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**Keystone
Minerals,
Incorporated**

Phone: 602 - 747-9551

~~R.O. Box 1207 / Tucson, Arizona 85732 Phone (602) 747-1979~~

6318 East Hayne St.

85710

June 15th, 1989

Mr. Ronald R. Short, General Manager.
A.F. Budge Mining Limited
4301 North 75th Street, Suite 101
Scottsdale, Az 85251

Dear Mr. Short:

Thank you for your letter of June 12th, '89, outlining a Joint Venture Agreement between us and the terms and conditions which you specified in your letter. After talking to Mr. Elmo Nelson and after studying your letter, we would like to respond as follows;

As I told you on our return trip from the Korn Kob last tuesday, Keystone Minerals, Inc. needs money to follow up on some of our own prospects in Nevada and old Mexico. Previous Options on the KK mine included a monthly payment to Keystone of \$ 6,000.00 up to 6 months.

Instead of a Joint Venture, we propose to sell you the Property, for a minimum monthly payment of \$ 12,000.00 starting when you exercise the option. This Advance Royalty and all payments can be applied to buy a 100% interest in the KK property.

These payments will allow Keystone to be kept "alive" and do some small projects we entertain. When Copper production starts at the property, we will receive a 10% share of the Profit or \$ 12,000.00 per month, whichever is more.

We are not asking for any big sums of money up front, and will try to accommodate you as much as possible on other terms you may want to include , but we feel that it would be simpler to put together a Sales Agreement between us, which would give you full control over the timing and other factors of investing in equipent and a SX-EW plant.

Looking forward to hearing from you in this matter, we are,

Very truly yours,



Dirk Den-Baars, Vice Pres.

KEYSTONE MINERALS, INC.

DDB/bj

**Keystone
Minerals,
Incorporated**

Phone: 602 - 747-9551

~~RXXDXX180X~~ / Tucson, Arizona ~~85730XPhnXX(602)X747X9551~~
6318 East Hayne St. 85710

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Very truly yours,



Dirk Den-Baars, Vice Pres.

KEYSTONE MINERALS, INC.

DDB/bj

DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

JOHN R. McDONALD J. WM. BRAMMER, JR.
RICHARD M. YETWIN JOHN C. LACY
DINO DeCONCINI ROBERT M. STRUSE
WILLIAM B. HANSON JOHN C. RICHARDSON
DAVID C. ANSON JAMES A. JUTRY
SPENCER A. SMITH MICHAEL R. URMAN
DENISE M. BAINTON DAVID F. GAONA
KAREN J. NYGAARD LUIS A. OCHOA
SUSAN E. MILLER GARY F. URMAN
MARK D. LAMMERS FRANCES J. HAYNES
WAYNE E. YEHLING

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FAX: (602) 322-5585

3030 NORTH THIRD STREET, SUITE 200
PHOENIX, ARIZONA 85012-3002
(602) 241-0100
FAX: (602) 241-8554

August 1, 1989

PLEASE REPLY TO TUCSON

Draft

Carole A. O'Brien
Office Manager
A.F. Budge (Mining) Limited
4301 North 75th Street
Suite 101
Scottsdale, AZ 85251-3504

Re: **Korn Kob Project; Redington Mining District,
Pima County, Arizona**

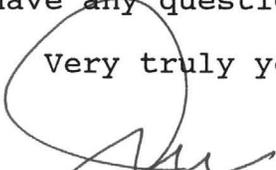
Dear Carole:

I have enclosed a proposed draft of an Option Agreement between A.F. Budge (Mining) Limited and Keystone Minerals, Inc. by which Budge will acquire rights to the so-called "Korn Kob" group of unpatented mining claims in the Redington Mining District, Pima County, Arizona. This draft was prepared based on Ron Short's letter to Dirk Den-Baars dated July 13, 1989, and the property description that you sent to me by facsimile on July 28, 1989. With regard to the description contained in the Agreement as Exhibit A, I added the BLM serial numbers and a reference to the public land survey system and corrected some of the recording information. Therefore, the Exhibit A should be used for future assessment work filings.

After your office and Dirk have approved this draft, please let me know and I will make the required changes and prepare execution copies and a short form for recording.

Please call me if you have any questions or comments.

Very truly yours,


John C. Lacy

0801890950.JCL2.890425

08-01-89
JCL

OPTION AGREEMENT

BY THIS OPTION AGREEMENT

effective as of the _____ day of August, 1989,

by and between KEYSTONE MINERALS, INC., an Arizona corporation, whose address is 6318 East Hayne Street, Tucson, Arizona 85710 (the "Owner"),

and

A.F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 North 75th Street, Scottsdale, Arizona 85251-3504 ("Budge" herein),

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

1. Grant; Definitions

a. Exploration License - Owner hereby grants Budge, its successors and assigns, an exclusive license to enter upon the "Property" together with the right to conduct "Mineral Exploration" during the term of the option to purchase granted under subsection c of this Section 1.

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

(1) The "Property" shall include those certain unpatented mining claims situated in the Redington Mining District, Pima County, Arizona, more particularly described in Exhibit A attached hereto.

(2) "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; provided, however that any surface disturbances shall be subject to those controls established under and subsection a of Section 5.

c. Option to Purchase - Owner hereby gives, grants, and conveys to Budge, for a period expiring at noon, Mountain Standard Time, on the date six months from and after the effective date hereof, the sole, exclusive and irrevocable option to purchase the Property free and clear of all claims, liens and encumbrances.

2. Payments to Owner

a. Option Payments - Budge shall pay Owner in consideration of the grant of the exploration license and option to purchase granted under this Agreement the sum of Five Thousand Dollars (\$5,000.00) upon execution of this Agreement and Five Thousand Dollars (\$5,000.00) per month thereafter during the term of the option.

b. Purchase Price - If the option to purchase is exercised, the purchase price shall be not more than (and subject to reduction under the further provisions of this subsection b) Four Million Dollars (\$4,000,000.00) and shall be paid as follows:

(1) Upon exercise of the option to purchase and prior to "Commencement of Production," Budge shall pay Owner Ten Thousand Dollars (\$10,000.00) per month. For purposes of this Section 2, "Commencement of Production" shall occur when Budge reaches eighty percent (80%) of the rate of mining (or treatment of ores at a treatment facility) as determined in a production feasibility study to process material from the Property for a period of 60 consecutive days.

(2) After Commencement of Production Budge shall pay Owner Twelve Thousand Dollars (\$12,000.00) per month or ten percent (10%) of the "Net Profits" (as defined in Exhibit B) resulting from extraction of minerals from the Property, whichever sum is the greater.

(3) The cumulative total of payments to Owner under subsections a, b(1), and b(2) of this Section 2 shall be reviewed at the end of each production year and the monthly payments hereunder adjusted for the following year, if necessary, to insure that the cumulative sum of the annual payments to Owner shall be no less than that amount representing the balance of the purchase price divided by the number of years remaining in the life of the mine, or

ten (10) years from and after the Commencement of Production, whichever date is the earlier.

It is the understanding and intent of the parties that the purchase price of Four Million Dollars (\$4,000,000.00) is premised on Owner's assertion that the Property contains not less than 100,000,000 pounds of recoverable copper. The parties thus established a purchase price based on four cents (\$.04) per pound of copper. If the final feasibility study for exploitation of the Property, based on standard engineering principles for calculation of ore reserves, determines that the reserves are less than seventy-five percent (75%) of the 100,000,000 pounds asserted by Owner, the purchase price shall be reduced to reflect a purchase price based on four cents (\$.04) per pound of recoverable copper within the Property capable of being currently mined. If the ore reserves are seventy-five percent (75%) or more of 100,000,000 pounds of recoverable copper, no adjustment in the purchase price shall be made.

c. Method of Making Payments - All payments required hereunder shall be due on or before the 5th day of the applicable month and may be mailed or delivered to Owner's address or to any single depository as Owner 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 Owner. 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.

d. Fractional Interest - All payments under this Agreement, unless specified otherwise, are based on a grant by Owner of full undivided rights and title to the Property. If Owner's interest in the Property is less than such full interest, Budge may exercise its rights under subsection d of Section 6.

3. Exercise of Option; Purchase Price

a. Exercise of Option - Budge may elect to exercise its option to purchase the Property at any time during the term specified in subsection c of Section 1 by giving written notice of its election in the manner specified in Section 8 of this Agreement, which notice shall also appoint an escrow agent if an escrow has not been previously established.

b. Escrow of Documents - At any time during the option period, Budge may elect to require the Agreement to be escrowed, in which event Budge shall designate a bank or title insurance company within the State of Arizona to serve as escrow agent, subject to the terms and conditions of Budge's right to purchase. Upon such election by Budge, Owner and Budge shall promptly execute and deliver instructions to the escrow agent. Such instructions shall be prepared by Budge and approved by Owner

setting forth the terms of the escrow consistent with the terms and conditions of this Agreement. Upon execution of escrow instructions, Owner shall promptly execute and deliver to the escrow agent a conveyance of the Property in recordable form acceptable to Budge conveying the Property to Budge, and Budge shall promptly execute and deliver to the escrow agent a statement in recordable form acceptable to Owner providing that Budge holds no interest in the Property. The escrow agent shall be directed to receive the documents and deliver the same upon termination of the escrow to either (1) Budge upon payment in full of the purchase price, or (2) Owner if this Agreement is terminated prior to payment of the full purchase price.

c. Closing - Within thirty (30) days after Budge has exercised its option to purchase, Owner shall, unless it has previously done so, furnish escrow agent with a conveyance of the Property in a form acceptable to Budge. Budge shall, within thirty (30) days after its receipt of the conveyance, provide notice to the escrow agent of either (1) approval of title and the form of conveyance, or (2) specify defects to Owner and escrow agent as provided in subsection c of Section 6 of this Agreement. If Budge does not approve title, the option period shall be extended for that period of time necessary for Budge to exercise any rights granted under Section 6 of the Agreement ("Title Curative Period"), but in no event longer than two (2) years from the date of giving notice exercising the option to purchase. During the Title Curative Period, the payment obligations under subsection a of Section 2 shall apply. One-half of the charges of the escrow agent shall be paid by each party, and the escrow shall terminate upon delivery of the documents to the respective parties as described herein. Budge shall pay all recording fees in connection with its exercise of its option to purchase.

4. Inspection

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

5. 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. Protection from Liens - Budge shall pay all expenses incurred by it in its operations on the Property hereunder and shall allow no liens arising from any act of Budge to remain upon

the Property; provided, however, that Budge shall not be required to remove any such lien as long as Budge is contesting in good faith the validity or amount thereof.

c. Indemnity - Budge shall indemnify Owner against and hold Owner 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 if Owner or any person or instrumentality acting on Owner's behalf shall have been a contributing cause to the event giving rise to such suit, claim, demand or judgment, Budge and Owner shall be responsible to the extent that each contributed to the cause giving rise to such suit, claim, demand or judgment.

d. Payment of Taxes - Budge shall pay all taxes levied against the Property during the term hereof. 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. If this Agreement is terminated or otherwise expires, all taxes that are Budge's responsibility shall be prorated for the calendar year of expiration or termination as of the date Budge has removed its equipment, facilities and improvements from the Property.

e. Assessment Work - Budge agrees to perform assessment work (unless excused, suspended or deferred) for the benefit of the unpatented mining claims included within the Property 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. Owner 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. Owner 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.

6. Title Matters

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

b. Title Documents; Data - Upon written request of Budge at any time during the term hereof, Owner shall promptly deliver to Budge all abstracts of title to and copies of all title documents affecting the Property which Owner has in its possession. If Owner is in possession or knows the whereabouts of technical data concerning the mineral estate of the Property, Owner shall, at Budge's expense, furnish copies of such materials to Budge or notify Budge of the location of such information.

c. Title Defects, Defense and Protection - If -- (1) in the opinion of counsel retained by Budge, Owner'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 Owner 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, Owner 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, costs incurred in amendment and relocation of unpatented claims, 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 2, 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 Owner hereunder in the proportion that the interest actually owned by Owner bear to the entire undivided rights and title to the Property or the areas included therein.

e. Amendment and Relocation of Mining Claims - Budge shall have the right to amend or relocate in the name of Owner the unpatented claims which are subject to this Agreement which Budge, in its sole discretion deems advisable to amend or relocate. Budge shall not be liable to Owner 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) does not arise from gross negligence or is not made in bad faith.

f. Patent Proceedings - Upon request of Budge at any time or times during the term of this Agreement, Owner 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. Owner shall execute any and all documents required for this purpose and shall cooperate fully with Budge in the patent application proceedings subsequent thereto. If Owner begins such proceedings and Budge thereafter requests Owner 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 minerals from the Property. If Budge elects to take any action under the terms of this subsection, it shall first notify Owner in writing setting forth the nature of the proposed action and an explanation thereof. Owner 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 Owner to take action it deems appropriate; provided, however, that if Owner 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 6 shall limit or detract from Budge's right to terminate this Agreement in the manner hereinafter provided.

7. Termination; Removal of Property; Data

a. Termination by Owner - If Budge defaults in the performance of its obligations hereunder, Owner shall give Budge written notice specifying the default. If the default is not cured within thirty (30) days after Budge has received the notice, or if Budge has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Agreement by delivering to Budge written notice of such termination, subject

to Budge's right to remove its property and equipment from the Property, as hereinafter provided. Owner's right to terminate this Agreement shall be its sole remedy for any failure to make payments required under Section 2. If Budge in good faith disputes the existence of a default, Budge shall initiate appropriate action in a court of competent jurisdiction within the 30-day period and the time to cure shall run from the date of a final determination that a default exists. Owner shall have no right to terminate this Agreement except as set forth in this subsection a of Section 7.

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

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 may elect to remove from the Property all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Property. Failure of Budge to so remove the same shall constitute an abandonment by Budge to Owner of the same; provided, however, that Budge may still be required to remove such property upon notice from Owner at any time during the six-month period and thirty (30) days thereafter.

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

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

8. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or deposited, postage prepaid, certified or registered, in the United States

mail to the addresses specified above. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices.

9. Binding Effect; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon the heirs, personal representatives, beneficiaries, successors and assigns, but no change or division of ownership of the Property or payments hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Budge hereunder. No such change or division in the ownership of the Property by Owner shall be binding upon Budge for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish evidence to Budge's satisfaction of such change, transfer or division of ownership.

10. 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 to pay money and perform or defer annual assessment work set forth in Sections 2 and 5), but the provisions shall again come into full force and effect upon the termination of the period of delay, prevention, disability or condition. "Force majeure" includes all disabilities arising from causes beyond the reasonable control of Budge; including, without limitation, acts of God, accidents, fires, damages to facilities, labor troubles, unavailability of fuels, supplies and equipment, orders or requirements of courts or government agencies, or the inability to obtain environmental clearance or operating permits that may be required by governmental authorities. It is expressly agreed that no implied covenant or condition whatsoever shall be read into this Agreement relating to any time frame as the measure of diligence for any operations of Budge hereunder.

11. 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 Pima County, Arizona.

12. Arbitration

a. Matters to be Arbitrated - All disputes, controversies or claims arising out of a determination of the amount of recoverable copper determined by a final feasibility study under subsection c of Section 2 shall be settled by binding arbitration. If Owner is not satisfied with the result of Budge's determination of recoverable copper, Owner may demand arbitration by delivering a notice to Budge containing a complete, concise statement its position. Budge shall, within ten days after receipt of such notice deliver to the Owner a complete, concise statement of its position of the issue.

b. Appointment of Arbitrators - Within 30 days after delivery of its notice demanding arbitration, the parties shall select a single arbitrator who shall be a person reasonably knowledgeable with respect to the matters involved in the arbitration. If the parties cannot agree on the selection of the arbitrator within 30 days after delivery of the demand for arbitration, then the Chief Judge of the United States District Court for the District of Arizona, acting in his individual capacity, shall select the arbitrator from a list of six nominees, three to be nominated by each party.

c. Arbitration Procedure - The arbitration shall be conducted in Tucson, Arizona, in accordance with the Commercial Arbitration Rules of the American Arbitration Association to the extent such Rules are not inconsistent with law or this Agreement. The applicable substantive law shall be the law of the State of Arizona. Arbitration proceedings shall continue in the absence of a party who, after notice given pursuant to this Agreement fails to participate in or to obtain an adjournment of the proceedings. A party who fails to exercise any right granted to it in this Section 12 within the time provided herein shall be deemed to have waived such right. The arbitrator shall by written notice to the parties establish a schedule for the arbitration proceedings and issue orders relating to the conduct of such proceedings governing, among other matters, discovery and the conduct of the hearing. Unless the parties agree otherwise in writing, the arbitrator shall issue the final decision in writing within 30 days of designation. Upon failure to do so, the arbitrator shall be discharged, and an alternative arbitrator shall be designated in accordance with the provisions of this Section 12, and arbitration hereunder shall begin anew upon the demand by either party.

d. Arbitration Award - The only decision that may be granted in an arbitration award or decision is a determination of the amount of current recoverable reserved within the Property and shall not be in excess of 100,000^{0.270} pounds of copper. No award or decision granting any other remedy or relief may be enforced. Such a decision of the arbitrator shall be final and binding upon

the parties as soon as it is either delivered personally to both parties or deposited in the United States mail in envelopes addressed to each party, whichever occurs first, and the arbitrator shall have no power or authority to amend or change it in any way except pursuant to Section 9 of the Arizona Uniform Arbitration Act (Ariz. Rev. Stat. § 12-1509). The decision must state clearly the ruling of the arbitrator and a judgment thereon may be entered in any court having jurisdiction.

e. Expenses of Arbitration - If the decision of the arbitrator is:

(1) less than a five percent differential from the reserves fixed by the feasibility study of Budge, all costs and expenses of the arbitration shall be paid by Owner;

(2) more than a ten percent differential from the reserves fixed by the feasibility study, all costs and expenses of the arbitration shall be paid by Budge;

(3) between a five and ten percent differential from the reserves fixed by the feasibility study, all costs and expenses of the arbitration shall be shared equally by the parties,

provided, however, that if Budge's determination is that the reserves are less than seventy-five percent (75%) of the 100,000,000 pounds of contained copper asserted by Owner and the arbitrator's decision fixes the reserves at more than seventy-five percent (75%) of such figure, all costs and expenses of the arbitration shall be paid by Budge.

