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MINERAL LEASE

THIS MINERAL LEASE, entered into as of the 14th day of September, 1981, between VERDE EXPLORATION, LTD., a Delaware corporation (hereinafter sometimes called "Verde"), and JEROME-VERDE DEVELOPMENT CORPORATION, a New York corporation (hereinafter sometimes called "Jerome-Verde"), and PHELPS DODGE CORPORATION, a New York corporation (hereinafter called "Phelps Dodge");

W I T N E S S E T H:

WHEREAS, Verde owns those certain parcels of land, including the mineral rights, in the Verde (Jerome) Mining District, Yavapai County, Arizona, more particularly described as parcels I, II, III, IV and V in Exhibit A attached hereto; and

WHEREAS, Jerome-Verde owns that certain parcel of land, including the mineral rights, in the Verde (Jerome) Mining District, Yavapai County, Arizona, more particularly described as Parcel VI in Exhibit A attached hereto; and

WHEREAS, Verde owns the mine shaft known as the Audrey Shaft and also owns the surface surrounding such shaft to a depth of twenty-five (25) feet below the surface in the Verde (Jerome) Mining District, Yavapai County, Arizona, more particularly described as Parcel VII in Exhibit A attached hereto (the Audrey Shaft and the surrounding surface being hereinafter sometimes called the "Surface Area"); and

WHEREAS, Verde and Jerome-Verde (hereinafter collectively called "Lessor") desire to lease to Phelps Dodge, and Phelps Dodge desires to lease from Lessor that portion of the lands included in Parcels I through VI, inclusive, as described in Exhibit A attached hereto, ~~above a more or less horizontal plane passing~~ ^{omit} ~~through the floor of the United Verde Extension 1300 level work-~~ ^{omit} ~~ings~~ and enclosed within vertical lines extended downward as described in Exhibit A attached hereto and more or less as depicted on Exhibit A-1 attached hereto (said lands, the Surface Area and the workings being hereinafter collectively called the "Mining Properties");

NOW, THEREFORE, in consideration of the payment by Phelps Dodge to Lessor of Twenty Thousand Dollars (\$20,000), the receipt and sufficiency of which is hereby acknowledged by Lessor and in further consideration of the covenants hereinafter set forth, Lessor hereby leases, lets and demises to Phelps Dodge on and subject to the terms, covenants and conditions hereinafter set forth, the Mining Properties (excepting, however, the Engineering Building which Verde may continue to occupy, with the right of ingress and egress thereto), together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or anywise appertaining, and together with all right, title and interest therein which Verde and Jerome-Verde, or either of them, may hereafter acquire.

1. Term of Lease. This Lease shall begin on the date hereof and shall continue until terminated as provided in Section 10.

2. Titles

(a) Verde represents and warrants that:

(i) Except for the lands owned by Jerome-Verde, Verde has good and sufficient possessory title to the Mining Properties free of all liens, charges, encumbrances and rights of others, subject only to ad valorem real property taxes for the year 1981, a lien not yet due and payable; reservations in patents; and applicable leases, rights of way, easements, and surface rights of third parties set forth in Exhibit B attached hereto.

(ii) Verde has full power and authority to enter into this Lease and to deal with and lease the Mining Properties in accordance with the terms hereof without the leave or consent of any person.

(iii) There is not presently pending any suit, action, claim, dispute or other proceeding either at law or in equity, affecting the Mining Properties, and that to the best knowledge, information and belief of Verde's officers and directors there is none now contemplated by any person or corporation; and Verde has taken no action which would prejudice its right, title or interest in and to the Mining Properties.

(b) Jerome-Verde represents and warrants that:

(i) Except for the lands owned by Verde, Jerome-Verde has good and sufficient possessory title to the Mining Properties free of all liens, charges, encumbrances and rights of others, subject only to ad valorem real property taxes for the year 1981, a lien not yet due and payable; reservations in patents; and applicable leases, rights of way, easements, and surface rights of third parties set forth in Exhibit B attached hereto.

(ii) Jerome-Verde has full power and authority to enter into this Lease and to deal with and lease the Mining Properties in accordance with the terms hereof without the leave or consent of any person.

(iii) There is not presently pending any suit, action, claim, dispute or other proceeding, either at law or in equity, affecting the Mining Properties, and that to the best knowledge, information and belief of Jerome-Verde's officers and directors there is none now contemplated by any person or corporation; and Jerome-Verde has taken no action which would prejudice its right, title or interest in and to the Mining Properties.

(c) Promptly following the execution of this Lease, if Lessor has not already done so, Lessor will make available to Phelps Dodge for copying originals or photostatic copies of all claim records, leases, deeds and other documents in Lessor's possession or reasonably requested by Phelps Dodge evidencing Verde's and Jerome-Verde's title to the Mining Properties.

(d) If, in the opinion of counsel for Phelps Dodge, Lessor's title to any of the Mining Properties is defective or less than as represented herein, Phelps Dodge may deliver to Lessor written notice stating its objections to the title and if Lessor is unable or unwilling promptly to correct the defects in title, Phelps Dodge may attempt to perfect the title. In that event, Lessor shall execute all documents and take such other actions as are reasonably necessary to assist Phelps Dodge in its efforts to correct the defects in title. If title to any of the Mining Properties is contested or questioned by any person, corporation, or governmental agency (upon grounds other than grounds arising from Phelps Dodge's failure to perform its obligations herein set forth), Phelps Dodge, at its election, may defend or initiate litigation to protect the title of Verde or Jerome-Verde before any court or administrative body. All costs, including but not limited to reasonable attorneys' fees, court costs, cost of investigation or obtaining evidence and amounts paid in settlement or satisfaction of any such action incurred by Phelps Dodge shall be included in its expenditures for purposes of Section 6 hereof and shall be recoverable by Phelps Dodge from Lessor's share of Annual Net Cash Flow from the Mining Properties.

(e) Lessor will pay, discharge or otherwise indemnify and save Phelps Dodge harmless from and against any and all charges, commissions, and other sums which may be or become payable to any third party or parties in any way connected with or arising out of the acquisition by Verde or Jerome-Verde of the Mining

Properties or any part thereof or the making of this Lease, and Lessor shall further indemnify and save harmless Phelps Dodge from any and all claims of any third party or parties of whatever nature or kind with respect to or in any way arising out of work heretofore done by or on behalf of Verde and Jerome-Verde, or either of them, on the Mining Properties.

