

Tim Levandowsky  
Page 2  
September 25, 1989

A plan and implementation schedule should be submitted no later than October 20, 1989 which at a minimum includes the means by which the following tasks will be accomplished.

1. Show the extent and magnitude of any contamination that may have occurred and how it will impact groundwater quality. Information on local groundwater flow direction should be included in the plan. Static water levels and water level elevations should be measured at each of the three wells in the vicinity and at the mine shaft. This information will be necessary in the event that additional monitoring locations are required.

2. Sample the leachate solution collected at the leak detection point and the groundwater at the on-site process water well. Analyses must be conducted for pH, total Cyanide, and dissolved Arsenic, Barium, Cadmium, Chromium, Lead, Selenium, Silver, and Mercury. Appropriate sampling techniques and EPA-approved analytical procedures by a certified laboratory must be used.

3. Locate the leak.

4. Remediate the leak and ensure that the facility will not discharge further and will be thus brought into compliance with the permit.

Additionally, the Quality Assurance data from the seam testing on the pad that was required in Part II.A.1.b. should be requested. This will aid us in determining the cause of the leak.

cc: Bob Hollander, CRO  
Debra Daniel, Hydrology  
Carole O'Brien, A.F. Budge Mining Ltd.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY  
Inter-Office Memorandum

DATE: September 25, 1989

TO: File, Groundwater Quality Protection Permit No. G-0090-07

THRU: Gary Ullinskey *GU*  
Roger Kennett *RK*

FROM: Michael Milczarek *M.M.*

RE: Site Visit Report  
Vulture Mine Facility, September 15, 1989

SITE DESCRIPTION:

The Vulture Mine gold heap leaching facility, is located 7 miles west of Wickenburg on Vulture Mine Rd. The operation was permitted under Groundwater Quality Protection Permit (GWQPP) G-0090-07 on June 9, 1988 and has been operating at 100% capacity since the end of the Second Quarter Monitoring Report. Approximately 225,000 tons of gold ore are stacked on a heap leach pad which consists of a 30 mil HDPE liner over a 95% dry compacted subsurface. The heap leaching pad is separated into four "cells" of which each has a double lined (30 mil HDPE) leak detection system. The facility was visited on September 15, 1989 by Water Permit writers Abigail Myers and Mike Milczarek and Environmental Program Supervisor Gary Ullinskey. During the Site Visit, several violations of the GWQPP were observed.

1) LEACHATE LEAKAGE FROM THE HEAP LEACHING PAD

Cyanide leachate solution was observed in the leak detection system of the two most western cells. As required by the contingency requirements of Part II.C.1 of the permit, the operator, Mr. Dale Allen notified the Department by letter on August 10. The presence of leachate solution in the leak detection system is a violation of Part II.A.4. of the GPP.

2) IMPROPER STACKING OF THE GOLD ORE

The facility plans as specified in the permit stipulate a 1:1.75 slope of the heap, with 5 ft seismic setbacks for each 15 ft rise in elevation. The slope of the heap far exceeded that as specified and setbacks were not observed in a regular manner. This has led to operational "blowouts" where sections of the heap are shearing from the mother pile. There is the potential for a blowout to occur in which the collection stream is blocked subsequently causing the leachate solution to overflow out of the pad system.

3) INSUFFICIENT BERMS FOR STORM PROTECTION

The containment berms did not appear to be of the height as specified in the permit. This was further evidenced by the observation of two furrows leading from the containment berm

PAGE 2  
MEMO TO FILE GWQPP G-0090-07  
RE: VULTURE MINE SITE VISIT  
DATE: 9/25/89

at the southeastern section of the pad. White residue was present on the soil of the southern most furrow indicating leachate solution had breached that berm sometime in the past.

We recommend that corrective action for each violation be as follows:

Violation 1) As discussed in the inter-office memo from Abigail Myers to Tim Levandowsky.

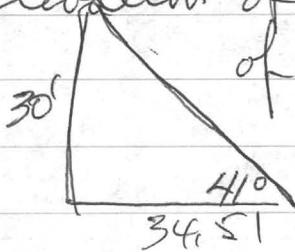
Violation 2) A.F. Budge Mining Ltd. should propose a plan by October 28, 1989 to remediate the slope of the heap.

Violation 3) A core sample of the soil immediately adjacent to the breached berm should be taken under department supervision and tested in an approved laboratory for free cyanide to determine the extent of the contamination. A.F. Budge Mining Ltd. should propose a plan by October 28, 1989, which includes calculations to support the design, to heighten the berms.

cc: Carole A. O'Brien, A.F. Budge Mining Ltd.  
Larry Beal, Vulture Mine Properties Inc.  
Dave Woodruff, Water Pollution Compliance Unit  
Central Regional Office, ADEQ

took water sample at same time.

Water level 10/9/89 - Vulture Mine  
 656.2 FT below shaft collar unmeasured down  
 shaft at 35°. Vertical distance 376.38' below collar  
 with an Elevation of 2082' above sea level. = Elevation  
 of water 1,706' above sea level.



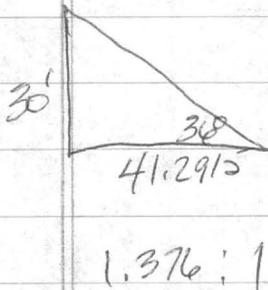
$$\cos 41^\circ = \frac{x}{41}$$

$$\tan 41^\circ = \frac{30}{x}$$

$$0.8693 = \frac{30}{x}$$

$$x = 34.51'$$

$$1.15 \div 1$$



$$\tan 36^\circ = \frac{30}{x}$$

$$.7265 = \frac{30}{x}$$

$$x = \frac{30}{.7265}$$

$$1.73 \div 1$$

$$1 : 1.1504$$

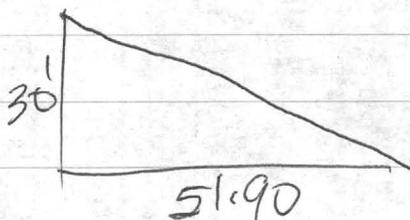
$$.9004 = \frac{30}{x}$$

$$x = 33.3184$$

$$\tan 42 = \frac{30}{x}$$

$$1.11 \div 1$$

$$1.73 \div 1$$



$$\frac{30}{51.90} = \tan x$$

$$.5780 = \tan x$$

$$30.0279^\circ = x$$

SHAFT COLLAR 2082 **X**  
 MINUS TO H2O LVL. 376.  
 656.2 FT  
 ELEV. 1706'

$$\sin 35^\circ = \frac{X}{656.2}$$

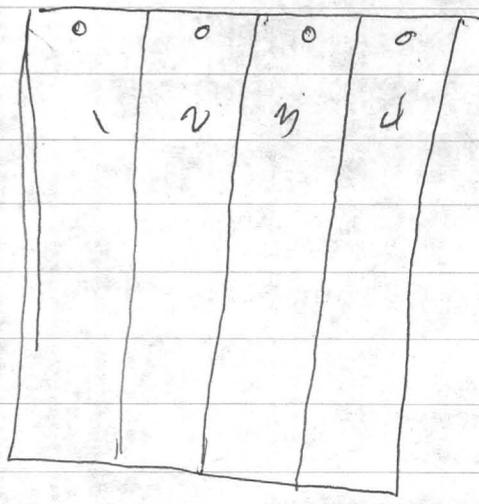
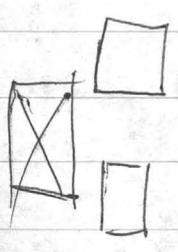
$$.5736 = \frac{X}{656.2}$$

$$376.38' \times$$

$$\cos 35^\circ = \frac{X}{656.2}$$



leak  
date Aug 7  
leak  
date Sept 15



compacted to impermeable  
layer of soil -  
then 80 mil liner.

DEQ - wants ↴

Sample - mine  
active well  
well south of mine  
leaks

want = solution → plan of attack.  
Help from Huskins & Robbins.  
Dig up locate and repair -

Shipment Date	Collection Note #	Ounces Gold	Ounces Silver	Material	"Net" to Budge
	540	142.84	469.19	Dore	\$61,524.78
	547	11.81	58.17	Precip.	\$4,730.61
	570	8.03	24.21	Dore	\$2,944.16
	571	106.83	464.84	Precip.	\$44,746.01
	597	17.68	63.19	Dore	\$6,872.67
	601	169.78	554.52	Precip.	\$67,518.86
02-03-89	626	174.41	603.43	Dore	\$67,527.32
02-10-89	627	88.85	289.92	Dore	\$34,052.67
02-17-89	631	51.58	192.03	Dore	\$20,490.40
02-24-89	639	87.21	330.59	Dore	\$34,958.64
03-03-89	645	47.40	180.70	Dore	\$18,743.70
03-10-89	656	72.33	216.49	Dore	\$28,751.43
03-17-89	663	62.76	163.83	Dore	\$24,678.60
03-24-89	670	124.38	318.24	Dore	\$48,725.34
03-31-89	681	95.99	268.31	Dore	\$36,869.39
04-07-89	686	56.96	166.48	Dore	\$21,935.93
04-14-89	696	65.18	196.49	Dore	\$25,059.07
04-21-89	711	53.38	164.93	Dore	\$20,098.93
04-28-89	715	37.08	130.10	Dore	\$13,919.17
05-12-89	732	125.38	395.21	Dore	\$46,958.62
05-19-89	742	93.32	271.23	Dore	\$34,245.06
06-01-89	758	80.10	274.50	Dore	\$28,969.62
06-09-89	762	59.52	164.05	Dore	\$21,674.47
06-16-89					
06-23-89	777	110.48	322.41	Dore	\$41,391.35
06-30-89	778	49.68	150.19	Dore	\$18,710.67
07-10-89	795	49.66	155.17	Dore	\$18,284.52
07-17-89					
07-31-89	810	136.73	397.40	Dore	\$49,890.99
08-07-89	814	85.30	243.75	Dore	\$31,159.60
08-28-89	838	129.89	357.65	Dore	\$46,874.93
09-01-89	846	60.24	156.45	Dore	\$21,384.70
09-14-89	857	114.58	291.36	Dore	\$42,138.99
09-22-89	867	76.40	190.57	Dore	\$27,836.31
09-29-89	872	86.29	217.15	Dore	\$31,196.69
	856	25.31	67.72	Slag	\$6,316.91
10-06-89					
10-13-89	882	208.59	526.21	Dore	\$76,608.49
10-20-89	888	68.07	180.05	Dore	\$25,206.42
10-27-89	899	50.43	134.58	Dore	\$18,904.10
10-27-89	905	37.25	99.52	Dore	\$13,992.72
11-06-89	906	74.63	198.40	Dore	\$28,848.89
11-10-89	925	79.90	219.72	Dore	\$32,598.79
11-17-89	934	43.88	122.02	Dore	\$17,926.21
11-24-89					
12-01-89	941	67.14	194.49	Dore	\$27,650.47
12-08-89					
12-15-89	958	61.05	170.54	Dore	\$23,833.31
12-22-89	969	25.45	71.28	Dore	\$9,725.22
12-29-89					
01-05-90	985	34.78	106.01	Dore	\$13,987.89

3,508.5

10,533.3

\$1,340,463.62

Totals through January 15, 1990

Vulture (from 2/01/84 to 4/30/88)	\$864,379.16
Vulture Exploration (1989)	\$117,460.14
Vulture Placer Evaluation	\$87,573.69
Vulture Option Payment	(\$25,000.00)
Vulture Preproduction Costs (to 7/31/88)	\$737,030.74
Vulture Production	\$1,498,281.88





# ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

ROSE MOFFORD, GOVERNOR  
RANDOLPH WOOD, DIRECTOR

RECEIVED OCT 6 1989

CERTIFIED MAIL:  
Return Receipt Requested

October 3, 1989  
REF#: 333

Ms. Carole A. O'Brien  
A. F. Budge Mining Limited  
4301 North 75th Street, Suite 101  
Scottsdale, Arizona 85251-3504

RE: Vulture Mine, Groundwater Quality Protection  
Permit No. G-0090-07

Dr. Ms. O'Brien:

The Water Pollution Compliance Unit (WPCU) of the Arizona Department of Environmental Quality (ADEQ) has received the notification of violation letter from the Vulture Mine Facility (Groundwater Quality Protection Permit [GQPP] No. G-0090-07).