13. Construction

a. Governing Law - This Agreement shall be construed by the internal laws of the State of Arizona.

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

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

14. Further Assurances

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

15. Approval; Effective Date

This Agreement shall not be effective until it has been approved by management of Budge and executed by its authorized officer. The effective date shall be the date of such execution by Budge.

SIGNED, effective as of the date recited above.

KEYSTONE MINERALS, INC.

A. F. BUDGE (MINING) LIMITED

By _____
Dirk Den-Baars
Vice President

By _____
A. F. Budge, Chairman

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this ___ day of August, 1989, by Dirk Den-Baars, the Vice President of Keystone Minerals, Inc., an Arizona corporation, for and on behalf of the corporation.

My commission expires:

Notary Public

STATE OF ARIZONA)
) ss.
County of Maricopa)

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

My commission expires:

Notary Public

EXHIBIT A

The "Property" that is the subject of the foregoing Agreement consists of unpatented mining claims situated in Sections 10, 11, 13, 14, 15, 22, 23, 24, 25, Township 12 South, Range 17 East, and Sections 18 and 19, Township 12 South, Range 18 East, G&SR Mer., in the Redington Mining District, Pima County, Arizona, the location notices of which are of record in the official records of such county, and the Arizona State Office of the Bureau of Land Management as follows:

<u>Name of Claim</u>	<u>Pima Cty Recds</u>		<u>BLM Serial No.</u>
	<u>Book</u>	<u>Page</u>	<u>A MC #</u>
Sunnyside # 1	3453	281	69307
Sunnyside # 2	3453	282	69308
Sunnyside # 3	1776	347	69309
Sunnyside # 4	1776	348	69310
Sunnyside # 5	1776	349	69311
Sunnyside # 6	1776	350	69312
Sunnyside # 7	1776	351	69313
Sunnyside # 8	1776	352	69314
Sunnyside # 9	1776	353	69315
Sunnyside # 10	1776	354	69316
Sunnyside # 11	1776	355	69317
Sunnyside # 12	1776	356	69318
Orbit # 1	2136	14	69319
Orbit # 2	2136	15	69320
Orbit # 3	2136	16	69321
Orbit # 4	2136	17	69322
Orbit # 5	2136	18	69323
Orbit # 6	2136	19	69324
Orbit # 7	2136	20	69325
Orbit # 8	2136	21	69326
Orbit # 9	2136	22	69327
Orbit # 10	2136	23	69328
Orbit # 11	2136	24	69329
Orbit # 12	2136	25	69330
Orbit # 13	2136	26	69331
Catalina # 1	1762	53	69332
Catalina # 2	1762	54	69333
Catalina # 3	3453	283	69334
Catalina # 4	3453	284	69335
Catalina # 5	3453	285	69336
Catalina # 6	3453	286	69337
Catalina # 7	3453	287	69338
Catalina # 8	3453	288	69339
Catalina # 9	3453	289	69340
Catalina # 10	3453	290	69341
Catalina # 11	3453	291	69342

<u>Name of Claim</u>	<u>Pima</u> <u>Book</u>	<u>Cty</u> <u>Recds</u> <u>Page</u>	<u>BLM Serial No.</u>	
			<u>A</u>	<u>MC #</u>
Catalina # 12	3453	292	69343	
Catalina # 13	3453	293	69344	
Catalina # 14	3453	294	69345	
Catalina # 15	3453	295	69346	
Catalina # 16	3453	296	69347	
Catalina # 17	3453	297	69348	
Catalina # 18	3453	298	69349	
Catalina # 19	3453	299	69350	
Catalina # 20	3453	300	69351	
Catalina # 21	3453	301	69352	
Catalina # 22	3453	302	69353	
Catalina # 23	3453	303	69354	
Catalina # 24	3453	304	69355	
Catalina # 25	3453	305	69356	
Catalina # 26	3453	306	69357	
Catalina # 27	3453	307	69358	
Catalina # 28	3453	308	69359	
Catalina # 29	3453	309	69360	
Catalina # 30	3453	310	69361	
KK 1	3894	248	69362	
KK 2	3894	249	69363	
KK 3	3894	250	69364	
KK 4	3894	251	69365	
KOB 5	3993	812	69366	
KOB 6	3993	813	69367	
KOB 7	3993	814	69368	
KOB 8	3993	815	69369	
KOB 9	3993	816	69370	
KOB 10	3993	817	69371	
KOB 11	3993	818	69372	
KOB 12	3993	819	69373	
KOB 13	3993	820	69374	
KOB 14	3993	821	69375	
KOB 15	3993	822	69376	
KOB 16	3993	823	69377	
KOB 17	3993	824	69378	
KOB 18	3993	825	69379	
KOB 19	3993	826	69380	
KOB 20	3993	827	69381	
KOB 21	3993	828	69382	
KOB 22	3993	829	69383	
KOB 23	3993	830	69384	
KOB 24	3993	831	69385	
KOB 25	3993	832	69386	
KOB 26	3993	833	69387	
KOB 27	3993	834	69388	
KOB 28	3993	835	69389	

<u>Name of Claim</u>	<u>Pima Book</u>	<u>Cty Recds Page</u>	<u>BLM Serial No.</u> <u>A MC #</u>
KOB 29	3993	836	69390
KOB 30	3993	837	69391
KOB 31	3993	838	69392
KOB 32	3993	839	69393
KOB 33	3993	840	69394
KOB 34	3993	841	69395
KOB 35	3993	842	69396
KK 36	3894	283	69397
KK 37	3894	284	69398
KK 38	3894	285	69399
KK 39	3894	286	69400
KK 40	3894	287	69401
KK 41	3894	288	69402
KK 42	3894	289	69403
KK 43	3894	290	69404

EXHIBIT B

The "Net Profits" for any fiscal year under the terms of this Agreement shall be determined by deducting from "Gross Revenues" all "Pre-production Costs" and "Operating Costs" related to such mineral production activities. The words and phrases used above shall have the following meanings, which meanings also incorporate all definitions of the Agreement:

1. "Pre-production Costs" shall include all "Operating Costs" related to Mineral Exploration on or for the benefit of the Property that are incurred by or on behalf of Budge after execution of the Agreement and prior to Commencement of Production.

2. "Gross Revenues" shall mean the gross receipts from the sales of ores and minerals resulting from the exploitation of the Property.

3. "Operating Costs" shall mean those costs and expenses incurred by or for the operating party in connection with or attributable to the development and exploitation of the Property after Commencement of Production. Such costs and expenses shall include, but not be limited to, the costs and expenses of exploring, developing, mining, milling, smelting, refining, freight, administrative overhead, insurance and marketing the products resulting from the exploration, development and exploitation of the Property; all royalties and rental payments required to maintain contractual rights constituting the Property or other similar payments required to obtain rights to mine the Property; all ad valorem, transaction privilege, license, sales, severance, and other taxes imposed on the activities of the operator hereunder, except taxes measured by the Budge's corporate profit from such operations; the depreciation of all buildings, structures, machinery and equipment over the useful lives of such items, any sinking fund reasonably deemed advisable for the future reclamation of the Property; and in the event of plant or mine expansion involving construction or replacement of buildings, structures and the addition of machinery and equipment, the depreciation of such items over their useful lives, and interest charges actually incurred in financing operations on the Property. The parties shall prepare and execute an accounting procedure after completion of the mining feasibility study fixing actual circumstances of Operating Costs as determined by the mining feasibility study.

890425



A.F. Budge (Mining) Limited

June 12, 1989

Mr. Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

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

Dear Mr. Den-Baars:

An initial evaluation has been made of the data supplied by you on the Korn Kob property located in Pima County, Arizona. A.F. Budge (Mining) Limited desires to continue with a more detailed evaluation of the property, including a feasibility study; such evaluation to be carried out during an exclusive six-month option period, for which Budge shall pay \$15,000. Based upon the results of this evaluation and study, Budge would propose to enter into an agreement with Keystone to acquire a 75% undivided interest in the property. The Joint Venture Agreement will contain, among other things, the following terms and conditions:

1. \$3.0 million shall be expended by Budge to earn a 75% interest in the property; such funds shall be expended towards exploration, development and/or pre-production.
2. After an expenditure of \$250,000, Budge may withdraw from the program and maintain a 10% carried interest.
3. During the term of the Joint Venture Budge shall make annual payments of \$25,000 payable on or before the anniversary date of the Agreement.
4. After Budge has expended \$3.0 million, the venturers shall contribute according to their respective interests, i.e. 75% Budge, 25% Keystone Minerals. Keystone may contribute its 25% share of funds or be reduced to a 10% carried interest. Keystone will have six months in which to arrange financing should it desire to maintain its 25% share in the venture. During this period, Budge may advance Keystone's required funds which will be paid back at 2% over the Prime Rate at the time.
5. If production ensues, Keystone Minerals (as a 25% participant) will be paid \$100,000 yearly until Budge has recovered all his pre-production expenses and capital costs required to bring the mine into production; thereafter, profits will be split according to the respective interests of the parties.

D. Den-Baars
June 12, 1989
Page 2

6. Provision will also be made in the Joint Venture Agreement for a buy-sell deadlock clause, and a right of first refusal if Keystone wishes to sell its 25% interest.

On receipt of a signed copy of this letter signifying acceptance of these terms and conditions, we will instruct our legal counsel to draft a formal agreement incorporating these terms.

Yours very truly,

Ronald R. Short
General Manager

Accepted this _____ day of June, 1989

for Keystone Minerals, Inc.

by:

Dirk Den-Baars, Vice President



A.F. Budge (Mining) Limited

June 12, 1989

Mr. Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

4301 North 75th Street
Suite 101
Scottsdale, AZ 85251-3504
(602) 945-4630
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D. Den-Baars
June 12, 1989
Page 2

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On receipt of a signed copy of this letter signifying acceptance of these terms and conditions, we will instruct our legal counsel to draft a formal agreement incorporating these terms.

Yours very truly,

Ronald R. Short
General Manager

Accepted this _____ day of June, 1989

for Keystone Minerals, Inc.

by:

Dirk Den-Baars, Vice President



A.F. Budge (Mining) Limited

July 13, 1989

Mr. Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

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

Dear Dirk:

This letter is intended to summarize our recent telephone conversations with regards to the general terms of a lease and option to purchase agreement on your Korn Kob property.

1. A.F. Budge (Mining) Limited will have an exclusive six-month lease in which to further evaluate the property; Keystone Minerals will receive \$5,000 per month during this period.

2. If the option to purchase is exercised, A.F. Budge (Mining) Limited would pay Keystone Minerals \$10,000 per month.

3. If production ensues, Keystone Minerals would receive \$12,000 per month, or 10% of the net profits from the operation, whichever is greater. "Net Profits" will be defined in the final agreement to the mutual satisfaction of both parties.

4. All lease payments under item #1, and payments in items #2 and #3 would apply to the final purchase price of the property. Initially, the purchase price of the Korn Kob property will be based on the assumption that the property contains 100,000,000 pounds of recoverable copper; at 4 cents per pound, the purchase price will be 4 million dollars.

If, after a complete evaluation of the property, and using standard engineering principles for the calculation of ore

D. Den-Baars
July 13, 1989
Page 2

reserves, Budge considers the reserves are substantially less than the 100,000,000 pounds assumed (substantially meaning less than 75% of the assumed reserves), the parties will agree to enter into good faith negotiations to adjust the purchase price based on the formula of 4 cents per pound of recoverable copper.

If Keystone Minerals disputes the new reserve calculations, provision will be made in the agreement to present the data to an outside, independent third party unassociated with either Budge or Keystone for final arbitration.

5. At the end of each production year, payments made to Keystone Minerals will be reviewed and adjusted, if necessary, to insure that the sum of the annual payments will be no less than that amount calculated by taking the balance of the purchase price i.e. the purchase price minus any payments made that year, and dividing it by the number of years remaining in the life of the mine, subject to the provision that final purchase of the property shall be completed within ten years from start of production.

If these terms represent an accurate assessment of our conversations to date, please advise and we will instruct our legal counsel to prepare the final agreement for execution.

Yours very truly,



Ronald R. Short
General Manager

Korn Kob -

Discussion with Dick DenBarr on
July 1, Pm. Telephone conversation

Counter proposal:

#1 Option period:

Korn Kob requested \$6,000 per month

Budge offered 4,500 " "

They requested splitting the difference
or \$5,250 per month

We will counter w/ \$5,000/month

#2 upon exercise of option:

Korn Kob requested \$2,000 per month

Budge offered 8,500 per month

They requested splitting the difference
or \$10,250 per month

We will counter w/ \$10,000 per month

#3 Upon production:

Korn Kob requested 10% share of profit or
\$12,000 per month which is greater

Budge agreed to the proposal

They now request \$12,000 or 4 1/2 cents per
pound of copper produced whichever is greater.

We will counter w/ 10% of profit or \$12,000/month

#4 Purchase price has been eluded to.

Budge's position is to limit purchase price
to 4 cents per pound from Copper recovered from
areas described as pit #1 & #2.

Korn Kob would like 4 1/2 cent per pound from

all copper recovered from pits #1 & #2 plus
any addition copper discovered at a later
date.

Budges position is to stick to our proposal.



A.F. Budge (Mining) Limited

July 3, 1989

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

Mr. Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

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

Dear Dirk:

Thank you for your timely response and comments on our proposal of June 26, 1989. We have discussed your suggestions and have no serious objections to negotiating the monthly payments offered in items 1 and 2 of our June 26 proposal. However, we would prefer to offer \$5,000 per month during the option period and \$10,000 per month once the option is exercised.

Unfortunately, we cannot accept your proposal to pay four and one half cents per pound of recoverable copper if and when production commences. If, for example, our "net profit" per pound were only ten cents, your suggestion of four and one half cents would represent 45% of net profits. At a "net profit" of twenty cents, four and one half cents would represent 22.5%, etc., etc. We must adhere to our proposal of 10% of net profits or \$12,000 per month, whichever is greater.

With regards to a final purchase price, your comments on that issue also have some serious implications. If the reserves do not justify a production decision, it is a moot point. We will need sufficient reserves to warrant spending millions to put Korn Kob into production. Any additional reserves, if they are to be found, will require additional drilling at considerable added expense, which would be at Budge's cost. We are unable to make offers on "pie in the sky" reserves. We again must adhere to item #4 in our proposal of June 26, 1989 in regards to the determination of a final purchase price.

Please consider these revised proposals in light of the uncertainties involved, e.g. mineable reserves and recovery, capital requirements, operating costs, future copper prices, etc.

Yours very truly,

Ronald R. Short
General Manager



A.F. Budge (Mining) Limited

June 26, 1989

Mr. Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

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

Dear Dirk:

Thank you for your timely response to our initial thoughts and proposal regarding a joint venture agreement on the Korn Kob property.

Your proposal to sell the Korn Kob property to A.F. Budge (Mining) Limited is acceptable, however, we would like to modify the terms suggested in your letter of June 15, 1989.

Our proposal would be as follows:

1. An exclusive six-month option period to further evaluate the property, for which A.F. Budge (Mining) Limited would pay Keystone Minerals, Inc. \$4,500 per month.
2. If the option to purchase were exercised, A.F. Budge (Mining) limited would pay Keystone Minerals, Inc. \$8,500 per month.
3. If production ensues, Keystone Minerals would receive \$12,000 per month or 10% of net profits, whichever is greater.
4. All payments would apply to a final purchase of the property, the price of which shall be determined, based on a feasibility study and confirmation of mineable ore reserves, but shall not be less than four cents per pound of recoverable copper in the deposit at the time a production decision is made.

If this proposal is acceptable, we will instruct our legal counsel to draft a formal agreement incorporating these terms.

Yours very truly,

Ronald R. Short
General Manager



A.F. Budge (Mining) Limited

June 26, 1989

Mr. Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

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

Dear Dirk:

Thank you for your timely response to our initial thoughts and proposal regarding a joint venture agreement on the Korn Kob property.

Your proposal to sell the Korn Kob property to A.F. Budge (Mining) Limited is acceptable, however, we would like to modify the terms suggested in your letter of June 15, 1989.

Our proposal would be as follows:

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If this proposal is acceptable, we will instruct our legal counsel to draft a formal agreement incorporating these terms.

Yours very truly,

Ronald R. Short
General Manager



A.F. Budge (Mining) Limited

June 26, 1989

Mr. Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

4301 North 75th Street
Suite 101
Scottsdale, AZ 85251-3504
(602) 945-4630
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If this proposal is acceptable, we will instruct our legal counsel to draft a formal agreement incorporating these terms.

