures, facilities, equipment,

roadways, haulageways, and all other appurtenances installed on the Property for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from adjoining or nearby property owned or controlled by Budge and the right to mine and remove Leased Substances from the Property through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property;

-- to use the surface of the Property to deposit waste, overburden, surface stripping and other materials from mining operations on the Property and adjoining properties being mined with the Property as a single mining operation; provided that materials from other lands may not be deposited on the Property if it would interfere with potential mining operations on the Property.

3. Term

Unless sooner terminated under the termination provisions hereinafter contained, the term of the option shall be for one year but may be further extended for an additional year by Budge. Thereafter, if the option is exercised, this Agreement shall be for an term of twenty (20) years commencing on the effective date of exercise of the option and for so long thereafter as Leased Substances are continuously produced from the Property. The term may be extended by reasons of force majeure, as specified in Section 11 hereof. Operations shall be deemed continuous as long as mining, processing or marketing operations do not cease for a period of more than ninety (90) consecutive days or if the Property does not produce Three Hundred Fifty Thousand Dollars (\$350,000.00) in gross sales or stockpiled values of Leased Substances for any calendar year.

4. Payments to Lessor

a. Option Payments - Budge shall pay Lessor Six Thousand Five Hundred Dollars (\$6,500.00) per month in order to keep its option to lease in full force and effect. Such payment shall be payable monthly three months in advance. The first payment consisting of Nineteen Thousand Five Hundred Dollars (\$19,500.00) and representing the payment for the months of July, August, and September, 1984, shall be payable upon execution of this Agreement. Additionally, if Budge elects to extend its option for the second year, it shall pay Lessor a one-time bonus of Twenty-Five Thousand Dollars (\$25,000.00).

b. Advance Minimum Royalty - At such time Budge exercises its option to lease the Property, the option

payments (but not any bonus) made to Lessor under the provisions of subsection a above shall constitute an advance minimum royalty. Budge shall thereafter pay Lessor Six Thousand Five Hundred Dollars (\$6,500.00) per month as an advance minimum royalty payable in the same manner as set forth above. Such advance royalties shall be a credit insofar as they will go toward any monies due Lessor under the provisions of subsection c of this Section 4.

c. Production Royalty - If Budge mines and markets Leased Substances from the Property, Budge shall pay to Lessor a production royalty of a specified percentage of the "Net Returns" received by Budge from the sale or other disposition of Leased Substances. Such percentage shall be based on the price of gold as determined on the date of sale or other disposition of Leased Substances according to the Englehard buying price of industrial bullion on the date of sale as follows: If gold is \$400 or less, 6%; \$401 to \$600, 7%; \$601 to \$800, 8%; \$801 to \$1,000, 9%; \$1,001 to \$1,200, 10%; \$1,201 to \$1,400, 11%; \$1,401 or more, 12%. The term "Net Returns" shall mean the total dollar value received from the purchaser of Leased Substances, less:

(1) in the case of sale of raw ore or concentrates: (a) any weighing, sampling, penalty, processing or other charges assessed by the purchaser; (b) selling charges; (c) any sales, severance, gross production, privilege or similar taxes assessed on or in connection with the ore or measured by the value thereof; and (d) the cost of transportation from the Property to the purchaser.

(2) in the case of leaching or other solution mining techniques in addition to the deductions specified in (1) above, all processing and recovery costs incurred beyond the point at which the leaching reagents are applied to the ore being treated (including the cost of reagents) shall be deducted from the selling price.

If ores or concentrates are processed at a smelter or other facility owned, operated or controlled by Budge or treated on a toll basis for Budge, the selling price shall be computed in the above manner with deductions for all charges and items of cost equivalent to the deductions set forth above and in any case not more than would be available at the nearest purchaser otherwise willing to accept such Leased Substances.

d. Payment of Production Royalty - Production royalty paid to Lessor hereunder shall be due and payable within thirty (30) days after the end of each calendar quarter for those Leased Substances sold and a settlement sheet received during the applicable calendar quarter after first deducting any advance minimum royalty paid for the applicable annual

period under Section 4b hereof. All production royalty shall be accompanied by the settlement sheets or a similar statement showing the basis upon which the payment was computed.

e. Method of Making Payments - All payments required hereunder may be mailed or delivered to Lessor's address or to any single depository as Lessor may instruct. Upon making payment to the authorized agent or depository, Budge shall be relieved of any responsibility for the distribution of such payment to Lessor. The delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

f. Fractional Interest - All payments under this Agreement, unless specified otherwise, are based on a grant by Lessor of full undivided rights and title to the Property. If Lessor's interest in the Property or any compensable damage or improvement is less than such full interest, all payments made hereunder shall be paid in the same proportion thereof as the undivided rights and title actually owned by Lessor bear to the entire undivided rights and title to the Property, the areas included therein, or any compensable damages or improvements.

5. Inspection

Lessor and its agents authorized in writing, at Lessor's risk and expense, may (1) 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, and (2) inspect the accounts and records used in calculating production royalty paid to Lessor hereunder, which right may be exercised, at any reasonable time during a period of one (1) year from and after the date on which the applicable quarterly payment of production royalty was made. Lessor agrees to treat all information received hereunder as confidential and not to disclose the same without prior permission 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 or federal laws and regulations governing such operations.

b. Weights and Analysis - In all cases where ore or concentrates are stockpiled off the Property or commingled with ore or concentrates not mined from the Property, Budge shall measure ore, weigh other product, and take and analyze samples thereof, in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a

basis for computing royalty payments, which records shall be available for inspection by Lessor in accordance with Section 5.

c. 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.

d. Indemnity - Budge shall indemnify Lessor against and hold Lessor harmless from any suit, claim, judgment or demand whatsoever arising out of negligence on the part of Budge in the exercise of any of its rights pursuant to this Agreement, provided that Lessor, or any one of them, or any person or instrumentality acting on its behalf, shall not have been a contributing cause to the event giving rise to such suit, claim, demand or judgment. Budge shall maintain insurance to support the indemnification required by this Agreement and provide Lessor with copies of such policies or a certificate of such insurance showing the amount of coverage.

e. Payment of Taxes - Budge shall pay all taxes levied against its improvements on the Property. In the event of commercial development of the Property, Budge shall pay all ad valorem taxes assessed against that amount of the Property used in such commercial development and shall, in addition, pay all taxes related to production of Leased Substances from the Property, subject to Budge's right to deduct the amount of such production-related taxes from the dollar value received from the purchaser of Leased Substances in the computation of Net Returns under the provisions of subsection c(1)(c) of Section 4. Lessor shall pay, before delinquency, all other taxes and assessments on the Property and improvements of Lessor thereon. In no event shall Budge be liable for any taxes levied or measured by income of Lessor, or for taxes applicable to or levied against or based upon advance or production royalty payments made to Lessor under this Agreement. Budge shall have the right to contest, in the courts or otherwise, the validity or amount of any taxes or assessments, before it shall be required to pay the same. Budge shall have the right, at its sole discretion, to pay any delinquent property taxes, together with interest, penalties and charges, that are the responsibility of the Lessor, the payment of which shall be a credit against payments thereafter to be made by Budge under the provisions of Section 4. If this Agreement is terminated or otherwise expires, all ad valorem taxes that are Budge's responsibility shall be prorated as of the date Budge has removed its

improvements from the Property or Lessor agrees to their abandonment.

f. Work Requirements -

(1) Budge 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 during which this Agreement continues in force beyond July 1 of the applicable assessment year. 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. Lessor acknowledges and agrees that the mining claims included within the Property are one contiguous group and that development and exploration work on any one or more of the claims will be for the benefit of all of them. Lessor further agrees that if Budge acquires a right to explore areas adjacent to the Property by location, purchase, lease or option, Budge shall have the right to perform assessment work required hereunder pursuant to a common plan of exploration or development of all the areas, claims or groups of claims, whether performed on or off the Property.

(2) During the term of the option, Budge shall expend in the conduct of exploration ("Work") not less than Fifty Thousand Dollars (\$50,000.00). The nature, place and conduct of such Work shall be at the sole discretion of Budge, so long as such Work benefits the exploration, development or mining of the Property. The amount of the expenditures shall be determined by the direct cost to Budge of Work performed, the salaries, expenses and benefits burden of Budge's employees or consultants performing work.

g. Improvements and Structures on the Property - Budge shall conduct all of its operations under this Agreement in such a way as to avoid, wherever possible, damage to any and all improvements on the Property. If any such improvements are destroyed or rendered non-usable by operations of Budge, Lessor shall be compensated for the reasonable value thereof. The value shall be the replacement cost for comparable improvements. Prior to conducting any activities that might damage or destroy an existing structure on the Property, Budge shall notify Lessor, and Lessor may elect within the following thirty-day period, to move such structure in which case Budge shall pay one-half of the cost of such move to a point designated by Lessor not more than one-half mile from the existing location of such structure.

h. Reclamation - At the conclusion of any operations contemplated under this Agreement, Budge shall undertake or

shall have completed those reclamation and land restoration measures as may be required by state or federal law and regulations for those lands disturbed or conditions created by activities of Budge under this Agreement. In any case, prior to the commencement of mining operations under this Agreement, Budge shall provide Lessor with a reclamation plan to be put into effect where portions of the Property are no longer needed for mining and production related activities permitted under this Agreement. Such plan shall include at a minimum (i) the segregation and saving of topsoil during exploration and mining operations, (ii) the measures that will be taken to control erosion, landslides, and water runoff, (iii) the isolation, removal or control of toxic materials, and (iv) the reshaping of the areas disturbed, application of the topsoil, and revegetation of disturbed areas, where reasonably practicable.

7. Title Matters

a. Representations and Warranties - Lessor represents and warrants to Budge that: (1) Insofar as the Property includes fee lands, the Lessor owns the entire undivided title to the Property, including the surface and mineral estate, and has the exclusive possession thereof; (2) insofar as the Property includes unpatented mining claims, the claims 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 claims; (3) with respect to the Property as a whole, except as specified in Exhibit A, Lessor's title or possessory right to the Property is free and clear of all liens and encumbrances, and (4) the Lessor 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, Lessor shall promptly deliver to Budge all abstracts of title to and copies of all title documents affecting the Property which Lessor has in its possession.

c. Title Defects, Defense and Protection - If -- (1) in the opinion of counsel retained by Budge, Lessor's title to any of the Property is defective or less than as represented herein, or (2) title to any of the Property is contested or questioned by any person, entity or governmental agency -- and if Lessor is unable or unwilling to promptly correct the defects or alleged defects in title, Budge may attempt, with all reasonable dispatch, to perfect, defend or

initiate litigation to protect such title. In that event, Lessor shall take such actions as are reasonably necessary to assist Budge in its efforts to perfect, defend or protect such title. If title is less than as represented in this Section 6, then (and only then) the costs and expenses of perfecting, defending or correcting title (including, but without being limited to, the cost of attorney's fees and the cost of releasing or satisfying any mortgages, liens and encumbrances), shall be a credit against payments thereafter to be made by Budge under the provisions of Section 4, unless the encumbrance or dispute arises from Budge's failure to perform obligations hereunder (in which case such costs shall be borne by Budge).

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 Lessor hereunder in the proportion that the interest actually owned by Lessor bears to the interest as represented herein.

e. Amendment and Relocation of Mining Claims - Budge shall have the right to amend or relocate in the name of Lessor the unpatented claims which are subject to this Agreement which Budge, in its sole discretion deems advisable to amend or relocate. Where Budge has notified Lessor of such actions taken or to be taken, and Lessor has approved such actions, Budge shall not be liable to Lessor for any act (or failure to act) by it or any of its agents in connection with the amendment or relocation of such claims as long as such act (or omission) is not made in bad faith.

f. Patent Proceedings - Upon request of Budge at any time or times during the term of this Agreement, Lessor agrees to undertake to obtain patent to any or all of the unpatented mining claims which are subject to this Agreement. Budge shall prepare all documents and compile all data and comply in all respects with the applicable law, all at the expense of Budge. Lessor shall execute any and all documents required for this purpose and shall cooperate fully with Budge in the patent application proceedings subsequent thereto. If Lessor begins such proceedings and Budge thereafter requests Lessor to discontinue such proceedings, or if this Agreement is terminated while proceedings are pending, Budge shall have no further obligation with respect thereto except to pay any unpaid expenses accrued in such proceedings prior to its request to discontinue or prior to termination, whichever occurs first.

g. Change of Law - If the laws of the United States concerning acquisition of mineral rights on federally managed

lands is repealed, amended, or new legislation is enacted, Budge shall have the right to take whatever action it deems appropriate to preserve a right to explore for, develop, and mine Leased Substances. If Budge elects to take any action under the terms of this subsection, it shall first notify Lessor in writing setting forth the nature of the proposed action and an explanation thereof. Lessor agrees to cooperate with Budge and execute whatever documents are deemed necessary by Budge to accomplish such action. Nothing in this subsection shall impose any obligation upon Budge to take any action, or diminish the right of Lessor to take action it deems appropriate; provided, however, that if Lessor chooses to take any action, it will first inform Budge of the nature of such contemplated action.

h. 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 Lessor - If Budge defaults in the performance of its obligations hereunder, Lessor 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, Lessor 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. Lessor 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 upon sixty (60) days prior written notice from Budge to Lessor. 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 six (6) months 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 Lessor of the same; provided, however, that Budge may still be required to remove such property upon notice from Lessor at any time during the six-month period and thirty (30) days thereafter. Lessor may also, within fifteen (15) days after such notice of termination by Budge, elect to purchase any structures placed on the Property by Budge. The purchase price shall be determined by an independent appraiser mutually satisfactory to the parties which appraisal shall be final. Lessor shall tender the amount of such appraisal in legal tender of the United States within thirty (30) days after completion of the appraisal.

d. Delivery of Data - If this Agreement is terminated, upon written request given by Lessor within thirty (30) days of said termination, Budge shall, within a reasonable time, furnish Lessor 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 Lessor 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. In the case of notice to Budge, duplicate notice shall be given to DMEA Ltd., 4203 N. Brown Avenue, Suite F, Scottsdale, Arizona 85251. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices.