The leak reported in the letter was also observed by several staff members of ADEQ's Water Permits Unit on September 15, 1989. They reported that a peristaltic pump had been installed on the eastern detection sampling point and that Dave Allen, the production manager, indicated that nine gallons of leakage per day was being measured. The concentration of cyanide and pH of the fluid collected had been tested and exceeded the limits set in Part II.A.4. of your GQPP. ("...shall not exceed a pH of 8.5 or show the presence of free cyanide above 0.20 mg/l.")

Part II.C.1., of your GQPP, stipulates that if any fluid is collected in any of the leak detection sampling points and exceeds the limits set in Part II.A.4., appropriate action to mitigate the effects of the violation must be determined.

The ADEQ's Water Permits Unit staff has determined the following requirements for the Vulture mine Facility.

1. Immediately upon the receipt of this letter:
  - a. Cease the application of cyanide solution to the two cells which are exhibiting leakage;
  - b. Pump all the leaked leachate solution from the leak collection system to the pregnant pond; A second pump should be installed at the western leak detection sampling point that is not currently equipped; Pump intakes should be

Ms. Carole O'Brien  
October 3, 1989

located as deeply as possible; The volume of leaked leachate should be measured.

This should minimize the hydrostatic pressure on the secondary liner to reduce the possibility of its failure.

2. Within thirty (30) days of the receipt of this letter a plan and implementation schedule should be submitted which at a minimum includes the means by which the following tasks will be accomplished.
  - a. Show the extent and magnitude of any contamination that may have occurred and how it will impact groundwater quality. Information on local groundwater flow direction should be included in the plan. Static water levels and water level elevations should be measured at each of the three wells in the vicinity and at the mine shaft. This information will be necessary in the event that additional monitoring locations are required.
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  - c. Locate the leak.
  - d. Remediate the leak and ensure that the facility will not discharge further and will thus be brought into compliance with the your permit.
  - e. Submit the Quality Assurance data from the seam testing on the pad that was required in Part II.A.1.b., of your permit. This will aid in the determination of the cause of the leak.

All submittals should be sent to the following address:

Arizona Department of Environmental Quality  
Water Pollution Compliance Unit, Room 300  
2005 North Central Avenue  
Phoenix, Arizona 85004

Attention: Tim L. Levandowsky

Ms. Carole O'Brien  
October 3, 1989

Failure to comply with all the requirements of your permit may result in revocation as stated in Part IV.H.4., of the permit or administrative or legal action by ADEQ or the Arizona Attorney Generals Office.

If you have any questions or problems meeting the requirements of this letter you may call me at 257-2368.

Sincerely,



Tim L. Levandowsky  
Water Pollution Compliance Unit

CC: Sarah Mapes, Compliance  
Roger Kennett, Water Permits Unit  
Debra Daniel, State Permits Hydrology Unit  
Robert Hollander, Central Regional Office

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY  
2005 North Central  
Phoenix, Arizona 85004



CERTIFIED MAIL  
No. 137187  
RETURN RECEIPT REQUESTED

CAROLE O'BRIEN  
A.F. BUDGE MINING LIMITED  
4301 NORTH 75th STREET  
SUITE 101  
SCOTTSDALE, AZ 85251-3504



# ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

ROSE MOFFORD, GOVERNOR  
RANDOLPH WOOD, DIRECTOR

December 26, 1989

Ms. Carole A. O'Brien  
A.F. Budge Mining Ltd.  
4301 North 75<sup>th</sup> Street  
Scottsdale, AZ 85231

RE: Sampling Implementation Plan for Vulture Mine Facility  
Groundwater Quality Protection Permit G-0090-07

Dear Ms. O'Brien

This letter confirms the telephone conversations of December 18 and 26, with Mike Milczarek, Water Permits Unit. As discussed, the implementation plan submitted by Sergent, Hauskins & Beckwith on November 30, 1989 is insufficient in the following areas:

- 1) It is stated that sampling procedures will be in accordance with procedures approved by ADEQ, however, the procedures are not specified, therefore cannot be approved.
- 2) It is stated that all samples will be tested for the presence of cyanide, however the cyanide species are not specified. Samples should be analyzed for total cyanide and free cyanide.
- 3) No date has been specified for the sampling plan as proposed.
- 4) A laboratory has not been specified with a time schedule for laboratory results.

These omissions must be rectified immediately. In accordance with your verbal agreements with Mr. Milczarek, an approvable implementation schedule must be submitted by December 29, 1990 and sampling initiated by competent personnel as soon as possible. Jeanmarie Haney, our hydrologist, may be contacted at 257-2117 regarding sampling procedures. Please be aware that our presence is not required during the sampling procedure.

A current report of the leakage flow rate, pH, and free cyanide concentrations recorded since the last report of 10-17-89, should be delivered within two weeks of receipt of this letter.

This letter is also considered a final warning letter. Should you fail to meet the requirements listed above, this matter will be referred to the Water Pollution Compliance Unit for appropriate administrative and/or legal action by the Department.

*The Department of Environmental Quality is An Equal Opportunity Affirmative Action Employer.*

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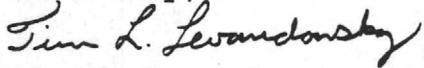
Attention: Tim L. Levandowsky

Ms. Carole O'Brien  
October 3, 1989

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If you have any questions or problems meeting the requirements of this letter you may call me at 257-2368.

Sincerely,



Tim L. Levandowsky  
Water Pollution Compliance Unit

CC: Sarah Mapes, Compliance  
Roger Kennett, Water Permits Unit  
Debra Daniel, State Permits Hydrology Unit  
Robert Hollander, Central Regional Office



JCL  
02-28-90

**ASSIGNMENT AGREEMENT**

BY THIS ASSIGNMENT AGREEMENT,

effective March 1, 1990 (the "Effective Date"),

by and between A.F. BUDGE (MINING) LIMITED, a Nevada corporation, and its wholly owned subsidiary, CLEARWATER MINING CORPORATION, an Arizona corporation (collectively "Budge"), whose address is 4301 North 75th Street, Suite 101, Scottsdale, Arizona 85251-3504,

and

ARIZONA ONTARIO EXPLORATIONS INC., an Arizona corporation ("AOEI"), whose address is 8433 N. Black Canyon Freeway, Suite 158, Phoenix, Arizona 85021,

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

1. Grant.

a. Assignment - Budge does hereby assign to AOEI (the "Assignee"), all of its right, title and interest in and under that certain Option and Lease Agreement effective July 1, 1984, by and between V.M.P., Inc., as "Lessor" and A.F. Budge (Mining) Limited, as amended by that certain First Amendment to Option and Lease Agreement effective February 1, 1985, a short form of which is recorded as document number 86-\_\_\_\_\_ of the Official Records of Maricopa County (the "Lease Agreement" herein), which Lease Agreement grants mineral development rights in certain patented and unpatented mining claims in Maricopa County (the "Property" herein), EXCLUDING SPECIFICALLY, any and all rights of Budge in the Townsite of Vulture City (including access thereto) as conveyed to Ben F. Dickerson, III, by the Superior Court of Arizona, Maricopa County Cause No. C578525, by that certain Quitclaim Deed to Unclaimed Townsite Lots, dated March 4, 1987, and recorded as document number 87-178337 of the Official Records of Maricopa County.

b. Reserved Rights of Budge - Budge hereby reserves and accepts from the foregoing grant and retains unto itself the right to enter upon the Property for the purpose of undertaking any and all activities required to reclaim or detoxify the heap leach area situated on the Property. Such right shall exist for a period measured by the lesser of one year from and after the Effective Date or the date that the Arizona Department of Environmental Quality has issued a decision or certification of detoxification of the heap leach.

c. Acceptance - The Assignee does hereby accept the foregoing assignment and does hereby assume all the obligations of Budge under the terms of the Lease Agreement. AOEI does hereby further agree to indemnify and hold Budge harmless from all claims, liabilities, obligations, costs and expenses of any nature whatsoever, including without limitation, reasonable attorneys' fees arising out of any default or asserted default on the part of Budge under the Lease Agreement assigned hereby after the date hereof; provided, however, that Budge shall indemnify AOEI and hold AOEI harmless from all claims, liabilities, obligations, costs and expenses of any nature whatsoever, including without limitation, reasonable attorneys' fees arising out of those matters disclosed in that certain letter of counsel for V.M.P. dated January 11, 1990.

2. Payments to Budge

a. Consideration for Assignment - As consideration for the assignment of the Lease Agreement, AOEI will pay to Budge Twenty-Five Thousand Dollars (\$25,000.00) upon execution and delivery of this Assignment Agreement.

b. Further Payments - If Budge or AOEI, or either of them, is successful in renegotiating the terms of the Lease Agreement with V.M.P. in accordance with the terms of that certain letter dated February 28, 1990, to counsel for V.M.P. prior to April 30, 1990 (or AOEI thereafter accepts a counteroffer made by V.M.P. prior to April 30, 1990), AOEI shall pay Budge One Million Dollars (\$1,000,000) as further consideration for the assignment, which amount shall be paid to Budge by four annual installments of \$250,000 each, beginning on the date of AOEI's "commencement of mineral production" from the Property (as defined in subsection g of Section 4 of the Lease Agreement as amended) plus interest at the rate of ten percent (10%) per annum on the unpaid balance from such mineral production date.

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 such intention to Budge not later than thirty days prior to such 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.

4. Title Matters

Budge represents and warrants to AOEI that to the best of its knowledge: (1) the unpatented mining claims subject to the Lease Agreement have been staked and maintained in accordance with federal and state mining laws, (2) there are no conflicting mining claims that overlap the mining claims subject to the Lease Agreement, (3) title to the Property is free and clear of all liens and encumbrances, (4) the Lease Agreement is in full force and effect, and that, except as to those matters disclosed in that certain letter of counsel for V.M.P. dated January 11, 1990, no event of default exists or has been asserted by V.M.P., and (5) Budge has the full right, power and capacity to enter into this Agreement upon the terms set forth herein. AOEI has previously been provided with title documents affecting the Property and the Lease Agreement and AOEI's acceptance of this Assignment and making the payment required by subsection a of Section 2 hereof shall constitute an approval of title.

5. Notices

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

6. Further Assurances

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

SIGNED this 28 day of Feb, 1990.

ARIZONA ONTARIO  
EXPLORATIONS INC.

By Stanley W. Holmes  
Stanley W. Holmes, President

A. F. BUDGE (MINING) LIMITED

By Anthony F. Budge  
Anthony F. Budge, President

CLEARWATER MINING CORPORATION

By Anthony F. Budge  
Anthony F. Budge, President

STATE OF ARIZONA )  
County of Maricopa ) ss.

The foregoing instrument was acknowledged before me this 28<sup>th</sup> day of February, 1990, by Stanley W. Holmes, the President of Arizona Ontario Explorations Inc., an Arizona corporation, for and on behalf of the corporation.