Yours very truly,

Ronald R. Short
General Manager



A.F. Budge (Mining) Limited

June 12, 1989

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

Mr. Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

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

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2. After an expenditure of \$250,000, Budge may withdraw from the program and maintain a 10% carried interest.

3. During the term of the Joint Venture Budge shall make annual payments of \$25,000 payable on or before the anniversary date of the Agreement.

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D. Den-Baars
June 12, 1989
Page 2

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On receipt of a signed copy of this letter signifying acceptance of these terms and conditions, we will instruct our legal counsel to draft a formal agreement incorporating these terms.

Yours very truly,

Ronald R. Short
General Manager

Accepted this _____ day of June, 1989

for Keystone Minerals, Inc.

by:

Dirk Den-Baars, Vice President



A.F. Budge (Mining) Limited

(602) 945-4630

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

FAX (602) 949-1737

September 24, 1990

Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, Az 85710

Dear Dirk:

Following our telephone conversation this afternoon, I called John Lacy and asked him to prepare a short Amendment to the Option Agreement to reflect a six month's extension on the option period, with the same terms.

In the meanwhile, I am enclosing our check for \$10,000 which would be the first of six payments owing during this extension.

Best regards.

Sincerely,

Carole A. O'Brien
Carole A. O'Brien

encl.(1)



A.F. Budge (Mining) Limited

(602) 945-4630

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

FAX (602) 949-1737

September 25, 1990

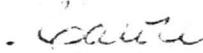
Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

Dear Dirk:

As Ron is out of town until Friday, I thought I would save time and send along John Lacy's "Amendment to Option Agreement" which he prepared yesterday. If the content and wording is satisfactory, would you sign all three copies, have them notarized, and then return them to me for Ron's signature.

Thank you.

Sincerely,


Carole A. O'Brien

encls.



A.F. Budge (Mining) Limited

(602) 945-4630

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

FAX (602) 949-1737

October 2, 1990

Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

Dear Dirk:

Enclosed is one fully executed copy of the "Amendment to Option Agreement". We will send a copy to John Lacy for his files.

Thank you for your prompt attention on this matter.

Sincerely,

Carole A. O'Brien
Carole A. O'Brien
Mining & Financial Coordinator

c: J.C. Lacy
w/attachment
J.W. Norby
w/attachment

JCL
09-24-90

AMENDMENT TO OPTION AGREEMENT

BY THIS AMENDMENT TO OPTION AGREEMENT,

effective as of September 19, 1990 (the "Effective Date" herein),

KEYSTONE MINERALS, INC., an Arizona corporation, whose address is 6318 East Hayne Street, Tucson, Arizona 85710 (the "Owner"),

and

A.F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 North 75th Street, Scottsdale, Arizona 85251-3504 ("Budge" herein),

Owner and Budge have amended that certain Option Agreement entered into between themselves effective September 19, 1989, a Short Form of which was recorded in Docket 8629, Pages 474-81 of the Official Records of Pima County, Arizona, as follows:

1. The term of the option and the rights and obligations of the parties hereto, as set forth in the Option Agreement is hereby extended. The expiration of the option, as amended hereby, shall be at noon, Mountain Standard Time, March 19, 1991.

2. The amount of the payment obligations as provided in subsection a(3) of Section 2 for the period of the sixth through the eleventh month shall remain in effect during the option term, as extended.

3. Except as amended herein, all other terms and conditions of the Option Agreement remain unchanged and the Option Agreement is in full force and effect.

DATED this 25th day of September, 1990.

OWNER:

KEYSTONE MINERALS, INC.

BUDGE:

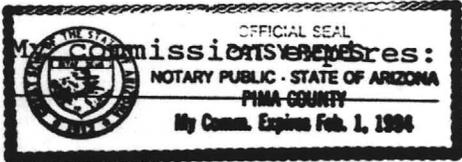
A.F. BUDGE (MINING) LIMITED

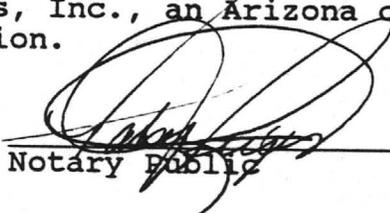
By Dirk Den-Baars
Dirk Den-Baars
Vice President

By Ronald R. Short
Ronald R. Short
General Manager

STATE OF ARIZONA)
) ss.
County of Pima)

26th The foregoing instrument was acknowledged before me this day of September, 1990, by Dirk Den-Baars, the Vice President of Keystone Minerals, Inc., an Arizona corporation, for and on behalf of the corporation.




Notary Public

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 28th day of September, 1990, by Ronald R. Short, the General Manager of A.F. Budge (Mining) Limited, a Nevada corporation, for on behalf of the corporation.

My commission expires:




Notary Public

09-19-89
JCL

OPTION AGREEMENT

BY THIS OPTION AGREEMENT

effective as of the 19th day of September, 1989,

by and between KEYSTONE MINERALS, INC., an Arizona corporation, whose address is 6318 East Hayne Street, Tucson, Arizona 85710 (the "Owner"),

and

A.F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 North 75th Street, Scottsdale, Arizona 85251-3504 ("Budge" herein),

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

1. Grant; Definitions

a. Exploration License - Owner hereby grants Budge, its successors and assigns, an exclusive license to enter upon the "Property" together with the right to conduct "Mineral Exploration" during the term of the option to purchase granted under subsection c of this Section 1.

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

(1) The "Property" shall include those certain unpatented mining claims situated in the Redington Mining District, Pima County, Arizona, more particularly described in Exhibit A attached hereto.

(2) "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; provided, however that any surface uses and disturbances shall be subject to those controls established under and subsection a

of Section 5 and the rights of the surface patentees, their successors and assigns.

c. Option to Purchase - Owner hereby gives, grants, and conveys to Budge, for a period expiring at noon, Mountain Standard Time, on the date twelve (12) months from and after the effective date hereof, the sole, exclusive and irrevocable option to purchase the Property free and clear of all claims, liens and encumbrances other than those set forth in Exhibit A.

2. Payments to Owner

a. Option Payments - Budge shall pay Owner in consideration of the grant of the exploration license and option to purchase granted under this Agreement:

(1) the sum of Five Thousand Dollars (\$5,000.00) upon execution of this Agreement;

(2) Five Thousand Dollars (\$5,000.00) per month payable on the first day of the second through the fifth month of the term of the option, and

(3) Ten Thousand Dollars (\$10,000.00) per month payable on the first day of the sixth through eleventh months of the term of the option.

If the option to purchase is exercised, all payments made under this subsection shall be a credit toward the purchase price.

b. Purchase Price - If the option to purchase is exercised, the purchase price shall be Four Million Dollars (\$4,000,000.00) (subject to reduction under the provisions of subsection d of this Section 2) and shall be paid as follows:

(1) Upon exercise of the option to purchase and prior to the date three (3) years from the closing of the purchase option or the "Commencement of Production," whichever first occurs, Budge shall pay Owner Ten Thousand Dollars (\$10,000.00) per month. For purposes of this Section 2, "Commencement of Production" shall occur when Budge reaches fifty percent (50%) of the rate of mining (or treatment of ores at a treatment facility) as determined in a production feasibility study to process material from the Property for a period of sixty (60) consecutive days.

(2) Commencing on the date three (3) years from the closing of the purchase option or the Commencement of Production, whichever first occurs, Budge shall pay Owner in advance Twelve Thousand Dollars (\$12,000.00) per month, plus the amount, if any, by which ten percent (10%) of the "Net Profits" (as defined in Exhibit B) resulting from extraction

of minerals from the Property exceeds Twelve Thousand Dollars (\$12,000.00) for each such monthly period, all such payments of Net Profits due hereunder to be paid within twenty (20) days after the end of such monthly period.

(3) The cumulative total of payments to Owner under subsections a, b(1), and b(2) of this Section 2 shall be reviewed at the end of each production year and the monthly payments hereunder adjusted for the following year, if necessary, to insure that the cumulative sum of the annual payments to Owner shall be no less than that amount representing the balance of the purchase price divided by the number of years remaining in the life of the mine, or a ten-year period commencing with the date of closing of the option to purchase, whichever date is the earlier.

c. Method of Making Payments - All payments required hereunder shall be mailed or delivered to Owner's address or to any single depository as Owner 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 Owner. 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.

d. Fractional Interest - All payments under this Agreement, unless specified otherwise, are based on a grant by Owner of full undivided rights and title to the Property, subject, however, to the matters set forth in Exhibit A. If Owner's interest in the Property is less than such full interest, Budge may exercise its rights under subsection d of Section 6.

3. Exercise of Option

a. Exercise of Option - Budge may elect to exercise its option to purchase the Property at any time during the term specified in subsection c of Section 1 by giving written notice of its election in the manner specified in Section 8 of this Agreement, which notice shall also appoint an escrow agent if an escrow has not been previously established.

b. Escrow of Documents - At any time during the option period, Budge may elect to require the Agreement to be escrowed, in which event Budge shall designate a bank or title insurance company within the State of Arizona to serve as escrow agent, subject to the terms and conditions of Budge's right to purchase. Upon such election by Budge, Owner and Budge shall promptly execute and deliver instructions to the escrow agent. Such instructions shall be prepared by Budge and approved by Owner setting forth the terms of the escrow consistent with the terms and conditions of this Agreement. Upon execution of escrow instructions, Owner shall promptly execute and deliver to the

escrow agent a conveyance of the Property in recordable form acceptable to Budge conveying the Property to Budge, and Budge shall promptly execute and deliver to the escrow agent a release in recordable form acceptable to Owner releasing to Owner all interest of Budge in the Property. In addition, Budge shall execute and deliver to the escrow agent a nonrecourse promissory note and a deed of trust acceptable to Owner securing the balance of the purchase price. The escrow agent shall be directed to receive the documents and to either (1) deliver the conveyance and release to Budge and deliver the deed of trust and promissory note to Owner upon closing of the purchase of the Property by Budge, or (2) deliver the release and conveyance to Owner and return the deed of trust and promissory note to Budge if this Agreement is terminated prior to exercise by Budge of its option to purchase.

c. Closing - Within thirty (30) days after Budge has exercised its option to purchase, the parties shall, unless they have previously done so, furnish escrow agent with the executed documents described in subsection b of this Section 3 and upon the delivery by escrow agent of the documents to the parties entitled thereto as provided in subsection b, the escrow shall close and this Agreement shall terminate. One-half of the charges of the escrow agent shall be paid by each party, and the escrow shall terminate upon delivery of the documents to the respective parties as described herein. Budge shall pay all recording fees in connection with its exercise of its option to purchase.

4. Inspection

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

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

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

d. Payment of Taxes - Budge shall pay all taxes levied against the Property during the term hereof. 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. If this Agreement is terminated or otherwise expires, all taxes that are Budge's responsibility shall be prorated for the calendar year of expiration or termination as of the date Budge has removed its equipment, facilities and improvements from the Property.

e. Assessment Work - Budge agrees to perform assessment work (unless excused, suspended or deferred) for the benefit of the unpatented mining claims included within the Property for the assessment year ending September 1, 1989, and 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. Owner 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. Owner 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 for the benefit of all the areas, claims or groups of claims, whether performed on or off the Property.

6. Title Matters

a. Representations and Warranties - Owner represents and warrants to Budge that: (1) the unpatented mining claims constituting the Property have been located and appropriate record made thereof in compliance with the laws of the United States and the laws of the State of Arizona (provided that Owner makes no representation as to the existence or lack thereof of a discovery of valuable minerals within the boundaries of each of the individual mining claims constituting the Property), the assessment work for the year ending September 1, 1988, has been performed and appropriate record made thereof in compliance with

applicable law and regulations, and that to the best of Owner's knowledge there is no claim of adverse mineral rights affecting such claims; (2) except as specified in Exhibit A, Owner's possessory right to the Property is free and clear of all liens and encumbrances, and (3) the Owner has the full right, power and capacity to enter into this Agreement upon the terms set forth herein.

b. Title Documents; Data - Upon written request of Budge at any time during the term hereof, Owner shall promptly deliver to Budge all abstracts of title to and copies of all title documents affecting the Property which Owner has in its possession. If Owner is in possession or knows the whereabouts of technical data concerning the mineral estate of the Property, Owner shall, at Budge's expense, furnish copies of such materials to Budge or notify Budge of the location of such information.

c. Title Defects, Defense and Protection - If -- (1) in the written opinion of counsel retained by Budge and submitted to Owner on or before the exercise of the option, Owner's title to any of the Property is defective or less than as represented herein, or (2) if at any time prior to exercise of the option, title to any of the Property is contested or questioned by any person, entity or governmental agency -- and if Owner 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, Owner 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, costs incurred in amendment and relocation of unpatented claims, 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 2, 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 Owner hereunder in the proportion that the interest actually owned by Owner bear to the entire undivided rights and title to the Property or the areas included therein.

e. Amendment and Relocation of Mining Claims - Budge shall have the right to amend or relocate in the name of Owner the unpatented claims which are subject to this Agreement which Budge, in its sole discretion deems advisable to amend or

relocate. Budge shall not be liable to Owner 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) does not arise from gross negligence or is not made in bad faith.

f. General - Nothing herein contained and no notice or action which may be taken under this Section 6 shall limit or detract from Budge's right to terminate this Agreement in the manner hereinafter provided.

7. Termination; Removal of Property; Data

a. Termination by Owner - If Budge defaults in the performance of its obligations hereunder, Owner shall give Budge written notice specifying the default. If the default is not cured within thirty (30) days after Budge has received the notice, or if Budge has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Agreement by delivering to Budge written notice of such termination, subject to Budge's right to remove its property and equipment from the Property, as hereinafter provided. Owner's right to terminate this Agreement shall be its sole remedy for any failure to make option payments required under subsection a of Section 2. If Budge in good faith disputes the existence of a default, Budge shall initiate appropriate action in a court of competent jurisdiction within the 30-day period and the time to cure shall run from the date of a final determination that a default exists. Owner shall have no right to terminate this Agreement except as set forth in this subsection a of Section 7.

b. Termination by Budge - Budge shall have the right to terminate this Agreement at any time prior to the expiration of the option granted hereunder to purchase the Property by giving Owner thirty (30) days prior written notice of such termination. 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, including all unpaid portion of the purchase price, except payments and obligations, the due dates for the payment or performance of which occur prior to the termination date.

c. Removal of Property - Upon any termination or expiration of this Agreement, Budge shall have a period of thirty (30) days from and after the effective date of termination within which it may elect to remove from the Property all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Property. Failure of Budge to so remove the same

shall constitute an abandonment by Budge to Owner of the same; provided, however, that Budge may still be required to remove such property upon notice from Owner at any time during the six-month period and thirty (30) days thereafter.

d. Delivery of Data - If this Agreement is terminated, Budge shall, within thirty (30) days of said termination, furnish Owner copies of all available noninterpretive exploration, development and mining data pertaining to the Property prepared by or for Budge. Budge shall also within thirty (30) days of said termination, make available for delivery to Owner all available cores, splits and rejects resulting from any drilling performed on the Property by or for Budge, provided that Budge shall not be liable for the unintentional loss or destruction of any such cores, splits or rejects. If Owner fails to obtain the cores, splits or rejects within thirty (30) days from and after notification of their availability, Budge may dispose of the same without further liability to Owner.

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

8. Notices

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

9. Binding Effect; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon the heirs, personal representatives, beneficiaries, successors and assigns, but no change or division of ownership of the Property or payments hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Budge hereunder. No such change or division in the ownership of the Property by Owner shall be binding upon Budge for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish evidence to Budge's satisfaction of such change, transfer or division of ownership.

10. 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 to pay money and perform or defer annual assessment work set forth in Sections 2 and 5), but the provisions shall again come into full force and effect upon the termination of the period of delay, prevention, disability or condition. "Force majeure" includes all disabilities arising from causes beyond the reasonable control of Budge; including, without limitation, acts of God, accidents, fires, damages to facilities, labor troubles, unavailability of fuels, supplies and equipment, orders or requirements of courts or government agencies, or the inability to obtain environmental clearance or operating permits that may be required by governmental authorities. It is expressly agreed that no implied covenant or condition whatsoever shall be read into this Agreement relating to any time frame as the measure of diligence for any operations of Budge hereunder.

11. 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 Pima County, Arizona.

12. Construction

a. Governing Law - This Agreement shall be construed by the internal laws of the State of Arizona.

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

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

13. Further Assurances

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

14. Approval; Effective Date

This Agreement shall not be effective until it has been approved by management of Budge and executed by its authorized

officer. The effective date shall be the date of such execution by Budge.

SIGNED, effective as of the date recited above.

KEYSTONE MINERALS, INC.

A. F. BUDGE (MINING) LIMITED

By *Dirk Den-Baars*
Dirk Den-Baars
Vice President

By *Ronald R. Short*
Ronald R. Short
General Manager

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this 19th day of September, 1989, by Dirk Den-Baars, the Vice President of Keystone Minerals, Inc., an Arizona corporation, for and on behalf of the corporation.

Jim Chaney
Notary Public

My commission expires:
April 17, 1992

STATE OF ARIZONA)
) ss.
County of ~~Maricopa~~ ^{Pima})

The foregoing instrument was acknowledged before me this 19th day of September, 1989, by Ronald R. Short, the General Manager of A. F. Budge (Mining) Limited, a Nevada corporation, for and on behalf of the corporation.