10. Binding Effect; Assignment

Neither party shall assign its rights in this Agreement or the Property without the prior written consent of the other party, which consent shall not be unreasonably withheld. This provision shall not apply to mergers, transfers through operation of law, or sales and assignments

to subsidiaries of the parties, their corporate parents or subsidiaries of their corporate parents. A subsidiary shall be deemed any corporation or other entity in which the party or its parent owns or controls a majority of the stock or interest.

11. Force Majeure; No Implied Covenants

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 set forth in Sections 4 and 6), 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, the inability to obtain environmental clearance or operating permits that may be required by governmental authorities, or if the prevailing levels of prices makes it economically impractical for Budge to conduct production operations. 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 prospecting, mining, or any operations of Budge hereunder.

12. Boundary Protection

If Budge or Lessor locates mining claims after the effective date of this Agreement, any part of which claim is within one mile from the exterior boundaries of the Property (the "Area of Interest"), such claims shall become part of the Property (unless in the case of Lessor, 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.

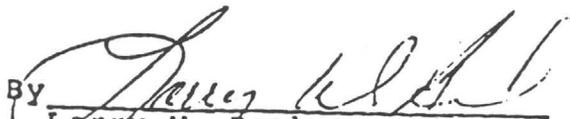
SIGNED, effective as of the date recited above.

LESSOR:

BUDGE:

V. M. P., INC.

A. F. BUDGE (MINING) LIMITED

By 
Larry W. Beal, President

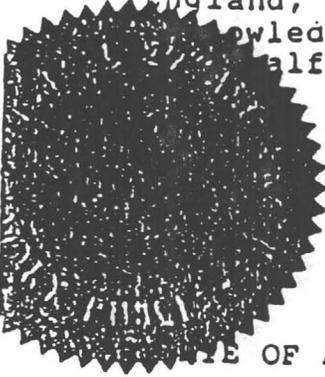
By 
A. F. Budge, Chairman

UNITED KINGDOM

)
) ss.
)

[Handwritten signature]

Before me, the undersigned officer, personally appeared A. F. Budge, known to me to be the Chairman of A. F. Budge (Mining) Limited, a registered corporation under the laws of England, this 24th day of August, 1984, and acknowledged that he executed the foregoing document for and on behalf of the corporation with full authority to do so.



[Handwritten signature]

Title: Notary Public

STATE OF ARIZONA
County of Maricopa

)
) ss.
)

The foregoing instrument was acknowledged before me this 31st day of August, 1984, by Larry w. Beal, the President of V. M. P., Inc., an Arizona corporation, for and on behalf of the corporation.

My commission expires:
My Commission Expires April 14, 1987

Larry A. O'Brien
Notary Public

EXHIBIT A

The "Property" consists of those certain patented and unpatented mining claims situated in the Vulture Mining District, Maricopa County, Arizona, in Sections 24, 25, 26, 27, 34, 35, and 36, Township 6 North, Range 6 West, Sections 16, 17, 19, 20, 21, 28, 29, 30, 31, and 32, Township 6 North, Range 5 West, Sections 1, 2, and 12, Township 5 North, Range 6 West, and Sections 5, 6, and 7, Township 5 North, Range 5 West, G&SRM, and are more particularly described as follows:

Patented Lode Mining Claims:

<u>Name of Claim</u>	<u>Mineral Survey No.</u>
Canon City	1797
Gold Nugget	1797
Astor	2511
Conkling	2511
Custer	2511
Elmore	2511
Hamilton	2511
Jane Elmore	2511
Sheridan	2511
Sherman	2511
Talmage	2511
Van Buren	2511
Pit Gold	2522
Vulture Extension	3146

Unpatented Lode Mining Claims:

The names and place of record of the location notices of the unpatented lode mining claims in the official records of the Maricopa County Recorder and the authorized office of the Arizona State Office of the Bureau of Land Management are as follows:

<u>Name of Claim</u>	<u>Mrcpa Cty</u> <u>Book/Dkt</u>	<u>Rcds</u> <u>Page</u>	<u>BLM Serial No.</u> <u>A MC</u>
Central	35	386	71742
Vindicator #1	35	389	71743
Vulture South	35	59	71744
Desert #1	29	595	71745
Desert #5	29	598	71746
Desert #8	29	596	71747
Desert #9	29	597	71748
Reserve #1	1965	161	71749
Reserve #2	1965	162	71750
Reserve #3	1965	163	71751

<u>Name of Claim</u>	<u>Mrcpa Book</u>	<u>Cty</u>	<u>Rclds Page</u>	<u>BLM Serial No. A MC</u>
Rosa de Oro	29		591	71752
Rosa de Oro #2	29		592	71753
Thomas	29		593	71754
Vulture North	35		60	71755
J.S. Group 1 to 25 inclusive	7682		390-439	71756 to 71780 inclusive
Desert Group D-1A, 2, 3, 4, 5A, 6, 7, 8A, 9A, 10 to 142 inclusive, 144 to 155 inclusive	15828		475-781	160603 to 160756 inclusive
Vulture Group V-1 to 20 inclusive, V-25 to 81 inclusive, 81A, 82 to 89 inclusive, 90A, 91 to 174 inclusive	15828		79-419	160432 to 160602 inclusive
B-Lan Group 1 to 21 inclusive, 22, and 23	15952 16260		600-640 601-603	167064 to 167084 inclusive 170741 and 170742
Zen Group 1 to 21 inclusive	15952		544-584	167085 to 167105 inclusive
Alan Group 1 to 42 inclusive and 16025	15952 and 16025		451-509 518-540	167034 to 167063 inclusive 170729 to 170740 inclusive

Unpatented Placer Mining Claims:

The names and place of record of the location notices of the unpatented placer mining claims in the official records of the Maricopa County Recorder and the authorized office of the Arizona State Office of the Bureau of Land Management are as follows:

<u>Name of Claim</u>	<u>Mrcpa Book</u>	<u>Cty</u>	<u>Rclds Page</u>	<u>BLM Serial No. A MC</u>
V.M.P. Claims 1 to 13 inclusive, 18 to 38 inclusive	11693		739-776	77018 to 77051 inclusive
J.S. Group 1 to 16 inclusive	7685		387-402	71781 to 71796 inclusive

FIRST AMENDMENT TO OPTION AND LEASE AGREEMENT

BY THIS FIRST AMENDMENT TO OPTION AND LEASE AGREEMENT

effective February 1, 1985,

by and between V. M. P., Inc., an Arizona Corporation, whose address is Box 20202, Wickenburg, Arizona 85358 ("Lessor" herein),

and

A. F. BUDGE (MINING) LIMITED, a registered corporation under the laws of England, whose address is West Carr Road, Retford, Nottinghamshire, England DN22 7SW ("Budge"),

the Lessor and Budge, in consideration of mutual promises and obligations, have modified their Option and Lease Agreement entered into effective July 1, 1984 (the "Agreement"), as follows:

1. Exercise of Option

By this Amendment Budge has exercised its option to lease the Property and the Agreement hereafter constitute a lease of the Property under the terms of the Agreement as modified by this Amendment.

2. Term

The provisions of Section 3 of the Agreement are hereby deleted and the following substituted therefor:

Unless sooner terminated under the termination provisions of the Agreement, this Amendment shall be for a term that shall remain in force for so long as Budge makes the payments specified in Section 3 hereinafter contained and performs annual work as required by subsection f(1) of Section 6.

Once production commences, the lease shall remain in force so long as Leased Substances are continuously produced from the Property. The term may be extended by reasons of force majeure, as specified in Section 11 of the Agreement. Operations shall be deemed continuous as long as mining, processing or marketing operations do not cease for a period of more than ninety (90) consecutive days or if the Property does not produce Three Hundred Fifty Thousand Dollars (\$350,000.00) in gross sales or stockpiled values of Leased Substances.

3. Payments to Lessor

Subsection a of Section 4 is hereby deleted; subsection b of Section 4 is hereby deleted and the following substituted

therefor, and a new subsection g of Section 4 is hereby added as follows:

b. Advance Minimum Royalty - Budge shall pay Lessor an Advance Minimum Royalty based on the average Handy and Harmon quoted buying price for industrial gold bullion for the two-month period preceding the due date of the applicable payment as published in the Wall Street Journal. The amount payable shall be calculated based on the following scale:

<u>H&H Price/Ounce</u>	<u>Monthly Payment</u>
Less than \$266.99	\$2,500.00
\$267.00 to \$299.99	\$3,000.00
\$300.00 to \$333.99	\$3,500.00
\$334.00 to \$366.99	\$4,000.00
\$367.00 to \$399.99	\$4,500.00
\$400.00 to \$433.99	\$5,000.00
\$434.00 to \$466.99	\$5,500.00
\$467.00 and above	\$6,000.00

Such Advance Minimum Royalty payments shall be payable monthly in advance on or before the fifth day of the month and shall be a credit insofar as they will go toward any monies due Lessor under the provisions of subsection c of this Section 4.

g. Production Bonus - If Budge elects to commence mineral production on the Property, Lessor shall be paid a one-time bonus of Seventy-Five Thousand Dollars (\$75,000.00). The decision to commence production shall occur when Budge commits to the expenditure of funds for a full-scale development of the Property based on the conclusions of a feasibility study and shall not include a pilot plant, bulk sampling or other large volume metallurgical or mine testing. The production bonus shall be paid on or before thirty (30) days after Budge's announcement to its stockholders that production will commence.

4. Notice

The address for duplicate notices to Budge is hereby changed to DMEA Ltd., 7340 E. Shoeman Lane, Suite 111 "B" (E), Scottsdale, Arizona 85251.

5. Ratification

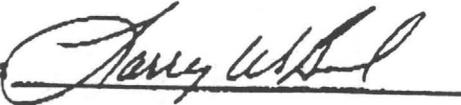
Except as specifically modified herein, the Agreement remains in full force and effect.

SIGNED, effective as of the date recited above.

LESSOR:

V.M.P., INC.

By:

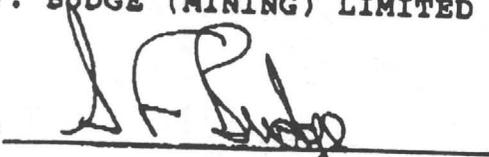


Larry W. Beal, President

BUDGE:

A.F. BUDGE (MINING) LIMITED

By:



A.F. Budge, Chairman

UNITED KINGDOM

)
) ss.
)

Before me, the undersigned officer, personally appeared A. F. Budge, known to me to be the Chairman of A. F. Budge (Mining) Limited, a registered corporation under the laws of England, this 15th day of April, 1985, and acknowledged that he executed the foregoing document for and on behalf of the corporation with full authority to do so.

[Signature]

[Signature]

Title:

STATE OF ARIZONA

)
) ss.
)

County of Maricopa

The foregoing instrument was acknowledged before me this 8th day of April, 1985, by Larry W. Beal, the President of V. M. P., Inc., an Arizona corporation, for and on behalf of the corporation.

Lars A. O'Brien
Notary Public

My commission expires:
My Commission Expires April 14, 1987

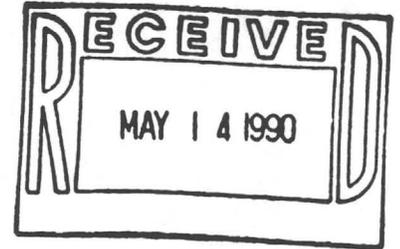
W. SCOTT DONALDSON
ATTORNEY-AT-LAW
301 WEST INDIAN SCHOOL ROAD, SUITE 102
PHOENIX, ARIZONA 85013-3214
TELEPHONE: (602) 264-1351
TELECOPIER: (602) 279-9018

RECEIVED
DeCONCINI McDONALD, BRAMMER
YETWIN & LACY, P.C.