Carole A. O'Brien  
Notary Public

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

Kingdom of England  
~~STATE OF ARIZONA~~ )  
Worksp Nottingham ) ss.  
~~County of Maricopa~~ )

The foregoing instrument was acknowledged before me this 6<sup>th</sup> day of March, 1990, by Anthony F. Budge, the President of A. F. Budge (Mining) Limited, a Nevada corporation, for and on behalf of the corporation.

Veta J. Oddy  
Notary Public

My commission expires on death

Kingdom of England  
~~STATE OF ARIZONA~~ )  
Worksp Nottingham ) ss.  
~~County of Maricopa~~ )

The foregoing instrument was acknowledged before me this 6<sup>th</sup> day of MARCH, 1990, by Anthony F. Budge, the President of Clearwater Mining Corporation, an Arizona corporation, for and on behalf of the corporation.

Veta J. Oddy  
Notary Public

My commission expires on death

0228900930.BUDGE.AOEI.ASSIGN.1

*R*  
**RICHMONDS**  
— SOLICITORS —

35, Potter Street, Worksop, Nottinghamshire S80 2AG.  
Telephone: (0909) 474321 Fax: (0909) 483852 DX 12202

YOUR REF:

OUR REF:

PLEASE ASK FOR:

*Web / Oddy  
Notary Public*



*DMEA Ltd.*

Mineral Exploration Advice

*Ben F. Dickerson III*  
Registered & Certified Geologist  
*Carole A. O'Brien*  
Certified Geologist

7340 E. Shoeman Lane  
Suite 111 "B" (E)  
Scottsdale, AZ 85251  
(602) 945-4630  
Telex: 75-1739

December 30, 1985

W. Scott Donaldson, Esq.  
2916 North 7th Avenue  
Phoenix, AZ 85013

Re: V.M.P., Inc. (L.W. Beal)  
Mine Claims, Maricopa Co., AZ

Dear Mr. Donaldson:

Mr. John Lacy has advised that you are the attorney of record for V.M.P., Inc. and L.W. Beal.

Enclosed is a certified mail envelope (P 007 166 064) sent to Mr. Beal on December 4 of this year, and returned to us today.

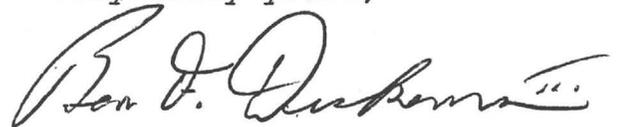
Also enclosed is a copy of the Affidavit of Performance of Annual Labor for the referenced mining claims, as filed with the BLM on behalf of V.M.P., Inc.

A copy of this instrument was also filed with the Maricopa County Recorder. This copy has not yet been returned to us. We will forward a copy when it is received.

Accompanying is a copy of a plat prepared by Harvey W. Smith, E.M., Deputy Mineral Land Surveyor. This shows the situs of the recently amended claims held by V.M.P., Inc., and exhibits other features related to matters of mutual interest. To our knowledge, no accurate plat of the previous claims exists.

It is to be hoped that the various items under consideration can be amicably settled by reasoned discourse, not by litigation.

Very truly yours,



Ben F. Dickerson III

BFD:ca

c: J.C. Lacy  
A.F. Budge

Served upon Ariz.  
Corporation Comm.  
12/9/85

ARIZONA SUPERIOR COURT, County of Maricopa

C

RECEIVED DEC 18 1985

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

Plaintiff,

v.

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

Defendant.

ACTION NO: C-562598

ALIAS  
SUMMONS

THE STATE OF ARIZONA TO THE DEFENDANTS:

Larry W. Beal, as Statutory Agent for V.M.P.,  
Inc.

YOU ARE HEREBY SUMMONED and required to appear and defend, within the time applicable, in this action in this Court. If served within Arizona, you shall appear and defend within 20 days after the service of the Summons and Complaint upon you, exclusive of the day of service. If served out of the State of Arizona — whether by direct service, by registered or certified mail, or by publication — you shall appear and defend within 30 days after the service of the Summons and Complaint upon you is complete, exclusive of the day of service. Where process is served upon the Arizona Director of Insurance as an insurer's attorney to receive service of legal process against it in this state, the insurer shall not be required to appear, answer or plead until expiration of 40 days after date of such service upon the Director. Service by registered or certified mail without the State of Arizona is complete 30 days after the date of filing the receipt and affidavit of service with the Court. Service by publication is complete 30 days after the date of first publication. Direct service is complete when made. Service upon the Arizona Motor Vehicle Superintendent is complete 30 days after filing the Affidavit of Compliance and return receipt or Officer's Return. RCP 4; ARS §§ 20-222, 28-502, 28-503.

Kenneth C. Sundlof, Esq.

Attorney Firm Name and Address

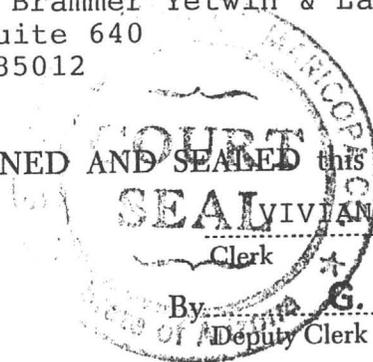
DeCONCINI McDONALD BRAMMER  
YETWIN & LACY, P.C.  
4041 N. Central Ave., Suite 640  
Phoenix, Arizona 85012

YOU ARE HEREBY NOTIFIED that in case of your failure to appear and defend within the time applicable, judgment by default may be rendered against you for the relief demanded in the Complaint.

YOU ARE CAUTIONED that in order to appear and defend, you must file an Answer or proper response in writing with the Clerk of this Court, accompanied by the necessary filing fee, within the time required, and you are required to serve a copy of any Answer or response upon the Plaintiffs' attorney.  
RCP 10(d); ARS § 12-311; RCP 5.

The name and address of plaintiffs' attorney is:

Kenneth C. Sundlof, Esq.  
DeConcini McDonald Brammer Yetwin & Lacy, P.C.  
4041 N. Central, Suite 640  
Phoenix, Arizona 85012

SIGNED AND SEALED this date: DEC 4 1985  
 **SEAL**  
VIVIAN KRINGLE  
Clerk  
By: G. GUTIERREZ  
Deputy Clerk

SUMMONS



1 DECONCINI McDONALD BRAMMER YETWIN & LACY, P.C.  
2 ATTORNEYS AT LAW  
3 640 GREAT WESTERN BANK PLAZA  
4 4041 NORTH CENTRAL AVENUE  
5 PHOENIX, ARIZONA 85012  
6 (602) 248-0036

4 Kenneth C. Sundlof, Jr.  
5 Attorneys for Plaintiff

6 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA  
7 IN AND FOR THE COUNTY OF MARICOPA

8 CLEARWATER MINING CORPORATION, )  
9 an Arizona corporation, as ) NO. C-562598  
10 nominee of A. F. BUDGE ) FIRST AMENDED COMPLAINT  
11 (MINING LIMITED), a foreign ) (Declaratory Relief -  
12 corporation, ) Contract)  
13 Plaintiff, )  
14 v. )  
15 V.M.P., INC., an Arizona )  
16 corporation, )  
17 Defendant. )

16 The Plaintiff, by and through its undersigned  
17 attorneys, and pursuant to A.R.S. § 12-1831, et seq., for its  
18 claim for declaratory relief, alleges as follows:

- 19 1. Plaintiff Clearwater Mining Corporation  
20 (Clearwater) is an Arizona corporation. Clearwater is  
21 nominee of A. F. Budge, Ltd., a foreign corporation, on an  
22 Option and Lease Agreement entered into between A. F. Budge,  
23 Ltd. and V.M.P., Inc.
- 24 2. Defendant V.M.P., Inc. is an Arizona corpora-  
25 tion doing business in Maricopa County, Arizona.
- 26 3. The court has jurisdiction to issue the

1 declaratory relief prayed for herein pursuant to A.R.S. §  
2 12-1831 et seq.

3 4. On July 1, 1984, A. F. Budge, Ltd. and V.M.P.,  
4 Inc. entered into an Option and Lease Agreement concerning  
5 patented and unpatented mining claims situated in Maricopa  
6 County, Arizona. A copy of the Agreement is attached as  
7 Exhibit "1".

8 5. By the terms of the aforementioned Agreement,  
9 specifically Subsection A of Section 7, Defendant/Lessor  
10 represented that the unpatented mining claims within the  
11 properties "have been located and appropriate record made  
12 thereof in compliance with the laws of the United States and  
13 the laws of Arizona . . . ." Subsection C of Section 7  
14 provides:

15 If in the opinion of counsel retained by  
16 Budge, Lessors title . . . is defective  
17 or less than as represented herein, and  
18 if Lessor is unable or unwilling to  
19 promptly correct the defects or alleged  
20 defects in title, Budge may attempt to  
21 perfect, defend or initiate litigation to  
22 protect such title.

23 Subsection C of Section 7 further provides that if action was  
24 taken to correct defects, the costs and expenses of such  
25 action would constitute a credit against further payments  
26 made to the Lessor.

6. Based on an examination of the properties by a  
Deputy United States Mineral Surveyor and opinion of counsel,  
Plaintiff determined that many of the unpatented mining

1 claims situated within the properties are not located in  
2 compliance with Arizona law and further determined that the  
3 Lessor would not have the ability to correct the deficiencies  
4 within a reasonable time frame. Plaintiff therefore under-  
5 took action to reasonably correct such deficiencies. The  
6 costs and expenses incurred to correct the deficiencies total  
7 Seventeen Thousand Six Hundred Fifty Dollars (\$17,650.00).  
8 Plaintiff has undertaken to deduct the costs of such action  
9 from payments made to the Lessor. To date, Plaintiff has  
10 deducted Seven Thousand Dollars (\$7,000.00) from the  
11 payments.

12 7. On or after October 22, 1985, the Defendant  
13 served Plaintiff with a Notice of Default based on Plain-  
14 tiff's deduction of part of its costs from payments made to  
15 Lessor. Plaintiff disputes the existence of a default under  
16 the terms of the Agreement. Pursuant to the terms of Sub-  
17 section A of Section 8 of the Agreement, if Plaintiff "in  
18 good faith disputes the existence of default, [Plaintiff]  
19 Budge shall initiate appropriate action in a court of com-  
20 petent jurisdiction" within the 30-day period of time  
21 required to cure any alleged default.

22 8. Plaintiff is entitled to an award of its  
23 reasonable attorneys' fees incurred in connection with this  
24 litigation.

25 WHEREFORE, Plaintiffs pray for declaratory and  
26 other relief as follows:

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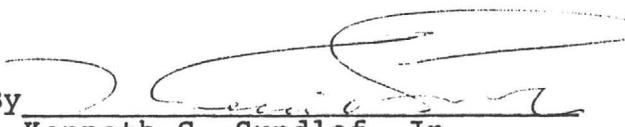
a. For judgment of this court declaring (i) that the actions of Plaintiff in deducting the costs of correcting defects in the unpatented mining claims was appropriate under the terms of the Agreement, and (ii) that no default has occurred under the Agreement;

b. For costs of suit and reasonable attorneys fees incurred herein; and

c. For such other and further relief as this court deems just and appropriate.

DATED this 4th day of December, 1985.

DeCONCINI McDONALD BRAMMER  
YETWIN & LACY, P.C.

