



CONTACT INFORMATION  
Mining Records Curator  
Arizona Geological Survey  
416 W. Congress St., Suite 100  
Tucson, Arizona 85701  
602-771-1601  
<http://www.azgs.az.gov>  
[inquiries@azgs.az.gov](mailto:inquiries@azgs.az.gov)

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DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

JOHN R. McDONALD  
RICHARD M. YETWIN  
DINO DeCONCINI  
WILLIAM B. HANSON  
DAVID C. ANSON  
SPENCER A. SMITH  
DENISE M. BAINTON  
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PHILIP R. WOOTEN

J. WM. BRAMMER, JR.  
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MICHAEL R. URMAN  
DAVID F. GAONA  
LUIS A. OCHOA  
GARY F. URMAN  
FRANCES J. HAYNES  
CHRISTINA URIAS

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

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

September 20, 1990

PLEASE REPLY TO TUCSON

Mr. Bob Gilmore  
Land Consultant  
1765 North Fountain Park Drive  
Tucson, AZ 85715

Re: Budge Korn Kob - Kellogg Property

Dear Bob:

Enclosed is a Title Status Report for the Northwest Quarter of Section 7, Township 12 South, Range 18 East, and the Northeast Quarter of Section 12, Township 12 South, Range 17 East.

Sincerely,



Conni Lienhart  
Legal Assistant

bpm

Enclosure

c (w/enc): John Norby  
Ron Short

9009200109.cr11.890425

SEP 21 1990

TICOR TITLE INSURANCE COMPANY OF CALIFORNIA

SPECIAL PROJECTS REPORT

ORDER NUMBER: E-468356

FEE: \$575.00

ISSUED FOR INFORMATIONAL PURPOSES ONLY FOR THE SOLE USE AND BENEFIT OF:

TICOR TITLE INSURANCE  
6245 E. BROADWAY  
TUCSON, AZ 85711

ATTENTION: JUDY MARTIN  
REFERENCE: KELLOGG

HEREINAFTER CALLED USER.

TICOR TITLE INSURANCE COMPANY OF CALIFORNIA,  
A CALIFORNIA CORPORATION,

IN CONSIDERATION OF PAYMENT OF ITS FEE, AND ACCEPTANCE HEREOF WITH LIABILITY TO THE USER LIMITED TO THE AMOUNT OF SUCH FEE, REPORTS THAT, AFTER EXAMINATION OF THE PROPER INDICES AFFECTING PROPERTY OR LIENS OR ENCUMBRANCES UPON PROPERTY:

1. TITLE TO THE ESTATE OR INTEREST COVERED BY THIS REPORT IS VESTED IN:

CAROLE E. KELLOGG, WIFE OF DONALD K. P. KELLOGG, AS HER SOLE AND SEPARATE PROPERTY BY DEED RECORDED IN DOCKET 8264 AT PAGE 300

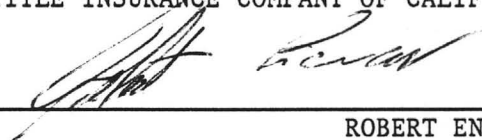
2. THE ESTATE OR INTEREST IN THE LAND IS A FEE.
3. THE LAND REFERRED TO IN THIS REPORT IS SITUATED IN PIMA COUNTY, ARIZONA AND IS DESCRIBED AS FOLLOWS:

SEE EXHIBIT 'A' ATTACHED HERETO AND MADE A PART HEREOF FOR LEGAL DESCRIPTION. RECORDING REFERENCES ARE TO RECORDS IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY IN WHICH THE PROPERTY IS SITUATED.

SEARCH MADE TO:  
SEPTEMBER 10, 1990 AT 7:50 A.M.

TICOR TITLE INSURANCE COMPANY OF CALIFORNIA

BY



ROBERT ENCINAS  
VALIDATING SIGNATORY

ORDER NUMBER: E-468356

EXHIBIT 'A'

PARCEL I:

THE NORTHWEST QUARTER OF SECTION 7, TOWNSHIP 12 SOUTH, RANGE 18 EAST, G. & S.  
R. B. & M., PIMA COUNTY, ARIZONA;

EXCEPT ALL COAL AND OTHER MINERALS AS RESERVED IN THE PATENT FROM THE UNITED  
STATES OF AMERICA.

PARCEL II:

THE NORTHEAST QUARTER OF SECTION 12, TOWNSHIP 12 SOUTH, RANGE 17 EAST, G. & S.  
R. B. & M., PIMA COUNTY, ARIZONA.



ORDER NUMBER: E-468356

SPECIAL PROJECTS REPORT (CONTINUED)

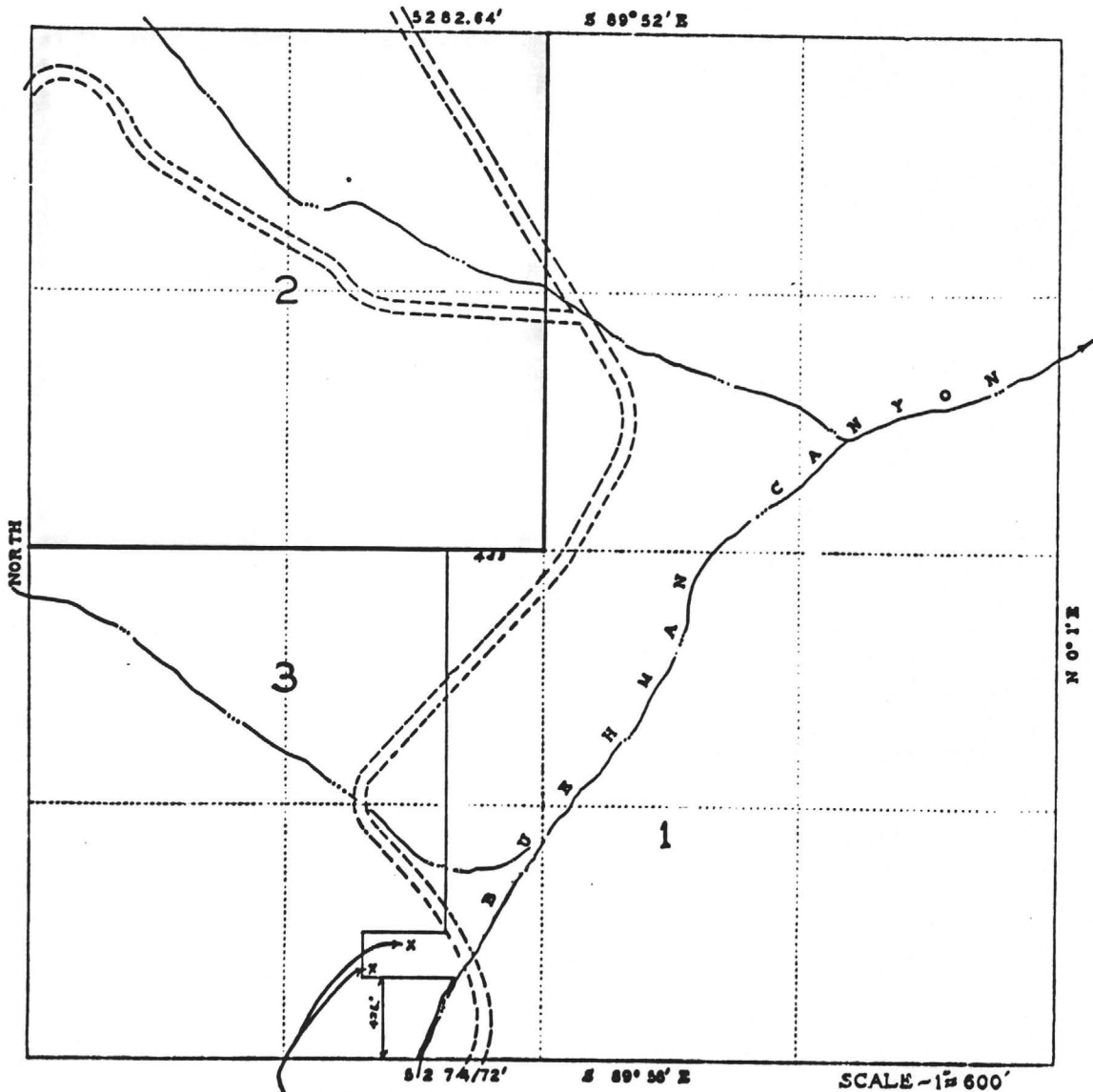
SUBJECT TO THE FOLLOWING MATTERS OF RECORD:

1. 1990 TAXES, A LIEN, BUT NOT YET DUE AND PAYABLE.  
  