Jim Chaney
Notary Public

My commission expires:
April 17, 1992

EXHIBIT A

The "Property" that is the subject of the foregoing Agreement consists of unpatented mining claims situated in Sections 10, 11, 13, 14, 15, 22, 23, 24, 25, and 26, Township 12 South, Range 17 East, and Sections 18 and 19, Township 12 South, Range 18 East, G&SR Mer., in the Redington Mining District, Pima County, Arizona, the location notices of which are of record in the official records of such county, and the Arizona State Office of the Bureau of Land Management as follows:

<u>Name of Claim</u>	<u>Pima Cty Recds Book</u>	<u>Page</u>	<u>BLM Serial No. A MC #</u>
Sunnyside # 1	3453	281	69307
Sunnyside # 2	3453	282	69308
Sunnyside # 3	1776	347	69309
Sunnyside # 4	1776	348	69310
Sunnyside # 5	1776	349	69311
Sunnyside # 6	1776	350	69312
Sunnyside # 7	1776	351	69313
Sunnyside # 8	1776	352	69314
Sunnyside # 9	1776	353	69315
Sunnyside # 10	1776	354	69316
Sunnyside # 11	1776	355	69317
Sunnyside # 12	1776	356	69318
Orbit # 1	2136	14	69319
Orbit # 2	2136	15	69320
Orbit # 3	2136	16	69321
Orbit # 4	2136	17	69322
Orbit # 5	2136	18	69323
Orbit # 6	2136	19	69324
Orbit # 7	2136	20	69325
Orbit # 8	2136	21	69326
Orbit # 9	2136	22	69327
Orbit # 10	2136	23	69328
Orbit # 11	2136	24	69329
Orbit # 12	2136	25	69330
Orbit # 13	2136	26	69331
Catalina # 1	1762	53	69332
Catalina # 2	1762	54	69333
Catalina # 3	3453	283	69334
Catalina # 4	3453	284	69335
Catalina # 5	3453	285	69336
Catalina # 6	3453	286	69337
Catalina # 7	3453	287	69338
Catalina # 8	3453	288	69339
Catalina # 9	3453	289	69340
Catalina # 10	3453	290	69341
Catalina # 11	3453	291	69342

<u>Name of Claim</u>	<u>Pima Cty Recds</u> <u>Book Page</u>	<u>BLM Serial No.</u> <u>A MC #</u>
Catalina # 12	3453 292	69343
Catalina # 13	3453 293	69344
Catalina # 14	3453 294	69345
Catalina # 15	3453 295	69346
Catalina # 16	3453 296	69347
Catalina # 17	3453 297	69348
Catalina # 18	3453 298	69349
Catalina # 19	3453 299	69350
Catalina # 20	3453 300	69351
Catalina # 21	3453 301	69352
Catalina # 22	3453 302	69353
Catalina # 23	3453 303	69354
Catalina # 24	3453 304	69355
Catalina # 25	3453 305	69356
Catalina # 26	3453 306	69357
Catalina # 27	3453 307	69358
Catalina # 28	3453 308	69359
Catalina # 29	3453 309	69360
Catalina # 30	3453 310	69361
KK 1	3894 248	69362
KK 2	3894 249	69363
KK 3	3894 250	69364
KK 4	3894 251	69365
KOB 5	3993 812	69366
KOB 6	3993 813	69367
KOB 7	3993 814	69368
KOB 8	3993 815	69369
KOB 9	3993 816	69370
KOB 10	3993 817	69371
KOB 11	3993 818	69372
KOB 12	3993 819	69373
KOB 13	3993 820	69374
KOB 14	3993 821	69375
KOB 15	3993 822	69376
KOB 16	3993 823	69377
KOB 17	3993 824	69378
KOB 18	3993 825	69379
KOB 19	3993 826	69380
KOB 20	3993 827	69381
KOB 21	3993 828	69382
KOB 22	3993 829	69383
KOB 23	3993 830	69384
KOB 24	3993 831	69385
KOB 25	3993 832	69386
KOB 26	3993 833	69387
KOB 27	3993 834	69388
KOB 28	3993 835	69389

<u>Name of Claim</u>	<u>Pima Cty Recds</u>		<u>BLM Serial No.</u>
	<u>Book</u>	<u>Page</u>	<u>A MC #</u>
KOB 29	3993	836	69390
KOB 30	3993	837	69391
KOB 31	3993	838	69392
KOB 32	3993	839	69393
KOB 33	3993	840	69394
KOB 34	3993	841	69395
KOB 35	3993	842	69396
KK 36	3894	283	69397
KK 37	3894	284	69398
KK 38	3894	285	69399
KK 39	3894	286	69400
KK 40	3894	287	69401
KK 41	3894	288	69402
KK 42	3894	289	69403
KK 43	3894	290	69404

SUBJECT TO:

1. Paramount title of the United States;
2. All existing roads, rights-of-way and easements of record in the office of the recorder of Pima County, Arizona and the Arizona State Office of the Bureau of Land Management;
3. All leases, permits, approvals and other rights heretofore or hereafter granted by the United States in its administration of its paramount title;
4. The rights, titles and interests of the surface patentees, their successors and assigns;
5. Exceptions and reservations contained in the surface patents issued by the United States;
6. The effect of conflicts and overlaps (if any) between the above-described mining claims and overlaps (if any) of such claims onto adjoining fee lands or lands owned by the State of Arizona; and
7. Taxes, if any, which may by law constitute a lien but which are not yet due and payable.

EXHIBIT B

The "Net Profits" for any fiscal year under the terms of this Agreement shall be determined by deducting from "Gross Revenues" all "Pre-production Costs" and "Operating Costs" related to such mineral production activities. The words and phrases used above shall have the following meanings, which meanings also incorporate all definitions of the Agreement:

1. "Pre-production Costs" shall include all "Operating Costs" related to Mineral Exploration on or for the benefit of the Property that are incurred by or on behalf of Budge after execution of the Agreement and prior to Commencement of Production.
2. "Gross Revenues" shall mean the gross receipts from the sales of ores and minerals resulting from the exploitation of the Property.
3. "Operating Costs" shall mean those costs and expenses incurred by or for the operating party in connection with or attributable to the development and exploitation of the Property after Commencement of Production. Such costs and expenses shall not include capital costs of items listed below as depreciable, but shall include, but not be limited to, the costs and expenses of exploring, developing, mining, milling, smelting, refining, freight, administrative overhead, insurance and marketing the products resulting from the exploration, development and exploitation of the Property; all royalties and rental payments required to maintain contractual rights constituting the Property or other similar payments required to obtain rights to mine the Property; all ad valorem, transaction privilege, license, sales, severance, and other taxes imposed on the activities of the operator hereunder, except taxes measured by Budge's corporate profit from such operations; the depreciation of all buildings, structures, machinery and equipment over the useful lives of such items, any sinking fund reasonably deemed advisable for the future reclamation of the Property; and in the event of plant or mine expansion involving construction or replacement of buildings, structures and the addition of machinery and equipment, the depreciation of such items over their useful lives, and interest charges actually incurred in financing operations on the Property. The parties shall prepare and execute an accounting procedure after completion of the mining feasibility study fixing actual circumstances of Operating Costs as determined by the mining feasibility study. Such accounting procedure shall provide that Budge shall furnish to Owner, with each payment of Net Profits, the computation and the basis for the computation thereof and Owner shall have the right to examine and independently verify the records and accounts of Budge upon which each such computation of Net Profits is based, such

examinations to be made at such times and upon such notice as shall not unreasonably interfere with Budge's operations.

890425

JCL
09-19-89

SHORT FORM OPTION AGREEMENT

THIS SHORT FORM is to give notice of an Option Agreement

effective as of September 19th, 1989 (the "Effective Date" herein),

by which KEYSTONE MINERALS, INC., an Arizona corporation, whose address is 6318 East Hayne Street, Tucson, Arizona 85710 (the "Owner"),

granted certain rights to

A.F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 North 75th Street, Scottsdale, Arizona 85251-3504 ("Budge" herein),

under the following terms and conditions:

1. Grant; Definitions

a. Exploration License - Owner has granted Budge, its successors and assigns, an exclusive license to enter upon the "Property" together with the right to conduct "Mineral Exploration" during the term of an option to purchase.

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

(1) The "Property" includes those certain unpatented mining claims situated in the Redington Mining District, Pima County, Arizona, more particularly described in Exhibit A attached hereto.

(2) "Mineral Exploration" includes 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; provided, however that any surface uses and disturbances shall be subject to controls established under the Agreement and the rights of the surface patentees, their successors and assigns.

c. Option to Purchase - Owner has given, granted, and conveyed to Budge, for a period expiring at noon, Mountain Standard Time, on the date twelve (12) months from and after the effective date hereof, the sole, exclusive and irrevocable option to purchase the Property free and clear of all claims, liens and encumbrances other than those set forth in Exhibit A.

2. Payments to Owner

Budge is required to pay Owner certain payments during the option period, and upon exercise of the option, the remainder of the purchase price shall be paid over a period of not more than ten (10) years from and after the exercise of the option, all as specifically set forth in the Agreement.

3. Obligations of Budge

By the terms of the Agreement, Budge is required to pay all expenses incurred by it in its operations on the Property and allow no liens arising from any act of Budge to remain on the Property, provided that Budge has the right to contest the validity or amount of liens. Budge is required to protect, defend and indemnify Owner against any suit, claim, judgment, demand, administrative proceeding or sanction or expense, including reasonable attorneys' fees arising out of the exercise by Budge of any of its rights pursuant to this Agreement, provided that if Owner or any person or instrumentality acting on Owner's behalf shall have been a contributing cause to the event giving rise to such suit, claim, demand or judgment, Budge and Owner shall be responsible to the extent that each contributed to the cause giving rise to such suit, claim, demand or judgment. Budge is required to pay all taxes levied against the Property. Budge is also obligated to perform assessment work (unless excused, suspended or deferred) for the benefit of the Property for each assessment year during which the Agreement continues in force beyond July 1 of the applicable assessment year. All of the above obligations are set forth in detail in the Agreement.

4. Title

By the terms of the Agreement at any time prior to exercise of the option, Budge has been authorized to take whatever action is necessary to cure alleged defects in title if the Owner is unable or unwilling to do so. Budge has the further right to amend or relocate any of the mining claims included within the Property.

5. Assignment

The rights of either party under the Agreement may be assigned in whole or in part, and the provisions shall inure to the benefit of and be binding upon the heirs, personal representatives, beneficiaries, successors and assigns, but no change or division in ownership of the Property or payments under the Agreement however accomplished can operate to enlarge the obligations or diminish the rights of Budge. No change or division in the ownership of the Property is binding on Budge for any purpose until the first day of the month next succeeding the month in which evidence of such change, transfer or division of ownership is furnished to Budge.

6. Copies of the Agreement

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

SIGNED, effective as of the date recited above.

KEYSTONE MINERALS, INC.

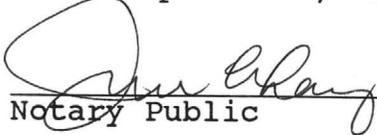
A. F. BUDGE (MINING) LIMITED

By *Dirk Den-Baars*
Dirk Den-Baars
Vice President

By *Ronald R. Short*
Ronald R. Short
General Manager

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this 19th day of September, 1989, by Dirk Den-Baars, the Vice President of Keystone Minerals, Inc., an Arizona corporation, for and on behalf of the corporation.

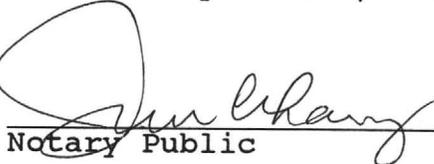


Notary Public

My commission expires:
April 17, 1992

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this 19th day of September, 1989, by Ronald R. Short, the General Manager of A. F. Budge (Mining) Limited, a Nevada corporation, for and on behalf of the corporation.



Notary Public

My commission expires:
April 17, 1992

EXHIBIT A

The "Property" that is the subject of the foregoing Agreement consists of unpatented mining claims situated in Sections 10, 11, 13, 14, 15, 22, 23, 24, 25, and 26, Township 12 South, Range 17 East, and Sections 18 and 19, Township 12 South, Range 18 East, G&SR Mer., in the Redington Mining District, Pima County, Arizona, the location notices of which are of record in the official records of such county, and the Arizona State Office of the Bureau of Land Management as follows:

<u>Name of Claim</u>	<u>Pima Cty Recds</u>	<u>Page</u>	<u>BLM Serial No.</u>
	<u>Book</u>		<u>A MC #</u>
Sunnyside # 1	3453	281	69307
Sunnyside # 2	3453	282	69308
Sunnyside # 3	1776	347	69309
Sunnyside # 4	1776	348	69310
Sunnyside # 5	1776	349	69311
Sunnyside # 6	1776	350	69312
Sunnyside # 7	1776	351	69313
Sunnyside # 8	1776	352	69314
Sunnyside # 9	1776	353	69315
Sunnyside # 10	1776	354	69316
Sunnyside # 11	1776	355	69317
Sunnyside # 12	1776	356	69318
Orbit # 1	2136	14	69319
Orbit # 2	2136	15	69320
Orbit # 3	2136	16	69321
Orbit # 4	2136	17	69322
Orbit # 5	2136	18	69323
Orbit # 6	2136	19	69324
Orbit # 7	2136	20	69325
Orbit # 8	2136	21	69326
Orbit # 9	2136	22	69327
Orbit # 10	2136	23	69328
Orbit # 11	2136	24	69329
Orbit # 12	2136	25	69330
Orbit # 13	2136	26	69331
Catalina # 1	1762	53	69332
Catalina # 2	1762	54	69333
Catalina # 3	3453	283	69334
Catalina # 4	3453	284	69335
Catalina # 5	3453	285	69336
Catalina # 6	3453	286	69337
Catalina # 7	3453	287	69338
Catalina # 8	3453	288	69339
Catalina # 9	3453	289	69340
Catalina # 10	3453	290	69341
Catalina # 11	3453	291	69342

<u>Name of Claim</u>	<u>Pima Cty Recds</u> <u>Book</u>	<u>Page</u>	<u>BLM Serial No.</u> <u>A MC #</u>
Catalina # 12	3453	292	69343
Catalina # 13	3453	293	69344
Catalina # 14	3453	294	69345
Catalina # 15	3453	295	69346
Catalina # 16	3453	296	69347
Catalina # 17	3453	297	69348
Catalina # 18	3453	298	69349
Catalina # 19	3453	299	69350
Catalina # 20	3453	300	69351
Catalina # 21	3453	301	69352
Catalina # 22	3453	302	69353
Catalina # 23	3453	303	69354
Catalina # 24	3453	304	69355
Catalina # 25	3453	305	69356
Catalina # 26	3453	306	69357
Catalina # 27	3453	307	69358
Catalina # 28	3453	308	69359
Catalina # 29	3453	309	69360
Catalina # 30	3453	310	69361
KK 1	3894	248	69362
KK 2	3894	249	69363
KK 3	3894	250	69364
KK 4	3894	251	69365
KOB 5	3993	812	69366
KOB 6	3993	813	69367
KOB 7	3993	814	69368
KOB 8	3993	815	69369
KOB 9	3993	816	69370
KOB 10	3993	817	69371
KOB 11	3993	818	69372
KOB 12	3993	819	69373
KOB 13	3993	820	69374
KOB 14	3993	821	69375
KOB 15	3993	822	69376
KOB 16	3993	823	69377
KOB 17	3993	824	69378
KOB 18	3993	825	69379
KOB 19	3993	826	69380
KOB 20	3993	827	69381
KOB 21	3993	828	69382
KOB 22	3993	829	69383
KOB 23	3993	830	69384
KOB 24	3993	831	69385
KOB 25	3993	832	69386
KOB 26	3993	833	69387
KOB 27	3993	834	69388
KOB 28	3993	835	69389

<u>Name of Claim</u>	<u>Pima Cty Recds</u>		<u>BLM Serial No.</u>
	<u>Book</u>	<u>Page</u>	<u>A MC #</u>
KOB 29	3993	836	69390
KOB 30	3993	837	69391
KOB 31	3993	838	69392
KOB 32	3993	839	69393
KOB 33	3993	840	69394
KOB 34	3993	841	69395
KOB 35	3993	842	69396
KK 36	3894	283	69397
KK 37	3894	284	69398
KK 38	3894	285	69399
KK 39	3894	286	69400
KK 40	3894	287	69401
KK 41	3894	288	69402
KK 42	3894	289	69403
KK 43	3894	290	69404

SUBJECT TO:

1. Paramount title of the United States;
2. All existing roads, rights-of-way and easements of record in the office of the recorder of Pima County, Arizona and the Arizona State Office of the Bureau of Land Management;
3. All leases, permits, approvals and other rights heretofore or hereafter granted by the United States in its administration of its paramount title;
4. The rights, titles and interests of the surface patentees, their successors and assigns;
5. Exceptions and reservations contained in the surface patents issued by the United States;
6. The effect of conflicts and overlaps (if any) between the above-described mining claims and overlaps (if any) of such claims onto adjoining fee lands or lands owned by the State of Arizona; and
7. Taxes, if any, which may be law constitute a lien but which are not yet due and payable.



DEN-BAARS & ASSOCIATES
MINING EXPLORATION & DEVELOPMENT CONSULTANTS
6318 EAST HAYNE STREET TUCSON, ARIZONA 85710 [602] 747-9551

DRS. DIRK DEN-BAARS, GEOLOGIST
CALIFORNIA REG. 3508
ARIZONA REG. 4032

8/19 '89

747-9551

Ronald R. Short
General Manager
Budge Mining Ltd.

Dear Ron:

Enclosed I am sending you the option Agreement as modified by our Lawyer also a copy of his cover letter is enclosed.