By 

Kenneth C. Sundlof, Jr.  
640 Great Western Bank Plaza  
4041 North Central Avenue  
Phoenix, Arizona 85012  
Attorneys for Plaintiff

DECONCINI McDONALD BRAMMER YETWIN & LACY, P.C.  
ATTORNEYS AT LAW  
640 GREAT WESTERN BANK PLAZA  
4041 NORTH CENTRAL AVENUE  
PHOENIX, ARIZONA 85012  
(602) 248-0036

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4041 NORTH CENTRAL AVENUE  
PHOENIX, ARIZONA 85012  
(602) 248-0036

Kenneth C. Sundlof, Jr.  
Attorneys for Plaintiff

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

CLEARWATER MINING CORPORATION, )	
an Arizona corporation, as )	NO. C-562598
nominee of A. F. BUDGE )	
(MINING LIMITED), a foreign )	FIRST AMENDED COMPLAINT
corporation, )	
Plaintiff, )	(Declaratory Relief -
	Contract)
v. )	
V.M.P., INC., an Arizona )	
corporation, )	
Defendant. )	

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

1. Plaintiff Clearwater Mining Corporation (Clearwater) is an Arizona corporation. Clearwater is nominee of A. F. Budge, Ltd., a foreign corporation, on an Option and Lease Agreement entered into between A. F. Budge, Ltd. and V.M.P., Inc.
2. Defendant V.M.P., Inc. is an Arizona corporation doing business in Maricopa County, Arizona.
3. The court has jurisdiction to issue the

DENIES  
ADMITS

DECONCINI McDONALD BRAMMER YETWIN & LACY, P.C.  
ATTORNEYS AT LAW  
640 GREAT WESTERN BANK PLAZA  
4041 NORTH CENTRAL AVENUE  
PHOENIX, ARIZONA 85012  
(602) 248-0036

BEAL'S  
LAWYER  
ADMITS

1 declaratory relief prayed for herein pursuant to A.R.S. §  
2 12-1831 et seq.

3 4. On July 1, 1984, A. F. Budge, Ltd. and V.M.P.,  
4 Inc. entered into an Option and Lease Agreement concerning  
5 patented and unpatented mining claims situated in Maricopa  
6 County, Arizona. A copy of the Agreement is attached as  
7 Exhibit "1".

ADMITS  
SAME

8 5. By the terms of the aforementioned Agreement,  
9 specifically Subsection A of Section 7, Defendant/Lessor  
10 represented that the unpatented mining claims within the  
11 properties "have been located and appropriate record made  
12 thereof in compliance with the laws of the United States and  
13 the laws of Arizona . . . ." Subsection C of Section 7  
14 provides:

ADMITS  
SAME

15 If in the opinion of counsel retained by  
16 Budge, Lessors title . . . is defective  
17 or less than as represented herein, and  
18 if Lessor is unable or unwilling to  
19 promptly correct the defects or alleged  
20 defects in title, Budge may attempt to  
21 perfect, defend or initiate litigation to  
22 protect such title.

23 Subsection C of Section 7 further provides that if action was  
24 taken to correct defects, the costs and expenses of such  
25 action would constitute a credit against further payments  
26 made to the Lessor.

6. Based on an examination of the properties by a  
Deputy United States Mineral Surveyor and opinion of counsel,  
Plaintiff determined that many of the unpatented mining

DENIES

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claims situated within the properties are not located in compliance with Arizona law and further determined that the Lessor would not have the ability to correct the deficiencies within a reasonable time frame. Plaintiff therefore undertook action to reasonably correct such deficiencies. The costs and expenses incurred to correct the deficiencies total Seventeen Thousand Six Hundred Fifty Dollars (\$17,650.00). Plaintiff has undertaken to deduct the costs of such action from payments made to the Lessor. To date, Plaintiff has deducted Seven Thousand Dollars (\$7,000.00) from the payments.

7. On or after October 22, 1985, the Defendant served Plaintiff with a Notice of Default based on Plaintiff's deduction of part of its costs from payments made to Lessor. Plaintiff disputes the existence of a default under the terms of the Agreement. Pursuant to the terms of Sub-section A of Section 8 of the Agreement, if Plaintiff "in good faith disputes the existence of default, [Plaintiff] Budge shall initiate appropriate action in a court of competent jurisdiction" within the 30-day period of time required to cure any alleged default.

ADmits  
SAME

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

DENIES

WHEREFORE, Plaintiffs pray for declaratory and other relief as follows:

DECONCINI McDONALD BRAMMER YETWIN & LACY, P.C.  
ATTORNEYS AT LAW  
640 GREAT WESTERN BANK PLAZA  
4041 NORTH CENTRAL AVENUE  
PHOENIX, ARIZONA 85012  
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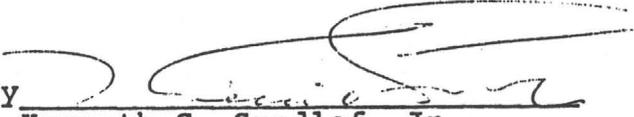
a. For judgment of this court declaring (i) that the actions of Plaintiff in deducting the costs of correcting defects in the unpatented mining claims was appropriate under the terms of the Agreement, and (ii) that no default has occurred under the Agreement;

b. For costs of suit and reasonable attorneys fees incurred herein; and

c. For such other and further relief as this court deems just and appropriate.

DATED this 4th day of December, 1985.

DeCONCINI McDONALD BRAMMER  
YETWIN & LACY, P.C.

By   
Kenneth C. Sundlof, Jr.  
640 Great Western Bank Plaza  
4041 North Central Avenue  
Phoenix, Arizona 85012  
Attorneys for Plaintiff



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4041 NORTH CENTRAL AVENUE  
PHOENIX, ARIZONA 85012  
(602) 248-0036

Kenneth C. Sundlof, Jr.  
Attorneys for Plaintiff

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, )  
Plaintiff, )  
v. )  
V.M.P., INC., an Arizona )  
corporation, )  
Defendant. )

NO. **C562598**  
C O M P L A I N T  
(Declaratory Relief -  
Contract)

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

1. Plaintiff Clearwater Mining Corporation (Clearwater) is an Arizona corporation. Clearwater is nominee of A. F. Budge, Ltd., a foreign corporation, on an Option and Lease Agreement entered into between A. F. Budge, Ltd. and V.M.P., Inc.
2. Defendant V.M.P., Inc. is an Arizona corporation doing business in Maricopa County, Arizona.
3. The court has jurisdiction to issue the

DECONCINI McDONALD BRAMMER YETWIN & LACY, P.C.  
ATTORNEYS AT LAW  
640 GREAT WESTERN BANK PLAZA  
4041 NORTH CENTRAL AVENUE  
PHOENIX, ARIZONA 85012  
(602) 248-0036

1 declaratory relief prayed for herein pursuant to A.R.S. §  
2 12-1831 et seq.

3 4. On July 1, 1984, A. F. Budge, Ltd. and V.M.P.,  
4 Inc. entered into an Option and Lease Agreement concerning  
5 patented and unpatented mining claims situated in Maricopa  
6 County, Arizona. A copy of the Agreement is attached as  
7 Exhibit "1".

8 5. By the terms of the aforementioned Agreement,  
9 specifically Subsection A of Section 7, Defendant/Lessor  
10 represented that the unpatented mining claims within the  
11 properties "have been located and appropriate record made  
12 thereof in compliance with the laws of the United States and  
13 the laws of Arizona . . . ." Subsection C of Section 7  
14 provides:

15 If in the opinion of counsel retained by  
16 Budge, Lessors title . . . is defective  
17 or less than as represented herein, and  
18 if Lessor is unable or unwilling to  
19 promptly correct the defects or alleged  
20 defects in title, Budge may attempt to  
21 perfect, defend or initiate litigation to  
22 protect such title.

23 Subsection C of Section 7 further provides that if action was  
24 taken to correct defects, the costs and expenses of such  
25 action would constitute a credit against further payments  
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6. Based on an examination of the properties by a  
Deputy United States Mineral Surveyor and opinion of counsel,  
Plaintiff determined that many of the unpatented mining

DECONCINI McDONALD BRAMMER YETWIN & LACY, P.C.  
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1 claims situated within the properties are not located in  
2 compliance with Arizona law and further determined that the  
3 Lessor would not have the ability to correct the deficiencies  
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5 took action to reasonably correct such deficiencies. The  
6 costs and expenses incurred to correct the deficiencies total  
7 Seventeen Thousand Six Hundred Fifty Dollars (\$17,650.00).  
8 Plaintiff has undertaken to deduct the costs of such action  
9 from payments made to the Lessor. To date, Plaintiff has  
10 deducted Seven Thousand Dollars (\$7,000.00) from the  
11 payments.

12                     ↓ October 22, 1985  
13                     7. On or after December 22, 1985, the Defendant  
14 served Plaintiff with a Notice of Default based on Plain-  
15 tiff's deduction of part of its costs from payments made to  
16 Lessor. Plaintiff disputes the existence of a default under  
17 the terms of the Agreement. Pursuant to the terms of Sub-  
18 section A of Section 8 of the Agreement, if Plaintiff "in  
19 good faith disputes the existence of default, [Plaintiff]  
20 Budge shall initiate appropriate action in a court of com-  
21 petent jurisdiction" within the 30-day period of time  
22 required to cure any alleged default.

23                     8. Plaintiff is entitled to an award of its  
24 reasonable attorneys' fees incurred in connection with this  
25 litigation.

26                     WHEREFORE, Plaintiffs pray for declaratory and  
other relief as follows:

*fundamentally feel  
they would not  
more confident*

DECONCINI McDONALD BRAMMER YETWIN & LACY, P.C.  
ATTORNEYS AT LAW  
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4041 NORTH CENTRAL AVENUE  
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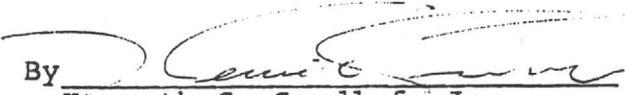
a. For judgment of this court declaring (i) that the actions of Plaintiff in deducting the costs of correcting defects in the unpatented mining claims was appropriate under the terms of the Agreement, and (ii) that no default has occurred under the Agreement;

b. For costs of suit and reasonable attorneys fees incurred herein; and

c. For such other and further relief as this court deems just and appropriate.

DATED this 21st day of November, 1985.

DeCONCINI McDONALD BRAMMER  
YETWIN & LACY, P.C.

By 

Kenneth C. Sundlof, Jr.  
640 Great Western Bank Plaza  
4041 North Central Avenue  
Phoenix, Arizona 85012  
Attorneys for Plaintiff

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 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, <sup>whenever</sup> ~~whenever~~ 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 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:

BUDGE:

V. M. P., INC.

A. F. BUDGE (MINING) LIMITED

BY   
Larry W. Beal, President

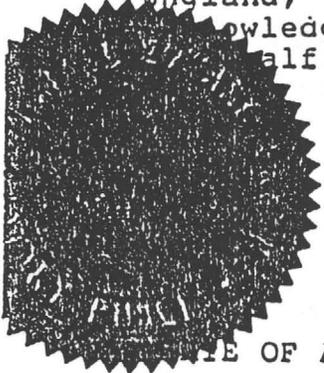
BY   
A. F. Budge, Chairman

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 21<sup>st</sup> 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 31<sup>st</sup> 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>Rclds</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 Rcds 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 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 Rcds 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&amp;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 15<sup>th</sup> 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.

*[Handwritten Signature]*

*[Handwritten 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.