MAY 14 1990

May 9, 1990

250T N. CENTRAL AVE., STE. 1644
PHOENIX, ARIZONA 85012-2736



A. F. Budge
West Carr Road
Retford, Nottinghamshire,
England DN22 7SW

DMEA Limited
7340 East Shoeman Lane
Suite 111 "B"
Scottsdale, Arizona 85251

John C. Lacy
DeConcini,, McDonald, Bremmer, Yetwin, Lacy & Zimmerman, P.C.
2525 East Broadway Blvd., Suite 200
Tucson, Arizona 85716

Arizona Exploration, Inc.
Exodyne Business Park
8433 North Black Canyon Hwy., Ste. 158
Phoenix, Arizona 85021

Re: V.M.P., Inc. - A.F. Budge (Mining) Limited
Option and Lease Agreement: Notice of Default

Gentlemen:

V.M.P., Inc., an Arizona corporation ("V.M.P."), pursuant to Section 8 of the above-referenced Option and Lease Agreement dated July 1, 1984, and the First Amendment thereto, hereby gives A.F. Budge (Mining) Limited ("Budge") notice of default. The defaults are specifically described below.

1. Budge, or its agent, is treating or detoxifying solid wastes from another property at the Vulture mine site. The details of this operation are provided in Exhibit A. This activity is not "Mineral Exploration" or "Mining Activities" as defined in Sections 2.b.(3) and 2.b.(4) of the Agreement. V.M.P. requests that Budge immediately cease this activity and remove the approximately one hundred twenty five (125) cubic yards of material.

2. Budge has assigned the Agreement to Arizona - Ontario Exploration, Inc. ("Arizona Exploration") without permission of V.M.P. That assignment is described in Exhibit B. Section 10 of the Agreement requires consent by V.M.P. before an assignment is effective. V.M.P. will not approve the assignment because Arizona Exploration is not complying with federal mining laws and regulations as described in paragraph 3.

3. Arizona Exploration is conducting mineral exploration activities on the property. The location of those activities is shown by the well registration documents attached hereto as Exhibit C. As of May 4, 1990, Arizona Exploration is conducting

EXHIBIT C

W. SCOTT DONALDSON
ATTORNEY-AT-LAW
301 WEST INDIAN SCHOOL ROAD, SUITE 102
PHOENIX, ARIZONA 85013-3214
TELEPHONE: (602) 264-1351
TELECOPIER: (602) 279-9018

Page two
V.M.P., Inc.

those activities without having applied for or obtained the requisite federal permits or notices.

4. Budge has failed to properly maintain all of the unpatented mining claims as required by Sections 6.a. and 6.f.(1) of the Agreement. The details of this failure are outlined in Exhibit D.

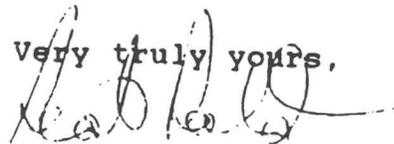
5. Budge has failed to pay the advance minimum royalties due, pursuant to Section 4.b. of the Agreement as amended, on March 5, April 5, and May 5, 1990. Although Arizona Exploration has attempted to make the April 5 payment, as indicated by Exhibit E, V.M.P. cannot accept this payment since it has not approved the Budge - Arizona Exploration assignment.

6. Budge has failed to make the \$75,000.00 Production Bonus Payment called for in Section 3.g. of the "First Amendment to Option and Lease Agreement" dated February 1, 1985. Budge has been operating a heap leaching facility on the property since approximately May 27, 1988 as is indicated by Exhibit F. This activity must be defined as mineral production since Budge is sending concentrates to G.D. Resources, Inc. and receiving payments therefrom, as indicated by the settlement statements attached hereto as Exhibit G. Budge is calculating the advance mineral royalties paid to V.M.P. against income from G.D. Resources, Inc. The "Remarks Sheet" (Exhibit H), given to Larry Beal on February 20, 1990 by Ron Short, shows this calculation and leaves V.M.P. convinced that Budge is producing minerals from the property.

7. Budge has failed to transfer the Vulture townsite to V.M.P. V.M.P.'s intent in agreeing to Section 12 of the Agreement was that any interest associated with the Vulture Mine and obtained by Budge within the described boundaries would be subject to V.M.P. ownership.

8. Budge has failed to employ John Osborn throughout the term of the Agreement pursuant to Ben Dickerson's agreement with V.M.P.

Very truly yours,



W. Scott Donaldson, Esq.

WSD/dmm
cc: V.M.P., Inc.
Enclosures

MRU

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 |
| SPENCER A. SMITH | MICHAEL R. URMAN |
| DENISE M. BAINTON | DAVID F. GAONA |
| KAREN J. NYGAARD | LUIS A. OCHOA |
| 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

May 24, 1990

2901 NORTH CENTRAL AVENUE, SUITE 644
PHOENIX, ARIZONA 85012 2736
(602) 241-0100
FAX: (602) 241-0220

PLEASE REPLY TO TUCSON

V.M.P., Inc.
c/o Scott Donaldson, Esq.
Attorney at Law
301 W. Indian School Road
Suite 102
Phoenix, AZ 85013-3214

Re: Vulture Mine Properties, Inc. - A. F. Budge (Mining) Limited; Option and Lease Agreement, Notice of Default dated May 9, 1990

Gentlemen:

This letter is in response to Mr. Scott Donaldson's letter dated May 9, 1990, which was styled as a Notice of Default on behalf of V.M.P., Inc. under the referenced Agreement (the "Notice"). This letter is in response to the allegations contained in the Notice.

Item Number 1:

By Item No. 1 of the Notice, it is asserted that the actions undertaken by A. F. Budge and Western Technologies in performing a remediation of certain material removed from land outside of the land subject to the Agreement is not "mineral exploration" nor "mining activities" as granted under the terms of the Agreement. All of the actions related to the bio-remediation complained of are being taken on portions of the Vulture City Townsite purchased by A.F. Budge (Mining) Ltd., from the Superior Court of the State of Arizona, which land is the sole property of A.F. Budge and not subject to the terms of the Agreement.

Items Number 2, 3, and 5:

Items Nos. 2, 3, and 5 of the Notice are inter-related and will thus be discussed together.

EXHIBIT D

V.M.P., Inc.
May 24, 1990
Page 2

As to the assertion in Item No. 2, V.M.P. has previously been requested by A. F. Budge to approve an assignment of the Agreement to Arizona Explorations, Inc. and V.M.P. refused to take any action and has also insisted on some sort of money payment for the transfer, which payment is not required by the Agreement. By the Notice, the only basis for this refusal is that requisite federal permits for operations on the Property have not been obtained by Arizona Explorations. It is the position of A. F. Budge that V.M.P. originally withheld approval of the assignment without reasonable cause as evidenced by the fact that only post-assignment operations form the basis for the allegations of the Notice. Further, the deficiency asserted as set forth in Item No. 3 is that "as of May 4, 1990, Arizona Exploration is conducting those activities without having applied for or obtained the requisite federal permits or notices." To date, Arizona Explorations has drilled two holes on the property, both of which have been on patented mining claims and therefore has filed requisite notices with the Arizona Department of Water Resources for the drilling and completion of these drill holes. Because these activities have not taken place on federal land, it is A. F. Budge's position that no additional permitting is required and therefore there has been full compliance with the terms of the Agreement.

These facts also relate to the allegations of Item No. 5, by which it is asserted that certain payments have not been made as required by the Agreement because such payments have been tendered by Arizona Explorations without approval of the assignment. However, since no violation of the terms of the Agreement exists, as discussed above, V.M.P. is in no position to assert that it cannot accept payments from Arizona Explorations.

Item Number 4:

Under the allegations contained in Item No. 4 of the Notice, V.M.P. has asserted that A. F. Budge has failed to properly maintain all of the unpatented mining claims as required by Sections 6.a. and 6.f.(1) of the Agreement. This assertion apparently stems from two letters addressed to V.M.P. from the United States Bureau of Land Management dated May 12 and 13, 1990, wherein it was asserted that certain mining claims were being voided as a result of improper filings of annual assessment work. Subsequent to receipt of these letters, and as a result of actions taken by A. F. Budge, this decision of the Bureau of Land Management was vacated in part by a letter to Mr. Larry Beal on April 10, 1990, which decision reinstated all of the mining

V.M.P., Inc.
May 24, 1990
Page 3

claims subject to the Agreement with the exception of the Vulture # 81-83, 81A and VMP 6 and 7.

In this regard, I call your attention to the fact that the Vulture #81, #81A, #82 and #83, were declared null and void by a decision of the Arizona State Office of the Bureau of Land Management dated December 5, 1985, for the reason that these mining claims were located within the limits of the Vulture City Townsite and thus were void from their inception. As you will recall, this decision was appealed to the Interior Board of Land Appeals and was affirmed by an Order dated November 3, 1987. The possibility of taking appeal from this decision was then discussed with Mr. Scott Donaldson and the decision was made to not appeal to the United States Federal District Court.

As for the VMP 6 and 7, these claims were originally located on land owed by the State of Arizona (Section 2) and were therefore void from their inception.

Item Number 6:

By Item No. 6, the assertion is made that V.M.P. is owed \$75,000.00 as a production bonus payment. Under the terms of subsection g of Section 4 of the Agreement, if A. F. Budge elects to commence mineral production on the Property, V.M.P. was to be paid a one time production bonus of \$75,000. The "commencement of production" under the terms of the Agreement occurs when:

. . . Budge commits to the expenditure of funds for a full-scale development of the Property based on the conclusions of a feasibility study and shall not include a pilot plant, bulk sampling or other large volume metallurgical or mine testing. The production bonus shall be paid on or before 30 days after Budge's announcement to its stockholders that production will commence.

The activities that Budge has undertaken on the Property consists of reprocessing mine tailings from the Pit Gold patented mining claim and from within portions of the Vulture City Townsite which operation was not based on any mine feasibility study. The parties contemplated that actual mining operations would be required as a prerequisite to this payment as evidenced by the contractual provision making the payment contingent upon "a full-scale development of the Property." The reprocessing of

V.M.P., Inc.
May 24, 1990
Page 4

the tailings is not a "mining operation" in the strict sense of the word and the terms of the Agreement for purposes of the production bonus. No claim has ever been asserted that V.M.P. is not entitled to royalties on metal values recovered from the tailings.

Further, other provisions of the Agreement suggest that the tailings reprocessing would not be the "full-scale mining" contemplated by the Agreement because if such processing were considered full-scale mining, such construction would cause considerable problems in the long-range development of the Property because once "production" commences, the term is fixed on the continuation of production. The reprocessing of the tailings is a relatively short-term activity and the intent of the parties was that the full-scale production would constitute a mining operation and not a short-term reprocessing operation of the mine tailings.

Item Number 7:

By Item No. 7 of the Notice, it was stated that A. F. Budge had refused to convey the Vulture City Townsite to V.M.P. in violation of the terms of the Agreement. By the terms of subsection c of Section 7 of the Agreement, if title to any of the Property was defective, A. F. Budge was authorized to "perfect, defend or initiate litigation to protect such title." Further, in the course of such activities, A. F. Budge was permitted to deduct the cost of "perfecting, defending or correcting title (including . . . the cost of releasing or satisfying any mortgages, liens and encumbrances) . . ." Thus, the Agreement clearly contemplates that some sort of correction of defects in title would be entailed. As referred to above, in this case, the Bureau of Land Management rejected a number of mining claims that were situated within the limits of what turned out to be the Vulture City Townsite in effect holding that V.M.P. never had any title to the ground in question.

After appealing the Bureau of Land Management decision without success, A. F. Budge took certain actions to acquire title to the unsold portions of the Vulture City Townsite from the Judge of the Arizona Superior Court for Maricopa County (as the successor in interest to the Probate Judge who was granted the original title as trustee for the occupants of Vulture City). Such purchase was not a perfection or defense of V.M.P.'s title to the Property, but was instead the acquisition of new rights from a third party. There are instances under the Agreement

V.M.P., Inc.
May 24, 1990
Page 5

where such new rights are to be included under the Agreement, but it appears that the instances when any such new rights will be included within the terms of the Agreement are limited to the location of mining claims within the "Area of Interest" as specified under Section 12 of the original Agreement.

When application was made to purchase the unsold portions of the Vulture City Townsite by Ben F. Dickerson, then acting as manager for A.F. Budge, because the "Pit Gold" patented mining claim was also within the boundaries of the townsite patent and therefore might be found to be illegally issued, this office prepared the requisite paperwork to permit V.M.P. to purchase that portion of the townsite that was in conflict with the Pit Gold. As a part of this process Mr. Dickerson purchased 109.239 acres and Mr. Beal purchased 20.661 acres. Separate Quitclaim Deeds to Unclaimed Townsite Lots were signed on March 4, 1987, granting the separate parcels to Vulture Mine Properties, Inc., an Arizona corporation and to Ben F. Dickerson, III. This interest was later acquired by A.F. Budge (Mining) Limited from Mr. Dickerson's estate. The total cost of acquisition to A. F. Budge included, without limitation, \$12,046.83 in legal fees and other costs associated with the action, an appraisal fee of \$1,500, the purchase price of \$16,400.00, a survey bill of \$5,409.72, and approximately \$10,000.00 of time allocated to personnel of A.F. Budge. At the time of the application, Mr. Beal never asserted that the separate acquisition of title was to be for his benefit, as for example, the perfection of the Pit Gold patented claim was, nor has Mr. Beal ever offered to pay the costs associated with such acquisition.