It seems to me that there is less possibilities of disagreement in its present form, but you be the judge of that.

Please call if there is anything you want to discuss, my office will know where I can be reached.

Also I will ask Leo N. Smith so send John Lacy a copy of this option Agreement.

Sincerely,


Dirk

DECONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

JOHN R. McDONALD	J. WM. BRAMMER, JR.
RICHARD M. YETWIN	JOHN C. LACY
DINO DeCONCINI	ROBERT M. STRUSE
WILLIAM B. HANSON	JOHN C. RICHARDSON
DAVID C. ANSON	JAMES A. JUTRY
SPENCER A. SMITH	MICHAEL R. URMAN
DENISE M. BAINTON	DAVID F. GAONA
KAREN J. NYGAARD	LUIS A. OCHOA
SUSAN E. MILLER	GARY F. URMAN
MARK D. LAMMERS	FRANCES J. HAYNES
WAYNE E. YEHLING	

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

3030 NORTH THIRD STREET, SUITE 200
PHOENIX, ARIZONA 85012-3002
(602) 241-0100
FAX: (602) 241-8554

August 8, 1989

PLEASE REPLY TO TUCSON

Mr. Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 E. Hayne Street
Tucson, AZ 85710

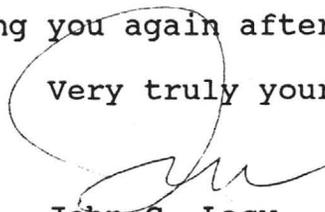
Re: **Korn Kob Property; Agreement Between Keystone Minerals
and A. F. Budge (Mining) Limited**

Dear Dirk:

Ron Short has requested that I transmit to you the enclosed form of agreement by which A.F. Budge (Mining) Limited will acquire an option to purchase the Korn Kob Property from Keystone Minerals, Inc. If you have any questions or comments, please transmit them to Ron.

I look forward to seeing you again after all these years.

Very truly yours,


John C. Lacy

bpm

Enclosure

c: Ron Short (w/enc) ✓

0808890257.jcl2.890425



A.F. Budge (Mining) Limited

July 13, 1989

Mr. Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

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

Dear Dirk:

This letter is intended to summarize our recent telephone conversations with regards to the general terms of a lease and option to purchase agreement on your Korn Kob property.

1. A.F. Budge (Mining) Limited will have an exclusive six-month lease in which to further evaluate the property; Keystone Minerals will receive \$5,000 per month during this period.

2. If the option to purchase is exercised, A.F. Budge (Mining) Limited would pay Keystone Minerals \$10,000 per month.

3. If production ensues, Keystone Minerals would receive \$12,000 per month, or 10% of the net profits from the operation, whichever is greater. "Net Profits" will be defined in the final agreement to the mutual satisfaction of both parties.

4. All lease payments under item #1, and payments in items #2 and #3 would apply to the final purchase price of the property. Initially, the purchase price of the Korn Kob property will be based on the assumption that the property contains 100,000,000 pounds of recoverable copper; at 4 cents per pound, the purchase price will be 4 million dollars.

If, after a complete evaluation of the property, and using standard engineering principles for the calculation of ore

D. Den-Baars
July 13, 1989
Page 2

reserves, Budge considers the reserves are substantially less than the 100,000,000 pounds assumed (substantially meaning less than 75% of the assumed reserves), the parties will agree to enter into good faith negotiations to adjust the purchase price based on the formula of 4 cents per pound of recoverable copper.

If Keystone Minerals disputes the new reserve calculations, provision will be made in the agreement to present the data to an outside, independent third party unassociated with either Budge or Keystone for final arbitration.

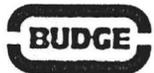
5. At the end of each production year, payments made to Keystone Minerals will be reviewed and adjusted, if necessary, to insure that the sum of the annual payments will be no less than that amount calculated by taking the balance of the purchase price i.e. the purchase price minus any payments made that year, and dividing it by the number of years remaining in the life of the mine, subject to the provision that final purchase of the property shall be completed within ten years from start of production.

If these terms represent an accurate assessment of our conversations to date, please advise and we will instruct our legal counsel to prepare the final agreement for execution.

Yours very truly,



Ronald R. Short
General Manager



A.F. Budge (Mining) Limited

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

Date: 8-24-89 Time: 1:15 PM

To: JOHN LACY

FAX # (602) 322-5585

From: RON SHORT

Comments/Remarks: KORN KOB AGREEMENT WRITTEN
By LEO SMITH.

Total number pages including cover: 21

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

Origination FAX # 602-949-1737

LAW OFFICES OF
LEO N. SMITH
CASAS ADOBES PROFESSIONAL PLAZA
6985 NORTH ORACLE ROAD
TUCSON, ARIZONA 85704

FAX (602) 797-9770

TELEPHONE (602) 797-0777

Copy of Cover letter.

August 18, 1989

Dirk Den-Baars
Keystone Minerals, Inc.
6318 E. Hayne Street
Tucson, AZ 85710

Dear Dirk:

Enclosed are two copies of the Option Agreement between Keystone and A.F. Budge (Mining) Limited, containing the requested revisions to the draft forwarded to you by John Lacy on August 8th. The major changes to the Lacy draft are summarized as follows:

1. I have deleted the provisions permitting Budge to terminate the Agreement after it exercised the option to purchase and have extended the option period to one year to enable the optionee additional time to evaluate whether or not it is willing to commit to the purchase of the property.
2. I have deleted the purchase price reduction and corresponding arbitration provisions inasmuch as Keystone is unwilling to base a reduction on a feasibility study over which it has no control nor any input - - obviously, if Budge's work during the option period indicates to it that a lower end price is appropriate, it can share the results with Keystone and Keystone can elect to lower the purchase price if it is satisfied that a reduction is justified.
3. I have inserted an escalation clause to take into account the possibility of inflation or deflation.

The remainder of the changes relate primarily to title and title curative matters or were made to implement or accomodate

the changes discussed above. I do not have the data necessary to check the accuracy of Exhibit A, but I have added the matters to which Keystone's title is subject. As to Exhibit B, I have not retyped it, but have indicated by marginal note an addition which I suggest be included.

Please let me know if I can be of further assistance.

Very Truly Yours

A handwritten signature in black ink, appearing to be 'Leo N. Smith', written in a cursive style.

Leo N. Smith

LNS:jf

OPTION AGREEMENT

BY THIS OPTION AGREEMENT

effective as of the _____ day of August, 1989,

by and between KEYSTONE MINERALS, INC., an Arizona corporation, whose address is 6318 East Hayne Street, Tucson, Arizona 85710 (the "Owner"),

and

A.F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 North 75th Street, Scottsdale, Arizona 85251-3504 ("Budge" herein),

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

1. Grant; Definitions

a. Exploration License - Owner hereby grants Budge, its successors and assigns, an exclusive license to enter upon the "Property" together with the right to conduct "Mineral Exploration" during the term of the option to purchase granted under subsection c of this Section 1.

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

(1) The "Property" shall mean those certain unpatented mining claims situated in the Redington Mining District, Pima County, Arizona, more particularly described in Exhibit A attached hereto.

(2) "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, to the extent Owner can legally grant the same, 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; provided, however that any surface disturbances shall be subject to those controls established under and subsection a of Section 5 and to the right of the surface patentees, their successors and assigns.

c. Option to Purchase - Owner hereby gives, grants and conveys to Budge, for a period expiring at noon, Mountain Standard Time, on the date twelve (12) months from and after the effective date hereof, the sole, exclusive and irrevocable option to purchase the Property free and clear of all claims, liens and encumbrances other than those set forth in Exhibit A.

2. Payments to Owner

a. Option Payments - Budge shall pay Owner in consideration of the grant of the exploration license and option to purchase granted under this Agreement the sum of Five Thousand Dollars (\$5,000.00) upon execution of this Agreement and Five Thousand Dollars (\$5,000.00) per month thereafter during the initial six-month term of the option and shall pay Owner the sum of Ten Thousand Dollars (\$10,000.00) on the date six months from the effective date of this Agreement and a like sum on the corresponding date of each month thereafter during the remainder of the term of the option. If the option to purchase is exercised, all payments made under this subsection (together with credits, if any, to which Budge is entitled pursuant to subsection c of Section 6) shall be a credit toward the purchase price.

*in up option period to 12 month
1st 6 month @ \$5,000/m
2nd 6 month @ \$10,000/m*

b. Purchase Price - If the option to purchase is exercised, the purchase price shall be Four Million Dollars (\$4,000,000.00) plus the amount, if any, by which the purchase price is increased or less the amount, if any, by which the purchase price is reduced pursuant to the provisions of

subparagraph (3) of this subsection b and shall be paid as follows:

(1) Upon exercise of the option to purchase and prior to the date three (3) years from the closing of the purchase option or the "Commencement of Production," whichever first occurs, Budge shall pay Owner in advance Ten Thousand Dollars (\$10,000.00) per month. For purposes of this Section 2, "Commencement of Production" shall occur when Budge reaches fifty percent (50%) of the rate of mining (or treatment of ores at a treatment facility) as determined in a production feasibility study to process material from the Property for a period of 30 consecutive days, a copy of which shall be furnished to Owner.

(2) Commencing on the date three (3) years from the closing of the option to purchase or on the monthly payment date first occurring after Commencement of Production, whichever date first occurs, Budge shall pay Owner in advance Twelve Thousand Dollars (\$12,000.00) per month, plus the amount if any, by which ten percent (10%) of the "Net Profits" (as defined in Exhibit B) resulting from extraction of minerals from the Property exceeds \$12,000.00 for each such monthly period, all such payments of Net Profits due hereunder to be paid within twenty (20) days after the end of each such monthly period.

No! (3) On September 30, 1994 and on the corresponding date of each year thereafter prior to payment in full to Owner of the purchase price, (the "Adjustment Date"), the purchase price of the Property shall be adjusted to compensate for inflation or deflation, if any, occurring from and after August of 1993. The adjustment shall be based on the Department of Labor, Bureau of Labor Statistics, Consumer Price Index -- All Items, Urban Consumers ("CPI-U") published for the month of August preceding each such Adjustment Date and the adjusted purchase price of the Property shall be the amount obtained by multiplying Four

Million Dollars (\$4,000,000.00) by the number obtained by dividing the CPI-U published for the month of August preceding each such Adjustment Date by the CPI-U for the month of August 1993.

(4) The cumulative total of payments to Owner under subsections a, b(1), and b(2) of this Section 2 shall be reviewed on each Adjustment Date and the monthly payments hereunder shall be adjusted for the next succeeding twelve monthly payments, if necessary, to insure that the cumulative sum of the monthly payments to Owner for the succeeding twelve months shall be no less than that amount representing the balance of the purchase price divided by the number of years remaining in the life of the mine or in the ten year period commencing with the date of closing of the option to purchase, whichever date is the earlier.

c. Method of Making Payments - All payments required hereunder shall be mailed or delivered to Owner's address or to any single depository as Owner 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 Owner. 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.

NO
DATE
NOTED

d. Fractional Interest - All payments under this Agreement, unless specified otherwise, are based on a grant by Owner of the entire undivided record title to the Property. If Owner's record title to the Property is less than such entire undivided title described in Exhibit A, Budge may exercise its rights under subsection d of Section 6.

3. Exercise of Option; Purchase Price

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

of its election in the manner specified in Section 8 of this Agreement, which notice shall also appoint an escrow agent if an escrow has not been previously established.

b. Escrow of Documents - At any time during the option period, Budge may elect to require the Agreement to be escrowed, in which event Budge shall designate a bank or title insurance company within the State of Arizona to serve as escrow agent, subject to the terms and conditions of Budge's right to purchase. Upon such election by Budge, Owner and Budge shall promptly execute and deliver instructions to the escrow agent. Such instruction shall be prepared by Budge and approved by Owner setting forth the terms of the escrow consistent with the terms and conditions of this Agreement. Upon execution of escrow instructions, Owner shall promptly execute and deliver to the escrow agent a conveyance of the Property in recordable form acceptable to Budge conveying the Property to Budge, and Budge shall promptly execute and deliver to the escrow agent a release in recordable form acceptable to Owner releasing to Owner all of the interest of Budge in the Property. In addition, Budge shall execute and deliver to the escrow agent a promissory note and a deed of trust acceptable to Owner securing the balance of the purchase price. The escrow agent shall be directed to receive the documents and to either (1) deliver the conveyance and release to Budge and deliver the deed of trust and promissory note to Owner upon closing of the purchase by Budge of the Property, or (2) deliver the release and conveyance to Owner and return the deed of trust and promissory note to Budge if this Agreement is terminated prior to exercise by Budge of its option to purchase.

c. Closing - Within thirty (30) days after Budge has exercised its option to purchase, the parties shall, unless they have previously done so, furnish escrow agent with the executed documents described in subsection b of this Section 3 and upon the delivery by escrow agent of the documents to the parties entitled thereto as provided in said subsection b, the escrow shall close and this Agreement shall terminate. One-half of the

charges of the escrow agent shall be paid by each party, and the escrow shall terminate upon delivery of the documents to the respective parties as described herein. Budge shall pay all recording fees in connection with its exercise of its option to purchase.

4. Inspection

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

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

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

d. Payment of Taxes - Budge shall pay all taxes levied against the Property during the term hereof. Budge shall have

(missing a sentence)
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. If this Agreement is terminated or otherwise expires prior to exercise by Budge of its option to purchase, all taxes that are Budge's responsibility shall be prorated for the calendar year of expiration or termination as of the date Budge has removed its equipment, facilities and improvements from the Property.

e. Assessment Work - Budge agrees to perform assessment work (unless excused, suspended or deferred) for the benefit of the unpatented mining claims included within the Property for the assessment year ending September 1, 1989 and for each assessment year thereafter 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. Owner 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. Owner 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, provided that such work benefits the exploration and development of the claim constituting the Subject Property.

6. Title Matters

a. Representations and Warranties - Owner represents and warrants to Budge that: (1) the unpatented mining claims constituting the Property have been located and appropriate record made thereof in compliance with the laws of the United States and the laws of the State of Arizona (provided that Owner makes no representation as to the existence or lack thereof of a

Sentence repeated

~~makes no representation as to the existence or lack thereof of a~~
discovery of valuable minerals within the boundaries of each of
the individual claims constituting the Property), the assessment
work for the year ending September 1, 1988 has been performed and
appropriate record made thereof in compliance with applicable law
and regulations, and to the best of Owner's knowledge, there is
no claim of adverse mineral rights affecting such claims; (2)
except as specified in Exhibit A, Owner's possessory right to the
Property is free and clear of all liens and encumbrances, and
(3) the Owner has the full right, power and capacity to enter
into this Agreement upon the terms set forth herein.

b. Title Documents; Data - Upon written request of Budge
at any time during the term hereof, Owner shall promptly deliver
to Budge all abstracts of title to and copies of all title
documents affecting the Property which Owner has in its
possession. If Owner is in possession or knows the whereabouts
of technical data concerning the mineral estate of the Property,
Owner shall, at Budge's expense, furnish copies of such materials
to Budge or notify Budge of the location of such information.

c. Title Defects, Defense and Protection - If -- (1) in
the written opinion of counsel retained by Budge and submitted to
Owner on or before the date six (6) months from the effective
date of this Agreement, Owner's title to any of the Property is
defective or less than as represented herein, or (2) if within
such six month period, title to any of the Property is contested
or questioned by any person, entity or governmental agency -- and
if Owner 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, Owner 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 subsection a of this Section 6, then (and only
then) the costs and expenses of perfecting, defending or
correcting title (including, but without being limited to, costs

incurred in amendment and relocation of unpatented claims, 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 2, 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 Owner hereunder in the proportion that the interest actually owned by Owner bear to the entire undivided rights and title to the Property or the areas included therein.

e. Amendment and Relocation of Mining Claims - Budge shall have the right to amend or relocate in the name of Owner the unpatented claims which are subject to this Agreement which Budge, in its sole discretion deems advisable to amend or relocate. Budge shall not be liable to Owner 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) does not arise from gross negligence or is not made in bad faith.

f. General - Nothing herein contained and not notice or action which may be taken under this Section 6 shall limit or detract from Budge's right to terminate this Agreement in the manner hereinafter provided.

7. Termination; Removal of Property; Data

a. Termination by Owner - If Budge defaults in the performance of its obligations hereunder, Owner shall give Budge written notice specifying the default. If the default is not cured within thirty (30) days after Budge has received the notice, or if Budge has not within that time begun action to cure the default and does not thereafter diligently prosecute such

action to completion, Owner may terminate this Agreement by delivering to Budge written notice of such termination, subject to Budge's right to remove its property and equipment from the Property, as hereinafter provided. If Budge in good faith disputes the existence of a default, Budge shall have the right to initiate appropriate action in a court of competent jurisdiction within the 30-day period and in such event, the time to cure shall run from the date of a final determination that a default exists. Owner shall have no right to terminate this Agreement except as set forth in this subsection a of Section 7.

b. Termination by Budge - Budge shall have the right to terminate this Agreement at any time prior to expiration of the option granted hereunder to purchase the Property by giving Owner thirty (30) days' prior written notice of such termination. 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 payments and obligations, the due dates for the payment or performance of which occur prior to the termination date.

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

d. Delivery of Data - If this Agreement is terminated, Budge shall, within thirty (30) days of said termination, furnish Owner copies of all available noninterpretive exploration,

development and mining data pertaining to the Property prepared by or for Budge and shall deliver to owner all cores, splits and rejects resulting from any drilling performed by or for Budge, provided that Budge shall not be liable for the unintentional loss or destruction of any such cores, splits or rejects.