*[Handwritten Signature]*  
Notary Public

My commission expires:

My Commission Expires April 14, 1987



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DECONCINI McDONALD BRAMMER YETWIN & LACY, P.C.  
ATTORNEYS AT LAW  
640 GREAT WESTERN BANK PLAZA  
4041 NORTH CENTRAL AVENUE  
PHOENIX, ARIZONA 85012  
(602) 248-0036

Kenneth C. Sundlof, Jr.  
Attorneys for Plaintiff

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, )  
Plaintiff, )  
v. )  
V.M.P., INC., an Arizona )  
corporation, )  
Defendant. )

NO. **C562598**  
C O M P L A I N T  
(Declaratory Relief -  
Contract)

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

1. Plaintiff Clearwater Mining Corporation (Clearwater) is an Arizona corporation. Clearwater is nominee of A. F. Budge, Ltd., a foreign corporation, on an Option and Lease Agreement entered into between A. F. Budge, Ltd. and V.M.P., Inc.
2. Defendant V.M.P., Inc. is an Arizona corporation doing business in Maricopa County, Arizona.
3. The court has jurisdiction to issue the

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1 declaratory relief prayed for herein pursuant to A.R.S. §  
2 12-1831 et seq.

3 4. On July 1, 1984, A. F. Budge, Ltd. and V.M.P.,  
4 Inc. entered into an Option and Lease Agreement concerning  
5 patented and unpatented mining claims situated in Maricopa  
6 County, Arizona. A copy of the Agreement is attached as  
7 Exhibit "1".

8 5. By the terms of the aforementioned Agreement,  
9 specifically Subsection A of Section 7, Defendant/Lessor  
10 represented that the unpatented mining claims within the  
11 properties "have been located and appropriate record made  
12 thereof in compliance with the laws of the United States and  
13 the laws of Arizona . . . ." Subsection C of Section 7  
14 provides:

15 If in the opinion of counsel retained by  
16 Budge, Lessors title . . . is defective  
17 or less than as represented herein, and  
18 if Lessor is unable or unwilling to  
19 promptly correct the defects or alleged  
20 defects in title, Budge may attempt to  
21 perfect, defend or initiate litigation to  
22 protect such title.

23 Subsection C of Section 7 further provides that if action was  
24 taken to correct defects, the costs and expenses of such  
25 action would constitute a credit against further payments  
26 made to the Lessor.

6. Based on an examination of the properties by a  
Deputy United States Mineral Surveyor and opinion of counsel,  
Plaintiff determined that many of the unpatented mining

1 claims situated within the properties are not located in  
2 compliance with Arizona law and further determined that the  
3 Lessor would not have the ability to correct the deficiencies  
4 within a reasonable time frame. Plaintiff therefore under-  
5 took action to reasonably correct such deficiencies. The  
6 costs and expenses incurred to correct the deficiencies total  
7 Seventeen Thousand Six Hundred Fifty Dollars (\$17,650.00).  
8 Plaintiff has undertaken to deduct the costs of such action  
9 from payments made to the Lessor. To date, Plaintiff has  
10 deducted Seven Thousand Dollars (\$7,000.00) from the  
11 payments.

↓ October 22, 1985

*fundamentally feel  
Tony would be more comfortable*

12 7. On or after December 22, 1985, the Defendant  
13 served Plaintiff with a Notice of Default based on Plain-  
14 tiff's deduction of part of its costs from payments made to  
15 Lessor. Plaintiff disputes the existence of a default under  
16 the terms of the Agreement. Pursuant to the terms of Sub-  
17 section A of Section 8 of the Agreement, if Plaintiff "in  
18 good faith disputes the existence of default, [Plaintiff]  
19 Budge shall initiate appropriate action in a court of com-  
20 petent jurisdiction" within the 30-day period of time  
21 required to cure any alleged default.

22 8. Plaintiff is entitled to an award of its  
23 reasonable attorneys' fees incurred in connection with this  
24 litigation.

25 WHEREFORE, Plaintiffs pray for declaratory and  
26 other relief as follows:

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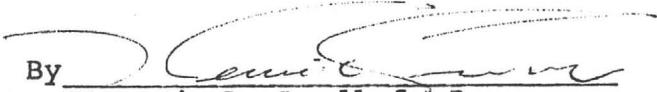
1           a. For judgment of this court declaring (i)  
2 that the actions of Plaintiff in deducting the costs of  
3 correcting defects in the unpatented mining claims was  
4 appropriate under the terms of the Agreement, and (ii) that  
5 no default has occurred under the Agreement;

6           b. For costs of suit and reasonable attor-  
7 neys fees incurred herein; and

8           c. For such other and further relief as this  
9 court deems just and appropriate.

10           DATED this 21st day of November, 1985.

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

13  
14 By 

15           Kenneth C. Sundlof, Jr.  
16           640 Great Western Bank Plaza  
17           4041 North Central Avenue  
18           Phoenix, Arizona 85012  
19           Attorneys for Plaintiff  
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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 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, <sup>whenever</sup> 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 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.

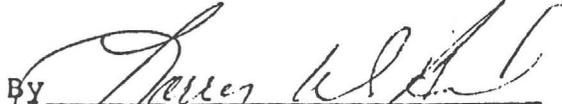
SIGNED, effective as of the date recited above.

LESSOR:

BUDGE:

V. M. P., INC.

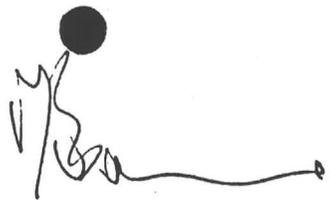
A. F. BUDGE (MINING) LIMITED

By   
Larry W. Beal, President

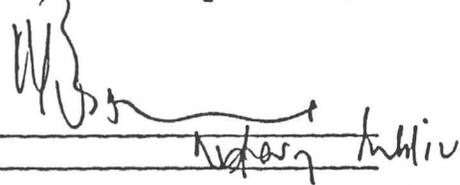
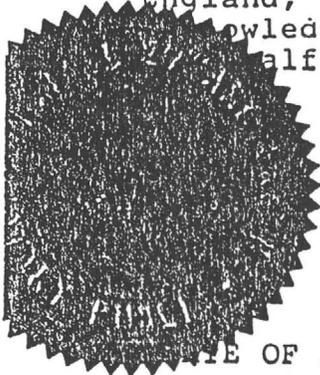
By   
A. F. Budge, Chairman

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 24<sup>th</sup> 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.

  
Title: Notary Public

STATE OF ARIZONA

)  
) ss.  
)

County of Maricopa

The foregoing instrument was acknowledged before me this 31<sup>st</sup> day of August, 1984, by Larry w. Beal, the President of V. M. F., 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.</u> <u>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 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.</u> <u>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

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 4.7 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.

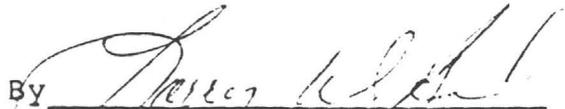
SIGNED, effective as of the date recited above.

LESSOR:

BUDGE:

V. M. P., INC.

A. F. BUDGE (MINING) LIMITED

By   
Larry W. Beal, President

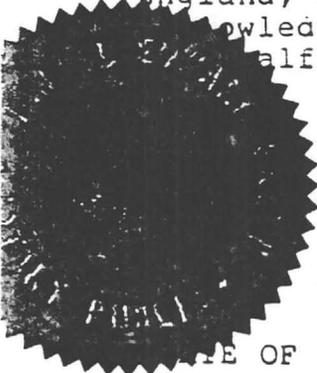
By   
A. F. Budge, Chairman

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 24<sup>th</sup> 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 31<sup>st</sup> 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 11, 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>Rcds Page</u>	<u>BLM Serial No.</u> <u>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>Rcds Page</u>	<u>BLM Serial No.</u> <u>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

**PRELIMINARY REPORT**

Our No: 20012874

Your:

L T A A Owners Policy  
L T A A Loan Policy  
A L T A Residential Policy  
A L T A Form B Owners Policy  
A L T A Loan Policy

Dated: 3/1/84 at 7:30 A.M.

Transamerica Title Insurance Company hereby reports that it is prepared to issue, as of the date hereof, the policy of title insurance indicated above on the form on file in the office of the Director of Insurance of the State of Arizona, describing therein the land and the estate or interest as hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein nor excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of the policy to be issued and providing the premiums for said policy or policies have been paid. This report (and any supplements or amendments thereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby.

Escrow Officer R. PAULOSKY  
Tel. (602) 998-9669

Title Officer VICTOR SAWICKI/cb  
Tel. (602) 431-2660

**SCHEDULE A**

1. Title to the estate or interest covered by this report is vested in:

VMP, INC., an Arizona corporation

2. The estate or interest in the land hereinafter described in this report is a fee.

3. The land referred to in this report is situated in the County of Maricopa, State of Arizona, and is described as follows:

SEE ATTACHED DESCRIPTION

DESCRIPTION

PARCEL NO. 1:

HAMILTON, ASTOR, TALMAGE, CONKLING, <sup>c</sup>AUSTER, SHERMAN, VAN BUREN, ELMORE, JANE ELMORE AND SHERIDAN Lode Mining Claims in Vulture Mining District, being shown on Mineral Survey No. 2511 on file in the Bureau of Land Management, as granted by Patent recorded in Book 186 of Deeds, page 259, records of Maricopa County, Arizona.

PARCEL NO. 2:

<sup>I</sup>PET GOLD Lode Mining Claim in Vulture Mining District, being shown on Mineral Survey No. 2522 on file in the Bureau of Land Management, as granted by Patent recorded in Book 186 of Deeds, page 257, records of Maricopa County, Arizona.

PARCEL NO. 3:

VULTURE EXTENSION Lode Mining Claim in Vulture Mining District, being shown on Mineral Survey No. 3146 on file in the Bureau of Land Management, as granted by Patent recorded in Book 187 of Deeds, page 441, records of Maricopa County, Arizona.

PARCEL NO. 4:

GOLD NUGGET AND CANON CITY NO. 1 Lode Mining Claims in Vulture Mining District, being shown on Mineral Survey No. 1797 on file in the Bureau of Land Management, as granted by Patent recorded in Docket 10526, page 323, records of Maricopa County, Arizona.

SCHEDULE B

(All recording data refer to records in the office of the County Recorder of the County in which the land is situated.)

At the date hereof exceptions to coverage in addition to the printed exceptions and exclusions contained in said policy form would be as follows:

- A. TAXES AND ASSESSMENTS collectible by the County Treasurer not yet due and payable for the following year:

Year 1984

1. The effect of the Plat of Townsite of Vulture City recorded in Book 1 of Maps, page 2 and the patent thereto recorded in Book 8 of Deeds, page 467.  
(Parcel No. 2)
2. THE EFFECT OF THE FAILURE of the Tax Rolls in the Office of the County Treasurer to reflect an assignment of the land and/or improvements referred to herein for the following:

Years 1984 and prior  
(All)

*Richy*

Richard J. Paulosky  
Branch Manager

*Called for  
turn #*

*of 3-20-84*

*again on 3-23*

Transamerica  
Title Insurance Company  
7100 E. Lincoln Drive  
Suite B-125  
Scottsdale  
Arizona 85253  
(602) 998-9669

**Transamerica**





\*

STATE	COUNTY	BRANCH	CUSTOMER NUMBER	ESCROW/ORDER NO.	DGT	DATE	CUSTOMERS REFERENCE
10	33	20	0X2874	012874	6	3-19-84	

OURSELVES

RECEIVED FROM	<input checked="" type="checkbox"/>
CHARGE ESCROW	XX
GENERAL BILL	
ESCROW BILL	
BRANCH 99	

\* PLEASE SEND YOUR PAYMENT, TOGETHER WITH A COPY OF THIS INVOICE, TO THE ABOVE OFFICE. SEE REVERSE SIDE FOR ADDRESS.