(f) If Lessor's title is less than 100% of the full undivided mineral title to the Mining Properties, Phelps Dodge shall have, in addition to such other rights and remedies it may have, the right to elect to accept such lesser title by giving notice of such election to Lessor, in which event all rent payments to Lessor shall be reduced to the same proportion thereof as the undivided title actually owned by Lessor bears to the undivided title warranted herein. Phelps Dodge shall not be obligated to pay Lessor any sum with respect to the production or sale of ores from the Mining Properties in which Lessor's mineral title has failed completely.

3. Maps, Reports and Data. Promptly following the execution of this Lease, Lessor will make available to Phelps Dodge for copying originals or photostatic copies of all maps, reports, drilling, geological and geophysical data and other data in Lessor's possession or available to Lessor relating to the Mining Properties. Phelps Dodge shall have no obligation to survey any of the Mining Properties or to check the accuracy of maps

or other information supplied by Lessor. Lessor makes no representations as to the accuracy of the contents of such information nor the correctness of any interpretive data.

4. Use of Mining Properties. Subject to the surface rights of parties in possession, Phelps Dodge shall have the exclusive right at any time and from time to time, to enter in and upon the Mining Properties and to explore, develop, and mine the Mining Properties by any exploration, development, or mining method, whether aerial, surface or underground or by any other manner or means whether or not now known, by and through its employees, agents and contractors, and Phelps Dodge may use the Mining Properties and all shafts and mine workings thereon or therein and all structures and facilities therein or thereon ~~(except the Engineering Building)~~ related to the use of such shafts or workings for the purpose of exploring, developing, and mining the Mining Properties. Phelps Dodge may process, dump and store materials and waste materials excavated from the Mining Properties in or on the Mining Properties to the extent that such processing, dumping and storing do not interfere with the mineral development or other use of the Mining Properties. Phelps Dodge may ship bulk samples for assaying and metallurgical testing and shall have sole and exclusive custody, possession, ownership and control of all ore, rock, drill core and other material extracted or removed from the Mining Properties for testing purposes and may sell or dispose thereof, except that drill core shall be subject to disposal only as provided in paragraph 10(e). Lessor will

make available for use by Phelps Dodge in connection with its operations under this Lease, at no additional cost to Phelps Dodge, surface areas of other lands owned by Verde in the vicinity, subject to existing rights of others and subject to Lessor's approval, which shall not unreasonably be withheld. Lessor shall not grant, extend or renew any surface use right in the Mining Properties without the written consent of Phelps Dodge unless such right may be terminated by Lessor upon not more than sixty (60) days notice. Phelps Dodge shall have the non-exclusive right to use the Josephine Tunnel. Lessor shall have the non-exclusive right to use the shafts and other mine workings on the Mining Properties, provided such use by Lessor does not interfere with Phelps Dodge's operations on the Mining Properties. Phelps Dodge shall have no obligation to open any shaft or tunnel for use by Lessor or to maintain for use by Lessor any previously opened shaft or tunnel.

5. Rent. Subject to termination of this Lease, Phelps Dodge will pay to Lessor annually in advance and not in arrears, as rent for the Mining Properties, the sum of Twenty Thousand Dollars (\$20,000) on or before the anniversary of the date of this Lease each year during the term of this Lease.

6. Minimum Expenditures.

(a) Subject to termination of this Lease as hereinafter provided and further subject to the provisions of Section 16 hereof and the provisions of paragraph (c) below, Phelps Dodge will expend on or for the benefit of the Mining Properties in

the exploration or development thereof not less than Two Hundred Fifty Thousand Dollars (\$250,000) each lease year prior to commencement of Commercial Production from the Mining Properties as defined in paragraph 10(b). Notwithstanding termination of this Lease by Phelps Dodge pursuant to Section 10(a), Phelps Dodge shall be firmly committed to expend not less than Two Hundred Fifty Thousand Dollars (\$250,000) during the first lease year or to make a payment in lieu thereof pursuant to paragraph (c) below. A lease year shall be the one year period beginning on the date of this Lease and each anniversary thereof. It is the intention of the parties that expenditures by Phelps Dodge shall be cumulative and that its expenditures during any lease year in excess of the minimum required expenditure for such year shall be applied to the expenditure requirement for the subsequent lease year or years.

(b) The expenditures applicable to the requirement specified in paragraph (a) above shall include, in general, all costs incurred by Phelps Dodge for curing or perfecting title to the Mining Properties, taxes paid pursuant to Section 9 hereof, and all direct costs incident to the exploration or development of the Mining Properties. Applicable expenditures shall also include the following indirect costs:

(i) a payroll burden amounting to thirty-five percent (35%) of gross payroll costs to allow for Workmen's Compensation and unemployment insurance, pensions, other statutory employee benefits and fringe benefits; and

(ii) overhead of the project amounting to ten percent (10%) of direct costs (excluding gross payroll costs) to allow for administration, purchasing, accounting, engineering, legal (of an administrative nature), and other services performed for the project and not directly allocated.

(c) If Phelps Dodge's expenditures on or for the benefit of the Mining Properties (calculated in accordance with paragraph (b) above) are less than the expenditures required to be made under paragraph (a) above, Phelps Dodge may elect to cure such default by paying to Lessor in cash one-half (1/2) of the difference between the amount required to be expended under paragraph (a) above and the amount actually expended. 3/4