FIRST HALF DUE AND PAYABLE OCTOBER 1, 1990 AND DELINQUENT ON NOVEMBER 1 OF THAT YEAR; SECOND HALF PAYABLE ON OR BEFORE MARCH 1 OF THE FOLLOWING YEAR, AND DELINQUENT MAY 1 OF THE FOLLOWING YEAR.
2. RESERVATIONS, EXCEPTIONS AND PROVISIONS CONTAINED IN THE PATENT TO THE PROPERTY DESCRIBED HEREIN FROM THE UNITED STATES OF AMERICA, RECORDED IN DOCKET 1469 AT PAGE 385 (AFFECTS PARCEL II)
3. RESERVATIONS, EXCEPTIONS AND PROVISIONS CONTAINED IN THE PATENT TO THE PROPERTY DESCRIBED HEREIN FROM THE UNITED STATES OF AMERICA, RECORDED IN DOCKET 1469 AT PAGE 386 (AFFECTS PARCEL I)
4. WATER RIGHTS, CLAIMS OR TITLE TO WATER WHETHER OR NOT SHOWN BY THE PUBLIC RECORDS.
5. TERMS, CONDITIONS, OBLIGATIONS AND LIABILITIES OF THAT CERTAIN AGREEMENT BETWEEN DONALD K.P. KELLOGG AND CAROLE E. KELLOGG, REGARDING THE NORTHWEST QUARTER OF SECTION 7, AS SET FORTH IN DOCKET 8264 AT PAGE 303.
6. AN UNRECORDED LEASE, EXECUTED BY AND BETWEEN THE PARTIES NAMED HEREIN, FOR THE TERM, AND ON THE TERMS, COVENANTS AND CONDITIONS THEREIN PROVIDED;  
TYPE OF LEASE : GRAZING AND USAGE RENTAL  
LESSOR : CAROLE E. KELLOGG  
LESSEE : DONALD K.P. KELLOGG  
DISCLOSED BY : AGREEMENT  
RECORDED : IN DOCKET 8264 AT PAGE 303

SAID LEASE, AMONG OTHER MATTERS, CONTAINS;  
A RIGHT OF FIRST REFUSAL.  
(AFFECTS PARCELS 1 AND 2)

END OF REPORT

## SECTION 7, TOWNSHIP 12 SOUTH, RANGE 18 EAST



APPROX. LOCATION OF BUILDINGS  
 AS SHOWN ON PLAT SUBMITTED  
 BY JIM BRYANT. PROPERTY  
 LINES ARE 50' IN EITHER  
 DIRECTION FROM BUILDINGS.

This plat is furnished as a courtesy and is for information only.  
 It is not a survey and no liability is assumed as to its accuracy.

6245 E. BROADWAY

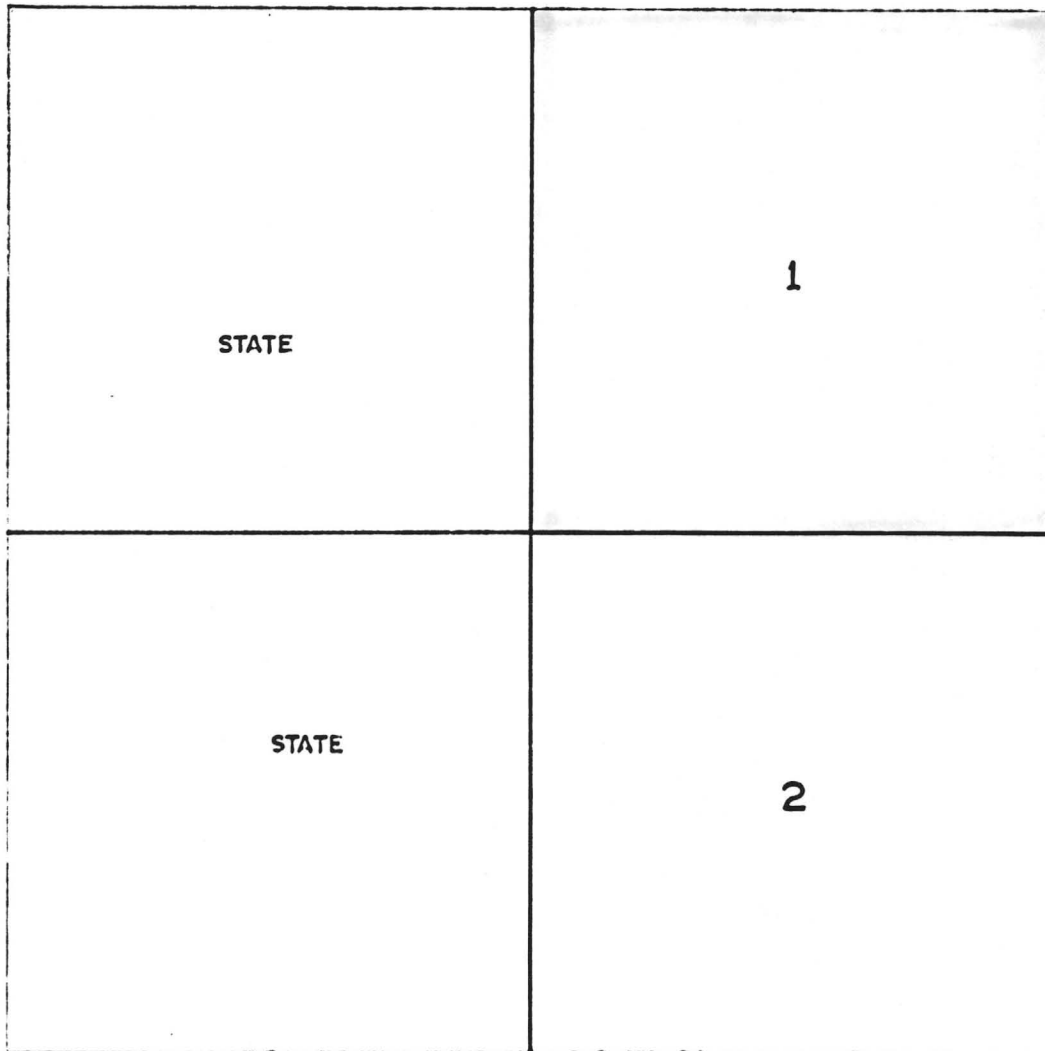
P. O. BOX 26200

# TICOR TITLE INSURANCE

TUCSON, ARIZ. 85726

TELEPHONE 747-7373

## SECTION 12, TOWNSHIP 12 SOUTH, RANGE 17 EAST



This plat is furnished as a courtesy and is for information only.  
It is not a survey and no liability is assumed as to its accuracy.

DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

JOHN R. McDONALD  
RICHARD M. YETWIN  
DINO DeCONCINI  
WILLIAM B. HANSON  
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GARY F. URMAN  
FRANCES J. HAYNES

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

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

September 12, 1989

PLEASE REPLY TO TUCSON

Leo Smith, Esq.  
Casas Adobes Plaza  
6985 N. Oracle Rd.  
Tucson, AZ 85704

VIA FACSIMILE

Re: **Keystone/Budge Option Agreement**

Dear Leo:

Ron Short asked me to deliver the original and one copy of the revised agreement between A. F. Budge and Keystone Minerals to Dirk DenBaars. I did so today and Dirk asked me to fax a copy of that draft to you, a copy of which is attached.

Most of the comments you had previously requested have been made with the exception of the following:

a. The definition of "Commencement of Production" was changed.

b. The escalation clause related to the purchase price was not used.

c. The promissory note you had requested was made a non-recourse promissory note.

d. The notification of title defects or other matters related to challenges to title were made applicable during the entire term of the option period.

e. Some of the language you had deleted from subsection a of Section 7 has been reinserted and the requirement for a 30-day notice of termination was not used. What is being avoided is the obligation to make an additional monthly payment if a decision is made to terminate the agreement.

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

Leo Smith, Esq.  
September 12, 1989  
Page 2

f. I have included a provision related to the cores, splits and rejects, but require the owner to pick up the material at places indicated by Budge as opposed to requiring the delivery of the same to the owner.

Very truly yours,



John C. Lacy

bpm

Enclosure

c: Ronald R. Short ✓

0912890300.jc12.890425

DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

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JOHN R. McDONALD  
RICHARD M. YETWIN  
DINO DeCONCINI  
WILLIAM B. HANSON  
DAVID C. ANSON  
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JOHN C. LACY  
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FRANCES J. HAYNES

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

September 18, 1989

PLEASE REPLY TO TUCSON

Anthony F. Budge  
A. F. Budge (Mining) Ltd.  
West Carr Road  
Retford, Notts.  
DN22 7SW  
Great Britain

**VIA FACSIMILE**  
011-44-777-705-066

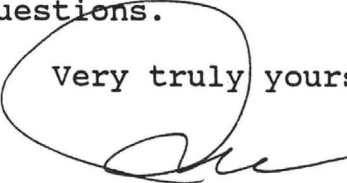
Re: **Korn Kob Property**

Dear Tony:

Ron Short has asked me to transmit to you appropriate documentation giving Ron the authority to sign contracts on behalf of A. F. Budge (Mining) Limited, a Nevada corporation. I have enclosed a memorialization of an "Action by Board of Directors Without a Meeting" granting Ron broad powers to sign documents for the acquisition of real property and associated rights for all activities of A.F. Budge (Mining) Limited. If you wish to limit this power, I suggest that you simply add the words before the semicolon "insofar as these activities relate to the property described in Exhibit A attached hereto." I can then attach a copy of the property description.

I would appreciate it if you could have this document retyped, executed and returned to me. Please feel free to give me a call if you have any questions.

Very truly yours,

  
John C. Lacy

bpm

c: Ronald R. Short  
Carole A. O'Brien ✓  
0915890440.jcl2.890425

DECONCINI MCDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVD DECONCINI (1901-1986)

JOHN R. MCDONALD  
RICHARD M. YETWIN  
DINO DECONCINI  
WILLIAM B. HANSON  
DAVID C. ANSON  
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WAYNE E. KENLINO

J. WM. BRAMMER, JR.  
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TUCSON, ARIZONA 85716-5303  
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FAX (602) 322-5585

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

FAX COVER SHEET

DATE: 15 SEP 89  
TIME: 1200

TO: Name: Ron Short  
Address: AF Budge  
Fax No: 949-4737

FROM: John Lacy

Fax Number: (602) 322-5585

Number of Pages Including Cover Page: 4

Comments: Ron - Attached is Leo Smith's latest changes. I have made marginal notes and have no problems with the changes save #9. This will force a take exam during the first 6 mos and I suspect that you'll have plenty else to do during that period.

Please call JCL at (602) 322-5000 if complete transmission is not received.

LAW OFFICES OF  
**LEO N. SMITH**  
CASAS ADOBES PROFESSIONAL PLAZA  
6888 NORTH ORACLE ROAD  
TUCSON, ARIZONA 85704

FAX (602) 787-9770

TELEPHONE (602) 787-0777

September 15, 1989

John C. Lacy, Esq.  
DeConcini, McDonald, Brammer,  
Yetwin & Lacy, P.C.  
2525 E. Broadway, Suite 200  
Tucson, AZ 85716

Dear John:

Responding to the draft which you faxed to me late Tuesday, Keystone Minerals, Inc. is willing to enter into the Option Agreement upon incorporation into the draft of the following changes:

1. Section 1(b)(2) - page 1:  
Insertion of the words "uses and" between the words "surface" and "disturbances" on the next to the last line on page 1.
2. Section 2(a) - page 2:  
Deletion of the parenthetical clause in the last sentence of this subparagraph to reflect the fact that no extension is provided in 6(c).
3. Section 2(b)(4) - page 3:  
Replace the last two lines of this subparagraph with the following:  
"the ten year period commencing with the date of closing of the option to purchase, whichever is the earlier."
4. Section 2(d) - page 3:  
Replace the period at the end of the first sentence of this subparagraph with a comma, followed by: "subject, however, to the matters set forth in Exhibit A."
5. Section 3(c) - page 4:  
Revision of the second line of this subparagraph to read "exercised its option to purchase, the parties shall, unless they have" to reflect the fact that both parties must deliver documents into escrow.



## 6. Section 5(c) - page 5:

Revision of the first clause of the indemnity provision to read as follows:

*R* 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,....

## 7. Section 5(e) - page 5:

*R* Insertion of the words "for the benefit" between the words "development" and "of" on the third line from the bottom of this subparagraph.

## 8. Section 6(a) - pages 5 &amp; 6:

*R* Insertion of the words "that to the best of Owner's knowledge" between the words "and" and "there" on the second line from the top of page 6.

## 9. Section 6(c) - page 6:

*Z*  
*o* Substitution of the words "date six (6) months from the effective date of this Agreement," for "exercise of the option" on the third line of this subparagraph. Although Keystone has volunteered to extend the option period to one year, it deems six months more than sufficient time for Budge to assess the validity of its title.

## 10. Section 7(b) - page 7:

*Ask*  
*Ron* To accommodate a discussion of the subject between Dirk Den-Baars and Mr. Short of Budge, insertion of the words "thirty (30) days prior" between the words "Owner" and "written" on the fourth line of this subparagraph.

## 11. Addition to Exhibit B:

To accommodate a discussion between Dirk Den-Baars and Mr. Short of Budge concerning verification of Net Profits payments, insertion of the following sentence at the end of Exhibit B:

*R* "Such accounting procedure shall provide that Budge shall furnish to Owner, with each payment of Net Profits, the computation and 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.

Finally, in view of the language set forth in Section 14, Keystone suggests that Budge execute at least two copies of the Option Agreement and that it submit the same to Keystone, together with a certified copy of a Resolution of its Board of

Directors approving the terms thereof and authorizing Mr. Short to execute the same on behalf of Budge. Assuming that the foregoing changes are included in the Option Agreement, Keystone will then execute the Agreement and return all but one executed copy to Budge.

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

Very Truly Yours



Leo N. Smith

LNS:jf

cc: Keystone Minerals, Inc.

DECONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

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WAYNE E. YEHLING

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

September 6, 1989

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

PLEASE REPLY TO TUCSON

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

**Re: Korn Kob Agreement; Pima County, Arizona**

Dear Ron:

I have revised our form of Option Agreement between A. F. Budge (Mining) Limited and Keystone Minerals, Inc. The changes requested by Leo Smith have been made except as noted below:

a. In subsection b of Section 2, note that the payment provisions requested by Leo Smith's draft come into effect three years after closing or upon "Commencement of Production," whichever occurs first. Also note that the definition of Commencement of Production was changed to 50% of the processing plant's rated capacity for 30 consecutive days as opposed to our original proposal of 80% and 60 days. I'm not sure that this item really makes much difference but would suggest that if the 50% rate is used, the running time of the plant be fixed at the 60 days we originally used. Further note that the payments of the Net Profits interest are due within 20 days from and after the end of a monthly period.

b. The escalation clause related to the purchase price has been removed from subsection b of Section 2.

c. The nonrecourse nature of the promissory note is referred to in subsection b of Section 3.

d. In subsection c of Section 6, Mr. Smith's draft required a written notification of title defects on or before six months from the effective date of the Agreement. Further, the

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

Mr. Ronald Short  
September 6, 1989  
Page 2

trigger date for the "lesser interest" clause applies only to contests or challenges to title during the first six months of the Agreement. It is my feeling that this provision is inappropriate inasmuch as the title evaluation will probably not be done until after you are relatively confident of the mineral reserve calculation and would normally wait until the latter stages of property evaluation.

e. In subsection a of Section 7, Mr. Smith deleted a provision whereby the owner's right to terminate the Agreement was the sole remedy for failure to make payments required under Section 2. I have reinserted our original language with a modification that the provision relates to option payments required under Section a. The situation I'm trying to avoid is if a payment is not made during the option period, the owner would not have the ability to terminate the Agreement and require that the delinquent payment be made. Note also that under subparagraph b of Section 7, a 30-day written notice of termination is required. This would require an additional monthly payment before the notice became effective. I have taken out this provision to parallel the other provision of the Agreement that simply makes non-payment a reason for termination without generating additional obligations at the same time.

f. In subparagraph d of Section 7, Mr. Smith inserted an additional provision requiring Budge to deliver to the owner all cores, splits and rejects resulting from drilling performed by or for Budge. I have included a similar provision but with a modification that the owner is required to pick this material up at the places indicated by Budge.

I have therefore enclosed a new version of the Option Agreement. Please feel free to give me a call if you have any questions or comments.

Very truly yours,



John C. Lacy

bpm

Enclosure

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DeCONCINI McDONALD BRAMMER YETWIN & LACY

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TUCSON, ARIZONA 85716-5303  
(602) 322-5000  
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2901 NORTH CENTRAL AVENUE, SUITE 1644  
PHOENIX, ARIZONA 85012-2736  
(602) 241-0100  
FAX: (602) 241-0220

September 21, 1989

PLEASE REPLY TO TUCSON

Mr. Mike Boyd  
Pima County Recorder  
115 N. Church  
Tucson, AZ 85701

Dear Mr. Boyd:

I have enclosed for recording a Short Form of Option Agreement concerning unpatented mining claims in Pima County. Please record the document and return it to me in the enclosed stamped, self-addressed envelope. I have enclosed this firm's check in the amount of \$10.00 to cover the recording fee.

Very truly yours,

  
John C. Lacy

bpm

Enclosures

c: Carole A. O'Brien ✓  
Leo Smith, Esq.

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JCL  
09-19-89

### SHORT FORM OPTION AGREEMENT

THIS SHORT FORM is to give notice of an Option Agreement

effective as of September 19<sup>TH</sup> 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

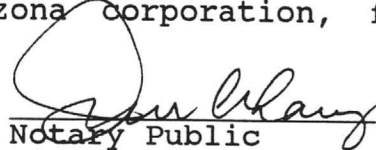
By Dirk Den-Baars  
Dirk Den-Baars  
Vice President

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 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</u> <u>Cty</u> <u>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.

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

September 18, 1989

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

PLEASE REPLY TO TUCSON

Anthony F. Budge  
A. F. Budge (Mining) Ltd.  
West Carr Road  
Retford, Notts.  
DN22 7SW  
Great Britain

**VIA FACSIMILE**  
011-44-777-705-066

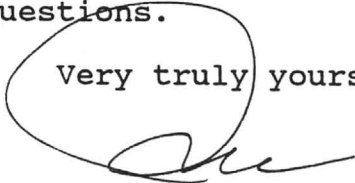
Re: **Korn Kob Property**

Dear Tony:

Ron Short has asked me to transmit to you appropriate documentation giving Ron the authority to sign contracts on behalf of A. F. Budge (Mining) Limited, a Nevada corporation. I have enclosed a memorialization of an "Action by Board of Directors Without a Meeting" granting Ron broad powers to sign documents for the acquisition of real property and associated rights for all activities of A.F. Budge (Mining) Limited. If you wish to limit this power, I suggest that you simply add the words before the semicolon "insofar as these activities relate to the property described in Exhibit A attached hereto." I can then attach a copy of the property description.

I would appreciate it if you could have this document retyped, executed and returned to me. Please feel free to give me a call if you have any questions.

Very truly yours,

  
John C. Lacy

bpm

c: Ronald R. Short ✓  
Carole A. O'Brien  
0915890440.jcl2.890425

DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

JOHN R. McDONALD  
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DINO DeCONCINI  
WILLIAM B. HANSON  
DAVID C. ANSON  
SPENCER A. SMITH  
DENISE M. BAINTON  
KAREN J. NYGAARD  
SUSAN E. MILLER  
MARK D. LAMMERS  
WAYNE E. YEHLING  
PHILIP R. WOOTEN

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

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

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

September 6, 1990

PLEASE REPLY TO TUCSON

Mr. Robert Gilmore  
Land Consultant  
1765 North Fountain Park Drive  
Tucson, AZ 85715

Re: **A. F. Budge Korn Kob Project;  
Kelly Surface Damage Agreement**

Dear Bob:

I have enclosed herewith a form of Agreement for your use in negotiating a surface damage arrangement between A. F. Budge (Mining) and Mr. and Mrs. Jack Kelly. The terms of this Agreement follow the substance of discussions between John Norby and myself and our telephone conversation. I have also enclosed for your use a "redline" copy of the Agreement showing the changes from the earlier version of the form we reviewed with John.

I would appreciate your calling to the Kellys' attention the elimination of the reference to the ranch house and corral in the property description. My view is that eliminating the ranch house and corral from the agreement is detrimental to the owners because it eliminates the contractual obligation for damages that we are trying to establish. If you need any further assistance on this matter, please feel free to call me. Also, if this Agreement is executed by the parties, I would appreciate being furnished with a copy.

Very truly yours,

  
John C. Lacy

bpm  
Enclosures  
c(w/enc): Carole O'Brien  
John Norby ✓

JCL  
09-04-90

**AGREEMENT**  
(Title 30, United States Code, § 299)

BY THIS AGREEMENT

effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 1990,

by and between JACK KELLY and LOIS BINGHAM KELLY, husband and wife, whose address is Redington HCR, Box 900, Benson, Arizona 85602 (the "Owner"),

and

A. F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 N. 75th Street, Suite 105, Scottsdale, Arizona 85251 (the "Operator"),

the Owner and Operator, for the considerations of mutual promises and obligations, have agreed as follows:

1. Purpose

Title to that certain real property described in Exhibit A attached hereto (the "Property" herein) is vested in Owner, subject to a reservation of minerals to the United States of America. Operator has acquired mineral exploration and mining rights to the Property under the laws of the United States or will be using portions of the Property for access to such operations on adjacent to nearby lands. It is the purpose of this Agreement (1) to secure the owner of the surface of the Property from any and all damages that may result from Operator's operation on and under the Property as required by Title 30, United States Code, Section 299, and (2) to establish a method of compensating Owner for damages to the surface estate of the Property.

