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RECEIVED MAY 14 1990

May 9, 1990

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

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

Gentlemen:

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

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

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

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

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V.M.P., Inc.

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

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

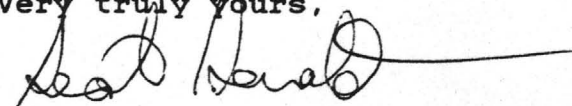
5. Budge has failed to pay the advance minimum royalties due, pursuant to Section 4.b. of the Agreement as amended, on March 5, April 5, and May 5, 1990. Although Arizona Exploration has attempted to make the April 5 payment, as indicated by Exhibit E, V.M.P. cannot accept this payment since it has not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

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

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

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

Very truly yours,



W. Scott Donaldson, Esq.

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