7. Distributions.

(a) Phelps Dodge will establish and maintain for itself an account of costs and expenses incurred by Phelps Dodge from the date of this Lease to the date of commencement of Commercial Production from the Mining Properties ("Preproduction Costs"). Preproduction Costs shall include, without limitation, all costs and expenses incurred by Phelps Dodge (i) under Sections 2(d), 5, 6 and 9 hereof; (ii) capital expenditures for the development of the mine and for the installation, construction, expansion or replacement of mine equipment and facilities or mineral processing facilities; (iii) a pro-rata share of administrative costs and expenses; (iv) an allowance for reasonable

working capital and inventory; and (v) estimated costs of complying with applicable federal and state reclamation laws and regulations. Phelps Dodge shall also establish and maintain for itself an account of Phelps Dodge's net operating losses incurred each year after commencement of Commercial Production ("Net Operating Loss"). Net Operating Losses shall be carried forward from prior years. Neither Preproduction Costs nor Net Operating Losses shall include income taxes, depreciation or depletion. Phelps Dodge shall recoup its Preproduction Costs and Net Operating Losses from ~~ninety-three~~ ^{eighty-seven} and ~~75/100~~ ^{97.5} percent (93.75%) of the excess, if any, of the gross receipts from the sale of mineral products produced from the Mining Properties during the then current fiscal year over the amount of the current operating costs for such year ("Annual Net Cash Flow"). The remaining ~~six and 25/100~~ ^{thirteen} percent ~~(6.25%)~~ ^{13 1/2} of Annual Net Cash Flow shall be distributed to Lessor. If current operating costs exceed gross receipts during any fiscal year, the amount of such excess shall be advanced by Phelps Dodge and included in its Net Operating Loss account. When Phelps Dodge has a zero balance in its Preproduction Costs and Net Operating Loss accounts, Annual Net Cash Flow shall be distributed seventy-five percent (75%) to Phelps Dodge and twenty-five percent (25%) to Lessor.

(b) Lessor shall be entitled to receive the payments specified in subparagraphs (i) and (ii) below in addition to its share of Annual Net Cash Flow, all of which additional

payments shall be deducted from gross receipts in determining Annual Net Cash Flow.

Needs definition?
(i) After Fifty Thousand (50,000) ounces of refined gold have been produced from the Mining Properties, Lessor shall receive quarterly in cash or in kind, at Lessor's option, an amount equal to five percent (5%) of the Net Smelter Returns derived from the sale of gold ores, concentrates, or derivatives produced from the Mining Properties if paid in cash, or, if paid in kind, five percent (5%) of the gold ores, concentrates, or derivatives produced from the Mining Properties less a quantity having a value equivalent to any and all costs and expenses relating thereto incurred by Phelps Dodge subsequent to concentrating, including but not limited to taxes (other than income taxes). For purposes of payment in kind, the value of gold shall be determined by averaging the daily quotations for gold during the quarter for which gold is to be delivered to Lessor. Such value shall be based on the Handy and Harman, New York, N.Y. quotations for gold offered for sale as published in "Metals Week". If Handy and Harman quotations are not available for the whole quarter, Engelhard (New York, N.Y.) quotations shall be used. If neither Handy and Harman nor Englehard quotations are available, an authoritative quotation mutually agreeable to the parties shall be used. Gold shall be delivered to Lessor within thirteen (13) weeks after the end of each quarter, and Phelps Dodge shall give Lessor ten (10) days advance notice of the hour and date of delivery. The place of delivery shall be

at the receiving room of The Chase Manhattan Bank, New York, N.Y. The bullion shall be stamped with its weight in troy ounces and fractions thereof; shall bear the impression .9999 fine; and weight and fineness shall be warranted by Phelps Dodge or by a dealer in gold whose imprint implies negotiability in the market for gold. Lessor shall bear any additional cost or expense occasioned by or associated with its taking in kind. During any period in which Annual Net Cash Flow is being applied to the recoupment of Phelps Dodge's Preproduction Costs or Net Operating Losses, Lessor shall transfer and assign to Phelps Dodge, to the extent required, such right as Lessor may have to take or receive payment in kind and Phelps Dodge shall sell the mineral products produced from the Mining Properties and apply the proceeds as provided in paragraph (a) above.

(ii) After Fifty Million Dollars (\$50,000,000) has been received by the parties in Net Smelter Returns from the sale of metals or minerals other than gold mined from the Mining Properties Lessor shall receive quarterly an amount equal to the lesser of two percent (2%) of the Net Smelter Returns derived from, or ten percent (10%) of the Annual Net Cash Flow attributable to, the production and sale of such metals or minerals other than gold.

(c) The term "Net Smelter Returns" as used herein shall mean the net amount received by Phelps Dodge from the sale of such metals or minerals other than gold, after deductions for all of the following:

(i) Reasonable custom smelting costs, milling costs, treatment charges and penalties, including, but without being limited to, metal losses, penalties for impurities and charges for refining and transportation from smelter to mint or refinery and from mine or refinery to market; provided, however, in the case of leaching operations, all processing and recovery costs incurred by Phelps Dodge shall also be deducted.

(ii) Production, excise, severance, sales, use, privilege, and similar taxes (other than income taxes) measured by production or the value of production.

(d) In the event that Phelps Dodge performs milling, smelting, concentrating, leaching, or refining operations on ores produced from the Mining Properties, deductions for such operations shall be based on Phelps Dodge's costs as shown by customary accounting methods and procedures, but shall not exceed the usual and ordinary charges made by others performing similar operations on a custom basis.

(e) Net Smelter Returns shall be calculated for each calendar month in which Net Smelter Returns are realized and such payments as are due Lessor hereunder shall be made within thirty (30) days following the end of the calendar month in which the Net Smelter Returns are realized. Such payments shall be accompanied by a settlement sheet and a statement summarizing the computation of Net Smelter Returns and the credits to which Phelps Dodge is entitled.

(f) If Phelps Dodge sells to one of its subsidiaries or affiliates in a transaction other than at arms length or if Phelps Dodge mines or extracts metals, minerals, or materials, or by-products thereof, from the Mining Properties but has not sold the same within ninety (90) days following the day the same are mined or extracted, then on the 90th day following the day the same are mined or extracted, such metals, minerals, or materials, or by-products thereof, shall be deemed to have been sold and Net Smelter Returns with respect thereto shall mean the pounds (or ounces or other customary unit of weight) of metals, minerals, or materials, or by-products thereof, contained in such ores or mine waters, leachates, precipitates or other derivatives containing metals or minerals, multiplied by the "Market Price". For purposes hereof, "Market Price" shall be the average domestic spot market price or quotation per pound (or ounce or other customary unit of weight) for metals, minerals, or materials, or by-products thereof, of equivalent type and metal or mineral content for immediate delivery for the calendar month immediately preceding the month of deemed sale as reported in "Metals Week".