Item Number 8:

By Item No. 8 of the Notice, it has been asserted that A. F. Budge has failed to employ John Osborne. Compensation to be paid to Mr. Osborne by A. F. Budge has, to the knowledge of personnel of A. F. Budge, been referred to in only one document, which document is a 1984 "Memorandum of Understanding" providing for compensation to James and John Osborne for certain work during a preliminary or "option" term of the Agreement, but providing that:

If Budge exercises its option, the parties shall negotiate in good faith to achieve a reasonable use of services that might be provided by John and James Osbore [sic], provided however, that the decision to

V.M.P., Inc.
May 24, 1990
Page 6

use or not use such services shall be within the sole discretion of Budge.

This provision thus refers to the option granted under the terms of the Agreement, the application provision of which (Section 3) provides that:

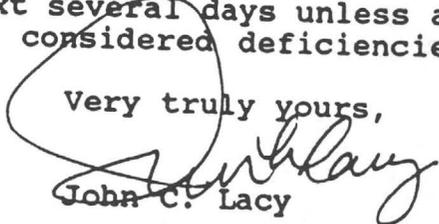
Unless sooner terminated under the termination provisions herein contained, the term of the option shall be for one year but may be further extended for an additional year by Budge. Thereafter, if the option is exercised, this Agreement shall be for a term of twenty (20) years commencing on the effective date of the exercise of the option and for so long thereafter as Leased Substances are continuously produced from the Property.

By the First Amendment to Option and Lease Agreement effective February 1, 1985, A. F. Budge exercised its option to lease the Property, and after having used Mr. John Osborne's services for an additional period of time, in August, 1988, advised Mr. Osborne that no further assistance was required.

A. F. Budge has fully complied with any obligations to V.M.P. regarding Mr. Osborne, and under the terms of the applicable provisions, has the sole discretion whether or not to use Mr. Osborne's services.

I hope that the foregoing answers the allegations contained in the Notice. However, inasmuch as the Agreement requires the filing of an action in Superior Court if a disagreement exists over any assertion of default, A.F. Budge intends to file such an action concerning all allegations referred to in the Notice dated May 9, 1990, within the next several days unless advised that the allegations are no longer considered deficiencies based on the contents of this letter.

Very truly yours,


John C. Lacy

c: A. F. Budge
Carole A. O'Brien
Stanley W. Holmes
0517900310.jcl2.840127

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
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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

May 1, 1990

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

PLEASE REPLY TO TUCSON

RECEIVED MAY 2 1990

W. Scott Donaldson, Esq.
301 W. Indian School, #102
Phoenix, AZ 85013-3214

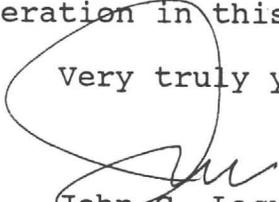
Re: **Vulture Mine Properties/A.F. Budge (Mining)**

Dear Scott:

This letter is to confirm our previous conversations with respect to the Notice of Default that you sent to me regarding the Vulture Mine and the agreement between V.M.P. and A. F. Budge (Mining). We have agreed that the Notice of Default could be ignored and that you would prepare a new notice to be transmitted to A. F. Budge directly and by which notice you would provide some further specifics regarding Mr. Beal's allegations of default.

I appreciate your cooperation in this matter.

Very truly yours,


John C. Lacy

bpm

c: Carole A. O'Brien
Stanley A. Holmes

0501901105.jcl2.840127

W. SCOTT DONALDSON
 ATTORNEY-AT-LAW
 301 WEST INDIAN SCHOOL ROAD, SUITE 102
 PHOENIX, ARIZONA 85013-3214
 TELEPHONE (602) 264-1351
 TELEFAX (602) 279-9018

March 27, 1990

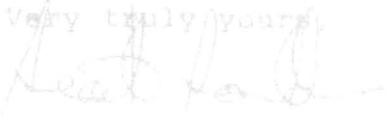
Mr. John C. Gandy
 Attorney at Law
 2525 East Broadway Boulevard, Suite 200
 Tucson, Arizona 85716

Re: Vulture Mine - A. F. Sledge (Mining) Limited/V.M.P., Inc.
 Option and Lease Agreement

Dear Sirs:

This letter constitutes a Notice of Default of the above-
 titled Agreement. It is drafted pursuant to Section 8(a) of
 the Agreement.

The specific defaults are as follows: (1) failure to make
 the minimum royalty payment described in Section 4(b) and due on
 2/28/90; (2) failure to make the production royalty payment
 described in Section 4(c); (3) failure to transfer title to the
 Vulture City Townsite to V.M.P., and (4) failure to continue to
 employ John Osborne.

Very truly yours,

 W. Scott Donaldson, Esq.

WSD:fm

V.M.P., Inc.

RECEIVED
MAR 30 1990

W. SCOTT DONALDSON
ATTORNEY-AT-LAW
301 WEST INDIAN SCHOOL ROAD, SUITE 102
PHOENIX, ARIZONA 85018-3214
TELEPHONE: (602) 254-1361
TELECOPIER: (602) 279-9018

DECONCINI, McDONALD J. BRAHMER,
STEVEN S. LACK, P.C.
2114 N. 1ST ST., SUITE 200, PHOENIX, AZ 85018

TO: [Faint recipient address]

FROM: [Faint sender address]

RE: [Faint subject line]

[Faint body text]

[Faint signature]

[Faint closing text]

WSD: [Faint initials]

Enclosures

cc - Arizona Explorations, Inc.

DeCONCINI McDONALD BRAMMER YETWIN & LACY

A CORPUS CHRISTI CORPORATION

ATTORNEYS AT LAW

1000 EAST BROADWAY BULLHEAD CITY TEXAS 79505

PHONE (936) 835-5000

FAX (936) 835-5000

TELETYPE (936) 835-5000

INTERNET WWW.DCMBYLL.COM

Please call at (802) 322-5000 if complete transcript is not received.

TO: R.R. Short
FROM: D.H. Allen
DATE: 4/6/90
SUBJECT: VULTURE STATUS REPORT

Production as of March 20, 1990 is 3,634.8 ounces gold and 10,922.8 ounces of silver. The gold produced so far represents 71% of the cyanide soluble gold that was indicated to be recoverable from previous metallurgical test work. We had expected that 80% or 4040 ounces of the soluble gold to be readily recoverable. It is possible that we can eventually recover the 406 ounces and more, but they are going to be very slow in coming. The production at the present is only paying the cost of the operation and could conceivably do this for some time. In essence this means that the Vulture could continue operating during most of the detoxification period and not be a financial burden on the company.

The detoxification period will consist of first allowing the free cyanide to decline in the solution by stopping any further addition of sodium cyanide and recycling the barren solution to the heaps. We are hoping that there are enough natural occurring cyanicides in the heaps to drop the free cyanide level so that it may not be necessary to use oxidation chemicals. Once the cyanide level has reached 0.2 pounds per ton, the pH will be allowed to gradually decrease to 8.0 or less. To accomplish this, the solution will be sprayed on top of the heaps so that CO2 will be

absorbed to buffer the lime. The objective is to have a return solution containing no more than 10 ppm or .02 pounds per ton cyanide and a pH of 8.0 or less. When this has been achieved, the heaps will be allowed to drain and the ponds to evaporate. Presently our solution is .4 pounds per ton cyanide, down from .7, and a pH of 11.2, down from 12.0.

DHA



A.F. Budge (Mining) Limited

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

(602) 945-4630
FAX (602) 949-1737

April 6, 1990

Stanley W. Holmes
President
Arizona Explorations, Inc.
Exodyne Business Park
8433 North Black Canyon Hwy., Suite 158
Phoenix, Arizona 85021

Re: Lease payments to V.M.P., Inc.

Dear Stan:

In accordance with the original lease with V.M.P., Inc. and the subsequent assignment to Arizona Ontario Explorations, Inc., on March 1, 1990, advance minimum royalty payments are due V.M.P., Inc. on March 5 and April 5 and thereafter as long as the lease is in effect.

The March 5 payment of \$5,000 and the April 5 payment of \$5,000 should be mailed to:

Larry W. Beal, President
V.M.P., Inc.
1414 E. Purdue
Phoenix, AZ 85020

Very truly yours,

Ronald R. Short
General Manager



FILE COPY

Page 3 of 3

... (faint text) ...

... (faint text) ...

... (faint text) ...

... (faint text) ...

[Handwritten signature]

ARIZONA EXPLORATIONS INC.
6050 N. 8th Ave., 8th Fl.
Phoenix, AZ 85018

602-864-6116



Vulture Mine Properties

10000 N. 10TH ST. HOUSTON, TEXAS 77060 ARIZONA 85358

The Vulture Mine Properties are located in the Vulture Mine area of the
 Vulture Mine District, Pinal County, Arizona. The Vulture Mine
 District is one of the largest and most productive copper districts in
 the United States. The Vulture Mine Properties are situated on the
 eastern side of the Vulture Mine District, near the town of Vulture
 Mine. The Vulture Mine Properties consist of approximately 100 acres
 of land, including the Vulture Mine shaft and associated infrastructure.
 The Vulture Mine Properties are owned and operated by Vulture
 Mine Properties, Inc. The Vulture Mine Properties are currently
 being developed for copper production. The Vulture Mine Properties
 are situated on the eastern side of the Vulture Mine District, near
 the town of Vulture Mine. The Vulture Mine Properties consist of
 approximately 100 acres of land, including the Vulture Mine shaft
 and associated infrastructure. The Vulture Mine Properties are owned
 and operated by Vulture Mine Properties, Inc. The Vulture Mine
 Properties are currently being developed for copper production.

TO: [Illegible]

FROM: [Illegible]

PROVISIONS OF THE LABOR CONTRACT REGARDING WORK COMPETITION

The following provisions of the labor contract apply to the field assistant, [Illegible], who is highly experienced in the field of mineral exploration and about [Illegible] years of experience. The contract provides for a strict prohibition against the employee working for a competitor during the term of the contract.

The contract also provides that the employee shall not disclose confidential information to any third party. This information includes all aspects of the company's operations, including but not limited to, its financial condition, its personnel, and its proprietary information. The employee has become aware of this prohibition and has agreed to abide by it.

The contract further provides that the employee may not solicit or induce any other employees of the company to leave the company. This prohibition applies to all employees, regardless of their position or seniority. The employee has agreed to this prohibition and will not attempt to do so.

The contract also provides that the employee shall not engage in any other business that is in competition with the company. This prohibition applies to all businesses, whether or not they are related to the company's industry. The employee has agreed to this prohibition and will not engage in such activities.

The contract further provides that the employee shall not disclose any confidential information to any third party. This information includes all aspects of the company's operations, including but not limited to, its financial condition, its personnel, and its proprietary information. The employee has become aware of this prohibition and has agreed to abide by it.

The contract also provides that the employee shall not engage in any other business that is in competition with the company. This prohibition applies to all businesses, whether or not they are related to the company's industry. The employee has agreed to this prohibition and will not engage in such activities.

Witness my hand and the seal of the company this [Illegible] day of [Illegible], 1990.

Executed and delivered in the presence of [Illegible]

[Signature]
[Illegible]

MEMORANDUM OF UNDERSTANDING

by and between V.M.P., Inc.

and

A.F. BUDGE (MINING) LIMITED

Both parties agree there exists a certain option and lease agreement, effective July 1, 1984, between V.M.P., Inc., Lessor, and A.F. Budge (Mining) Limited, Lessee, relating to the Vulture Mine Property.

For purpose of convenience not related to the terms of the option and lease, A.F. Budge (Mining) Limited agrees to pay Three Thousand Dollars (\$3000.00) to each James and John Osborne representing payment for services rendered to Lessor for the period from February 1, 1984 to June 30, 1984. Budge further agrees to pay Seven Hundred Fifty Dollars (\$750.00) per month each to such individuals on behalf of Lessor during the term of the option plus Eight Dollars (\$8.00) per hour for any services performed in connection with activities undertaken by Lessee.

All parties agree that James and John Osborne are not to be considered employees or as having any relationship to Budge.

Budge further agrees to furnish the Osborne Brothers with appropriate amounts of fuel during the term of the option. Budge may, as part of this requirement, provide an alternate electric power source that may reduce fuel requirements.