2. Grant

Pursuant to the provisions of Title 30, United States Code, Section 299, Owner hereby consents to any and all use of the Property by Operator, its employees, agents and contractors, upon the Property under the terms and restrictions of this Agreement.

3. Term

This Agreement shall exist for so long as Operator, its successors and assigns, is vested with mineral exploration or mining rights to the Property or Operator is using a road through the Property for access to mineral exploration or mining operations on adjacent or nearby land.

4. Payments to Owner

a. Liquidated Damages - Operator shall pay Owner, as liquidated damages, the following:

(1) One Dollar (\$1.00) annually per acre for the cumulative acres within the Property covered by any mining claims of Operator (rounded up to the nearest whole acre) during Operator's conduct of "Mineral Exploration." Mineral Exploration shall include geological, geochemical, and geophysical surveys and other activities of a like kind, the drilling or digging of holes, the construction of roads, the sinking of shafts, and the removal of substantial amounts of mineral materials for testing.

(2) Twelve Hundred Dollars (\$1,200.00) annually per mile for roads that are either (i) described on Exhibit A, (ii) hereafter constructed on the Property by or for Operator or (iii) hereafter improved for Operator's use.

The amounts of damages specified in this subsection a of Section 4 shall be paid quarterly (i.e., on or before the 15th day of January, April, July, and October, for obligations accruing as of the first of the month) in advance and shall be based on the number of acres within the Property or miles of road in use on the first day of the quarter for which the payment is made together with payment for any other obligations hereunder that may have accrued during the preceding quarter.

b. Compensation for Improvements Damaged - Owner shall be compensated for the value of any improvements damaged, destroyed or rendered non-usable by operations of Operator including buildings, fences, roads, corrals, irrigation ditches, and related improvements. The value shall be the replacement cost for comparable improvements.

c. Method of Payment - All payments required hereunder shall be made by check of Operator and shall be due not more than thirty (30) days after the amount of any damages have been fixed hereunder.

5. Obligations of Operator

a. Conduct of Operations - All work performed by Operator 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. The operations of Operator shall be further subject to the following special requirements:



(1) At the conclusion of any operations conducted by Operator upon the Property, Operator shall undertake or shall have completed those reclamation and land restoration measures as may be required by state or federal law and regulations for those lands disturbed or conditions created by activities of Operator under this Agreement.

(2) Operator shall keep all gates closed and locked when not in use. If a locked gate does not exist at any access used by Operator to the Property, Operator shall erect a gate and place a lock on the gate. Where Owner has existing locks at gates to the Property, Operator may either place its own locks at the gate or Owner shall provide Operator with duplicate keys. Operator shall provide Owner with duplicate keys for all locks placed by Operator on gates on the Property.

(3) All activities of Operator on the Property shall be conducted so as not to interfere with Owner's water supply or livestock grazing operations.

(4) Operator shall permit no carrying of firearms, hunting or shooting on the Property.

(5) Operator shall restrict its work on the Property as much as practicable to existing roads and trails; shall clean up, bury, burn or carry off the trash and garbage resulting from work performed on the Property; and shall reclaim all disturbed areas after Operator's uses have been completed by ripping and reseeding where appropriate.

(6) If Operator intercepts water in any hole drilled on the Property, at such time as Operator elects to abandon the hole, and subject to such limitations as may be imposed upon Operator by governmental authorities, Owner shall be permitted to purchase the casing in such hole and register the same in Owner's name with the Arizona Department of Water Resources. Operator shall give Owner not less than thirty (30) days notice of its election to abandon a hole that has intercepted water together with the cost of the casing. Owner shall, prior to the expiration of such 30-day period provide notice to Operator of its election to purchase the casing which notice shall also include payment for the casing. Nothing herein shall be construed as guaranteeing that such hole would be usable as a source of water nor that Owner could obtain the requisite permits to continue the use of the hole.

b. Indemnity - Operator shall indemnify Owner against and hold Owner harmless from any suit, claim, judgment or demand whatsoever arising out of activities on the part of Operator on the Property, provided that Owner, or any one of them, or any

person or instrumentality acting on its behalf, shall not have been a contributing cause to the event giving rise to such suit, claim, demand or judgment, Operator's obligation hereunder shall not be in excess of Operator's liability under Arizona law.

6. Termination

a. Termination by Owner - If Operator defaults in the performance of its obligations hereunder, Owner shall give Operator written notice specifying the default. If the default is not cured within thirty (30) days after Operator has received the notice, or if Operator 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 Operator written notice of such termination, subject to Operator's right to remove its property and equipment from the Property, as hereinafter provided. Owner shall have no right to terminate this Agreement except as set forth in this subsection a of Section 6.

b. Termination by Operator - Operator shall have the right to terminate this Agreement in whole or in part at any time by written notice from Operator to Owner. From and after the date of termination, all right, title and interest of Operator under this Agreement shall terminate, and Operator shall not be required to make any further payments or to perform any further obligations hereunder concerning the Property (or the portion thereof for which the termination is effective if the Agreement is only partially terminated), except payment and obligations, the due dates for the payment or performance of which occur prior to the termination date, including the obligations related to damages to the surface and improvements thereon.

c. Removal of Property - Upon any termination or expiration of this Agreement, Operator shall have a period of one (1) year from and after the effective date of termination within which it must remove from the surface of the Property all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except for any well purchased by Owner as provided herein. Failure of Operator to so remove the same shall constitute an abandonment by Operator to Owner of the same; provided, however, that Operator may still be required to remove such property upon notice from Owner at any time during the one-year period and thirty (30) days thereafter.

7. 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.

8. Binding Effect

This Agreement shall run with the land and shall bind the heirs, personal representatives, beneficiaries, successors and assigns of the parties related to both the surface estate vested in Owner and the mineral estate claimed by Operator under the mining laws.

9. Approval; Effective Date

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

SIGNED, effective as of the date recited herein.

OWNER:

OPERATOR:

A. F. BUDGE (MINING) LIMITED

\_\_\_\_\_  
Jack Kelly

Soc.Sec.#: \_\_\_\_\_

By \_\_\_\_\_

Anthony F. Budge, President

\_\_\_\_\_  
Lois Bingham Kelly

Soc.Sec.#: \_\_\_\_\_

STATE OF ARIZONA                    )  
  ) ss.  
County of \_\_\_\_\_)

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 1990, by Jack Kelly and Lois  
Bingham Kelly, husband and wife.