8. Liens and Indemnity.

(a) During the term of this Lease, neither Phelps Dodge nor Lessor will by any action or inaction cause any lien, charge or other encumbrance to be placed upon or against any of the Mining Properties, other than liens for taxes not yet due and delinquent or being contested as provided in Section

9 hereof, except that if Phelps Dodge, in good faith, shall dispute the validity or amount of any claim or liability asserted against it for work performed on the Mining Properties during the term of this Lease, it shall not be required to pay the same until the amount and validity thereof have been finally determined.

(b) Phelps Dodge will indemnify and save Lessor harmless as to any liability for or on account of injury to or death of any person or damage to any property of persons not a party hereto which are sustained during the period this Lease remains in effect and which results from any act or omission of Phelps Dodge, its agents or employees.

(c) Lessor will indemnify and save Phelps Dodge harmless as to any liability for or on account of injury to or death of any person or damage to any property (including damage to property constructed, installed or placed by Phelps Dodge on or in the Mining Properties) which results from any act or omission of Lessor, its agents or employees.

9. Taxes.

(a) As additional consideration for this Lease Phelps Dodge will pay when due and before delinquent the ad valorem real property taxes imposed during the term of this Lease upon all of the patented real property, including the Mining Properties, owned or controlled by Lessor in the Jerome district (which taxes Lessor represents are approximately \$6,000 per year); provided, that such taxes assessed for tax years prior to January 1, 1981,

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shall be paid by Lessor and unpaid taxes assessed for the tax years in which this Lease begins and ends shall be apportioned among the parties hereto as of the date of such beginning and ending; provided further, however, that if Verde and Jerome-Verde, or either of them, enters into an agreement with another for the exploration, development or mining of part or all of its patented real properties in the Jerome district (other than the Mining Properties) Phelps Dodge shall be obliged to pay not more than one-half (1/2) of such taxes assessed on Lessor's properties other than the Mining Properties and Phelps Dodge may discharge such obligation by tendering to Lessor the amount of the taxes assessed on such other properties and payable by Phelps Dodge. Phelps Dodge will also pay all unsecured personal property taxes imposed during the term of this Lease on improvements, machinery, equipment, tools and supplies constructed, installed or placed by Phelps Dodge on the Mining Properties.

(b) Lessor will deliver to Phelps Dodge all tax notices received pertaining to taxes payable by Phelps Dodge. Lessor or Phelps Dodge, as the case may be, may contest in good faith the amount and validity of any such taxes, and in such event shall not be obligated to pay the same until the amount and validity thereof have been finally determined unless otherwise required by law, but in no event shall Phelps Dodge jeopardize titles to the Mining Properties by failure to pay taxes assessed thereon.

10. Termination.

(a) Phelps Dodge shall have the right to terminate this Lease at any time by giving Lessor written notice of such termination; provided that neither party hereto shall thereby be relieved of any of its obligations or liabilities which accrued prior to the date of such termination; it being understood, however, that Phelps Dodge shall not be liable for the payment under Section 5 of any rent becoming due and payable after such termination, or for the failure to make any expenditure or to perform any work under Section 6 hereof during the lease year in which this lease is terminated or thereafter, except that Phelps Dodge shall make the expenditure required by paragraph 6(a) for the first lease year or make a payment in lieu thereof as permitted by paragraph 6(c).

(b) Subject to the provisions of Section 16 hereof, if the Mining Properties are not in Commercial Production on or before five (5) years from the date of this Lease, Phelps Dodge shall be deemed to be in default. "Commercial Production" shall mean the production of not less than 1,500 tons of ore per month or the equivalent thereof on an annual basis.

(c) In the event of any default by Phelps Dodge in the performance of its obligations hereunder, Lessor may give to Phelps Dodge written notice specifying the default. If Phelps Dodge does not, within thirty (30) days after Phelps Dodge has received the notice (i) cure the default; or (ii) begin action to cure the default and thereafter diligently prosecute such action

to completion; or (iii) institute proceedings for a declaratory judgment or other appropriate judicial determination of the alleged default and thereafter diligently prosecute such proceeding to completion and cure or commence to cure, within thirty (30) days after such proceedings are completed, any default determined thereby to exist, Lessor may terminate this Lease by delivering to Phelps Dodge written notice of such termination, subject to Phelps Dodge's right to remove its property and equipment from the Mining Properties as hereinafter provided. Lessor shall have no right to terminate this Lease except as set forth in this subparagraph (c) of Section 10.

(d) Upon termination of this Lease, Phelps Dodge shall surrender to Lessor the possession of the Mining Properties in good order and shall secure all shaft and tunnel openings in the manner required by law for abandoned workings. Phelps Dodge shall also execute and deliver to Lessor such instruments as may be reasonably necessary to evidence the relinquishment by Phelps Dodge of all its interest in the Mining Properties.

(e) Within ninety (90) days after termination of this Lease, Phelps Dodge shall deliver to Lessor all documents, maps and data which may have been delivered to it by Lessor, and basic factual data (but not interpretations) relating to the Mining Properties developed by Phelps Dodge and not previously furnished to Lessor. Phelps Dodge shall also make available for pick up by Lessor within ninety (90) days after the effective date of such termination, all drill core developed by Phelps Dodge on

the Mining Properties, except those portions consumed in assaying, metalurgical testing or specific geologic studies.

(f) Lessor shall have the right for a period of thirty (30) days after termination of this Lease to purchase from Phelps Dodge any improvements and fixtures, except improvements or fixtures replaced during the term of the Lease in the ordinary course of operations, placed upon the surface of the Mining Properties and owned by Phelps Dodge for a price equal to seventy-five percent (75%) of installed cost. If Lessor does not elect to purchase any such improvements or fixtures, Phelps Dodge shall have the right, within ninety (90) days following expiration of said thirty (30) day period, to remove, if it so elects, and the right of ingress and egress for such purpose, any and all pipe and pipelines, improvements, structures, machinery, equipment, tools and supplies constructed, installed or placed by Phelps Dodge upon the surface of the Mining Properties. Any such property not removed by Phelps Dodge within said period shall be deemed abandoned and shall become the property of Lessor. Lessor shall also have the right for a period of thirty (30) days after termination of this Lease to purchase from Phelps Dodge any improvements and fixtures, including but not limited to, trackage, pipe or pipelines, ventilation systems, power lines and electrical systems, but excluding improvements or fixtures replaced during the term of this Lease in the ordinary course of operations, placed underground in the Mining Properties, at a price equal to seventy-five percent (75%) of installed cost. If Lessor does not elect to

purchase any such improvements or fixtures, Phelps Dodge shall have the right, within ninety (90) days following expiration of said thirty (30) day period, to remove, if it so elects, and the right of ingress and egress for such purpose, any and all trackage, pipe and pipelines, ventilation systems, power lines and electrical systems, machinery, equipment, tools and supplies constructed, installed or placed by Phelps Dodge underground on the Mining Properties. Any such property not removed by Phelps Dodge within said period shall be deemed abandoned and shall become the property of Lessor. Phelps Dodge shall not remove any timbering or other underground supports.