BRIEF LEGAL DESCRIPTION  
Part of T5N6#W  
Maricopa County

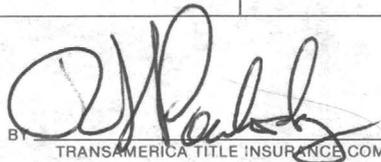
ck # 942  
4-5-84

ATTN: \_\_\_\_\_

CODE	LIABILITY/AMOUNT		DESCRIPTION	CHARGES		OTHER CHARGES	CHARGES
		PREMIUM	OWNERS STD	\$		AFFIDAVIT OF VALUE	182
			LENDERS ALTA	\$		RECORDING FEES	182
					700		
			ESCROW FEES		720		
			TRUST FEES		727	OTHER ADVANCES	
45-60- <del>18-36</del> -01	-0-	MISC.	Status	\$110.00	729		

302943

\*\* CASH VERIFIED  
BY \_\_\_\_\_

BY   
TRANSAMERICA TITLE INSURANCE COMPANY

AMOUNT DUE PAYABLE UPON RECEIPT	\$ 110.00
AMOUNT RECEIVED	\$ 110.00

CUSTOMER COPY

**SEND PAYMENT WITH COPY OF INVOICE TO:  
Transamerica Title Insurance Company**

33. Box 29072, Phoenix, Arizona 85038
34. Box 717, Springerville, Arizona 85938
35. Box 970, Flagstaff, Arizona 86002
36. Box 3189, Kingman, Arizona 86401
37. Box 740, Show Low, Arizona 85901
38. Box 71, Prescott, Arizona 86302
39. Box 1900, Sierra Vista, Arizona 85635
40. 108 South Broad Street, Globe, Arizona 85501
41. Box 748, Safford, Arizona 85546
42. Box 2832, Tucson, Arizona 85702
43. 106 East Florence Boulevard, Casa Grande, Arizona 85222
45. Box 28, Yuma, Arizona 85364

A handwritten signature in dark ink, appearing to be "J. J. [unclear]", is located at the bottom center of the page.

# ARIZONA EXPLORATIONS // INC.

*Ron & Carole*

*"FYI" - Info  
being shared with  
AEI as per request;  
at Stan's expense -*

July 10, 1990

Mr. Donald C. White  
521 E. Willis St.  
Prescott, AZ 86301

*Don*

RE: VULTURE PROJECT

Dear Don;

I would like to express on behalf of Hans Matthews and myself how much we enjoyed visiting with you last week in Prescott, and having the opportunity to review the Vulture material first hand. Your comments and observations were most interesting and we will take heed of them in our ongoing program.

The roll of maps and other ancillary documentation that you sent to us was reviewed here at the office. I must say that I found the correspondence to "Douglas" and the early vendors of the property most interesting. I might also say that the 1930 report written by Arthur Perry Thompson was "classic". There is no doubt that this guy was a "rogue" however, he was a very clever one. Some of the projections, assumptions and conclusions that he arrives at with respect to the overall potential of the Vulture are not far removed from some of our present day ideas.

We are still "bogged" down with "Budge vs. Beal" and seem to be making very little progress in that area. If we do get started up again and have need of your assistance we will contact you.

Page 1

I am enclosing for your perusal the latest annual reports of our financing group which may be of interest. Once again, thank you for your kindness and courtesy.

With kindest regards,

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Stan", written in dark ink.

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

SWH/bjg

enclosure

cc: Hans L. Matthews - A.E.I.

Stan West  Mining Corp.

2701 EAST CAMELBACK ROAD, PHOENIX, ARIZONA 85016, 602/957-8707

RECEIVED APR 30 1985

April 29, 1985

Ben F. Dickerson III  
DMEA Ltd.  
7340 East Shoeman Lane, Suite 111 "B"  
Scottsdale, Arizona 85251

Dear Ben:

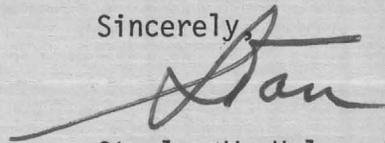
It was a pleasure to meet you last Thursday at your offices in Scottsdale. I am convinced, as you are, that our paths crossed sometime in the distant past, however, let's not "date" ourselves.

I appreciated the time and discussions that Carol O'Brien and yourself gave with respect to the Vulture property. As I mentioned, Stan West is embarking on a new period of exploration and the Vulture could possibly be of interest to us.

It would be greatly appreciated if you could put together a "package" of data as you stated. I will phone next week to follow-up our objectives.

With kindest regards,

Sincerely,



Stanley W. Holmes

SWH:de

Stan West  Mining Corp.

2701 EAST CAMELBACK ROAD, PHOENIX, ARIZONA 85016, 602/957-8707

May 21, 1985

Carol O'Brien  
DMEA Ltd.  
4203 N. Brown Avenue, Suite F  
Scottsdale, Arizona 85251

RECEIVED MAY 28 1985

Re: Vulture Property

Dear Carol:

I wish to acknowledge receipt of the two (2) reports (Arthur Perry Thompson - 1930 and Fred Searls, Jr. - 1931) and our discussions of yesterday.

As I told you, I found the reports most interesting and historically fascinating. This is especially so when Searls, one of the deans of economic geology and highly respected internationally takes an opposite view to that of Thompson. Unfortunately, I do not know the background of A.P. Thompson.

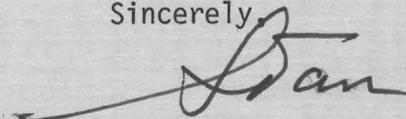
In spite of the contrary views of the above individuals, I am still intrigued by the Vulture. Before we can make a firm evaluation it will be necessary to obtain more data relating to the property. I hope your search of the files of the former UVX Mining Co. will turn something of import up. A comprehensive review and re-interpretation of all data is necessary if one plans a deep-target approach.

With respect to the underlying agreement with Mr. Beale, I believe it will be necessary to re-negotiate the terms. This could be done by dividing the property into two parcels, (1) the open-pit potential; and (2) the extension to depth. Perhaps the present agreement could remain on (1) and a new agreement be made on (2) in view of the high risk factor and the fact that we are dealing with a high-cost, capital intensive situation, if successful.

I will await the outcome of your efforts to find additional data. The venture could be an exciting one and of mutual benefit to all parties.

With kindest regards,

Sincerely,



Stanley W. Holmes

SWH:de

cc: Mr. Ben F. Dickerson III

8 KING STREET EAST, SUITE 1905A, TORONTO, CANADA M5C 1B5, 416/364-0424

Stan West  Mining Corp.

2701 EAST CAMELBACK ROAD, PHOENIX, ARIZONA 85016. 602/957-8707

July 24, 1985

Mr. Ben Dickerson  
DMEA Ltd.  
4203 N. Brown Avenue, Suite F  
Scottsdale, Arizona 85251

RECEIVED JUL 29 1985

Re: Vulture Claims

Dear Ben:

I wish to acknowledge the discussions that were held at your offices on Friday, July 19, 1985 concerning the Vulture. I have listed below the main points for your consideration:

1. Budge & Beale amend their present agreement so as to separate the "open-pit" area from the rest of the claims.
2. The current agreement between Budge & Beale will remain in good standing with respect to the revised open-pit parameters.
3. Budge & SWMC enter into a joint venture (50/50) to explore the deep potential of the Vulture.
4. The joint venture group will enter into an agreement with Beale regarding his participation.
5. Beale's participation or payments will be minimal when compared to the present deal between Budge & Beale on the "open-pit" area - this is because of the high risk, costly and capital intensive nature of the deep area exploration and development.
6. Budge and Stan West will discuss #4 and #5 in detail before negotiating with Beale. Our initial thinking is that there will be a payout (with a cap) rather than a N.P. royalty or N.S.R.

Stage I-Joint Venture - Detailed surface mapping, geophysics and 10,000 feet of drilling - \$250,000/300,000, 12 months.

Stage II - Contingent on Stage I - Development drilling - 40,000 feet at \$25/foot - \$1,000,000, 18 months.

Mr. Ben Dickerson  
DMEA Ltd.

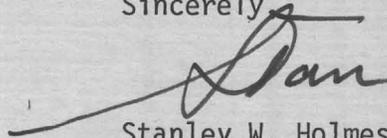
-2-

July 24, 1985

Your comments are appreciated.

With kindest regards,

Sincerely,

A handwritten signature in cursive script, appearing to read "Stan", with a long horizontal flourish extending to the left.

Stanley W. Holmes  
President

SWH:de

cc: Birl W. Worley  
Frank H. Cerie



*DMEA Ltd.*

Mineral Exploration Advice

*Ben F. Dickerson III*  
Registered & Certified Geologist  
*Carole A. O'Brien*  
Certified Geologist

7340 E. Shoeman Lane  
Suite 111 "B" (E)  
Scottsdale, AZ 85251  
(602) 945-4630  
Telex: 75-1739

August 22, 1985

Stanley W. Holmes  
President  
Stan West Mining Corp.  
2701 E. Camelback Road  
Phoenix, AZ 85016

Re: Vulture Mine  
Maricopa County  
Arizona

Dear Stan:

We appreciate your waiting for a decision regarding the referenced property.

We have discussed your proposal with our client, A.F. Budge (Mining) Limited, and he has decided that your proposal is of no interest at this time. He may do additional work on his own account.

Your inquiry is appreciated, and we wish you every success in your prospecting activities, and the work at McCabe.

Best wishes.

Very truly yours,



Ben F. Dickerson III

BFD:ca  
cc: A.F. Budge

*DMEA Ltd.*  
Mineral Exploration Advice

*Ben F. Dickerson III*  
Registered & Certified Geologist  
*Carole A. O'Brien*  
Certified Geologist

7340 E. Shoeman Lane  
Suite 111 "B" (E)  
Scottsdale, AZ 85251  
(602) 945-4630  
Telex: 75-1739

August 22, 1985

Stanley W. Holmes  
President  
Stan West Mining Corp.  
2701 E. Camelback Road  
Phoenix, AZ 85016

Re: Vulture Mine  
Maricopa County  
Arizona

Dear Stan:

We appreciate your waiting for a decision regarding the referenced property.

We have discussed your proposal with our client, A.F. Budge (Mining) Limited, and he has decided that your proposal is of no interest at this time. He may do additional work on his own account.

Your inquiry is appreciated, and we wish you every success in your prospecting activities, and the work at McCabe.

Best wishes.

Very truly yours,



Ben F. Dickerson III

BFD:ca  
cc: A.F. Budge

*Carbon copied*

# 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;

 **AUG 15 1990**

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.**

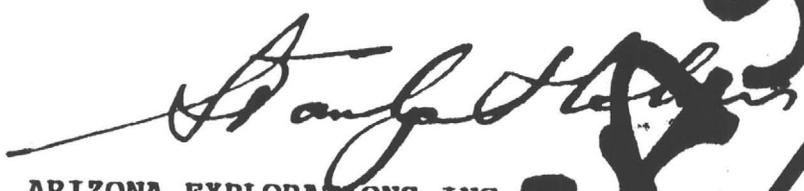
Dear Mr. Beal;

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,

  
**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.**

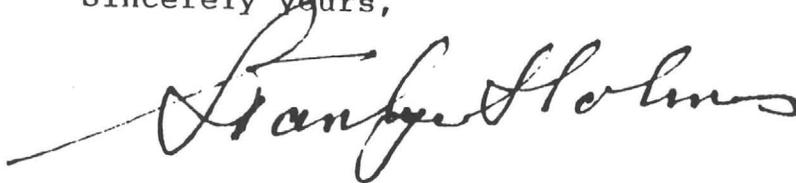
Dear Mr. Beal;

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

**ARIZONA EXPLORATIONS INC.**

March 5, 1990

Mr. Michael Orman  
DeConcini, McDonald Brammer,  
Yetwin & Lacy, P.C.  
Phoenix Plaza  
2901 N. Central Ave., #1644  
Phoenix, Arizona 85012

**RE: VULTURE CLAIM STATUS**

Dear Michael;

Farther to our telephone conversation of this morning, Arizona Explorations Inc. is concerned about the status of the entire Vulture Property unpatented claim group. We requested A.F. Budge (Mining) Limited to research this matter and have sent them (1) copies of the January 04, 1990 Bureau Of Land Management unpatented claim status microfiche, and (2) Bureau Of Land Management computer printout on unpatented claim status dated March 30, 1990.