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

STATE OF ARIZONA                    )  
  ) ss.  
County of Maricopa                    )

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

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

9009040455.JCL2.890425

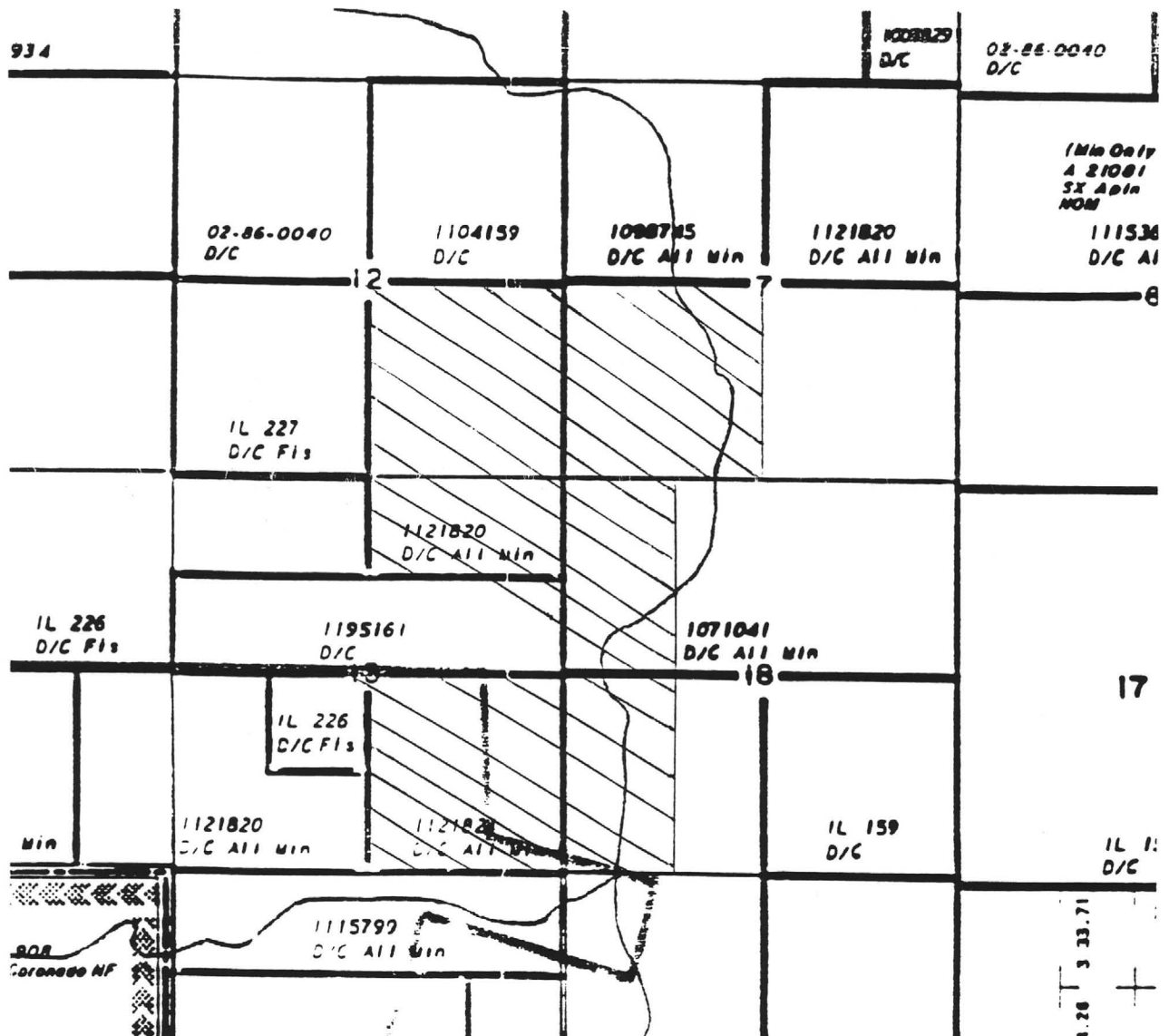
EXHIBIT A

I. The "Property" consists of 670 acres situated in Pima County, Arizona, more particularly described as follows:

The Southeast Quarter (160 acres) of Section 12; the North Half of the Northeast Quarter (80 acres) and the Southeast Quarter (160 acres) of Section 13, Township 12 South, Range 17 East, G&SR Mer.;

The North Half of the Southwest Quarter of Section 7 (except that portion lying East of the existing fence and that portion of the South Half of the Southwest Quarter lying West and North of Buehman Canyon) (147 acres); and the West Half of the West Half of Section 18 (except that portion lying East of the center line of Buehman Canyon) (123 acres), Township 12 South, Range 18 East, G&SR Mer.

II. The road currently used by Operator traversing portions of the Property, as determined by USGS Maps, and as shown below, is agreed to be 1.4 miles.





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

(602) 945-4630

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

FAX (602) 949-1737

November 7, 1990

Jack Kelly  
Lois Bingham Kelly  
Redington HCR, Box 900  
Benson, Arizona 85602

Dear Mr. & Mrs. Kelly:

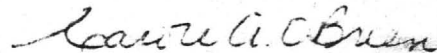
Please accept our apologies for the delays in getting the original Agreement executed by our principals in England.

A fully executed copy is enclosed, plus a check in the amount of \$617.50, which represents the first quarterly installment owing as per Section 4.a. of the Agreement.

The original will be forwarded to our lawyer, John Lacy, who may wish to have it recorded in Pima County.

Thank you for your patience on this matter.

Sincerely,

  
Carole A. O'Brien  
Mining & Financial Coordinator

encls.

c: J.C. Lacy  
J.W. Norby ✓

JCL  
09-04-90

**AGREEMENT**  
(Title 43, United States Code, § 299)

BY THIS AGREEMENT

effective as of the 26 day of September, 1990,

by and between JACK KELLY and LOIS BINGHAM KELLY, husband and wife, whose address is Redington HCR, Box 900, Benson, Arizona 85602 (the "Owner"),

and

A. F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 N. 75th Street, Suite 105, Scottsdale, Arizona 85251 (the "Operator"),

the Owner and Operator, for the considerations of mutual promises and obligations, have agreed as follows:

1. Purpose

Title to that certain real property described in Exhibit A attached hereto (the "Property" herein) is vested in Owner, subject to a reservation of minerals to the United States of America. Operator has acquired mineral exploration and mining rights to the Property under the laws of the United States or will be using portions of the Property for access to such operations on adjacent to nearby lands. It is the purpose of this Agreement (1) to secure the owner of the surface of the Property from any and all damages that may result from Operator's operation on and under the Property as required by Title 43, United States Code, Section 299, and (2) to establish a method of compensating Owner for damages to the surface estate of the Property.

2. Grant

Pursuant to the provisions of Title 43, United States Code, Section 299, Owner hereby consents to any and all use of the Property by Operator, its employees, agents and contractors, upon the Property under the terms and restrictions of this Agreement.

3. Term

This Agreement shall exist for so long as Operator, its successors and assigns, is vested with mineral exploration or mining rights to the Property or Operator is using a road through the Property for access to mineral exploration or mining operations on adjacent or nearby land.



4. Payments to Owner

a. Liquidated Damages - Operator shall pay Owner, as liquidated damages, the following:

(1) One Dollar (\$1.00) annually per acre for the cumulative acres within the Property covered by any mining claims of Operator (rounded up to the nearest whole acre) during Operator's conduct of "Mineral Exploration." Mineral Exploration shall include geological, geochemical, and geophysical surveys and other activities of a like kind, the drilling or digging of holes, the construction of roads, the sinking of shafts, and the removal of substantial amounts of mineral materials for testing.

(2) Twelve Hundred Dollars (\$1,200.00) annually per mile for roads that are either (i) described on Exhibit A, (ii) hereafter constructed on the Property by or for Operator or (iii) hereafter improved for Operator's use.

The amounts of damages specified in this subsection a of Section 4 shall be paid quarterly (i.e., on or before the 15th day of January, April, July, and October, for obligations accruing as of the first of the month) in advance and shall be based on the number of acres within the Property or miles of road in use on the first day of the quarter for which the payment is made together with payment for any other obligations hereunder that may have accrued during the preceding quarter.

b. Compensation for Improvements Damaged - Owner shall be compensated for the value of any improvements damaged, destroyed or rendered non-usable by operations of Operator including buildings, fences, roads, corrals, irrigation ditches, and related improvements. The value shall be the replacement cost for comparable improvements.

c. Method of Payment - All payments required hereunder shall be made by check of Operator and shall be due not more than thirty (30) days after the amount of any damages have been fixed hereunder.