11. Work to be Performed in Workmanlike Manner. So long as this Lease remains in effect, Phelps Dodge shall perform all work relating to the Mining Properties, or cause the same to be performed, in a good and workmanlike and minerlike manner and in compliance with all applicable laws and regulations, and safeguard and maintain the Mining Properties in compliance with all applicable laws and regulations; provided, however, Phelps Dodge shall not be in default under this Lease for any violation of health and safety, environmental, reclamation or other laws or regulations if Phelps Dodge cures any such violation to the satisfaction of the appropriate governmental agency and pays any penalty assessed therefor.

12. Inspection of Mining Properties; Reports; Books.

(a) Lessor may have access to and the right to inspect the Mining Properties at all reasonable times and at

Lessor's risk and expense; provided that Lessor shall not unreasonably interfere with the operations of Phelps Dodge, and Lessor shall indemnify and hold Phelps Dodge harmless from any loss or injury to Lessor arising from such inspection.

(b) Phelps Dodge will furnish to Lessor on a monthly basis copies of factual data such as assay records, drill logs, geophysical readings, and assays developed by Phelps Dodge on the Mining Properties. Phelps Dodge shall allow Lessor^{agent} to examine drill cores taken from the Mining Properties. Lessor also shall have the right to examine such other factual data as Phelps Dodge may develop, and Lessor's and Phelps Dodge's representatives shall consult with one another, as reasonably requested by Lessor, regarding the nature of the work done or to be done, results derived or anticipated therefrom, and such other matters relative to the Mining Properties and operations thereof as may be of mutual interest to Phelps Dodge and Lessor.

(c) Phelps Dodge will keep true and correct books, accounts and records of its operations hereunder and will permit Lessor at all reasonable times to inspect, examine, audit, and copy the same at Lessor's expense. Phelps Dodge will furnish to Lessor on or before the 25th day of each calendar month, a statement showing minerals produced from the Mining Properties, the proceeds thereof when sold by Phelps Dodge, and the costs and expenses relating to the preceeding calendar month.

13. Publicity. Phelps Dodge and Lessor will keep in strictest confidence all information they may receive as a result

of or in connection with the work carried out under this Lease. Neither party will, during the term of this Lease, make any disclosure to any person not a party hereto or give out any publicity or written material relating to the work carried out under this Lease or the terms of this Lease without giving the other, in writing, the contents of such disclosure at least three (3) days prior to making such disclosure. If either party is required by law to make any disclosure to a governmental agency, that party shall notify the other party at least three (3) days prior to making such disclosure.

14. Further Assurances. Lessor and Phelps Dodge at any time upon request of the other, shall execute and acknowledge in form required by law for recording in the State of Arizona and shall deliver to the other such notices, deeds, or other instruments incorporating, referring to or carrying out the provisions of this Lease as either may reasonably deem necessary in order to preserve and protect its interests under this Lease or to effectuate the provisions thereof.

15. Notices.

(a) All notices under this Lease shall be deemed to have been given upon deposit thereof in the United States mail, registered or certified mail, return receipt requested, postage prepaid, enclosed in a sealed envelope addressed:

(i) if to Lessor to:

✓ Verde Exploration Ltd. and Jerome-
Verde Development Corporation
Room 4201, 40 Wall Street
New York, New York 10005

with copies to:

J. R. Menke
44 Ogden Road
Scarsdale, New York 10583

and

Paul A. Handverger
13 Old Jerome Highway
Clarksdale, Arizona 86324

or to such other address as Lessor shall have designated by written notice to Phelps Dodge;

(ii) if to Phelps Dodge, to:

S. C. Holmes
Vice President and General Manager
Small Mines Division
Phelps Dodge Corporation
P. O. Box 151
Safford, Arizona 85546

with copies to:

Robert L. Swain
Vice President-Exploration
Phelps Dodge Corporation
300 Park Avenue
New York, New York 10022

and

Manager
Western Exploration Operations
Phelps Dodge Corporation
Drawer 1217
Douglas, Arizona 85607

or to such other address as Phelps Dodge shall have designated by written notice to Lessor; provided, however, that any notice of change of address, or any notice of default pursuant to Section 10 shall not be deemed given until actually received by the party entitled to receive such notice.

(b) Any payment made pursuant to this Lease may be made at Phelps Dodge's option in the form of currency or by check or draft made payable to Verde subject to honor upon presentation.

(c) Jerome-Verde hereby appoints Verde as agent to receive from Phelps Dodge any payment due hereunder and to receive the delivery or redelivery of any instruments, reports, data or other documents of any kind required under this Lease, and the obligation to make such payment or delivery shall be deemed fully discharged by making such payment or delivery or tendering the same to Verde.

16. Force Majeure. Except for the obligations of Phelps Dodge to pay rent and taxes, the obligations of Phelps Dodge hereunder (including without limitation the making of expenditures under Section 6) shall be suspended and neither Phelps Dodge nor Lessor shall be in default during the continuance of any event of force majeure. The term "force majeure" as used herein means acts of God; strikes; lockouts or other industrial disturbances; acts of public enemy, blockades, wars, insurrections or riots; epidemics; landslides, earthquakes, fires, storms, floods or wash-outs; arrests, title disputes or other litigation causing interruption of activities; governmental restraints or inability to obtain governmental approvals or permits, either federal or state, civil or military; civil disturbances; explosions; inability to obtain materials, supplies or labor; decline in the London Metal Exchange (LME) market price of gold to seventy-five percent (⁹⁵~~75~~%) or less

of the LME market price of gold at the date of this Lease; or any other similar or dissimilar cause beyond the reasonable control of Phelps Dodge or Lessor; provided, however, nothing herein shall require Phelps Dodge or Lessor to settle any labor dispute nor require Phelps Dodge or Lessor to test or refrain from testing any law, regulation, judgment or order. Each party shall give the other prompt written notice of the existence of an event of force majeure with reasonably full particulars.