We would like an opinion on the land title from A.F. Budge (Mining) Limited and their counsel stating that all of the claims are in good standing and that all assessment work has been filed accordingly. You stated in our telephone discussion this morning that such a letter would be forthcoming in the immediate further.

Yours truly,



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

HLM/bjg

cc: Carole O'Brien - A.F. Budge (Mining) Limited



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

FACSIMILE COVER SHEET

Please deliver the following pages to:

PERSON/DEPARTMENT: CAROL O'BRIEN

COMPANY NAME: A.P. BUDGE (MINING) LIMITED

FROM: GANS MATTHEWS

DATE: APRIL 5, 1990

FAX TRANSMITTAL No: 949-1737

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

MESSAGE:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

# ARIZONA EXPLORATIONS INC.

January 15, 1990

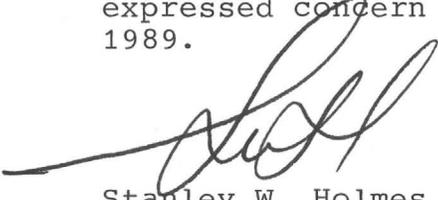
TO: Memo To File  
FROM: Stanley W. Holmes  
SUBJECT: **VULTURE PROPERTIES,  
A.F. BUDGE MINING LTD.,  
LARRY BEAL,  
JOHN OSBORNE**

CC: Carol O'Brien  
Michael Urman  
Ronald R. Short  
Hans Matthews

On Friday, January 12th, 1990, a visit was made to the Vulture Mines with Hans Matthews, and Peter Holmes. After spending part of the afternoon in the open pits and other workings, we returned to the mine road and ran into John Osborne. Osborne appeared to be eager to talk to us and we spent approximately one half hour there. During the course of the conversation he made the following statements and allegations:

1. Osborne stated that he had spoken to Beal the day before and that Beal had reported that he was having no success contacting Budge. Beal reportedly said that he would like to have a round table conference with Budge and Arizona Explorations Inc. and straighten out various outstanding matters.
2. Osborne stated that he had been associated with Beal for seventeen years operating the tourist concession that he has there. He said that he was to be included in any negotiations with Beal. Osborne then supplied Beal's office number 997-7228 and home number 944-7541.
3. Osborne stated that Beal had reported that Budge owed him monies and payments associated with some the tailing leach operation and that he had demanded resolution of these matters.
4. Osborne also reported that Beal said that he had the right to approve any agreements that were to be made with third parties. He also stated that Budge had to give him a sixty (60) day, (Page 11, Section 10, Assignment - states... **"Budge shall have the right to terminate this Agreement at any time upon sixty (60) days prior written notice from Budge to Lessor"**) grace period if they were going to terminate the current agreement.

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 read 'S. Holmes', written in a cursive style.

Stanley W. Holmes

(OFFICE)

(VALIDATION)

MARICOPA COUNTY DEPARTMENT OF HEALTH SERVICES  
DIVISION OF PUBLIC HEALTH  
REVENUE RECEIPT

A 336653

NAME: Wulture Mine Site

AMOUNT: \$ 28.00

CASH  
 CHECK 5718 Check No.

fund      source

ENVIRONMENTAL HEALTH

532  ESTABLISHMENTS

532  PLAN REVIEW

532  FOOD HANDLERS

fund      source

532  ENGINEERING

504  AIR POLLUTION

532  X-RAY

A 6988  
07-12-90

COMMENTS

A9000427

Installation  
Soil Remediation  
Conditions Apply

A 11-50  
\$28.0000

7-10-90

bt

(DATE)

(SIGNATURE)

MARICOPA COUNTY DEPARTMENT OF HEALTH SERVICES  
OFFICE OF ENVIRONMENTAL SERVICES  
BUREAU OF AIR POLLUTION CONTROL  
1845 EAST ROOSEVELT STREET  
PHOENIX, ARIZONA 85006

INSTALLATION PERMIT

ISSUE DATE: 10-Jul-1990  
EXPIRATION DATE: 30-Jun-1992  
PERMIT NO. 9000427  
DISTRICT: 01

A F BUDGE MINING LTD  
VULTURE MINE SITE  
4301 N 75 ST #101  
SCOTTSDALE AZ 85251

SOURCES: SOIL REMEDIATION  
CONDITIONS APPLY

THE FACILITY LOCATED AT GILA & SALT RIVER MERIDIAN MARICOPA COUNTY IS SUBJECT TO THE FOLLOWING PERMIT CONDITIONS:

1. A F BUDGE MINING LTD SHALL INSTALL ALL AIR POLLUTION CONTROL EQUIPMENT SO THAT EMISSIONS INTO THE ATMOSPHERE ARE REDUCED, MINIMIZED OR ELIMINATED. ALL EQUIPMENT MUST BE INSTALLED ACCORDING TO PLANS SUBMITTED IN WRITING TO THE BUREAU. ANY CHANGES TO EQUIPMENT OR PROCESSES MUST BE APPROVED PRIOR TO INSTALLATION.
2. VULTURE MINE SITE SHALL OPERATE THE EQUIPMENT IN OPTIMUM CONDITION AND SHALL MAINTAIN ACCURATE RECORDS OF THE QUANTITIES OF EACH RAW MATERIAL, FUEL, AND CHEMICAL PROCESSED OR USED AT THE FACILITY. PERIODIC REPORTS ON AIR EMISSIONS FROM THE FACILITY MAY BE REQUIRED.
3. THIS INSTALLATION PERMIT WILL REMAIN IN EFFECT NO LONGER THAN TWO (2) YEARS, OR UNTIL AN OPERATING PERMIT IS GRANTED OR DENIED, OR THE APPLICATION IS CANCELLED. AN INSTALLATION PERMIT IS NOT INTENDED TO PERMIT OR ALLOW THE INSTALLATION, OPERATION OR MAINTENANCE OF A FACILITY IN VIOLATION OF ANY FIRE DEPARTMENT, BUILDING DEPARTMENT OR OTHER GOVERNMENTAL AGENCY REGULATION.
4. THIS IS NOT AN OPERATING PERMIT. AN ON-SITE INSPECTION MUST PRECEDE APPLICATION FOR THE REQUIRED ANNUAL OPERATING PERMIT. NOTIFY THE BUREAU AT (602) 258-6381 WHEN THE FACILITY IS OPERATIONAL.
5. SPECIFIC PERMIT CONDITIONS MAY BE ATTACHED.





# Maricopa County Department of Health Services

DIVISION OF PUBLIC HEALTH  
Environmental Services

1845 East Roosevelt Street  
Phoenix, Arizona 85006  
(602)258-6381

## PERMIT CONDITIONS JUNE 12, 1990

The biological remediation system serving the Vulture Mine Site facility located at the Gila and Salt River Meridian in Maricopa County, Arizona, is subject to the following Permit Conditions (Maricopa County Bureau of Air Pollution Control Regulations, Rule 200, Section 303):

1. The biological treatment on the contaminated soil shall be conducted such that air pollutant emissions into the atmosphere are reduced, minimized or eliminated. The bio-treated soil shall be sampled and analyzed each month after the initial startup date for the following compounds: Miscellaneous aromatics and total hydrocarbons. A written copy of the test results shall be submitted to the Bureau for review and approval within 30 days after completion.
2. The facility shall limit the biological treatment to soils that have been contaminated with diesel fuel or heavy oils. The facility shall not treat soils that have been contaminated with gasoline or light hydrocarbons.

The Permit Conditions that are enumerated above are understood and agreed to by the undersigned permittee.

Signed:  Date: July 3, 1990

Title: Dale H. Allen, Production Manager

NOTE: Please sign and return with your Installation Permit Application

ENF3/14/JF/dg





**WESTERN  
TECHNOLOGIES  
INC.**

RECEIVED JUN 06 1990

OFFICE MEMO

To DALE ALLEN - AF BUDGE From GLEN R. TURNEY Date 6-4-90

DALE -

THE REGISTRATION INFORMATION ENCLOSED  
IS FYI AND FILE. A COPY WILL ALSO  
BE PROVIDED IN THE FINAL REPORT.

GLEN



# ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

ROSE MOFFORD, GOVERNOR  
RANDOLPH WOOD, DIRECTOR

May 18, 1990  
REF: SW90-122

Glen Turney, Ch.E.  
Project Engineer, Remediation  
Environmental Engineering Services  
Western Technologies, Inc.  
3737 E. Broadway Rd.  
Phoenix, AZ 85040

Dear Mr. Turney:

Thank you for submitting an application for registration of the petroleum contaminated soil remediation site designed to treat soil excavated from the:

**Vulture Mine in Wickenburg, Arizona  
(Job #7120K028)**

The Arizona Department of Environmental Quality (the Department) hereby approves your application and considers your site registered. Your continued registration status is dependant upon the submission of the remainder of the required guidelines. These parts pertain to as-built and closure plans, respectively.

If any questions arise during the course of the remediation process, please do not hesitate to call.

Sincerely,

A handwritten signature in cursive script that reads "Betsey Westell".

Betsey Westell  
Environmental Health Specialist  
Office of Waste Programs  
Solid Waste Unit

BW:lr

*The Department of Environmental Quality is An Equal Opportunity Affirmative Action Employer.*



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

January 16, 1990

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

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

Dear Mr. Beal:

This letter will confirm our telephone conversation this morning in which we scheduled a meeting to be held at 9 a.m. on Monday, January 29, 1990 at our Scottsdale office.

I look forward to discussing with you the future of the Vulture property and other matters.

Please call should the opportunity arise that we can meet earlier than January 29.

Very truly yours,

Ronald R. Short  
General Manager

RRS:ca

c: S. Donaldson  
J. Lacy

RECEIVED JAN 6 1990

January 5, 1990

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

RE: TECHNICAL INFORMATION - VULTURE PROPERTY

Dear Carol;

I have prepared for your appraisal and attention, a list of the documentation that has not yet being delivered to us with respect to the Vulture agreement. This was compiled after a discussion with Don White concerning what information exists at the current time. Don is of the opinion that Budge does have most of the data that he has in his files.

1. All of the underground geological maps, sections, assay plans, assay sections, longitudinals and other and sundry drawings relating to the underground workings. We understand from White that there are a great number of these available. Sufficient for him to construct a mine model. During 1971 Noranda Mines carried out a great deal of geophysical and airborne work contracted by GEODATA Inc. The IP survey that was carried out during the later part of this year on which the recent drilling program was based. We understand that this is on file.
2. All of the drill logs with descriptions, assay and other related data pertaining to the above program of drilling carried out the later part of 1989.
3. Hans Matthews has been in communication with Chuck Elliot (Tucson) and has very good cooperation. We have received a great amount of data from him pertaining to the earlier geophysical surveys and other material.

I have been asked by the syndicate members as to the contract being drafted by Lacey. Please comment.

January 5, 1990  
A.F. BUDGE (MINING) LIMITED  
Ms. Carol O'Brien  
Page 2 of 2

We'd appreciate your cooperation on obtaining the above material. It is most important as we are currently putting together the overall picture of the area including all the airborne, ground, underground and other related data.