5. Obligations of Operator

a. Conduct of Operations - All work performed by Operator 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. The operations of Operator shall be further subject to the following special requirements:



(1) At the conclusion of any operations conducted by Operator upon the Property, Operator shall undertake or shall have completed those reclamation and land restoration measures as may be required by state or federal law and regulations for those lands disturbed or conditions created by activities of Operator under this Agreement.

(2) Operator shall keep all gates closed and locked when not in use. If a locked gate does not exist at any access used by Operator to the Property, Operator shall erect a gate and place a lock on the gate. Where Owner has existing locks at gates to the Property, Operator may either place its own locks at the gate or Owner shall provide Operator with duplicate keys. Operator shall provide Owner with duplicate keys for all locks placed by Operator on gates on the Property.

(3) All activities of Operator on the Property shall be conducted so as not to interfere with Owner's water supply or livestock grazing operations.

(4) Operator shall permit no carrying of firearms, hunting or shooting on the Property.

(5) Operator shall restrict its work on the Property as much as practicable to existing roads and trails; shall clean up, bury, burn or carry off the trash and garbage resulting from work performed on the Property; and shall reclaim all disturbed areas after Operator's uses have been completed by ripping and reseeding where appropriate.

(6) If Operator intercepts water in any hole drilled on the Property, at such time as Operator elects to abandon the hole, and subject to such limitations as may be imposed upon Operator by governmental authorities, Owner shall be permitted to purchase the casing in such hole and register the same in Owner's name with the Arizona Department of Water Resources. Operator shall give Owner not less than thirty (30) days notice of its election to abandon a hole that has intercepted water together with the cost of the casing. Owner shall, prior to the expiration of such 30-day period provide notice to Operator of its election to purchase the casing which notice shall also include payment for the casing. Nothing herein shall be construed as guaranteeing that such hole would be usable as a source of water nor that Owner could obtain the requisite permits to continue the use of the hole.

b. Indemnity - Operator shall indemnify Owner against and hold Owner harmless from any suit, claim, judgment or demand whatsoever arising out of activities on the part of Operator on the Property, provided that Owner, or any one of them, or any

person or instrumentality acting on its behalf, shall not have been a contributing cause to the event giving rise to such suit, claim, demand or judgment, Operator's obligation hereunder shall not be in excess of Operator's liability under Arizona law.

## 6. Termination

a. Termination by Owner - If Operator defaults in the performance of its obligations hereunder, Owner shall give Operator written notice specifying the default. If the default is not cured within thirty (30) days after Operator has received the notice, or if Operator 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 Operator written notice of such termination, subject to Operator's right to remove its property and equipment from the Property, as hereinafter provided. Owner shall have no right to terminate this Agreement except as set forth in this subsection a of Section 6.

b. Termination by Operator - Operator shall have the right to terminate this Agreement in whole or in part at any time by written notice from Operator to Owner. From and after the date of termination, all right, title and interest of Operator under this Agreement shall terminate, and Operator shall not be required to make any further payments or to perform any further obligations hereunder concerning the Property (or the portion thereof for which the termination is effective if the Agreement is only partially terminated), except payment and obligations, the due dates for the payment or performance of which occur prior to the termination date, including the obligations related to damages to the surface and improvements thereon.

c. Removal of Property - Upon any termination or expiration of this Agreement, Operator shall have a period of one (1) year from and after the effective date of termination within which it must remove from the surface of the Property all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except for any well purchased by Owner as provided herein. Failure of Operator to so remove the same shall constitute an abandonment by Operator to Owner of the same; provided, however, that Operator may still be required to remove such property upon notice from Owner at any time during the one-year period and thirty (30) days thereafter.

## 7. 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.

8. Binding Effect

This Agreement shall run with the land and shall bind the heirs, personal representatives, beneficiaries, successors and assigns of the parties related to both the surface estate vested in Owner and the mineral estate claimed by Operator under the mining laws.

9. Approval; Effective Date

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

SIGNED, effective as of the date recited herein.

OWNER:

OPERATOR:

Jack Kelly  
Jack Kelly  
Soc. Sec. #: 526-38-9446

A. F. BUDGE (MINING) LIMITED

By Anthony F. Budge  
Anthony F. Budge, President

Lois Bingham Kelly  
Lois Bingham Kelly  
Soc. Sec. #: 526-61-0403

before me this 26<sup>th</sup>  
day of September 1990

[Signature]  
Notary Public

STATE OF ARIZONA )  
County of Pima ) ss.

The foregoing instrument was acknowledged before me this 26 day of September, 1990, by Jack Kelly and Lois Bingham Kelly, husband and wife.

My commission expires: My Commission Expires Sept. 30, 1991

Richard E. Nepper  
Notary Public

STATE OF ARIZONA )  
County of Maricopa ) ss.

The foregoing instrument was acknowledged before me this 26 day of October, 1990, by Anthony F. Budge, the President of A. F. Budge (Mining) Limited, a Nevada corporation, for on behalf of the corporation.