17. No Implied Covenants. It is expressly understood and agreed that no implied covenant or condition whatsoever shall be read into this Lease relating to exploration, development, mining, marketing or to any obligation of the parties hereunder, or to the time therefore or the measure of diligence thereof.

18. Relationship of the Parties. The relationship of Lessor and Phelps Dodge is that of landlord and tenant, and it is not the purpose or intention of this Lease to create, and it shall not be construed as creating, a joint venture, mining partnership, commercial partnership or other partnership relation.

19. Binding Effect of Agreement. This Lease shall be binding upon and shall inure to the benefit of the parties hereto, their successors and assigns.

20. Entire Agreement. This Lease embodies the entire agreement and understanding between the parties hereto, and supercedes all prior agreements and understandings relating to the subject matter hereof.

STATE OF NEW YORK)
) ss.
County of New York)

The foregoing instrument was acknowledged before me
this 10 day of Sept., 1981, by JOHN^R MENKE, President of
VERDE EXPLORATION, LTD., a Delaware corporation, for and on behalf
of the corporation.




Notary Public

My Commission Expires:

FRANK MCELROY
Notary Public, State of New York
No. 7824015
Qualified in Westchester County
Term Expires March 30, 1982

STATE OF NEW YORK)
) ss.
County of New York)

The foregoing instrument was acknowledged before me
this 10 day of SEPT., 1981, by JOHN R. MENKE,
PRESIDENT of JEROME-VERDE DEVELOPMENT CORPORATION,
a New York corporation, for and on behalf of the corporation.



Notary Public

My Commission Expires:

FRANK MCELROY
Notary Public, State of New York
No. 7824015
Qualified in Westchester County
Term Expires March 30, 1982

21. Governing Law. Any claim or controversy arising out of or related to this Lease, or the breach hereof, shall be construed in accordance with the internal laws and not the law of conflicts of the State of Arizona.

22. Headings for Convenience Only. The headings used are for convenience only and shall be disregarded in construing this Lease.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the day, month and year first above written.

ATTEST:

Donald C. Jenkins
Its Secretary

VERDE EXPLORATION, LTD.

By John R. Menke
Its President

ATTEST:

Donald C. Jenkins
Its Secretary

JEROME-VERDE DEVELOPMENT
CORPORATION

By John R. Menke

ATTEST:

Chitah. Sandouze
Its Secretary

PHELPS DODGE CORPORATION

By W. H. H. H.
Its Vice President

STATE OF NEW YORK)
) ss.
County of New York)

The foregoing instrument was acknowledged before me
this 14th day of Sept., 1981, by Robert L. Lussier,
Vice President of PHELPS DODGE CORPORATION, a New York cor-
poration, for and on behalf of the corporation.

Josephine Cincotta
Notary Public

My Commission Expires:

JOSEPHINE CINCOTTA
Notary Public, State of New York
No. 41-4511243
Qualified in Queens County
Cert. Filed in New York County
Commission Expires March 30, 1983

MINERAL LEASE

THIS MINERAL LEASE, entered into as of the 14th day of September, 1981, between VERDE EXPLORATION, LTD., a Delaware corporation (hereinafter sometimes called "Verde"), and JEROME-VERDE DEVELOPMENT CORPORATION, a New York corporation (hereinafter sometimes called "Jerome-Verde"), and PHELPS DODGE CORPORATION, a New York corporation (hereinafter called "Phelps Dodge");

W I T N E S S E T H:

WHEREAS, Verde owns those certain parcels of land, including the mineral rights, in the Verde (Jerome) Mining District, Yavapai County, Arizona, more particularly described as parcels I, II, III, IV and V in Exhibit A attached hereto; and

WHEREAS, Jerome-Verde owns that certain parcel of land, including the mineral rights, in the Verde (Jerome) Mining District, Yavapai County, Arizona, more particularly described as Parcel VI in Exhibit A attached hereto; and

WHEREAS, Verde owns the mine shaft known as the Audrey Shaft and also owns the surface surrounding such shaft to a depth of twenty-five (25) feet below the surface in the Verde (Jerome) Mining District, Yavapai County, Arizona, more particularly described as Parcel VII in Exhibit A attached hereto (the Audrey Shaft and the surrounding surface being hereinafter sometimes called the "Surface Area"); and

1 copy
A

WHEREAS, Verde and Jerome-Verde (hereinafter collectively called "Lessor") desire to lease to Phelps Dodge, and Phelps Dodge desires to lease from Lessor that portion of the lands included in Parcels I through VI, inclusive, as described in Exhibit A attached hereto, ~~above a more or less horizontal plane passing~~ *omit* ~~through the floor of the United Verde Extension 1300 level work-~~ *omit* ~~ings~~ and enclosed within vertical lines extended downward as described in Exhibit A attached hereto and more or less as depicted on Exhibit A-1 attached hereto (said lands, the Surface Area and the workings being hereinafter collectively called the "Mining Properties");

NOW, THEREFORE, in consideration of the payment by Phelps Dodge to Lessor of Twenty Thousand Dollars (\$20,000), the receipt and sufficiency of which is hereby acknowledged by Lessor and in further consideration of the covenants hereinafter set forth, Lessor hereby leases, lets and demises to Phelps Dodge on and subject to the terms, covenants and conditions hereinafter set forth, the Mining Properties (excepting, however, the Engineering Building which Verde may continue to occupy, with the right of ingress and egress thereto), together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or anywise appertaining, and together with all right, title and interest therein which Verde and Jerome-Verde, or either of them, may hereafter acquire.

1. Term of Lease. This Lease shall begin on the date hereof and shall continue until terminated as provided in Section 10.

2. Titles

(a) Verde represents and warrants that:

(i) Except for the lands owned by Jerome-Verde, Verde has good and sufficient possessory title to the Mining Properties free of all liens, charges, encumbrances and rights of others, subject only to ad valorem real property taxes for the year 1981, a lien not yet due and payable; reservations in patents; and applicable leases, rights of way, easements, and surface rights of third parties set forth in Exhibit B attached hereto.