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

8. Notices

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

9. Binding Effect; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon the heirs, personal representatives, beneficiaries, successors and assigns, but no change or division of ownership of the Property or payments hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of either party hereunder. No such change or division in the ownership of the Property by Owner shall be binding upon Budge for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish evidence to Budge's satisfaction of such change, transfer or division of ownership.

10. 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 to pay money and perform or defer annual assessment work set forth in Sections 2 and 5), but the provisions shall again come into full force and effect upon the termination of the period of delay, prevention, disability or condition. "Force Majeure" includes all disabilities arising from causes beyond the reasonable control of Budge; including, without limitation, acts of God, accidents, fires, damages to facilities, labor troubles, unavailability of fuels, supplies and equipment, orders or requirements of courts or government agencies, or the inability to obtain environmental clearance or operating permits that may be required by governmental authorities. It is expressly agreed that no implied covenant or condition whatsoever shall be read into this Agreement relating to any time frame as the measure of diligence for any operations of Budge hereunder.

11. 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 Pima County, Arizona.

12. Construction

a. Governing Law - This Agreement shall be construed by the internal laws of the State of Arizona.

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

c. Entire Agreement - All of the agreements and understandings of the parties with reference to the Property are

Have eliminated Arbitration

embodied in this Agreement, and this Agreement supersedes all prior agreements or understandings between the parties.

13. Further Assurances

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

14. Approval; Effective Date

This Agreement shall not be effective until it has been approved by management of Budge and executed by its authorized officer. The effective date shall be the date of such execution by Budge.

SIGNED, effective as of the date recited above.

KEYSTONE MINERALS, INC.

A.F. BUDGE (MINING) LIMITED

By _____
Dirk Den-Baars
Vice President

By _____
A.F. Budge, Chairman

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

The foregoing instrument was acknowledged before me this _____ day of August, 1989 by Dirk Den-Baars, the President of Keystone Minerals, Inc. an Arizona corporation on behalf of the corporation.

Notary Public

My Commission Expires:

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

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

Notary Public

My Commission Expires:

EXHIBIT A

The "Property" that is the subject of the foregoing Agreement consists of unpatented mining claims situated in Sections 10, 11, 13, 14, 15, 22, 23, 24, 25, and 26, Township 12 South, Range 17 East, and Sections 18 and 19, Township 12 South, Range 18 East, G&SR Mer., in the Redington Mining District, Pima County, Arizona, the location notices of which are of record in the official records of such county, and the Arizona State Office of the Bureau of Land Management as follows:

<u>Name of Claim</u>	<u>Pima Cty Recds</u>	<u>BLM Serial No.</u>
	<u>Book</u> <u>Page</u>	<u>A MC #</u>
Sunnyside # 1	3453 281	69307
Sunnyside # 2	3453 282	69308
Sunnyside # 3	1776 347	69309
Sunnyside # 4	1776 348	69310
Sunnyside # 5	1776 349	69311
Sunnyside # 6	1776 350	69312
Sunnyside # 7	1776 351	69313
Sunnyside # 8	1776 352	69314
Sunnyside # 9	1776 353	69315
Sunnyside # 10	1776 354	69316
Sunnyside # 11	1776 355	69317
Sunnyside # 12	1776 356	69318
Orbit # 1	2136 14	69319
Orbit # 2	2136 15	69320
Orbit # 3	2136 16	69321
Orbit # 4	2136 17	69322
Orbit # 5	2136 18	69323
Orbit # 6	2136 19	69324
Orbit # 7	2136 20	69325
Orbit # 8	2136 21	69326
Orbit # 9	2136 22	69327
Orbit # 10	2136 23	69328
Orbit # 11	2136 24	69329
Orbit # 12	2136 25	69330
Orbit # 13	2136 26	69331
Catalina # 1	1762 53	69332
Catalina # 2	1762 54	69333
Catalina # 3	3453 283	69334
Catalina # 4	3453 284	69335
Catalina # 5	3453 285	69336
Catalina # 6	3453 286	69337
Catalina # 7	3453 287	69338
Catalina # 8	3453 288	69339
Catalina # 9	3453 289	69340
Catalina # 10	3453 290	69341
Catalina # 11	3453 291	69342

<u>Name of Claim</u>	<u>Pima Book</u>	<u>Cty Recds Page</u>	<u>BLM Serial No.</u>	
			<u>A</u>	<u>MC #</u>
Catalina # 12	3453	292	69343	
Catalina # 13	3453	293	69344	
Catalina # 14	3453	294	69345	
Catalina # 15	3453	295	69346	
Catalina # 16	3453	296	69347	
Catalina # 17	3453	297	69348	
Catalina # 18	3453	298	69349	
Catalina # 19	3453	299	69350	
Catalina # 20	3453	300	69351	
Catalina # 21	3453	301	69352	
Catalina # 22	3453	302	69353	
Catalina # 23	3453	303	69354	
Catalina # 24	3453	304	69355	
Catalina # 25	3453	305	69356	
Catalina # 26	3453	306	69357	
Catalina # 27	3453	307	69358	
Catalina # 28	3453	308	69359	
Catalina # 29	3453	309	69360	
Catalina # 30	3453	310	69361	
KK 1	3894	248	69362	
KK 2	3894	249	69363	
KK 3	3894	250	69364	
KK 4	3894	251	69365	
KOB 5	3993	812	69366	
KOB 6	3993	813	69367	
KOB 7	3993	814	69368	
KOB 8	3993	815	69369	
KOB 9	3993	816	69370	
KOB 10	3993	817	69371	
KOB 11	3993	818	69372	
KOB 12	3993	819	69373	
KOB 13	3993	820	69374	
KOB 14	3993	821	69375	
KOB 15	3993	822	69376	
KOB 16	3993	823	69377	
KOB 17	3993	824	69378	
KOB 18	3993	825	69379	
KOB 19	3993	826	69380	
KOB 20	3993	827	69381	
KOB 21	3993	828	69382	
KOB 22	3993	829	69383	
KOB 23	3993	830	69384	
KOB 24	3993	831	69385	
KOB 25	3993	832	69386	
KOB 26	3993	833	69387	
KOB 27	3993	834	69388	
KOB 28	3993	835	69389	

<u>Name of Claim</u>	<u>Pima Cty Recds</u>		<u>BLM Serial No.</u>
	<u>Book</u>	<u>Page</u>	<u>A MC #</u>
KOB 29	3993	836	69390
KOB 30	3993	837	69391
KOB 31	3993	838	69392
KOB 32	3993	839	69393
KOB 33	3993	840	69394
KOB 34	3993	841	69395
KOB 35	3993	842	69396
KK 36	3894	283	69397
KK 37	3894	284	69398
KK 38	3894	285	69399
KK 39	3894	286	69400
KK 40	3894	287	69401
KK 41	3894	288	69402
KK 42	3894	289	69403
KK 43	3894	290	69404

added to agreement

ALL SUBJECT TO:

1. Paramount title of the United States;
2. All existing roads, rights of way and easements and those of record in the office of the recorder of Pima County and those of record in the Arizona State office of the Bureau of Land Management;
3. All leases, permits, approvals and other rights heretofore or hereafter granted by the United States in its administration of its paramount title;
4. The rights, titles and interests of the surface patentees, their successors and assigns;
5. Exceptions and reservations contained in the surface patents issued by the United States;
6. The effect of conflicts and overlaps (if any) between the above-described mining claims and overlaps (if any) of such claims onto adjoining fee or State of Arizona lands; and
7. Taxes, if any, which may by law constitute a lien but which are not yet due and payable.

EXHIBIT B

The "Net Profits" for any fiscal year under the terms of this Agreement shall be determined by deducting from "Gross Revenues" all "Pre-production Costs" and "Operating Costs" related to such mineral production activities. The words and phrases used above shall have the following meanings, which meanings also incorporate all definitions of the Agreement:

1. "Pre-production Costs" shall include all "Operating Costs" related to Mineral Exploration on or for the benefit of the Property that are incurred by or on behalf of Budge after execution of the Agreement and prior to Commencement of Production.

2. "Gross Revenues" shall mean the gross receipts from the sales of ores and minerals resulting from the exploitation of the Property.

3. "Operating Costs" shall mean those costs and expenses incurred by or for the operating party in connection with or attributable to the development and exploitation of the Property after Commencement of Production. Such costs and expenses shall include, but not be limited to, the costs and expenses of exploring, developing, mining, milling, smelting, refining, freight, administrative overhead, insurance and marketing the products resulting from the exploration, development and exploitation of the Property; all royalties and rental payments required to maintain contractual rights constituting the Property or other similar payments required to obtain rights to mine the Property; all ad valorem, transaction privilege, license, sales, severance, and other taxes imposed on the activities of the operator hereunder, except taxes measured by Budge's corporate profit from such operations; the depreciation of all buildings, structures, machinery and equipment over the useful lives of such items, any sinking fund reasonably deemed advisable for the future reclamation of the Property; and in the event of plant or mine expansion involving construction or replacement of buildings, structures and the addition of machinery and equipment, the depreciation of such items over their useful lives, and interest charges actually incurred in financing operations on the Property. The parties shall prepare and execute an accounting procedure after completion of the mining feasibility study fixing actual circumstances of Operating Costs as determined by the mining feasibility study.

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not include capital costs of items listed below as depreciable, but shall

08-08-89
JCL

OPTION AGREEMENT

BY THIS OPTION AGREEMENT

effective as of the _____ day of August, 1989,

by and between KEYSTONE MINERALS, INC., an Arizona corporation, whose address is 6318 East Hayne Street, Tucson, Arizona 85710 (the "Owner"),

and

A.F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 North 75th Street, Scottsdale, Arizona 85251-3504 ("Budge" herein),

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

1. Grant; Definitions

a. Exploration License - Owner hereby grants Budge, its successors and assigns, an exclusive license to enter upon the "Property" together with the right to conduct "Mineral Exploration" during the term of the option to purchase granted under subsection c of this Section 1.

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

(1) The "Property" shall include those certain unpatented mining claims situated in the Redington Mining District, Pima County, Arizona, more particularly described in Exhibit A attached hereto.

(2) "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; provided, however that any surface disturbances shall be subject to those controls established under and subsection a of Section 5.

c. Option to Purchase - Owner hereby gives, grants, and conveys to Budge, for a period expiring at noon, Mountain Standard Time, on the date six months from and after the effective date hereof, the sole, exclusive and irrevocable option to purchase the Property free and clear of all claims, liens and encumbrances.

2. Payments to Owner

a. Option Payments - Budge shall pay Owner in consideration of the grant of the exploration license and option to purchase granted under this Agreement the sum of Five Thousand Dollars (\$5,000.00) upon execution of this Agreement and Five Thousand Dollars (\$5,000.00) per month thereafter during the term of the option. If the option to purchase is exercised, all payments made under this subsection (together with payments made during any extension of the option period as permitted under subsection c of Section 6) shall be a credit toward the purchase price.

b. Purchase Price - If the option to purchase is exercised, the purchase price shall be not more than (and subject to reduction under the further provisions of this subsection b) Four Million Dollars (\$4,000,000.00) and shall be paid as follows:

(1) Upon exercise of the option to purchase and prior to "Commencement of Production," Budge shall pay Owner Ten Thousand Dollars (\$10,000.00) per month. For purposes of this Section 2, "Commencement of Production" shall occur when Budge reaches eighty percent (80%) of the rate of mining (or treatment of ores at a treatment facility) as determined in a production feasibility study to process material from the Property for a period of 60 consecutive days.

(2) After Commencement of Production Budge shall pay Owner Twelve Thousand Dollars (\$12,000.00) per month or ten percent (10%) of the "Net Profits" (as defined in Exhibit B) resulting from extraction of minerals from the Property, whichever sum is the greater.

(3) The cumulative total of payments to Owner under subsections a, b(1), and b(2) of this Section 2 shall be reviewed at the end of each production year and the monthly payments hereunder adjusted for the following year, if necessary, to insure that the cumulative sum of the annual

payments to Owner shall be no less than that amount representing the balance of the purchase price divided by the number of years remaining in the life of the mine, or ten (10) years from and after the Commencement of Production, whichever date is the earlier.

It is the understanding and intent of the parties that the purchase price of Four Million Dollars (\$4,000,000.00) is premised on Owner's assertion that the Property contains not less than 100,000,000 pounds of recoverable copper. The parties thus established a purchase price based on four cents (\$.04) per pound of copper. If the final feasibility study for exploitation of the Property, based on standard engineering principles for calculation of ore reserves, determines that the reserves are less than seventy-five percent (75%) of the 100,000,000 pounds asserted by Owner, the purchase price shall be reduced to reflect a purchase price based on four cents (\$.04) per pound of recoverable copper within the Property capable of being currently mined. If the ore reserves are seventy-five percent (75%) or more of 100,000,000 pounds of recoverable copper, no adjustment in the purchase price shall be made.

c. Method of Making Payments - All payments required hereunder shall be due on or before the 5th day of the applicable month and may be mailed or delivered to Owner's address or to any single depository as Owner 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 Owner. 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.

d. Fractional Interest - All payments under this Agreement, unless specified otherwise, are based on a grant by Owner of full undivided rights and title to the Property. If Owner's interest in the Property is less than such full interest, Budge may exercise its rights under subsection d of Section 6.

3. Exercise of Option; Purchase Price

a. Exercise of Option - Budge may elect to exercise its option to purchase the Property at any time during the term specified in subsection c of Section 1 by giving written notice of its election in the manner specified in Section 8 of this Agreement, which notice shall also appoint an escrow agent if an escrow has not been previously established.

b. Escrow of Documents - At any time during the option period, Budge may elect to require the Agreement to be escrowed, in which event Budge shall designate a bank or title insurance company within the State of Arizona to serve as escrow agent, subject to the terms and conditions of Budge's right to purchase.

Upon such election by Budge, Owner and Budge shall promptly execute and deliver instructions to the escrow agent. Such instructions shall be prepared by Budge and approved by Owner setting forth the terms of the escrow consistent with the terms and conditions of this Agreement. Upon execution of escrow instructions, Owner shall promptly execute and deliver to the escrow agent a conveyance of the Property in recordable form acceptable to Budge conveying the Property to Budge, and Budge shall promptly execute and deliver to the escrow agent a statement in recordable form acceptable to Owner providing that Budge holds no interest in the Property. The escrow agent shall be directed to receive the documents and deliver the same upon termination of the escrow to either (1) Budge upon payment in full of the purchase price, or (2) Owner if this Agreement is terminated prior to payment of the full purchase price.

c. Closing - Within thirty (30) days after Budge has exercised its option to purchase, Owner shall, unless it has previously done so, furnish escrow agent with a conveyance of the Property in a form acceptable to Budge. Budge shall, within thirty (30) days after its receipt of the conveyance, provide notice to the escrow agent of either (1) approval of title and the form of conveyance, or (2) specify defects to Owner and escrow agent as provided in subsection c of Section 6 of this Agreement. If Budge does not approve title, the option period shall be extended for that period of time necessary for Budge to exercise any rights granted under Section 6 of the Agreement ("Title Curative Period"), but in no event longer than two (2) years from the date of giving notice exercising the option to purchase. During the Title Curative Period, the payment obligations under subsection a of Section 2 shall apply. One-half of the charges of the escrow agent shall be paid by each party, and the escrow shall terminate upon delivery of the documents to the respective parties as described herein. Budge shall pay all recording fees in connection with its exercise of its option to purchase.

4. Inspection

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

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

c. Indemnity - Budge shall indemnify Owner against and hold Owner 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 if Owner or any person or instrumentality acting on Owner's behalf shall have been a contributing cause to the event giving rise to such suit, claim, demand or judgment, Budge and Owner shall be responsible to the extent that each contributed to the cause giving rise to such suit, claim, demand or judgment.

d. Payment of Taxes - Budge shall pay all taxes levied against the Property during the term hereof. 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. If this Agreement is terminated or otherwise expires, all taxes that are Budge's responsibility shall be prorated for the calendar year of expiration or termination as of the date Budge has removed its equipment, facilities and improvements from the Property.

e. Assessment Work - Budge agrees to perform assessment work (unless excused, suspended or deferred) for the benefit of the unpatented mining claims included within the Property 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. Owner 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. Owner 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.

6. Title Matters

a. Representations and Warranties - Owner represents and warrants to Budge that: (1) the unpatented mining claims constituting the Property have been located and appropriate record made thereof in compliance with the laws of the United

States and the laws of the State 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 regulations, and there is no claim of adverse mineral rights affecting such claims; (2) except as specified in Exhibit A, Owner's possessory right to the Property is free and clear of all liens and encumbrances, and (3) the Owner has the full right, power and capacity to enter into this Agreement upon the terms set forth herein.

b. Title Documents; Data - Upon written request of Budge at any time during the term hereof, Owner shall promptly deliver to Budge all abstracts of title to and copies of all title documents affecting the Property which Owner has in its possession. If Owner is in possession or knows the whereabouts of technical data concerning the mineral estate of the Property, Owner shall, at Budge's expense, furnish copies of such materials to Budge or notify Budge of the location of such information.

c. Title Defects, Defense and Protection - If -- (1) in the opinion of counsel retained by Budge, Owner'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 Owner 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, Owner 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, costs incurred in amendment and relocation of unpatented claims, 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 2, 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 Owner hereunder in the proportion that the interest actually owned by Owner bear to the entire undivided rights and title to the Property or the areas included therein.

e. Amendment and Relocation of Mining Claims - Budge shall have the right to amend or relocate in the name of Owner the

unpatented claims which are subject to this Agreement which Budge, in its sole discretion deems advisable to amend or relocate. Budge shall not be liable to Owner 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) does not arise from gross negligence or is not made in bad faith.

f. Patent Proceedings - Upon request of Budge at any time or times during the term of this Agreement, Owner 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. Owner shall execute any and all documents required for this purpose and shall cooperate fully with Budge in the patent application proceedings subsequent thereto. If Owner begins such proceedings and Budge thereafter requests Owner 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 minerals from the Property. If Budge elects to take any action under the terms of this subsection, it shall first notify Owner in writing setting forth the nature of the proposed action and an explanation thereof. Owner 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 Owner to take action it deems appropriate; provided, however, that if Owner 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 6 shall limit or detract from Budge's right to terminate this Agreement in the manner hereinafter provided.