During the term of the option Budge may conduct an evaluation of the water well and pumping system on the Property and if such equipment can be refurbished at a reasonable cost, within Budge's sole discretion, Budge shall have the right and authority to do so, including the right to salvage existing equipment and using the proceeds for replacement equipment.

Any amounts paid under the above provisions shall constitute "Work" as contemplated by subsection f(2) of Section 6 of the Agreement.

If Budge exercises its option, the parties shall negotiate in good faith to achieve a reasonable use of services that might be provided by John and James Osborn, provided, however, that the decision to use or not use such services shall be within the sole discretion of Budge.

03-19-85
JCL(2)

FIRST AMENDMENT TO OPTION AND LEASE AGREEMENT

BY THIS FIRST AMENDMENT TO OPTION AND LEASE AGREEMENT

effective February 1, 1985,

by and between V. M. P., Inc., an Arizona corporation, whose address is Box 20202, Wickenburg, Arizona 85358 ("Lessor" herein),

and

A. F. BUDGE (MINING) LIMITED, a registered corporation under the laws of England, whose address is West Carr Road, Retford, Nottinghamshire, England DN22 7SW ("Budge"),

the Lessor and Budge, in consideration of mutual promises and obligations, have modified their Option and Lease Agreement entered into effective July 1, 1984 (the "Agreement"), as follows:

1. Exercise of Option

By this Amendment Budge has exercised its option to lease the Property and the Agreement shall hereafter constitute a lease of the Property under the terms of the Agreement as modified by this Amendment.

2. Term

The provisions of Section 3 of the Agreement are hereby deleted and the following substituted therefor:

Unless sooner terminated under the termination provisions hereinafter contained, this Agreement shall be for a term that shall remain in force for so long as Budge makes the payments specified in subsections a or b of Section 4 and performs annual work as required by subsection f(1) of Section 6.

3. Payments to Lessor

Subsection a of Section 4 is hereby deleted; subsection b of Section 4 is hereby deleted and the following substituted therefor, and a new subsection g of Section 4 is hereby added as follows:

b. Advance Minimum Royalty - Budge shall pay Lessor an Advance Minimum Royalty based on the average

Handy and Harmon quoted buying price for industrial gold bullion for the two-month period preceding the due date of the applicable payment as published in the Wall Street Journal. The amount payable shall be calculated based on the following scale:

<u>H&H Price/Ounce</u>	<u>Monthly Payment</u>
Less than \$266.99	\$2,500.00
\$267.00 to \$299.99	\$3,000.00
\$300.00 to \$333.99	\$3,500.00
\$334.00 to \$366.99	\$4,000.00
\$367.00 to \$399.99	\$4,500.00
\$400.00 to \$433.99	\$5,000.00
\$434.00 to \$466.99	\$5,500.00
\$467.00 and above	\$6,000.00

Such Advance Minimum Royalty payments shall be payable monthly in advance on or before the fifth day of the month. _____ percent (____%) of all Advance Minimum Royalties paid under this provision shall be a credit insofar as they will go toward any monies due Lessor under the provisions of subsection c of this Section 4.

g. Production Bonus - If Budge elects to commence mineral production on the Property, Lessor shall be paid a one-time bonus of Seventy-Five Thousand Dollars (\$75,000.00). The decision to commence production shall occur when Budge commits to the expenditure of funds for a full-scale development of the Property based on the conclusions of a feasibility study and shall not include a pilot plant, bulk sampling or other large volume metallurgical or mine testing. The production bonus shall be paid on or before thirty (30) days after Budge's announcement to its stockholders that any necessary financing has been secured and that production will commence.

4. Termination

The provisions of subsection b of Section 8 are hereby modified to eliminate the requirement of sixty days' notice for termination by Budge. The effective date of any termination shall be upon the giving of notice as provided by Section 9, subject specifically however, to the obligation to perform assessment work if the Agreement is terminated after July 1 of any year.

5. Notice

The address for duplicate notices to Budge is hereby changed to DMEA Ltd., 7340 E. Shoeman Lane, Suite 111 "B"(E), Scottsdale, Arizona 85251.

6. Ratification

Except as specifically modified herein, the Option and Lease Agreement remains in full force and effect.

SIGNED, effective as of the date recited above.

LESSOR:

BUDGE:

V. M. P., INC.

A. F. BUDGE (MINING) LIMITED

By _____
Larry W. Beal, President

By _____
A. F. Budge, Chairman

UNITED KINGDOM)
) ss.
)

Before me, the undersigned officer, personally appeared A. F. Budge, known to me to be the Chairman of A. F. Budge (Mining) Limited, a registered corporation under the laws of England, this _____ day of _____, 1985, and acknowledged that he executed the foregoing document for and on behalf of the corporation with full authority to do so.

Title:

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this _____ day of March, 1985, by Larry W. Beal, the President of V. M. P., Inc., an Arizona corporation, for and on behalf of the corporation.

My commission expires: _____ Notary Public

3,5-56

08-14-84
JCL

OPTION AND LEASE AGREEMENT

BY THIS OPTION AND LEASE AGREEMENT

effective as of the 1st day of July, 1984,

by and between V. M. P., INC., an Arizona corporation, whose address is Wickenburg, Arizona 85358 ("Lessor" herein),

and

A.F. BUDGE (MINING) LIMITED, a registered corporation (No. 1824873) under the laws of England ("Budge"), whose address is West Carr Road, Retford, Nottinghamshire, England DN22 7SW,

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

1. Recitals

Lessor is the owner of certain mineral properties in Maricopa County, Arizona, more particularly described in Exhibit A. Budge desires to evaluate the mineral potential of Property and lease the Property if he deems development is feasible. It is the understanding of the parties that if Budge exercises its option, Budge shall form a subsidiary corporation authorized to transact business in Arizona, and that such corporation will constitute Budge for the further provisions of this Agreement.

2. Grant; Definitions

a. Grant - Lessor hereby grants to Budge the sole and exclusive option to enter into a lease with the Lessor, which lease shall lease and let the Property exclusively unto Budge, its successors and assigns. During the term of the option Budge shall have the right to conduct Mineral Exploration and upon exercise of its option, Budge shall thereafter have the right to conduct Mining Activities to produce, process and market Leased Substances during the term hereof.

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

(1) The "Property" shall include that certain real property situated in Maricopa County, Arizona, more

particularly described in Exhibit A attached hereto.

(2) "Leased Substances" shall include, but without being limited to, all soil, sand and gravel, rock, ores, minerals and mineral rights in, upon and under the Property, excluding, however, coal, geothermal resources, oil, gas, and associated hydrocarbon gases.

(3) "Mineral Exploration" shall include those activities that Budge, in its sole judgment and discretion, may deem advisable for the purpose of ascertaining any facts relating to the occurrence of ores and minerals in and under the Property and the metallurgical and physical properties of such ores and minerals; including, but not limited to, surface trenching, excavations, geophysical and geochemical surveys, drilling, the sinking of shafts for bulk sampling, and further including the right to use the surface for access, to place and use facilities on the surface and to use water and other surface resources that may be useful or convenient in connection with such activities.

(4) "Mining Activities" shall include, in addition to those activities constituting Mineral Exploration, all activities related to the mineral development and mining of the Property including the right:

-- to mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract, mill, store, process, remove and market Leased Substances from the Property;

-- 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;

-- to mix or commingle Leased Substances with any other ores produced off the Property, provided that Budge shall first weigh, sample, and assay the Leased Substances in accordance with recognized industry practice;

-- to conduct any mining upon the Property and Budge's mining of adjoining or nearby lands as a single mining operation as if the Property and all such other properties constituted a single tract of land, in which event Budge shall have the exclusive right to use structures, facilities, equipment,

roadways, haulageways, and all other appurtenances installed on the Property for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from adjoining or nearby property owned or controlled by Budge and the right to mine and remove Leased Substances from the Property through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property;

-- to use the surface of the Property to deposit waste, overburden, surface stripping and other materials from mining operations on the Property and adjoining properties being mined with the Property as a single mining operation; provided that materials from other lands may not be deposited on the Property if it would interfere with potential mining operations on the Property.

3. Term

Unless sooner terminated under the termination provisions hereinafter contained, the term of the option shall be for one year but may be further extended for an additional year by Budge. Thereafter, if the option is exercised, this Agreement shall be for an term of twenty (20) years commencing on the effective date of exercise of the option and for so long thereafter as Leased Substances are continuously produced from the Property. The term may be extended by reasons of force majeure, as specified in Section 11 hereof. Operations shall be deemed continuous as long as mining, processing or marketing operations do not cease for a period of more than ninety (90) consecutive days or if the Property does not produce Three Hundred Fifty Thousand Dollars (\$350,000.00) in gross sales or stockpiled values of Leased Substances for any calendar year.

4. Payments to Lessor

a. Option Payments - Budge shall pay Lessor Six Thousand Five Hundred Dollars (\$6,500.00) per month in order to keep its option to lease in full force and effect. Such payment shall be payable monthly three months in advance. The first payment consisting of Nineteen Thousand Five Hundred Dollars (\$19,500.00) and representing the payment for the months of July, August, and September, 1984, shall be payable upon execution of this Agreement. Additionally, if Budge elects to extend its option for the second year, it shall pay Lessor a one-time bonus of Twenty-Five Thousand Dollars (\$25,000.00).

b. Advance Minimum Royalty - At such time Budge exercises its option to lease the Property, the option

payments (but not any bonus) made to Lessor under the provisions of subsection a above shall constitute an advance minimum royalty. Budge shall thereafter pay Lessor Six Thousand Five Hundred Dollars (\$6,500.00) per month as an advance minimum royalty payable in the same manner as set forth above. Such advance royalties shall be a credit insofar as they will go toward any monies due Lessor under the provisions of subsection c of this Section 4.

c. Production Royalty - If Budge mines and markets Leased Substances from the Property, Budge shall pay to Lessor a production royalty of a specified percentage of the "Net Returns" received by Budge from the sale or other disposition of Leased Substances. Such percentage shall be based on the price of gold as determined on the date of sale or other disposition of Leased Substances according to the Englehard buying price of industrial bullion on the date of sale as follows: If gold is \$400 or less, 6%; \$401 to \$600, 7%; \$601 to \$800, 8%; \$801 to \$1,000, 9%; \$1,001 to \$1,200, 10%; \$1,201 to \$1,400, 11%; \$1,401 or more, 12%. The term "Net Returns" shall mean the total dollar value received from the purchaser of Leased Substances, less:

(1) in the case of sale of raw ore or concentrates: (a) any weighing, sampling, penalty, processing or other charges assessed by the purchaser; (b) selling charges; (c) any sales, severance, gross production, privilege or similar taxes assessed on or in connection with the ore or measured by the value thereof; and (d) the cost of transportation from the Property to the purchaser.

(2) in the case of leaching or other solution mining techniques in addition to the deductions specified in (1) above, all processing and recovery costs incurred beyond the point at which the leaching reagents are applied to the ore being treated (including the cost of reagents) shall be deducted from the selling price.

If ores or concentrates are processed at a smelter or other facility owned, operated or controlled by Budge or treated on a toll basis for Budge, the selling price shall be computed in the above manner with deductions for all charges and items of cost equivalent to the deductions set forth above and in any case not more than would be available at the nearest purchaser otherwise willing to accept such Leased Substances.

d. Payment of Production Royalty - Production royalty paid to Lessor hereunder shall be due and payable within thirty (30) days after the end of each calendar quarter for those Leased Substances sold and a settlement sheet received during the applicable calendar quarter after first deducting any advance minimum royalty paid for the applicable annual

period under Section 4b hereof. All production royalty shall be accompanied by the settlement sheets or a similar statement showing the basis upon which the payment was computed.

e. Method of Making Payments - All payments required hereunder may be mailed or delivered to Lessor's address or to any single depository as Lessor may instruct. Upon making payment to the authorized agent or depository, Budge shall be relieved of any responsibility for the distribution of such payment to Lessor. The delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

f. Fractional Interest - All payments under this Agreement, unless specified otherwise, are based on a grant by Lessor of full undivided rights and title to the Property. If Lessor's interest in the Property or any compensable damage or improvement is less than such full interest, all payments made hereunder shall be paid in the same proportion thereof as the undivided rights and title actually owned by Lessor bear to the entire undivided rights and title to the Property, the areas included therein, or any compensable damages or improvements.