My commission expires: when set

[Signature]  
Notary Public

9009040455 . JCL2 . 890425

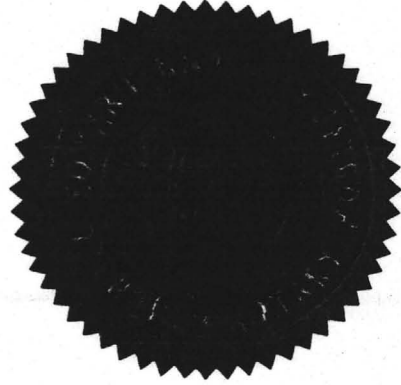


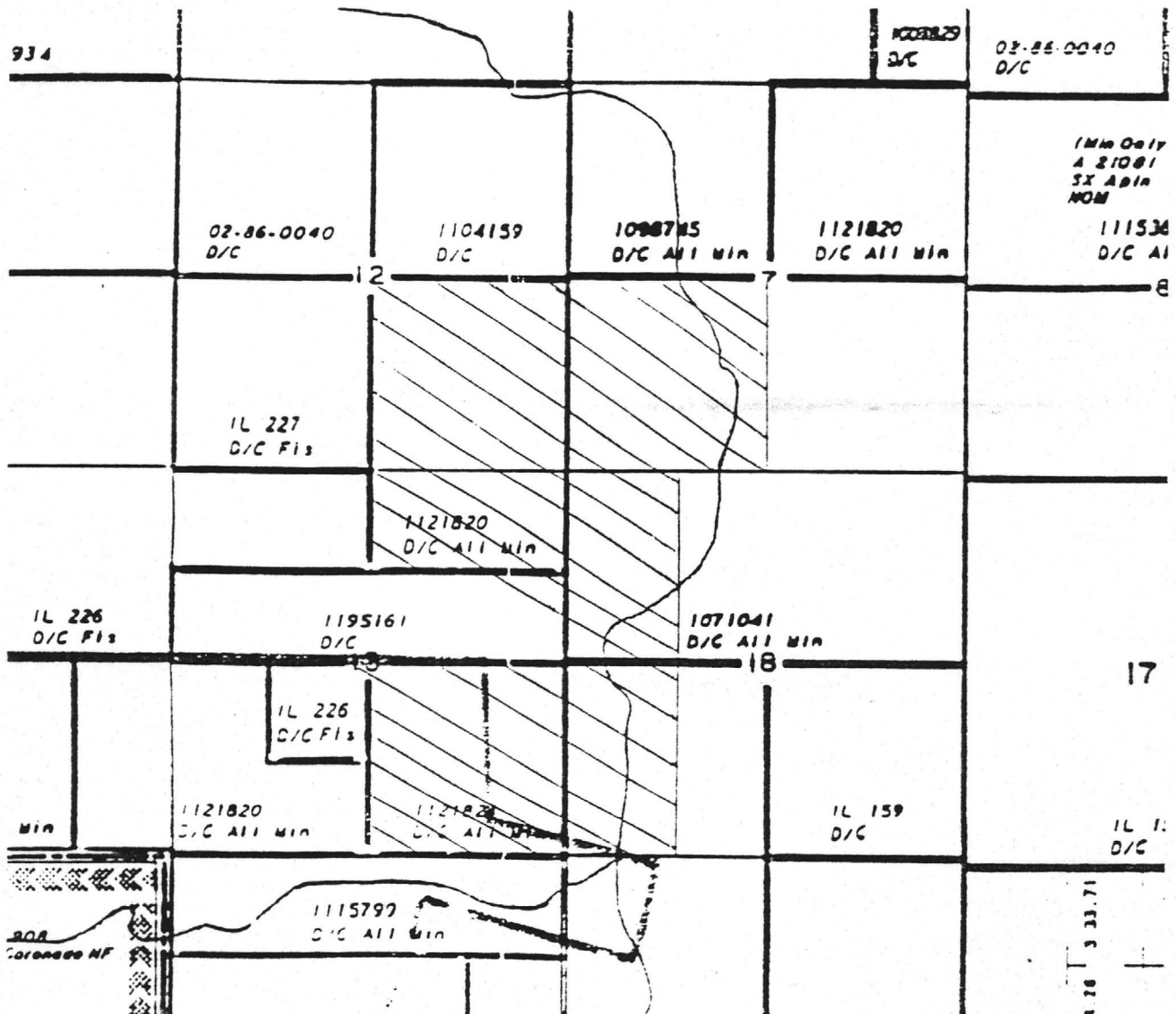
EXHIBIT A

I. The "Property" consists of 670 acres situated in Pima County, Arizona, more particularly described as follows:

The Southeast Quarter (160 acres) of Section 12; the North Half of the Northeast Quarter (80 acres) and the Southeast Quarter (160 acres) of Section 13, Township 12 South, Range 17 East, G&SR Mer.;

The North Half of the Southwest Quarter of Section 7 (except that portion lying East of the existing fence and that portion of the South Half of the Southwest Quarter lying West and North of Buehman Canyon) (147 acres); and the West Half of the West Half of Section 18 (except that portion lying East of the center line of Buehman Canyon) (123 acres), Township 12 South, Range 18 East, G&SR Mer.

II. The road currently used by Operator traversing portions of the Property, as determined by USGS Maps, and as shown below, is agreed to be 1.4 miles.



DeCONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DeCONCINI (1901-1986)

JOHN R. McDONALD  
RICHARD M. YETWIN  
DINO DeCONCINI  
WILLIAM B. HANSON  
DAVID C. ANSON  
SPENCER A. SMITH  
DENISE M. BAINTON  
KAREN J. NYGAARD  
SUSAN E. MILLER  
MARK D. LAMMERS  
WAYNE E. YEHLING  
PHILIP R. WOOTEN

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

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

November 26, 1990

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

PLEASE REPLY TO TUCSON

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

Re: **Korn Kob Project; Kelly Agreement**

Dear Carole:

Returned herewith is the Surface Damage Agreement between A. F. Budge and Mr. and Mrs. Jack Kelly. As we discussed, I do not want to record the original of this Agreement and suggest that the short form be used for this purpose. My understanding is that the short form I previously prepared has been sent to Tony for his signature.

Very truly yours,

  
John C. Lacy

bpm

Enclosure

9011211537.jcl2.890425



JCL  
09-04-90

**AGREEMENT**  
**(Title 43, United States Code, § 299)**

BY THIS AGREEMENT

effective as of the 26 day of September, 1990,

by and between JACK KELLY and LOIS BINGHAM KELLY, husband and wife, whose address is Redington HCR, Box 900, Benson, Arizona 85602 (the "Owner"),

and

A. F. BUDGE (MINING) LIMITED, a Nevada corporation, whose address is 4301 N. 75th Street, Suite 105, Scottsdale, Arizona 85251 (the "Operator"),

the Owner and Operator, for the considerations of mutual promises and obligations, have agreed as follows:

1. Purpose

Title to that certain real property described in Exhibit A attached hereto (the "Property" herein) is vested in Owner, subject to a reservation of minerals to the United States of America. Operator has acquired mineral exploration and mining rights to the Property under the laws of the United States or will be using portions of the Property for access to such operations on adjacent to nearby lands. It is the purpose of this Agreement (1) to secure the owner of the surface of the Property from any and all damages that may result from Operator's operation on and under the Property as required by Title 43, United States Code, Section 299, and (2) to establish a method of compensating Owner for damages to the surface estate of the Property.

2. Grant

Pursuant to the provisions of Title 43, United States Code, Section 299, Owner hereby consents to any and all use of the Property by Operator, its employees, agents and contractors, upon the Property under the terms and restrictions of this Agreement.

3. Term

This Agreement shall exist for so long as Operator, its successors and assigns, is vested with mineral exploration or mining rights to the Property or Operator is using a road through the Property for access to mineral exploration or mining operations on adjacent or nearby land.

4. Payments to Owner

a. Liquidated Damages - Operator shall pay Owner, as liquidated damages, the following:

(1) One Dollar (\$1.00) annually per acre for the cumulative acres within the Property covered by any mining claims of Operator (rounded up to the nearest whole acre) during Operator's conduct of "Mineral Exploration." Mineral Exploration shall include geological, geochemical, and geophysical surveys and other activities of a like kind, the drilling or digging of holes, the construction of roads, the sinking of shafts, and the removal of substantial amounts of mineral materials for testing.

(2) Twelve Hundred Dollars (\$1,200.00) annually per mile for roads that are either (i) described on Exhibit A, (ii) hereafter constructed on the Property by or for Operator or (iii) hereafter improved for Operator's use.

The amounts of damages specified in this subsection a of Section 4 shall be paid quarterly (i.e., on or before the 15th day of January, April, July, and October, for obligations accruing as of the first of the month) in advance and shall be based on the number of acres within the Property or miles of road in use on the first day of the quarter for which the payment is made together with payment for any other obligations hereunder that may have accrued during the preceding quarter.

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SIGNED, effective as of the date recited herein.

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OPERATOR:

A. F. BUDGE (MINING) LIMITED

Jack Kelly  
Jack Kelly  
Soc. Sec. #: 526-38-9446

By Anthony F. Budge  
Anthony F. Budge, President

Lois Bingham Kelly  
Lois Bingham Kelly  
Soc. Sec. #: 526-61-0403

before me this 26<sup>th</sup>  
day of September 1990

[Signature]  
Notary Public



STATE OF ARIZONA )  
County of Pima ) ss.

The foregoing instrument was acknowledged before me this 26 day of September, 1990, by Jack Kelly and Lois Bingham Kelly, husband and wife.

My commission expires: My Commission Expires Sept 30, 1991

[Signature]  
Notary Public

STATE OF ARIZONA )  
County of Maricopa ) ss.

The foregoing instrument was acknowledged before me this 26 day of October, 1990, by Anthony F. Budge, the President of A. F. Budge (Mining) Limited, a Nevada corporation, for on behalf of the corporation.

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[Signature]  
Notary Public

9009040455.JCL2.890425



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