(ii) Verde has full power and authority to enter into this Lease and to deal with and lease the Mining Properties in accordance with the terms hereof without the leave or consent of any person.

(iii) There is not presently pending any suit, action, claim, dispute or other proceeding either at law or in equity, affecting the Mining Properties, and that to the best knowledge, information and belief of Verde's officers and directors there is none now contemplated by any person or corporation; and Verde has taken no action which would prejudice its right, title or interest in and to the Mining Properties.

(b) Jerome-Verde represents and warrants that:

(i) Except for the lands owned by Verde, Jerome-Verde has good and sufficient possessory title to the Mining Properties free of all liens, charges, encumbrances and rights of others, subject only to ad valorem real property taxes for the year 1981, a lien not yet due and payable; reservations in patents; and applicable leases, rights of way, easements, and surface rights of third parties set forth in Exhibit B attached hereto.

(ii) Jerome-Verde has full power and authority to enter into this Lease and to deal with and lease the Mining Properties in accordance with the terms hereof without the leave or consent of any person.

(iii) There is not presently pending any suit, action, claim, dispute or other proceeding, either at law or in equity, affecting the Mining Properties, and that to the best knowledge, information and belief of Jerome-Verde's officers and directors there is none now contemplated by any person or corporation; and Jerome-Verde has taken no action which would prejudice its right, title or interest in and to the Mining Properties.

(c) Promptly following the execution of this Lease, if Lessor has not already done so, Lessor will make available to Phelps Dodge for copying originals or photostatic copies of all claim records, leases, deeds and other documents in Lessor's possession or reasonably requested by Phelps Dodge evidencing Verde's and Jerome-Verde's title to the Mining Properties.

(d) If, in the opinion of counsel for Phelps Dodge, Lessor's title to any of the Mining Properties is defective or less than as represented herein, Phelps Dodge may deliver to Lessor written notice stating its objections to the title and if Lessor is unable or unwilling promptly to correct the defects in title, Phelps Dodge may attempt to perfect the title. In that event, Lessor shall execute all documents and take such other actions as are reasonably necessary to assist Phelps Dodge in its efforts to correct the defects in title. If title to any of the Mining Properties is contested or questioned by any person, corporation, or governmental agency (upon grounds other than grounds arising from Phelps Dodge's failure to perform its obligations herein set forth), Phelps Dodge, at its election, may defend or initiate litigation to protect the title of Verde or Jerome-Verde before any court or administrative body. All costs, including but not limited to reasonable attorneys' fees, court costs, cost of investigation or obtaining evidence and amounts paid in settlement or satisfaction of any such action incurred by Phelps Dodge shall be included in its expenditures for purposes of Section 6 hereof and shall be recoverable by Phelps Dodge from Lessor's share of Annual Net Cash Flow from the Mining Properties.

(e) Lessor will pay, discharge or otherwise indemnify and save Phelps Dodge harmless from and against any and all charges, commissions, and other sums which may be or become payable to any third party or parties in any way connected with or arising out of the acquisition by Verde or Jerome-Verde of the Mining

Properties or any part thereof or the making of this Lease, and Lessor shall further indemnify and save harmless Phelps Dodge from any and all claims of any third party or parties of whatever nature or kind with respect to or in any way arising out of work heretofore done by or on behalf of Verde and Jerome-Verde, or either of them, on the Mining Properties.

(f) If Lessor's title is less than 100% of the full undivided mineral title to the Mining Properties, Phelps Dodge shall have, in addition to such other rights and remedies it may have, the right to elect to accept such lesser title by giving notice of such election to Lessor, in which event all rent payments to Lessor shall be reduced to the same proportion thereof as the undivided title actually owned by Lessor bears to the undivided title warranted herein. Phelps Dodge shall not be obligated to pay Lessor any sum with respect to the production or sale of ores from the Mining Properties in which Lessor's mineral title has failed completely.

Yes!
3. Maps, Reports and Data. Promptly following the execution of this Lease, Lessor will make available to Phelps Dodge for copying originals or photostatic copies of all maps, reports, drilling, geological and geophysical data and other data in Lessor's possession or available to Lessor relating to the Mining Properties. Phelps Dodge shall have no obligation to survey any of the Mining Properties or to check the accuracy of maps

or other information supplied by Lessor. Lessor makes no representations as to the accuracy of the contents of such information nor the correctness of any interpretive data.

4. Use of Mining Properties. Subject to the surface rights of parties in possession, Phelps Dodge shall have the exclusive right at any time and from time to time, to enter in and upon the Mining Properties and to explore, develop, and mine the Mining Properties by any exploration, development, or mining method, whether aerial, surface or underground or by any other manner or means whether or not now known, by and through its employees, agents and contractors, and Phelps Dodge may use the Mining Properties and all shafts and mine workings thereon or therein and all structures and facilities therein or thereon ^{including} ~~except~~ the Engineering Building) related to the use of such shafts or workings for the purpose of exploring, developing, and mining the Mining Properties. Phelps Dodge may process, dump and store materials and waste materials excavated from the Mining Properties in or on the Mining Properties to the extent that such processing, dumping and storing do not interfere with the mineral development or other use of the Mining Properties. Phelps Dodge may ship bulk samples for assaying and metallurgical testing and shall have sole and exclusive custody, possession, ownership and control of all ore, rock, drill core and other material extracted or removed from the Mining Properties for testing purposes and may sell or dispose thereof, except that drill core shall be subject to disposal only as provided in paragraph 10(e). Lessor will

make available for use by Phelps Dodge in connection with its operations under this Lease, at no additional cost to Phelps Dodge, surface areas of other lands owned by Verde in the vicinity, subject to existing rights of others and subject to Lessor's approval, which shall not unreasonably be withheld. Lessor shall not grant, extend or renew any surface use right in the Mining Properties without the written consent of Phelps Dodge unless such right may be terminated by Lessor upon not more than sixty (60) days notice. Phelps Dodge shall have the non-exclusive right to use the Josephine Tunnel. Lessor shall have the non-exclusive right to use the shafts and other mine workings on the Mining Properties, provided such use by Lessor does not interfere with Phelps Dodge's operations on the Mining Properties. Phelps Dodge shall have no obligation to open any shaft or tunnel for use by Lessor or to maintain for use by Lessor any previously opened shaft or tunnel.