5. Inspection

Lessor and its agents authorized in writing, at Lessor's risk and expense, may (1) 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, and (2) inspect the accounts and records used in calculating production royalty paid to Lessor hereunder, which right may be exercised, at any reasonable time during a period of one (1) year from and after the date on which the applicable quarterly payment of production royalty was made. Lessor agrees to treat all information received hereunder as confidential and not to disclose the same without prior permission 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 or federal laws and regulations governing such operations.

b. Weights and Analysis - In all cases where ore or concentrates are stockpiled off the Property or commingled with ore or concentrates not mined from the Property, Budge shall measure ore, weigh other product, and take and analyze samples thereof, in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a

basis for computing royalty payments, which records shall be available for inspection by Lessor in accordance with Section 5.

c. 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.

d. Indemnity - Budge shall indemnify Lessor against and hold Lessor harmless from any suit, claim, judgment or demand whatsoever arising out of negligence on the part of Budge in the exercise of any of its rights pursuant to this Agreement, provided that Lessor, or any one of them, or any person or instrumentality acting on its behalf, shall not have been a contributing cause to the event giving rise to such suit, claim, demand or judgment. Budge shall maintain insurance to support the indemnification required by this Agreement and provide Lessor with copies of such policies or a certificate of such insurance showing the amount of coverage.

e. Payment of Taxes - Budge shall pay all taxes levied against its improvements on the Property. In the event of commercial development of the Property, Budge shall pay all ad valorem taxes assessed against that amount of the Property used in such commercial development and shall, in addition, pay all taxes related to production of Leased Substances from the Property, subject to Budge's right to deduct the amount of such production-related taxes from the dollar value received from the purchaser of Leased Substances in the computation of Net Returns under the provisions of subsection c(1)(c) of Section 4. Lessor shall pay, before delinquency, all other taxes and assessments on the Property and improvements of Lessor thereon. In no event shall Budge be liable for any taxes levied or measured by income of Lessor, or for taxes applicable to or levied against or based upon advance or production royalty payments made to Lessor under this Agreement. Budge shall have the right to contest, in the courts or otherwise, the validity or amount of any taxes or assessments, before it shall be required to pay the same. Budge shall have the right, at its sole discretion, to pay any delinquent property taxes, together with interest, penalties and charges, that are the responsibility of the Lessor, the payment of which shall be a credit against payments thereafter to be made by Budge under the provisions of Section 4. If this Agreement is terminated or otherwise expires, all ad valorem taxes that are Budge's responsibility shall be prorated as of the date Budge has removed its

improvements from the Property or Lessor agrees to their abandonment.

f. Work Requirements -

(1) Budge 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 during which this Agreement continues in force beyond July 1 of the applicable assessment year. 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. Lessor acknowledges and agrees that the mining claims included within the Property are one contiguous group and that development and exploration work on any one or more of the claims will be for the benefit of all of them. Lessor further agrees that if Budge acquires a right to explore areas adjacent to the Property by location, purchase, lease or option, Budge shall have the right to perform assessment work required hereunder pursuant to a common plan of exploration or development of all the areas, claims or groups of claims, whether performed on or off the Property.

(2) During the term of the option, Budge shall expend in the conduct of exploration ("Work") not less than Fifty Thousand Dollars (\$50,000.00). The nature, place and conduct of such Work shall be at the sole discretion of Budge, so long as such work benefits the exploration, development or mining of the Property. The amount of the expenditures shall be determined by the direct cost to Budge of Work performed, the salaries, expenses and benefits burden of Budge's employees or consultants performing work.

g. Improvements and Structures on the Property - Budge shall conduct all of its operations under this Agreement in such a way as to avoid, wherever possible, damage to any and all improvements on the Property. If any such improvements are destroyed or rendered non-usable by operations of Budge, Lessor shall be compensated for the reasonable value thereof. The value shall be the replacement cost for comparable improvements. Prior to conducting any activities that might damage or destroy an existing structure on the Property, Budge shall notify Lessor, and Lessor may elect within the following thirty-day period, to move such structure in which case Budge shall pay one-half of the cost of such move to a point designated by Lessor not more than one-half mile from the existing location of such structure.

h. Reclamation - At the conclusion of any operations contemplated under this Agreement, Budge shall undertake or

shall have completed those reclamation and land restoration measures as may be required by state or federal law and regulations for those lands disturbed or conditions created by activities of Budge under this Agreement. In any case, prior to the commencement of mining operations under this Agreement, Budge shall provide Lessor with a reclamation plan to be put into effect where portions of the Property are no longer needed for mining and production related activities permitted under this Agreement. Such plan shall include at a minimum (i) the segregation and saving of topsoil during exploration and mining operations, (ii) the measures that will be taken to control erosion, landslides, and water runoff, (iii) the isolation, removal or control of toxic materials, and (iv) the reshaping of the areas disturbed, application of the topsoil, and revegetation of disturbed areas, where reasonably practicable.

7. Title Matters

a. Representations and Warranties - Lessor represents and warrants to Budge that: (1) Insofar as the Property includes fee lands, the Lessor owns the entire undivided title to the Property, including the surface and mineral estate, and has the exclusive possession thereof; (2) insofar as the Property includes unpatented mining claims, the claims 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 claims; (3) with respect to the Property as a whole, except as specified in Exhibit A, Lessor's title or possessory right to the Property is free and clear of all liens and encumbrances, and (4) the Lessor 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, Lessor shall promptly deliver to Budge all abstracts of title to and copies of all title documents affecting the Property which Lessor has in its possession.

c. Title Defects, Defense and Protection - If -- (1) in the opinion of counsel retained by Budge, Lessor's title to any of the Property is defective or less than as represented herein, or (2) title to any of the Property is contested or questioned by any person, entity or governmental agency -- and if Lessor is unable or unwilling to promptly correct the defects or alleged defects in title, Budge may attempt, with all reasonable dispatch, to perfect, defend or

initiate litigation to protect such title. In that event, Lessor shall take such actions as are reasonably necessary to assist Budge in its efforts to perfect, defend or protect such title. If title is less than as represented in this Section 4, then (and only then) the costs and expenses of perfecting, defending or correcting title (including, but without being limited to, the cost of attorney's fees and the cost of releasing or satisfying any mortgages, liens and encumbrances), shall be a credit against payments thereafter to be made by Budge under the provisions of Section 4, unless the encumbrance or dispute arises from Budge's failure to perform obligations hereunder (in which case such costs shall be borne by Budge).

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 Lessor hereunder in the proportion that the interest actually owned by Lessor bears to the interest as represented herein.

e. Amendment and Relocation of Mining Claims - Budge shall have the right to amend or relocate in the name of Lessor the unpatented claims which are subject to this Agreement which Budge, in its sole discretion deems advisable to amend or relocate. Where Budge has notified Lessor of such actions taken or to be taken, and Lessor has approved such actions, Budge shall not be liable to Lessor for any act (or failure to act) by it or any of its agents in connection with the amendment or relocation of such claims as long as such act (or omission) is not made in bad faith.

f. Patent Proceedings - Upon request of Budge at any time or times during the term of this Agreement, Lessor agrees to undertake to obtain patent to any or all of the unpatented mining claims which are subject to this Agreement. Budge shall prepare all documents and compile all data and comply in all respects with the applicable law, all at the expense of Budge. Lessor shall execute any and all documents required for this purpose and shall cooperate fully with Budge in the patent application proceedings subsequent thereto. If Lessor begins such proceedings and Budge thereafter requests Lessor to discontinue such proceedings, or if this Agreement is terminated while proceedings are pending, Budge shall have no further obligation with respect thereto except to pay any unpaid expenses accrued in such proceedings prior to its request to discontinue or prior to termination, whichever occurs first.

g. Change of Law - If the laws of the United States concerning acquisition of mineral rights on federally managed

lands is repealed, amended, or new legislation is enacted, Budge shall have the right to take whatever action it deems appropriate to preserve a right to explore for, develop, and mine Leased Substances. If Budge elects to take any action under the terms of this subsection, it shall first notify Lessor in writing setting forth the nature of the proposed action and an explanation thereof. Lessor agrees to cooperate with Budge and execute whatever documents are deemed necessary by Budge to accomplish such action. Nothing in this subsection shall impose any obligation upon Budge to take any action, or diminish the right of Lessor to take action it deems appropriate; provided, however, that if Lessor chooses to take any action, it will first inform Budge of the nature of such contemplated action.

h. 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 Lessor - If Budge defaults in the performance of its obligations hereunder, Lessor 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, Lessor 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. Lessor 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 upon sixty (60) days prior written notice from Budge to Lessor. 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 six (6) months 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 Lessor of the same; provided, however, that Budge may still be required to remove such property upon notice from Lessor at any time during the six-month period and thirty (30) days thereafter. Lessor may also, within fifteen (15) days after such notice of termination by Budge, elect to purchase any structures placed on the Property by Budge. The purchase price shall be determined by an independent appraiser mutually satisfactory to the parties which appraisal shall be final. Lessor shall tender the amount of such appraisal in legal tender of the United States within thirty (30) days after completion of the appraisal.

d. Delivery of Data - If this Agreement is terminated, upon written request given by Lessor within thirty (30) days of said termination, Budge shall, within a reasonable time, furnish Lessor 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 Lessor 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. In the case of notice to Budge, duplicate notice shall be given to DMEA Ltd., 4203 N. Brown Avenue, Suite F, Scottsdale, Arizona 85251. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices.

10. Binding Effect; Assignment

Neither party shall assign its rights in this Agreement or the Property without the prior written consent of the other party, which consent shall not be unreasonably withheld. This provision shall not apply to mergers, transfers through operation of law, or sales and assignments

to subsidiaries of the parties, their corporate parents or subsidiaries of their corporate parents. A subsidiary shall be deemed any corporation or other entity in which the party or its parent owns or controls a majority of the stock or interest.

11. Force Majeure; No Implied Covenants

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 set forth in Sections 4 and 6), 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, the inability to obtain environmental clearance or operating permits that may be required by governmental authorities, or if the prevailing levels of operating costs in relation to prevailing levels of prices makes it economically impractical for Budge to conduct production operations. 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 prospecting, mining, or any operations of Budge hereunder.

12. Boundary Protection

If Budge or Lessor locates mining claims after the effective date of this Agreement, any part of which claim is within one mile from the exterior boundaries of the Property (the "Area of Interest"), such claims shall become part of the Property (unless in the case of Lessor, 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.

SIGNED, effective as of the date recited above.

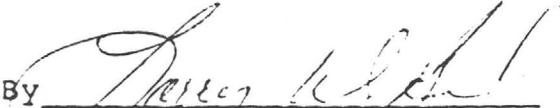
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BUDGE:

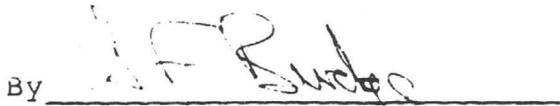
V. M. P., INC.

A. F. BUDGE (MINING) LIMITED

By


Larry W. Beal, President

By

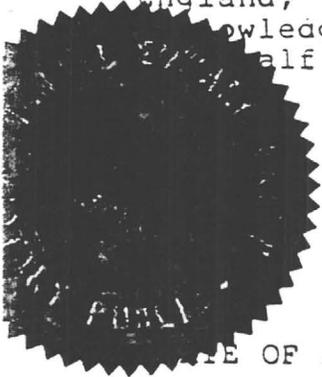

A. F. Budge, Chairman

UNITED KINGDOM

)
) ss.
)

[Handwritten signature]

Before me, the undersigned officer, personally appeared A. F. Budge, known to me to be the Chairman of A. F. Budge (Mining) Limited, a registered corporation under the laws of England, this 2nd day of August, 1984, and acknowledged that he executed the foregoing document for and on behalf of the corporation with full authority to do so.



[Handwritten signature]

Title: Notary Public

STATE OF ARIZONA

)
) ss.
)

County of Maricopa

The foregoing instrument was acknowledged before me this 31st day of August, 1984, by Larry w. Beal, the President of V. M. P., Inc., an Arizona corporation, for and on behalf of the corporation.