7. Termination; Removal of Property; Data

a. Termination by Owner - If Budge defaults in the performance of its obligations hereunder, Owner shall give Budge written notice specifying the default. If the default is not cured within thirty (30) days after Budge has received the notice, or if Budge has not within that time begun action to cure

the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Agreement by delivering to Budge written notice of such termination, subject to Budge's right to remove its property and equipment from the Property, as hereinafter provided. Owner's right to terminate this Agreement shall be its sole remedy for any failure to make payments required under Section 2. If Budge in good faith disputes the existence of a default, Budge shall initiate appropriate action in a court of competent jurisdiction within the 30-day period and the time to cure shall run from the date of a final determination that a default exists. Owner shall have no right to terminate this Agreement except as set forth in this subsection a of Section 7.

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

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 may elect to remove from the Property all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Property. Failure of Budge to so remove the same shall constitute an abandonment by Budge to Owner of the same; provided, however, that Budge may still be required to remove such property upon notice from Owner at any time during the six-month period and thirty (30) days thereafter.

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

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

8. Notices

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

9. Binding Effect; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon the heirs, personal representatives, beneficiaries, successors and assigns, but no change or division of ownership of the Property or payments hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Budge hereunder. No such change or division in the ownership of the Property by Owner shall be binding upon Budge for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish evidence to Budge's satisfaction of such change, transfer or division of ownership.

10. 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 to pay money and perform or defer annual assessment work set forth in Sections 2 and 5), but the provisions shall again come into full force and effect upon the termination of the period of delay, prevention, disability or condition. "Force majeure" includes all disabilities arising from causes beyond the reasonable control of Budge; including, without limitation, acts of God, accidents, fires, damages to facilities, labor troubles, unavailability of fuels, supplies and equipment, orders or requirements of courts or government agencies, or the inability to obtain environmental clearance or operating permits that may be required by governmental authorities. It is expressly agreed that no implied covenant or condition whatsoever shall be read into this Agreement relating to any time frame as the measure of diligence for any operations of Budge hereunder.

11. 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 Pima County, Arizona.

12. Arbitration

a. Matters to be Arbitrated - All disputes, controversies or claims arising out of a determination of the amount of recoverable copper determined by a final feasibility study under subsection c of Section 2 shall be settled by binding arbitration. If Owner is not satisfied with the result of Budge's determination of recoverable copper, Owner may demand arbitration by delivering a notice to Budge containing a complete, concise statement its position. Budge shall, within ten days after receipt of such notice deliver to the Owner a complete, concise statement of its position of the issue.

b. Appointment of Arbitrator - Within 30 days after delivery of its notice demanding arbitration, the parties shall select a single arbitrator who shall be a person reasonably knowledgeable with respect to the matters involved in the arbitration. If the parties cannot agree on the selection of the arbitrator within 30 days after delivery of the demand for arbitration, then the Chief Judge of the United States District Court for the District of Arizona, acting in his individual capacity, shall select the arbitrator from a list of six nominees, three to be nominated by each party.

c. Arbitration Procedure - The arbitration shall be conducted in Tucson, Arizona, in accordance with the Commercial Arbitration Rules of the American Arbitration Association to the extent such Rules are not inconsistent with law or this Agreement. The applicable substantive law shall be the law of the State of Arizona. Arbitration proceedings shall continue in the absence of a party who, after notice given pursuant to this Agreement fails to participate in or to obtain an adjournment of the proceedings. A party who fails to exercise any right granted to it in this Section 12 within the time provided herein shall be deemed to have waived such right. The arbitrator shall by written notice to the parties establish a schedule for the arbitration proceedings and issue orders relating to the conduct of such proceedings governing, among other matters, discovery and the conduct of the hearing. Unless the parties agree otherwise in writing, the arbitrator shall issue the final decision in writing within 30 days of designation. Upon failure to do so, the arbitrator shall be discharged, and an alternative arbitrator shall be designated in accordance with the provisions of this Section 12, and arbitration hereunder shall begin anew upon the demand by either party.

d. Arbitration Award - The only decision that may be granted in an arbitration award or decision is a determination of the amount of current recoverable reserved within the Property

and shall not be in excess of 100,000,000 pounds of copper. No award or decision granting any other remedy or relief may be enforced. Such a decision of the arbitrator shall be final and binding upon the parties as soon as it is either delivered personally to both parties or deposited in the United States mail in envelopes addressed to each party, whichever occurs first, and the arbitrator shall have no power or authority to amend or change it in any way except pursuant to Section 9 of the Arizona Uniform Arbitration Act (Ariz. Rev. Stat. § 12-1509). The decision must state clearly the ruling of the arbitrator and a judgment thereon may be entered in any court having jurisdiction.

e. Expenses of Arbitration - If the decision of the arbitrator is:

(1) less than a five percent differential from the reserves fixed by the feasibility study of Budge, all costs and expenses of the arbitration shall be paid by Owner;

(2) more than a ten percent differential from the reserves fixed by the feasibility study, all costs and expenses of the arbitration shall be paid by Budge;

(3) between a five and ten percent differential from the reserves fixed by the feasibility study, all costs and expenses of the arbitration shall be shared equally by the parties,

provided, however, that if Budge's determination is that the reserves are less than seventy-five percent (75%) of the 100,000,000 pounds of contained copper asserted by Owner and the arbitrator's decision fixes the reserves at more than seventy-five percent (75%) of such figure, all costs and expenses of the arbitration shall be paid by Budge.

13. Construction

a. Governing Law - This Agreement shall be construed by the internal laws of the State of Arizona.

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

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

14. Further Assurances

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

15. Approval; Effective Date

This Agreement shall not be effective until it has been approved by management of Budge and executed by its authorized officer. The effective date shall be the date of such execution by Budge.

SIGNED, effective as of the date recited above.

KEYSTONE MINERALS, INC.

A. F. BUDGE (MINING) LIMITED

By _____
Dirk Den-Baars
Vice President

By _____
A. F. Budge, Chairman

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this ___ day of August, 1989, by Dirk Den-Baars, the Vice President of Keystone Minerals, Inc., an Arizona corporation, for and on behalf of the corporation.

My commission expires:

Notary Public

STATE OF ARIZONA)
) ss.
County of Maricopa)

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

My commission expires:

Notary Public

EXHIBIT A

The "Property" that is the subject of the foregoing Agreement consists of unpatented mining claims situated in Sections 10, 11, 13, 14, 15, 22, 23, 24, 25, and 26, Township 12 South, Range 17 East, and Sections 18 and 19, Township 12 South, Range 18 East, G&SR Mer., in the Redington Mining District, Pima County, Arizona, the location notices of which are of record in the official records of such county, and the Arizona State Office of the Bureau of Land Management as follows:

<u>Name of Claim</u>	<u>Pima Cty Recds</u>		<u>BLM Serial No.</u>
	<u>Book</u>	<u>Page</u>	<u>A MC #</u>
Sunnyside # 1	3453	281	69307
Sunnyside # 2	3453	282	69308
Sunnyside # 3	1776	347	69309
Sunnyside # 4	1776	348	69310
Sunnyside # 5	1776	349	69311
Sunnyside # 6	1776	350	69312
Sunnyside # 7	1776	351	69313
Sunnyside # 8	1776	352	69314
Sunnyside # 9	1776	353	69315
Sunnyside # 10	1776	354	69316
Sunnyside # 11	1776	355	69317
Sunnyside # 12	1776	356	69318
Orbit # 1	2136	14	69319
Orbit # 2	2136	15	69320
Orbit # 3	2136	16	69321
Orbit # 4	2136	17	69322
Orbit # 5	2136	18	69323
Orbit # 6	2136	19	69324
Orbit # 7	2136	20	69325
Orbit # 8	2136	21	69326
Orbit # 9	2136	22	69327
Orbit # 10	2136	23	69328
Orbit # 11	2136	24	69329
Orbit # 12	2136	25	69330
Orbit # 13	2136	26	69331
Catalina # 1	1762	53	69332
Catalina # 2	1762	54	69333
Catalina # 3	3453	283	69334
Catalina # 4	3453	284	69335
Catalina # 5	3453	285	69336
Catalina # 6	3453	286	69337
Catalina # 7	3453	287	69338
Catalina # 8	3453	288	69339
Catalina # 9	3453	289	69340
Catalina # 10	3453	290	69341
Catalina # 11	3453	291	69342

<u>Name of Claim</u>	<u>Pima Cty Recds Book</u>	<u>Page</u>	<u>BLM Serial No. A MC #</u>
Catalina # 12	3453	292	69343
Catalina # 13	3453	293	69344
Catalina # 14	3453	294	69345
Catalina # 15	3453	295	69346
Catalina # 16	3453	296	69347
Catalina # 17	3453	297	69348
Catalina # 18	3453	298	69349
Catalina # 19	3453	299	69350
Catalina # 20	3453	300	69351
Catalina # 21	3453	301	69352
Catalina # 22	3453	302	69353
Catalina # 23	3453	303	69354
Catalina # 24	3453	304	69355
Catalina # 25	3453	305	69356
Catalina # 26	3453	306	69357
Catalina # 27	3453	307	69358
Catalina # 28	3453	308	69359
Catalina # 29	3453	309	69360
Catalina # 30	3453	310	69361
KK 1	3894	248	69362
KK 2	3894	249	69363
KK 3	3894	250	69364
KK 4	3894	251	69365
KOB 5	3993	812	69366
KOB 6	3993	813	69367
KOB 7	3993	814	69368
KOB 8	3993	815	69369
KOB 9	3993	816	69370
KOB 10	3993	817	69371
KOB 11	3993	818	69372
KOB 12	3993	819	69373
KOB 13	3993	820	69374
KOB 14	3993	821	69375
KOB 15	3993	822	69376
KOB 16	3993	823	69377
KOB 17	3993	824	69378
KOB 18	3993	825	69379
KOB 19	3993	826	69380
KOB 20	3993	827	69381
KOB 21	3993	828	69382
KOB 22	3993	829	69383
KOB 23	3993	830	69384
KOB 24	3993	831	69385
KOB 25	3993	832	69386
KOB 26	3993	833	69387
KOB 27	3993	834	69388
KOB 28	3993	835	69389

<u>Name of Claim</u>	<u>Pima Book</u>	<u>Cty Recds Page</u>	<u>BLM Serial No.</u> <u>A MC #</u>
KOB 29	3993	836	69390
KOB 30	3993	837	69391
KOB 31	3993	838	69392
KOB 32	3993	839	69393
KOB 33	3993	840	69394
KOB 34	3993	841	69395
KOB 35	3993	842	69396
KK 36	3894	283	69397
KK 37	3894	284	69398
KK 38	3894	285	69399
KK 39	3894	286	69400
KK 40	3894	287	69401
KK 41	3894	288	69402
KK 42	3894	289	69403
KK 43	3894	290	69404

EXHIBIT B

The "Net Profits" for any fiscal year under the terms of this Agreement shall be determined by deducting from "Gross Revenues" all "Pre-production Costs" and "Operating Costs" related to such mineral production activities. The words and phrases used above shall have the following meanings, which meanings also incorporate all definitions of the Agreement:

1. "Pre-production Costs" shall include all "Operating Costs" related to Mineral Exploration on or for the benefit of the Property that are incurred by or on behalf of Budge after execution of the Agreement and prior to Commencement of Production.

2. "Gross Revenues" shall mean the gross receipts from the sales of ores and minerals resulting from the exploitation of the Property.

3. "Operating Costs" shall mean those costs and expenses incurred by or for the operating party in connection with or attributable to the development and exploitation of the Property after Commencement of Production. Such costs and expenses shall include, but not be limited to, the costs and expenses of exploring, developing, mining, milling, smelting, refining, freight, administrative overhead, insurance and marketing the products resulting from the exploration, development and exploitation of the Property; all royalties and rental payments required to maintain contractual rights constituting the Property or other similar payments required to obtain rights to mine the Property; all ad valorem, transaction privilege, license, sales, severance, and other taxes imposed on the activities of the operator hereunder, except taxes measured by Budge's corporate profit from such operations; the depreciation of all buildings, structures, machinery and equipment over the useful lives of such items, any sinking fund reasonably deemed advisable for the future reclamation of the Property; and in the event of plant or mine expansion involving construction or replacement of buildings, structures and the addition of machinery and equipment, the depreciation of such items over their useful lives, and interest charges actually incurred in financing operations on the Property. The parties shall prepare and execute an accounting procedure after completion of the mining feasibility study fixing actual circumstances of Operating Costs as determined by the mining feasibility study.

890425

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

EVO DECONCINI (1901-1986)

JOHN R. McDONALD	J. WM. BRAMMER, JR.
RICHARD M. YETWIN	JOHN C. LACY
DINO DECONCINI	ROBERT M. STRUSE
WILLIAM B. HANSON	JOHN C. RICHARDSON
DAVID C. ANSON	JAMES A. JUTRY
SPENCER A. SMITH	MICHAEL R. URMAN
DENISE M. BAINTON	DAVID F. GAONA
KAREN J. NYGAARD	LUIS A. OCHOA
SUSAN E. MILLER	GARY F. URMAN
MARK D. LAMMERS	FRANCES J. HAYNES
WAYNE E. YEHLING	CHRISTINA URIAS
PHILIP R. WOOTEN	

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

September 24, 1990

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

PLEASE REPLY TO TUCSON

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

VIA FEDERAL EXPRESS

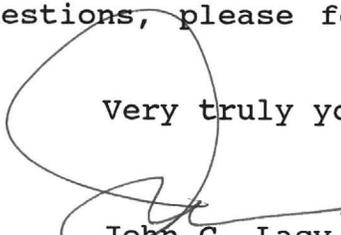
Re: **Korn Kob Project; Extension**

Dear Carole:

Enclosed for your consideration is a six-month extension of the Korn Kob Option Agreement. If this document is in proper form, three copies should be executed. Ron's authority to sign this amendment is within the scope of the corporate resolution signed by Tony and Janet Budge on September 20, 1989. Please have one fully executed copy returned to me so that I can record it to provide the appropriate public notice of the extension of the option.

If you have any questions, please feel free to give me a call.

Very truly yours,



John C. Lacy

bpm

Enclosure

9009240349.jc12.890425



A.F. Budge (Mining) Limited

(602) 945-4630

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

FAX (602) 949-1737

October 2, 1990

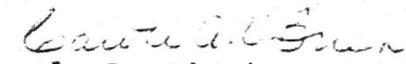
Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 East Hayne Street
Tucson, AZ 85710

Dear Dirk:

Enclosed is one fully executed copy of the "Amendment to Option Agreement". We will send a copy to John Lacy for his files.

Thank you for your prompt attention on this matter.

Sincerely,


Carole A. O'Brien
Mining & Financial Coordinator

c: J.C. Lacy
w/attachment
J.W. Norby
w/attachment



DEN-BAARS & ASSOCIATES

MINING EXPLORATION & DEVELOPMENT CONSULTANTS

6318 EAST HAYNE STREET TUCSON, ARIZONA 85710 [602] 747-9551

DRS. DIRK DEN-BAARS, GEOLOGIST
CALIFORNIA REG. 3508
ARIZONA REG. 4032

Resumé of Dirk Den-Baars.

EDUCATION: University of LEIDEN. The Netherlands
Candidate Degree in Geology and Mineralogy, February 28, 1950
Doctorandus Degree in Geology and Petrology, June 8, 1954

SUMMARY OF EXPERIENCE: Thirty years in Mineral Exploration and Mining Geology in the USA, Mexico, Africa, Europe and the Far East, with a broad range of duties in Geology, Geochemistry and Geophysics. Positions held were as a Geologist, Engineering Geologist, Director of Exploration and as a Consulting Geologist in Tucson since 1957

As a Consultant in the States of Arizona, New Mexico, Colorado, Nevada, California, Utah, Texas and the Republic of Mexico, mostly in supervision and coordination of Exploration and Development programs for Porphyry Copper, Precious Metals, Industrial Minerals, Uranium, Coal and Base Metals other than Copper.

CLIENT REFERENCES: Phelps Dodge Corporation, Guggenheim Exploration Co., Paul Lime Plant, Inc., Essex International, Inc., Jet Oil Co., Ft. Bend Oil Co., Callahan Mining Co., Manganese Universal S/A/, Tanner Companies, Bekins Mineral Resources Inc., Lime Mountain Co., Keystone Minerals, a.o.