Sincerely,

A handwritten signature in cursive script, appearing to read "Stan", with a long horizontal line extending to the left.

ARIZONA EXPLORATIONS, INC.  
Stanley W. Holmes,  
President

SWH/bjg



# ELLIOT GEOPHYSICAL CO., INC.

3865 E. 34th STREET, SUITE 106

TUCSON, ARIZONA 85713  
11 January, 1990

TEL. (602) 747-7448

Carole O'Brien  
A.F. Budge Mining, Ltd.  
4301 N. 75th St., Ste. 101  
Scottsdale, AZ 85251

RECEIVED JAN 13 1990

Ref: MC01G

Dear Carole:

Re: Vulture Mine Data

The following data have been turned over to Hans Matthews, Arizona Exploration, Phoenix or to other consultant/contractors at his direction per our agreement and your approval in a telephone conversation of 19 December, 1989.

	Date	Destination
	-----	-----
1. Topographic Map 1"=200ft. Print	12-28-89	H. Matthews
2. Topographic Map 1"=1000ft. Sepia	12-28-89	H. Matthews
3. Topographic Map 1"=1000ft. Mylar	12-28-89	H. Matthews
4. Topographic Map 1"=2000ft. USGS Wickenburg	12-28-89	H. Matthews
5. Topographic Map 1"=2000ft. USGS Wickenburg SW	12-28-89	H. Matthews
6. Topographic Map 1"=2000ft. Preliminary USGS Wickenburg 2 NE	12-28-89	H. Matthews
7. Topographic Map 1"=2000ft. Preliminary USGS Wickenburg 2 NW	12-28-89	H. Matthews
8. Topographic Map 1"=2000ft. Preliminary USGS Wickenburg 2 SW	12-28-89	H. Matthews
9. Topographic Map 1"=2000ft. Preliminary USGS Wickenburg 2 SE	12-28-89	H. Matthews
10. Air Mag Geodata Survey 1971 1"=2000ft. Print	12-28-89	H. Matthews
11. 1 Composite EDCON Survey Flight Path at Sheets 1&2 1"=2000ft.	12-28-89	H. Matthews
12. 1 Contour Air Magnetism Composite of Sheets 1&2 1"=2000ft.	12-28-89	H. Matthews
13. 1 Colored Print Noranda Geology 1"=1000ft.	12-28-89	H. Matthews
14. Magnetic Data Tape (1200 ft.)	12-29-89	J. Tubourg
15. Tape Format Description	12-29-89	J. Tubourg
16. Flight Path Recovery Map 1"=2000ft. Sheet 1	12-29-89	J. Tubourg
17. Flight Path Recovery Map 1"=2000ft. Sheet 2	12-29-89	J. Tubourg
18. Contoured Airmagnetic Data Map 1"=2000ft. Sheet 1	12-29-89	J. Tubourg
19. Contoured Airmagnetic Data Map 1"=2000ft. Sheet 2	12-29-89	J. Tubourg
20. Mylar 1"=2000ft. Flight Path Sheet 1	1-2-90	H. Matthews
21. Mylar 1"=2000ft. Flight Path Sheet 2	1-2-90	H. Matthews
22. Mylar 1"=1000ft. Flight Path Sheet 1	1-2-90	H. Matthews
23. Mylar 1"=1000ft. Flight Path Sheet 2	1-2-90	H. Matthews

24. Mylar 1"=2000ft. Contours Sheet 1	1-2-90	H. Matthews
25. Mylar 1"=2000ft. Contours Sheet 2	1-2-90	H. Matthews
26. Mylar 1"=1000ft. Contours Sheet 1	1-2-90	H. Matthews
27. Mylar 1"=1000ft. Contours Sheet 2	1-2-90	H. Matthews
28. Air Mag Geodata Resurvey 1974 1"=2000ft. Print	1-2-90	H. Matthews
29. Figure 5 Elliot Memo 8-8-86	1-2-90	H. Matthews
30. Figure 6 Elliot Memo 8-8-86	1-2-90	H. Matthews
31. Figure 7 Elliot Memo 8-8-86	1-2-90	H. Matthews
32. Figure 8 Elliot Memo 8-8-86	1-2-90	H. Matthews
33. Figure 9 Elliot Memo 8-8-86	1-2-90	H. Matthews
34. VLF Profile 1"=200ft. Sepia	1-2-90	H. Matthews
35. VLF Interpretation 1"=200ft. Print	1-2-90	H. Matthews
36. Mag Interpretation 1"=200ft. Print	1-2-90	H. Matthews
37. Mag Profile 1"=200ft. Print	1-2-90	H. Matthews
38. Noranda 1981 IP Survey Plan 1"=200ft. Print	1-2-90	H. Matthews
39. Noranda 1981 IP Interpretation 1"=200ft. Print	1-2-90	H. Matthews
40. Geodata 1971 IP Results 1"=2000ft. Print	1-2-90	H. Matthews
41. McEldowney-White Geology 1"=2000ft. Print	1-2-90	H. Matthews
42. McEldowney-White Geology 1"=1000ft. (2 Sheets) Print	1-2-90	H. Matthews
43. Geology w/Topography Mine Area 1"=200ft. Print	1-2-90	H. Matthews
44. Geodata Drill Hole Logs Indian Buttes 9 Holes	1-2-90	H. Matthews
45. Geodata IP Survey Plots Quantity - 10 Sheets	1-2-90	H. Matthews
46. 1 Ozalid print of Air Photo of Immediate Vulture Scale 1"=2000'	1-11-90	H. Matthews
47. 1 Set Edcon Magnetic Profiles 1"=1000'	1-11-90	H. Matthews
48. 1 Set Elliot Magnetic Profiles 1"=200'	1-11-90	H. Matthews
49. 1 Set Elliot Magnetic Profiles 1"=1000'	1-11-90	H. Matthews
50. 1 Set of Physical Property 1" Core Samples	1-11-90	H. Matthews
51. 1 Set Edcon Flight Recovery Maps (work copies)	1-11-90	H. Matthews
52. 1 Set Edcon Flight Recovery Air Photos (work copies)	1-11-90	H. Matthews
53. 1 Final Report Edcon Air Magnetic Survey 5-86	1-11-90	H. Matthews
54. 1 Set Elliot-Dickerson and Elliot-White Memos 9-86 to 12-86	1-11-90	H. Matthews
55. 1 Set Noranda Geology Map Legends	1-11-90	H. Matthews
56. 1 Notes on Vulture by B.F. Dickerson 1984	1-11-90	H. Matthews
57. 1 Elliot Map Showing Air Magnetic Lines Over Immediate Vulture Mine Area 7-15-86 1"=200'	1-11-90	H. Matthews
58. 1 Air Magnetic Contour of Immediate Vulture Mine Area 1"=200'	1-11-90	H. Matthews
59. 1 Flight Line Blow Up of Immediate Vulture Mine Area 1"=200'	1-11-90	H. Matthews

Sincerely yours,  
ELLIOT GEOPHYSICAL CO., INC.

*C. L. Elliot*

-----  
Charles L. Elliot, President

cc H. Matthews





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

April 6, 1990

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

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

# 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.

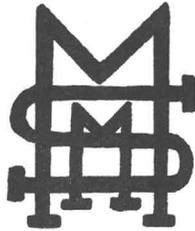
Kindest regards,

A handwritten signature in cursive script, appearing to read "Stan", written in black ink.

Stanley W. Holmes,  
President

SWL/bjg

CC: Placer Dome U.S., Inc.  
American Barrick Resources Corp.  
Ronald R. Short  
Michael Urman  
Hans Matthews



MILLSAPS MINERAL SERVICES, INC.

RECEIVED JUN 08 1990

June 6, 1990

Mr. Brian E. Disbury  
Manager Raw Materials  
Cyprus Copper Company  
9100 East Mineral Circle  
Englewood, Colorado 80112

Dear Mr. Disbury:

Thanks for seeing me on May 31, 1990 concerning A.F. Budge Mining Ltd purchasing sulfuric acid from Cyprus Copper Company and selling silica flux material and cement copper to Cyprus Copper Co.

As you suggested, acting as agent for A.F. Budge Mining, Ltd. I have worked out a proposed smelter schedule for the silica flux material. This is of course negotiable so we would appreciate your reactions to it, and possibly a counter proposal if this is not satisfactory to Cyprus Copper Co.

A.F. Budge is prepared to furnish a sample of the flux material for analysis so that you may evaluate it for your use. If you will let know me where to send it I will arrange for you to get it.

A.F. Budge Mining Ltd. is ready to to commence delivery of this silica flux at your convenience.

A.F.Budge Mining Ltd is looking to begin production of cement copper during the last quarter of 1991, or the first quarter of 1992. As the date of production becomes more definite I will keep you informed as to when acid will be required and cement copper will be produced.

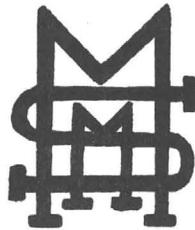
On behalf of A.F. Budge Mining Ltd I want to thank you for your interest.

Very truly yours,

A handwritten signature in cursive script that reads "Frank W. Millsaps". The signature is written in dark ink and is positioned above the printed name.

Frank W. Millsaps

copy: A.F. Budge Mining Ltd.



MILLSAPS MINERAL SERVICES, INC.

June 6, 1990

A.F. Budge ( Mining) Ltd U.S.A. is prepared to supply a gold bearing silica flux material delivered by truck to the Cyprus Copper Company Smelter at Inspiration Arizona.

The silica material to be furnished will have the average following characteristic:

Moisture	3 to 3.5%
Silica	87 to 91%
Iron	3 to 3.5%
Copper	0.50%
Gold	0.30 oz/ton
Silver	1.50 oz/ton

All material will pass a 10" square grizzly, with about 50% passing 10 mesh.

We would like to propose the following terms, subject to negotiation.

Deliveries maximum 3500 dry tons per month, deliveries by truck at 27+ tons mine run material per truck. Deliveries to be made 6 days per week, if needed.

Payments and Deductions:

Silica: No. pay for flux assaying between 85% and 89% silica  
Pay \$ 1.05 /ton/unit on all over 89% silica  
Deduct \$ 1.05 /ton/unit on all under 85% Silica  
Iron: Deduct \$ 1.00 /ton/unit on all over 5% Iron  
Copper: Pay for all if over 1.00% at 75% Metal week quotation. No. pay if less than 1.0%  
Gold: Deduct 0.015 oz/ton pay for 95% of balance at Handy and Harmon quote on day of receipt  
Silver: Deduct 0.20 oz/ton pay 95% of balance at Handy and Harmon quote at day of receipt

Day of Receipt being day Cyprus Copper Company samples lot.

Addition Terms:

Smelter lots to consist of not more than 30 truck loads.

Cyprus Copper Company to pay 90% of settlement 10 days after receipt of material. Balance to be paid 10 days after settlement.

A.F. Budge Mining Ltd to pay all freight on shipments to Cyprus Copper Co.

Cyprus Copper Company to forego any smelting charges on any material which falls within these specified parameters.

A.F. Budge retains rights for representation at the smelter, or other designated location for purpose of observing weighing and sampling of the material. Samples of all lots to be furnished to A. F. Budge regardless of representation.

Splitting differences to be established to the satisfaction of both parties.

Settlements to be at convenience of both parties.

Umpire list to be furnish to A. F. Budge Mining Ltd. by Cyprus Copper Company. For approval by A.F. Budge.









**MARQUETTE MINERALS, INC.**

**1546 COLE BLVD.  
BLDG. #5 - SUITE 250  
GOLDEN, CO 80401**

**RAYMOND P. HEON  
PRESIDENT AND CHIEF GEOLOGIST  
(303) 232-6030**