My commission expires:
My Commission Expires April 14, 1987

Linda A. O'Brien
Notary Public

EXHIBIT A

The "Property" consists of those certain patented and unpatented mining claims situated in the Vulture Mining District, Maricopa County, Arizona, in Sections 24, 25, 26, 27, 34, 35, and 36, Township 6 North, Range 6 West, Sections 16, 17, 19, 20, 21, 28, 29, 30, 31, and 32, Township 6 North, Range 5 West, Sections 1, 2, and 12, Township 5 North, Range 6 West, and Sections 5, 6, and 7, Township 5 North, Range 5 West, G&SRM, and are more particularly described as follows:

Patented Lode Mining Claims:

<u>Name of Claim</u>	<u>Mineral Survey No.</u>
Canon City	1797
Gold Nugget	1797
Astor	2511
Conkling	2511
Custer	2511
Elmore	2511
Hamilton	2511
Jane Elmore	2511
Sheridan	2511
Sherman	2511
Talmage	2511
Van Buren	2511
Pit Gold	2522
Vulture Extension	3146

Unpatented Lode Mining Claims:

The names and place of record of the location notices of the unpatented lode mining claims in the official records of the Maricopa County Recorder and the authorized office of the Arizona State Office of the Bureau of Land Management are as follows:

<u>Name of Claim</u>	<u>Mrcpa Cty</u>	<u>Rcds</u>	<u>BLM Serial No.</u>
	<u>Book/Dkt</u>	<u>Page</u>	<u>A MC</u>
Central	35	386	71742
Vindicator #1	35	389	71743
Vulture South	35	59	71744
Desert #1	29	595	71745
Desert #5	29	598	71746
Desert #8	29	596	71747
Desert #9	29	597	71748
Reserve #1	1965	161	71749
Reserve #2	1965	162	71750
Reserve #3	1965	163	71751

<u>Name of Claim</u>	<u>Mrcpa Book</u>	<u>Cty</u>	<u>Rclds Page</u>	<u>BLM Serial No. A MC</u>
Rosa de Oro	29		591	71752
Rosa de Oro #2	29		592	71753
Thomas	29		593	71754
Vulture North	35		60	71755
J.S. Group 1 to 25 inclusive	7682		390-439	71756 to 71780 inclusive
Desert Group D-1A, 2, 3, 4, 5A, 6, 7, 8A, 9A, 10 to 142 inclusive, 144 to 155 inclusive	15828		475-781	160603 to 160756 inclusive
Vulture Group V-1 to 20 inclusive, V-25 to 81 inclusive, 81A, 82 to 89 inclusive, 90A, 91 to 174 inclusive	15828		79-419	160432 to 160602 inclusive
B-Lan Group 1 to 21 inclusive, 22, and 23	15952 16260		600-640 601-603	167064 to 167084 inclusive 170741 and 170742
Zen Group 1 to 21 inclusive	15952		544-584	167085 to 167105 inclusive
Alan Group 1 to 42 inclusive and 16025	15952 and 16025		451-509 518-540	167034 to 167063 inclusive 170729 to 170740 inclusive

Unpatented Placer Mining Claims:

The names and place of record of the location notices of the unpatented placer mining claims in the official records of the Maricopa County Recorder and the authorized office of the Arizona State Office of the Bureau of Land Management are as follows:

<u>Name of Claim</u>	<u>Mrcpa Book</u>	<u>Cty</u>	<u>Rclds Page</u>	<u>BLM Serial No. A MC</u>
V.M.P. Claims 1 to 13 inclusive, 18 to 38 inclusive	11693		739-776	77018 to 77051 inclusive
J.S. Group 1 to 16 inclusive	7685		387-402	71781 to 71796 inclusive

tailings were to be run in conjunction with hard rock mining.

75,000 will be collected - according to J.B.

Waste disposal feels incorrect

- type of assurance - of liability to our operation. Bond - or other mechanism

- townsite - it was understood by Beal that at the time of property termination the property would revert to Beal.

- Larry's position that sole description was to hire John as an employee to work at mine not as a watchman.

monthly payments non negotiable ~~if~~ became more flexible when told that property would revert back to him if another reduction could not be renegotiated.

wants a formal proposal in writing as to what we want.



A.F. Budge (Mining) Limited

March 8, 1990

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

Donald C. White
521 E. Willis
Prescott, AZ 85601

(602) 945-4630
FAX (602) 949-1737

Dear Don:

A.F. Budge (Mining) Limited has assigned its rights under the lease with V.M.P., Inc. on the Vulture Mine property to Arizona-Ontario Explorations, Inc.

Would you please make available to them, or their representatives, any and all information on the Vulture Mine area which you may have collected on behalf of A.F. Budge (Mining) Limited.

Your cooperation would be appreciated.

Thank you.

Very truly yours,

Ronald R. Short
General Manager

RRS:ca

c: Arizona-Ontario Explorations, Inc.

ARIZONA EXPLORATIONS INC.

March 9, 1990

Mr. W. Scott Donaldson
Attorney At Law
301 W. Indian School Rd., #102
Phoenix, Arizona 85013

Dear Scott;

At the suggestion of Mr. Ron Short (A.F. Budge (Mining) Limited), you will find enclosed the Annual Reports of the member companies who are financing Arizona Explorations Inc. along with letter of verification.

With kindest regards,

Sincerely yours,



ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

SWH/bjg

enclosure

CC: Mr. Ronald Short - A.F. Budge (Mining) Ltd.

ARIZONA EXPLORATIONS INC.

March 9, 1990

Mr. Ron Short
A.F. Budge (Mining) Limited
4301 N. 75th Street
Scottsdale, AZ 85251-4630

via courier

Dear Ron;

Enclosed please find our cashiers check #381905007, dated February 28, 1990, in the amount of \$25,000.00. This check will complete our obligation with respect to page 2, paragraph 3 of the your letter of intent, dated December 13, 1989.

We have received the executed re-assignment agreement, completed and signed by A.F. Budge (Mining) Limited and Arizona-Ontario Explorations Inc. dated February 28, 1990.

We look forward to a continued successful relationship with A.F. Budge (Mining) Limited.

With kindest regards,

Sincerely yours,



ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

SWH/bjg

enclosure

February 28, 1990

Larry W. Beal
President
V.M.P., Inc.
1414 E. Purdue
Phoenix, AZ 85020

Dear Larry:

We appreciate your taking the time to meet with us last week to discuss matters pertaining to the Vulture Mine property. We shall try to address each of your concerns.

In the matter of the Vulture City Townsite, the original agreement, dated July 1, 1984, specifically addresses Boundary Protection in Section 12 on page 12, and states "If Budge or Lessor locates mining claims ... within one mile from the exterior boundaries of the Property, such claims shall become part of the Property...". The Townsite, not being a mining claim, was purchased for cash from the Court and title belongs to Budge.

In the matter of the Production Bonus, we believe our position was clearly stated in our letter of August 30, 1988.

As to Mr. Osborne, the 1984 "Memorandum of Understanding", by and between V.M.P., Inc. and A.F. Budge (Mining) Limited clearly states that "Budge (will) pay...per month each to such individuals...during the term of the option...", and that "...the decision to use or not use such services (offered by Messrs. Osbornes) shall be within the sole discretion of Budge."

As was discussed in the meeting, we have exhausted the most obvious possibilities for expanding reserves at the Vulture. This does not preclude the existence of higher risk targets.

However, under the present conditions of the agreement, the holdings costs are too higher to warrant the expenditure of funds.

Therefore, we would like to propose the following:

(1) Monthly payments would be reduced to a fixed \$2,500 per month during the exploration term of 48 months.

(2) At the end of the 48-month exploration period or with the completion of a feasibility study, payments would be increased to \$5,000 per month and would continue until production begins.

(3) Once production begins, the property would be purchased for \$3,000,000 with payments made at a rate of \$500,000 per year for six (6) years.

(4) During the new agreement, Mr. Osborne would be retained as a watchman and will be allowed to conduct his various "tourist activities".

A response to this proposal by March 9, 1990 would be appreciated.

Very truly yours,

Ronald R. Short
General Manager

ARIZONA EXPLORATIONS INC.

February 26, 1990

VIA HAND-DELIVERY

Ms. Carol O'Brien
A.F. Budge (Mining) Limited
4301 North 75th Street
Suite 101
Scottsdale, Arizona 85251-3504

Dear Ms. O'Brien:

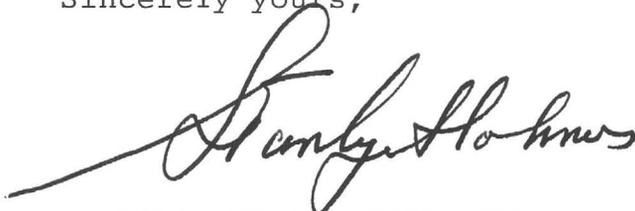
Pursuant to our letter agreement dated December 13, 1989 regarding the Vulture Mine property, a copy of which is attached hereto for reference, this is to formally advise that Arizona Explorations Inc. desired that the leasehold rights in the property be assigned to Arizona Explorations Inc. pursuant to paragraph 3 of the letter agreement. Please have an assignment prepared, and we will promptly pay the \$25,000.00 called for in the letter agreement on execution of same. As we would like to complete this transaction as quickly as possible, I would appreciate your giving me a call as to when the formal exchange can take place.

This will also confirm that, should A.F. Budge (Mining) Limited successfully obtain an agreement from V.M.P., Inc. to modify the original agreement for the property as set forth in paragraph 1 of the letter agreement on or prior to March 31, 1990, Arizona Explorations Inc. will still provide the production revenues to A.F. Budge (Mining) limited that are provided for in paragraph 2 of the letter agreement.

I look forward to your call regarding the assignment.

With kindest regards,

Sincerely yours,



ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

CC: MICHAEL URMAN -
DeConcini McDonald Brammer
Yetwin & Lacy

BUDGE

December 13, 1989 A.F. Budge (Mining) Limited

Stanley W. Holmes
President

Arizona Explorations Inc.

8433 N. Black Canyon Freeway (602) 945-4830
Suite 158 FAX (602) 949-1797

Phoenix, Arizona 85021

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

Dear Dr. Holmes:

This letter is intended to summarize our recent telephone conversations and meetings with regards to the general terms of a lease and purchase agreement on our Vulture Mine property as described in Exhibit "A" (referred to as the "Property").

1. Arizona Explorations Inc. will have an exclusive lease in which to further evaluate the Property; A.F. Budge (Mining) Limited would receive \$25,000 for this consideration. For this sum, Arizona Explorations Inc. would also have access to any and all files and technical data on the Property. In addition, A.F. Budge (Mining) Limited would receive a further sum of \$25,000 following the successful negotiations with V.M.F., Inc. and the execution of an amendment to the original agreement. A.F. Budge (Mining) Limited would make every effort to renegotiate the terms of the agreement to include lower holding costs and a buy-out provision prior to March 1, 1990. The lease and subsequent amendment would then be assigned to Arizona Explorations Inc. and Arizona Explorations Inc. would be responsible for keeping the lease in force and effect during the period of assignment.

2. If continued exploration results in finding of an economic deposit, and if the option to purchase is exercised,

S.W. Holmes
December 13, 1989
Page 2

A.F. Budge (Mining) Limited would receive \$1,000,000 from production revenues paid out at a rate of \$250,000 per year for 4 years.

3. In the event A.F. Budge (Mining) Limited is unsuccessful in renegotiating the original lease with V.M.P., Inc., Budge will assign the original lease to Arizona Explorations Inc. in return for which Budge will receive a final \$25,000 payment. Budge will waive the requirements and payment of \$1,000,000 described in the above item # 2, if an amendment is not secured from V.M.P., Inc.

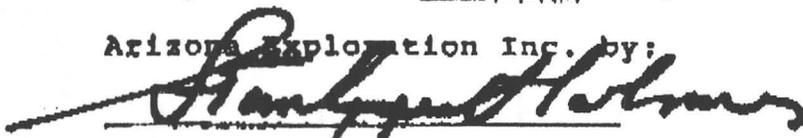
If this letter represents an accurate description of the terms and conditions discussed, please indicate your acceptance by signing below and returning one copy to our Scottsdale office. We will then instruct our legal council to prepare a formal agreement for execution.

Yours very truly,



Ronald R. Short
General Manager

Accepted this 13 day of December, 1989, on behalf of
Arizona Exploration Inc. by:



Stanley W. Holmes, President

CONFIDENTIAL - FOR YOUR EYES ONLY!

February 20, 1990

Mr. Ronald R. Short,
General Manager
A.F. Budge (Mining) Ltd.
4301 N. 75th Street
Scottsdale, AZ 85251-4630

RE: BUDGE/BEAL NEGOTIATIONS

Dear Ron;

Following our meeting with Larry Beal on Tuesday morning, I have listed below some possible conditions with respect to Budge's proposal to Larry Beal.

We would keep all of the claims in good standing and any other ancillary requirements with respect to the regulatory bodies. Mr. John Osborn would be retained as a watchman and be allowed to conduct his various "tourist activities" in the area.

We wouldn't want to be responsible for any of the burdens or problems or related matters which have concerned Budge and Beal in the past. This is in line with the various points that Beal put to you during the discussion. The question of Vulture City is a legal one however, it would appear that Beal wants it to be returned to the overall package of claims.

With respect to payments to be made, we would consider that monthly payments of \$2,500.00 be made over an exploration period of 48 months. At the end of 48 months and/or a feasibility study, a production decision will be made. At this point, (the pre-production period) the payments will be increased to \$5,000.00 per month until production begins. A buy-out price of \$3,000,000.00 will be made from production at a rate of \$500,000.00 per year for six years.

I believe the above does outline what our thoughts are concerning the negotiations and proposal. There is very little time left with respect to presenting the proposal

and it's success undoubtedly will depend upon what kind of cooperation we will get from Mr. Beal.

I enjoyed meeting with you Tuesday.

With kindest regards,

Sincerely yours,

A handwritten signature in black ink, appearing to read "Stanley W. Holmes". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

ARIZONA EXPLORATIONS INC.
Stanley W. Holmes,
President

SWH/bjg

At this date we have not contacted Beal. We have supplied Budge with the phone numbers and we feel that it is their obligation and covenant to initiate and resolve the negotiations. I had discussions with the various partners this morning and they had expressed concern with the slow progress made since December 13, 1989.