PREVIOUS EMPLOYERS: Geological Survey of the Netherlands, (1950 to 1952), Royal Coal Mines of Holland (1952 to 1953), Geological Survey of France (1953 to 1954), Algemene Exploratie Maatschappij, as Director of Exploration in North Africa Uranium and Base Metals, (1954 to 1956). General Minerals Corp. of Grand Junction, Co, prospecting for Uranium, Copper and Precious Metals, (1956 to 1957)

SPECIALTIES: Exploration and Development of Porphyry Copper, Precious Metals, Limestone and Coal. Geochemical and Geophysical applications to Prospecting and Exploration.

LANGUAGES: English and Dutch, Speak and write fluently.
French and Spanish, Speak and understand well.
German and Malayan, Speak and understand.

PERSONAL INFO: Born Jan. 4th, 1924 at Padang, Sumatra, Indonesia. Remained a Dutch Citizen until 1962, then became a US Citizen. Veteran of WWII in the Royal Dutch East Indies Army.
Leisure Time; Ham Radio, Sailing, Bicycling, Hunting and Fishing.



A.F. Budge (Mining) Limited

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

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

March 19, 1990

Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 E. Hayne Street
Tucson, AZ 85710

Dear Dirk:

Enclosed is our check in the amount of \$10,000.00 per our Agreement of September 19, 1989, and letter of February 27, 1990.

Best regards.

Sincerely,

Carole A. O'Brien

encl. (1)



A.F. Budge (Mining) Limited

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

February 27, 1990

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

Dirk Den-Baars
Vice President
Keystone Minerals, Inc.
6318 E. Hayne Street
Tucson, AZ 85710

Dear Dirk:

This letter will clarify the schedule for option payments detailed in our option agreement dated September 19, 1989.

The intent of the agreement was to make the first six payments at \$5,000 each and the next six payments at \$10,000 each.

Therefore it is agreed, by this letter, that under Section 2 "Payments to Owner", paragraph a.(2) & (3) should read: "Five Thousand Dollars (\$5,000.00) per month payable on or before the 19th day of the second through the sixth months of the term of the option, and (3) Ten Thousand Dollars (\$10,000.00) per month payable on or before the 19th day of the seventh through twelfth months of the term of this option."

Our check for \$5,000.00, for this, the sixth month is enclosed.

Very truly yours,

Ronald R. Short
General Manager

RRS:ca

encl.(1)

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

EVO DECONCINI (1901-1986)

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

March 18, 1991

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

PLEASE REPLY TO TUCSON

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

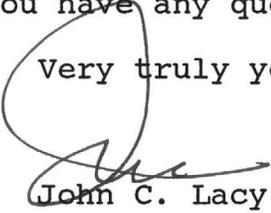
Re: Korn Kob Project; Pima County, Arizona

Dear Ron:

I have enclosed for your review a form of Promissory Note and Deed of Trust associated with the exercise of an option to purchase the Korn Kob mining claims by A.F. Budge. Please review these documents and let me know if you have any changes. If they are acceptable to you, we should provide them to Dirk Den Baars for his comments before preparing a final version. There will also be a few other documents for closing (quitclaim deed, deed of relinquishment and some miscellaneous documents) but these can be prepared when we know if our selection of the trustee is acceptable.

Please let me know if you have any questions or comments.

Very truly yours,


John C. Lacy

bpm

Enclosure

9103180900.jc12.870425

RECEIVED MAR 19 1991

JCL
03-15-91

PROMISSORY NOTE

Effective Date: April 1, 1991

Maricopa County, Arizona

MAKER:

A.F. BUDGE (MINING) LIMITED
4301 North 75th Street
Suite 105
Scottsdale, Arizona 85251-3504

PAYEE:

KEYSTONE MINERALS, INC.
6318 East Hayne Street
Tucson, Arizona 85710

PRINCIPAL AMOUNT:

\$4,000,000.00

INTEREST RATE:

None stated

1. **CONSIDERATION:**

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

2. **SECURITY:**

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

3. **PROVISIONS REGARDING PRINCIPAL PAYMENTS:**

a. **DEFINITIONS:**

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

Costs" all "Operating Costs" related to mineral production activities.

(2) "Pre-production Costs" shall include all "Operating Costs" related to Mineral exploration on or for the benefit of the Property that are incurred by or on behalf of the Maker after September 14, 1989, and prior to Commencement of Production.

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

(4) "Commencement of Production" shall occur when Maker reaches fifty percent (50%) of the rate of mining (or treatment of ores at a treatment facility), as determined in a production feasibility study to process material from the Property, for a period of 60 consecutive days.

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

b. AMOUNT OF PAYMENTS:

(1) Maker shall pay Payee not less than Ten Thousand Dollars (\$10,000.00) per month after the execution and delivery of this Note, which payments shall be due on or before the fifth day of each month.

(2) Beginning with the date three (3) years after the execution and delivery of this Note, or upon Commencement of Production from the Property, whichever date first occurs, Maker shall pay Payee Twelve Thousand Dollars (\$12,000.00) per month, plus the amount, if any, by which ten percent (10%) of the "Net Profits" resulting from extraction of minerals from the Property exceeds Twelve Thousand Dollars (\$12,000.00) for each monthly period, all such payments of Net Profits due hereunder to be paid within twenty (20) days after the end of such monthly period.

(3) The cumulative total of payments to Owner under b.(1) and (2) above shall be reviewed at the end of each production year and the monthly payments due under this Note adjusted for the following year, if necessary, to insure that the cumulative sum of the annual payments to Owner shall be no less than that amount representing the balance of the purchase price divided by the number of years remaining in the life of the mine, or a ten-year period commencing with the date of execution and delivery of this Note, whichever date is the earlier.

At such time as the total of the principal amount as stated above (or such lesser amount if any credits are applicable as defined in the Agreement between the Maker and Payee dated September 19, 1989, are applicable) has been paid to Payee by Maker, Maker shall have no further obligation to make any further payments to Payee.

c. ACCOUNTING: The Trustor, subject to the reasonable approval of Payee, shall prepare an accounting procedure after completion of a mine feasibility study fixing actual circumstances of Operating Costs as determined by the mining feasibility study. Such accounting procedure shall provide that Trustor shall furnish to Payee, with each payment of Net Profits, the computation and the basis for the computation thereof and Payee shall have the right to examine and independently verify the records and accounts of Trustor upon which each such computation of Net Profits is based, such examination to be made at such times and upon such notice as shall not unreasonably interfere with Maker's operations. Accounting for gross revenues and costs and expenses shall be on the accrual basis and in accordance with generally accepted accounting principles.

4. INTEREST:

The Maker is not required to pay any interest to Payee under the terms of this Note so long as there have been no defaults in the payments of principal required above. Any imputation of interest by the United States Internal Revenue Service shall be allocated between interest and principal according to the then current regulations of the Internal Revenue Service, provided

that in no event shall any allocation be made that would require the Maker to pay any amounts of money not contemplated by the provisions hereof regarding payment.

5. NO PENALTY FOR PREPAYMENT:

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

6. ACCELERATION:

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

7. WAIVERS:

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

8. COLLECTION FEES:

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

9. NO RECOURSE DEBT:

Should the Maker default under the terms of this Note or any of the provisions of the Deed of Trust, the Payee's sole remedy shall be to foreclose the Deed of Trust, and Maker is hereby released from any and all other liability to the extent that such release does not operate to invalidate the lien of the Deed of Trust securing this Note. If Payee takes any other action to enforce the collection of the indebtedness evidenced by this Note, including pursuing Deed of Trust remedies, Payee agrees and any holder hereof shall be deemed by acceptance hereof to have

agreed, not to take a judgment or deficiency judgment against the Maker with respect to said indebtedness. Notwithstanding the foregoing, however, Maker shall be fully liable to the Payee or other holder of this Note for (1) all damages suffered by Payee on account of fraud or willful misrepresentation, and (2) the retention of any Property Income (as defined in the Deed of Trust) after an event of default has occurred under the terms of the Deed of Trust and prior to the cure (if any) of such default.

DATED this _____ day of _____, 1990.

A.F. BUDGE (MINING) LIMITED

By _____
Ronald R. Short, General Manager

9103151209.JCL2.890425

JCL
03-15-91

DEED OF TRUST AND ASSIGNMENT OF RENTS

BY THIS DEED OF TRUST,

made this 1st day of April, 1991,

between A.F. BUDGE (MINING) LIMITED, a Nevada corporation, whose mailing address is 4301 North 75th Street, Suite 105, Scottsdale, Arizona 85251-3504 (the "Trustor" herein),

TICOR TITLE INSURANCE COMPANY OF CALIFORNIA, a California corporation, whose mailing address is 6245 E. Broadway, Tucson, Arizona 85711 (the "Trustee" herein),

and

KEYSTONE MINERALS, INC., an Arizona corporation, whose mailing address is 6318 East Hayne Street, Tucson, Arizona 85710 (the "Beneficiary" herein),

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

This Deed of Trust is given for the purpose of securing: (1) the performance of each agreement of Trustor herein contained, and (2) payment of the indebtedness evidenced by a promissory note of even date herewith and any extension or renewal thereof in the principal sum of FOUR MILLION DOLLARS (\$4,000,000.00), executed by Trustor in favor of Beneficiary.

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

1. Obligations of Trustor

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

regulations governing mineral exploration, development, mining and processing operations.

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

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

d. Assessment Work - Trustor agrees to perform assessment work (unless excused, suspended or deferred) for the benefit of the unpatented mining claims included within the Property for each assessment year until the purchase price has been fully paid or this Deed of Trust has been foreclosed or a deed has been tendered by Trustor to Beneficiary prior to July 1 of the applicable assessment year. The work performed shall be of a kind generally accepted as assessment work, and Trustor shall expend the total amount sufficient to meet the minimum requirements with respect to all of the unpatented claims. Trustee and Beneficiary acknowledge that the mining claims included within the Property constitute a contiguous block and that Trustor shall have the right to perform assessment work required hereunder pursuant to a common plan of exploration or development, whether such work is performed on the Property or off the Property on adjacent lands by Trustor.

2. Default and Foreclosure

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

price is immediately due and payable, (1) declare all sums secured hereby immediately due and payable and (2) on delivery by Beneficiary to Trustee of written notice of election to have the Property sold, and after the giving of notice of sale in the manner provided by law, proceed to sell the Property at public auction the property under the power of sale contained herein. If Trustor in good faith disputes the existence of a default, Trustor shall initiate appropriate action in a court of competent jurisdiction within the 30-day period and the time to cure shall run from the date of a final determination that a default exists. Upon issuance of a notice of default, Beneficiary shall deposit with Trustee this Deed of Trust, the promissory note and all documents evidencing expenditures secured hereby.

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

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

3. Title Matters

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

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

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

d. Condemnation Awards - Any award of damages in connection with any condemnation for public use of or injury to the Property or any part thereof is hereby assigned and shall be paid to Beneficiary and shall be applied to the purchase price as if the same were payment of "Net Profits" under the terms of the promissory note.

4. Release

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

5. Trustee's Rights and Obligations

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

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

6. Assignment; Inurement

The rights of either the Trustor or the Beneficiary under this Deed of Trust may be assigned in whole or in part and the provisions hereof shall apply to, inure to the benefit of, and bind all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns, but no change or division of ownership of payments under this Deed of Trust or the promissory note, however accomplished, shall operate to enlarge the obligations or diminish the rights of the Trustor hereunder. No such change or division by Beneficiary shall be binding upon Trustor for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish evidence to Trustor's satisfaction of such change or transfer.

7. Construction

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

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

EXHIBIT A

Unpatented mining claims situated in Sections 10, 11, 13, 14, 15, 22, 23, 24, 25, and 26, Township 12 South, Range 17 East, and Sections 18 and 19, Township 12 South, Range 18 East, G&SR Mer., in the Redington Mining District, Pima County, Arizona, the location notices of which are of record in the official records of such county, and the Arizona State Office of the Bureau of Land Management as follows:

<u>Name of Claim</u>	<u>Pima Cty Recds</u>		<u>BLM Serial No.</u>
	<u>Book</u>	<u>Page</u>	<u>A MC #</u>
Sunnyside # 1	3453	281	69307
Sunnyside # 2	3453	282	69308
Sunnyside # 3	1776	347	69309
Sunnyside # 4	1776	348	69310
Sunnyside # 5	1776	349	69311
Sunnyside # 6	1776	350	69312
Sunnyside # 7	1776	351	69313
Sunnyside # 8	1776	352	69314
Sunnyside # 9	1776	353	69315
Sunnyside # 10	1776	354	69316
Sunnyside # 11	1776	355	69317
Sunnyside # 12	1776	356	69318
Orbit # 1	2136	14	69319
Orbit # 2	2136	15	69320
Orbit # 3	2136	16	69321
Orbit # 4	2136	17	69322
Orbit # 5	2136	18	69323
Orbit # 6	2136	19	69324
Orbit # 7	2136	20	69325
Orbit # 8	2136	21	69326
Orbit # 9	2136	22	69327
Orbit # 10	2136	23	69328
Orbit # 11	2136	24	69329
Orbit # 12	2136	25	69330
Orbit # 13	2136	26	69331
Catalina # 1	1762	53	69332
Catalina # 2	1762	54	69333
Catalina # 3	3453	283	69334
Catalina # 4	3453	284	69335
Catalina # 5	3453	285	69336
Catalina # 6	3453	286	69337
Catalina # 7	3453	287	69338
Catalina # 8	3453	288	69339
Catalina # 9	3453	289	69340
Catalina # 10	3453	290	69341
Catalina # 11	3453	291	69342
Catalina # 12	3453	292	69343

<u>Name of Claim</u>	<u>Pima</u> <u>Book</u>	<u>Cty</u> <u>Page</u>	<u>BLM Serial No.</u>	
			<u>A</u>	<u>MC #</u>
Catalina # 13	3453	293	69344	
Catalina # 14	3453	294	69345	
Catalina # 15	3453	295	69346	
Catalina # 16	3453	296	69347	
Catalina # 17	3453	297	69348	
Catalina # 18	3453	298	69349	
Catalina # 19	3453	299	69350	
Catalina # 20	3453	300	69351	
Catalina # 21	3453	301	69352	
Catalina # 22	3453	302	69353	
Catalina # 23	3453	303	69354	
Catalina # 24	3453	304	69355	
Catalina # 25	3453	305	69356	
Catalina # 26	3453	306	69357	
Catalina # 27	3453	307	69358	
Catalina # 28	3453	308	69359	
Catalina # 29	3453	309	69360	
Catalina # 30	3453	310	69361	
KK 1	3894	248	69362	
KK 2	3894	249	69363	
KK 3	3894	250	69364	
KK 4	3894	251	69365	
KOB 5	3993	812	69366	
KOB 6	3993	813	69367	
KOB 7	3993	814	69368	
KOB 8	3993	815	69369	
KOB 9	3993	816	69370	
KOB 10	3993	817	69371	
KOB 11	3993	818	69372	
KOB 12	3993	819	69373	
KOB 13	3993	820	69374	
KOB 14	3993	821	69375	
KOB 15	3993	822	69376	
KOB 16	3993	823	69377	
KOB 17	3993	824	69378	
KOB 18	3993	825	69379	
KOB 19	3993	826	69380	
KOB 20	3993	827	69381	
KOB 21	3993	828	69382	
KOB 22	3993	829	69383	
KOB 23	3993	830	69384	
KOB 24	3993	831	69385	
KOB 25	3993	832	69386	
KOB 26	3993	833	69387	
KOB 27	3993	834	69388	
KOB 28	3993	835	69389	
KOB 29	3993	836	69390	

<u>Name of Claim</u>	<u>Pima Cty Recds</u>		<u>BLM Serial No.</u>
	<u>Book</u>	<u>Page</u>	<u>A MC #</u>
KOB 30	3993	837	69391
KOB 31	3993	838	69392
KOB 32	3993	839	69393
KOB 33	3993	840	69394
KOB 34	3993	841	69395
KOB 35	3993	842	69396
KK 36	3894	283	69397
KK 37	3894	284	69398
KK 38	3894	285	69399
KK 39	3894	286	69400
KK 40	3894	287	69401
KK 41	3894	288	69402
KK 42	3894	289	69403
KK 43	3894	290	69404

**Keystone
Minerals,
Incorporated**

6318 East Hayne St. 85710 747-9551
~~Box 6607~~ / Tucson, Arizona ~~85712~~ Phone (602) ~~747-9551~~

August 9th, 1989

Mr. William Lewis
Coronado National Forest
Santa Catalina Ranger District
5700 N. Sabino Canyon Road
Tucson, Az 85715

Dear Mr. Lewis:

Enclosed I am sending you a copy of a Topographic Map, showing the area of Forest Service Jurisdiction, on which we plan to continue our exploration and development program, which will include road building to new drill sites, sampling and Geological work on the existing ore bodies.

Equipment to be used includes a D-7 and a grader for the road work, a Drilltruck, compressor truck, water truck, and other 4 wheel drive trucks. Please note the existing roads (yellow.) and the proposed extensions in orange color, which are needed for the additional development of the mine area, all in Section 23, T 12 S, R 17 E, in Pima County, State of Arizona.

The Development work will be started this month starting in Section 14, same Township and Range, and will be Directed by the A.F. Budge Mining Co. of Scottsdale, Arizona and Mr. Jon Norby, Chief Geologist.

Please notify us of your approval or possibly these proposed operations are such as not to require an Operation Plan. The drilling will be done this fall and into the year 1990

Very truly yours,

Keystone Minerals, Inc.



Dirk Den-Baars, V.P. Geology.

DDB/bj