A handwritten signature in black ink, appearing to be 'S. Holmes', written in a cursive style.

Stanley W. Holmes

ARIZONA EXPLORATIONS INC.

January 15, 1990

Ms. Carol O'Brien
A.F. Budge (Mining) Limited
4301 North 75th Street
Scottsdale, AZ 85251-4630

RE: **VULTURE PROPERTY**

Dear Carol;

I had discussions today with the partners of Arizona Explorations Inc. concerning our acquisition of the Vulture Claim Group. They are concerned about the following two points that I have outlined below and are noted in the Letter of Intent executed by both parties on December 13th, 1989.

1. They are most anxious to know how the negotiations are proceeding with respect to paragraph I of the Letter of Intent involving A.F. Budge and the lease with V.N.P., Inc. I explained to them what the situation was, however, I must report to you that I did not receive a very sympathetic understanding with respect to my explanation. I must state to you that they are concerned.
2. I was also asked as to the progress being made on the formal agreement between both parties as mentioned in last paragraph of the Letter of Intent - page II, dated December 13th, 1989. You have reported to me that this is in the hands of John Lacy. Perhaps you could let me know what progress has been made.
3. The partners are concerned about the sixty (60) day Termination notice - (Page 11, Section 10, 8B and The Assignment, Page 11, Section 10). Budge reassured Arizona Explorations Inc. that these conditions did not exist.

I think it would be appropriate if you would write me a short reply to this letter so that I may deal more effectively with the Syndicate Group. We are spending large sums of monies on

planning, staff, survey's, consultant's and related work. It is therefore, most important that the above negotiations are successfully concluded.

Kindest regards,

A handwritten signature in cursive script, appearing to read "Stanley W. Holmes". The signature is written in dark ink and is positioned above the typed name.

Stanley W. Holmes,
President

SWL/bjg

CC: Placer Dome U.S., Inc.
American Barrick Resources Corp.
Ronald R. Short
Michael Urman
Hans Matthews

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
SPENCER A. SMITH	MICHAEL R. URMAN
DENISE M. BAINTON	DAVID F. GAONA
KAREN J. NYGAARD	LUIS A. OCHOA
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 25, 1990

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

PLEASE REPLY TO TUCSON

Carole A. O'Brien
A.F. Budge (Mining) Limited
4301 North 75th Street
Suite 101
Scottsdale, AZ 85251-3504

**Re: Vulture Mine Project; Assignment Agreement, A.F.
Budge/Arizona Explorations, Inc.**

Dear Carole:

I have enclosed herewith for your consideration an assignment agreement by which the rights of A.F. Budge in the Vulture Mine would be assigned to Arizona Explorations, Inc. I would appreciate it if you and Ron would take a look at this document to let me know if this is in keeping with your understanding of the arrangements with Stan Holmes. I specifically call your attention to the following:

1. You may remember that the Vulture Mine Agreement, prior to its first amendment, was assigned to Clearwater Mining Corporation because the original lessee, A.F. Budge (Mining) Limited, was a corporation registered under the laws of England, and was thus not competent to file an action in the Arizona Superior Court during the first dispute with Larry Beal. My recollection is that no assignment was ever thereafter made to A.F. Budge (Mining) Limited, a Nevada corporation.

2. I did not have a copy of the recorded short form of the agreement that was prepared after the option to lease the property was exercised in 1986. I'd appreciate it, therefore, if you would check your records for this and provide me with a copy of the recorded document.

3. I have set the term of the option to expire on March 1, 1990. As I see it, the only reason for this option term is to

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A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

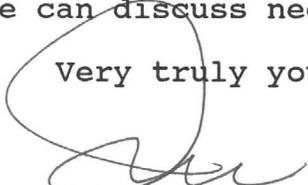
Carole A. O'Brien
January 25, 1990
Page 2

establish a time-frame during which Budge is supposed to try to obtain concessions from Larry Beal. However, inasmuch as the obtaining of concessions from Mr. Beal pertains to the amount of the payment due to Budge, I am not sure that you want to hold fast to this particular date and I suspect that Budge would still be of considerable assistance to Arizona Explorations during subsequent efforts to renegotiate the Vulture Agreement. I therefore feel that any successful renegotiation of the Vulture Agreement within a period of one year should likewise benefit Budge and result in the higher payment.

3. The letter agreement that was signed with Stan Holmes stated that Budge would attempt to "renegotiate" the Vulture Agreement, and did not establish any parameters for new terms that would be acceptable to Arizona Explorations. These parameters should be defined.

After you have had a chance to look at this agreement, please give me a call and we can discuss necessary changes.

Very truly yours,



John C. Lacy

0123900650.jcl2.840127

1/19/90 g

4.25
2.97
3.34
2.52

13³⁵ food

9202 cash

1,000,000 TONS
.35 Au/T

350,000 Au oz

@ 400⁰⁰ / oz

\$ 140,000,000 x 90% = 126,000,000

assume @ 110⁰⁰ / Tm cost

\$ 60⁰⁰ / Tm Mining

30⁰⁰ / Tm Milling

20⁰⁰ / Tm admin, Maint, etc

110⁰⁰ x 1,000,000 = 110,000,000

16,000,000

Develop-

1,000ft shaft @ \$3,000 / FT
= 3,000,000

Develop drift & raise

@ 270⁰⁰ / ft =

500 ft / level. x 5 level.
2500 ft x 270⁰⁰

\$ 675,000

\$ 3,675,000

or \$ 4,000,000

\$ 1,000,000

\$ 2,000,000

Capital
Mull @ 250 t / day



A.F. Budge (Mining) Limited

P.O. Box 143
Clarkdale, AZ 86324
(602) 634-7712

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

P.O. Box 20878
Wickenburg, AZ 85358
Mobile (602) 376-9056

August 30, 1988

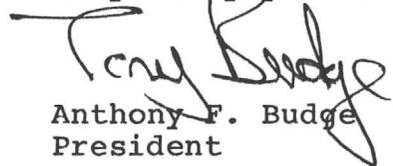
Mr. John Osborne
P.O. Box 1869
Wickenburg, AZ 85358

Dear Mr. Osborne:

A.F. Budge (Mining) Limited has determined that given the current state of development of the property, your services are no longer necessary. This notice is effective as of September 1, 1988.

We have appreciated your past assistance and knowledge of the Vulture property and if your particular knowledge of the property can be utilized in the future, we will be sure to call.

Very truly yours,



Anthony F. Budge
President

AFB:ca

DRAFT

DECONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

1500 McDONALD BLVD. SUITE 1000

JOHN R. McDONALD
 RICHARD M. BRAMMER
 SCOTT D. YETWIN
 WILLIAM B. LACY
 DAVID C. LACY
 REBECCA A. LACY
 DENISE M. BRAMMER
 KATHY L. YETWIN
 SUSAN E. WOLLER
 KAREN D. LAMBERS
 KAYNE E. YETWIN

2525 EAST BROADWAY BOULEVARD, SUITE 200
 TUCSON, ARIZONA 85718-5000
 502-322-5000
 FAX- 602-322-5585

290 NORTH CENTRAL AVENUE, SUITE 1644
 PHOENIX, ARIZONA 85002-2736
 (602) 241-0100
 FAX (602) 241-0220

May 21, 1990

PLEASE REPLY TO TUCSON

V.M.P., Inc.
 c/o Scott Donaldson, Esq.
 Attorney at Law
 301 W. Indian School Road
 Suite 102
 Phoenix, AZ 85013-3214

Re: Vulture Mine Properties, Inc. - A. F. Budge (Mining)
 Limited; Option and Lease Agreement, Notice of Default
 dated May 9, 1990

Gentlemen:

This letter is in response to Mr. Scott Donaldson's letter dated May 9, 1990, which was styled as a Notice of Default on behalf of V.M.P., Inc. under the referenced Agreement (the "Notice"). This letter is in response to the allegations contained in the Notice.

Item Number 1:

By Item No. 1 of the Notice, it is asserted that the actions undertaken by A. F. Budge and Western Technologies in performing a remediation of certain material is not "mineral exploration" nor "mining activities" as granted under the terms of the Agreement. All of the actions related to bioremediation complained of are being taken on portions of the Vulture City Townsite purchased by A.F. Budge (Mining) Ltd., from the Superior Court of the State of Arizona, which land is the sole property of A.F. Budge and not subject to the terms of the Agreement.

Items Number 2, 3, and 5:

Items Nos. 2, 3, and 5 of the Notice are inter-related and will thus be discussed together.

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

DRAFT

Scott Donaldson, Esq.
May 21, 1990
Page 7

AS TO THE ASSERTION IN ITEM NO. 2, V.M.P. has previously been requested by A. F. Budge to approve an assignment of the Agreement to Arizona Explorations and has V.M.P. has simply refused to take any action and has also insisted on some sort of money payment not required by the Agreement. By the Notice, the only basis for this refusal is that requisite federal permits for operations on the property have not been obtained by Arizona Explorations. It is the position of A. F. Budge that V.M.P. originally withheld approval of the assignment without reasonable cause as evidenced by the fact that only post-assignment operations form the basis for the allegations of the Notice. Further, the deficiency asserted as set forth in Item No. 3 is that "as of May 4, 1990, Arizona Explorations is conducting these activities without having applied for or obtained the requisite federal permits or notices." To date, Arizona Exploration has drilled two holes on the property, both of which have been on patented mining claims and therefore has filed requisite notices with the Arizona Department of Water Resources for the drilling of wells and completion of these drill holes. Because these activities have not taken place on federal land, it is my client's position that no additional permitting is required and therefore that he has been in full compliance with the terms of the Agreement.

These facts also relate to the allegations of Item No. 5, by which it is asserted that certain payments have not been made as required by the Agreement because such payments have been tendered by Arizona Explorations without approval of the assignment. Therefore, since there has been no violation in the terms of the Agreement, as discussed above, V.M.P. is in no position to assert that it cannot accept payments from Arizona Explorations.

Item No. 4

Under the allegations contained in Item No. 4 of the Notice, V.M.P. has asserted that A. F. Budge has failed to properly maintain all of the unpatented mining claims as required by Sections 6.a. and 6.f.(1) of the Agreement. This assertion apparently stems from two letters addressed to V.M.P. from the United States Bureau of Land Management dated May 12 and 13, 1990, wherein it was asserted that certain mining claims were being voided as a result of improper filings of annual assessment work. As a result of actions taken by A. F. Budge, this decision was vacated in part by a letter to Mr. Beal on April 10, 1990, which decision reinstated all of the mining claims subject to the

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

DRAFT

Scott Donaldson, Esq.
May 21, 1990
Page 2

Agreement with V.M.P. regarding the Vulture Nos. 81-83, 81A and 81B claims.

It is noted that the validity of the fact that the Vulture Nos. 81A, 81B and 81C were declared null and void by a decision of the Arizona State Office of the Bureau of Land Management dated December 1, 1989, for the reason that these mining claims were located within the limits of the Vulture City Townsite. This decision was appealed to the Interior Board of Land Appeals and was affirmed by an Order dated November 1, 1987. The possibility of a reversal of this decision was then discussed with the BLM and the decision was affirmed not to appeal to the United States District Court.

*located on state land
Section 2*

By Item 10 of the Agreement it is noted that V.M.P. is owed a \$75,000.00 production bonus. Under the terms of subsection 10.2 of the Agreement, if A. F. Budge elected to commence activities on the Property, V.M.P. was to be paid a production bonus of \$75,000. The "commencement" of activities under the terms of the Agreement

...the expenditure of ... part of the ... of a ... include a ... other large ... hearing. The ... on or before ... days after Budge's announcement to its stockholders that production will commence.

The activities that Budge has undertaken on the Property consists of reprocessing mine tailings from the Pit Gold patented mining claim and from within portions of the Vulture City Townsite and the payment of the production bonus is contingent upon "a full-scale development of the Property." The reprocessing of the tailings is not a "mining operation" in the strict sense of the word and the terms of the Agreement for purposes of the production bonus. No claim has ever been asserted that V.M.P. is not entitled to royalties on metal values recovered from the tailings. Further, if such processing were

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A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

DRAFT

Scott Donaldson, Esq.
May 21, 1990
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By the terms of the Purchase and Lease Agreement effective as to the property, the Seller exercised its option to lease the property and the Seller retained Mr. John Osborne's services for the entire period of time, in August, 1988, advised Mr. Osborne that no further assistance was required. Mr. Osborne was fully apprised with any obligations to V.M.P. regarding Mr. Osborne, and under the terms of the applicable provisions, has the sole discretion whether or not to use Mr. Osborne's services.

It is noted that the Seller's obligation to the Buyer as provided in the Purchase Agreement, insofar as the Agreement requires the Seller to obtain an order of superior court if a disagreement exists over the property, was not satisfied. It is noted that the Seller has filed such an action with the court and the Seller has advised in the notice dated May 21, 1990, that the Seller has advised the Buyer that the Seller has no bona fide offer to purchase the property based on the terms of the Agreement.