5. Rent. Subject to termination of this Lease, Phelps Dodge will pay to Lessor annually in advance and not in arrears, as rent for the Mining Properties, the sum of Twenty Thousand Dollars (\$20,000) on or before the anniversary of the date of this Lease each year during the term of this Lease.

6. Minimum Expenditures.

(a) Subject to termination of this Lease as hereinafter provided and further subject to the provisions of Section 16 hereof and the provisions of paragraph (c) below, Phelps Dodge will expend on or for the benefit of the Mining Properties in

the exploration or development thereof not less than Two Hundred Fifty Thousand Dollars (\$250,000) each lease year prior to commencement of Commercial Production from the Mining Properties as defined in paragraph 10(b). Notwithstanding termination of this Lease by Phelps Dodge pursuant to Section 10(a), Phelps Dodge shall be firmly committed to expend not less than Two Hundred Fifty Thousand Dollars (\$250,000) during the first lease year or to make a payment in lieu thereof pursuant to paragraph (c) below. A lease year shall be the one year period beginning on the date of this Lease and each anniversary thereof. It is the intention of the parties that expenditures by Phelps Dodge shall be cumulative and that its expenditures during any lease year in excess of the minimum required expenditure for such year shall be applied to the expenditure requirement for the subsequent lease year or years.

(b) The expenditures applicable to the requirement specified in paragraph (a) above shall include, in general, all costs incurred by Phelps Dodge for curing or perfecting title to the Mining Properties, taxes paid pursuant to Section 9 hereof, and all direct costs incident to the exploration or development of the Mining Properties. Applicable expenditures shall also include the following indirect costs:

(i) a payroll burden amounting to thirty-five percent (35%) of gross payroll costs to allow for Workmen's Compensation and unemployment insurance, pensions, other statutory employee benefits and fringe benefits; and

(ii) overhead of the project amounting to ten percent (10%) of direct costs (excluding gross payroll costs) to allow for administration, purchasing, accounting, engineering, legal (of an administrative nature), and other services performed for the project and not directly allocated.

(c) If Phelps Dodge's expenditures on or for the benefit of the Mining Properties (calculated in accordance with paragraph (b) above) are less than the expenditures required to be made under paragraph (a) above, Phelps Dodge may elect to cure such default by paying to Lessor in cash one-half (1/2) of the difference between the amount required to be expended under paragraph (a) above and the amount actually expended. OK

7. Distributions.

(a) Phelps Dodge will establish and maintain for itself an account of costs and expenses incurred by Phelps Dodge from the date of this Lease to the date of commencement of Commercial Production from the Mining Properties ("Preproduction Costs"). Preproduction Costs shall include, without limitation, all costs and expenses incurred by Phelps Dodge (i) under Sections 2(d), 5, 6 and 9 hereof; (ii) capital expenditures for the development of the mine and for the installation, construction, expansion or replacement of mine equipment and facilities or mineral processing facilities; (iii) a pro-rata share of administrative costs and expenses; (iv) an allowance for reasonable

working capital and inventory; and (v) estimated costs of complying with applicable federal and state reclamation laws and regulations. Phelps Dodge shall also establish and maintain for itself an account of Phelps Dodge's net operating losses incurred each year after commencement of Commercial Production ("Net Operating Loss"). Net Operating Losses shall be carried forward from prior years. Neither Preproduction Costs nor Net Operating Losses shall include income taxes, depreciation or depletion. Phelps Dodge shall recoup its Preproduction Costs and Net Operating Losses from ^{85%} ninety-three and ~~75/100~~ percent (93.75%) of the excess, if any, of the gross receipts from the sale of mineral products produced from the Mining Properties during the then current fiscal year over the amount of the current operating costs for such year ("Annual Net Cash Flow"). The remaining ~~six~~ ^{15%} and ~~25/100~~ percent (~~6.25%~~) of Annual Net Cash Flow shall be distributed to Lessor. If current operating costs exceed gross receipts during any fiscal year, the amount of such excess shall be advanced by Phelps Dodge and included in its Net Operating Loss account. When Phelps Dodge has a zero balance in its Preproduction Costs and Net Operating Loss accounts, Annual Net Cash Flow shall be distributed seventy-five percent (75%) to Phelps Dodge and twenty-five percent (25%) to Lessor.

Omit
(b) Lessor shall be entitled to receive the payments specified in subparagraphs (i) and (ii) below in addition to its share of Annual Net Cash Flow, all of which additional

payments shall be deducted from gross receipts in determining Annual Net Cash Flow.

Needs definition 7
7 (i) After Fifty Thousand (50,000) ounces of refined gold have been produced from the Mining Properties, Lessor shall receive quarterly in cash or in kind, at Lessor's option, an amount equal to five percent (5%) of the Net Smelter Returns derived from the sale of gold ores, concentrates, or derivatives produced from the Mining Properties if paid in cash, or, if paid in kind, five percent (5%) of the gold ores, concentrates, or derivatives produced from the Mining Properties less a quantity having a value equivalent to any and all costs and expenses relating thereto incurred by Phelps Dodge subsequent to concentrating, including but not limited to taxes (other than income taxes). For purposes of payment in kind, the value of gold shall be determined by averaging the daily quotations for gold during the quarter for which gold is to be delivered to Lessor. Such value shall be based on the Handy and Harman, New York, N.Y. quotations for gold offered for sale as published in "Metals Week". If Handy and Harman quotations are not available for the whole quarter, Engelhard (New York, N.Y.) quotations shall be used. If neither Handy and Harman nor Englehard quotations are available, an authoritative quotation mutually agreeable to the parties shall be used. Gold shall be delivered to Lessor within thirteen (13) weeks after the end of each quarter, and Phelps Dodge shall give Lessor ten (10) days advance notice of the hour and date of delivery. The place of delivery shall be

at the receiving room of The Chase Manhattan Bank, New York, N.Y. The bullion shall be stamped with its weight in troy ounces and fractions thereof; shall bear the impression .9999 fine; and weight and fineness shall be warranted by Phelps Dodge or by a dealer in gold whose imprint implies negotiability in the market for gold. Lessor shall bear any additional cost or expense occasioned by or associated with its taking in kind. During any period in which Annual Net Cash Flow is being applied to the recoupment of Phelps Dodge's Preproduction Costs or Net Operating Losses, Lessor shall transfer and assign to Phelps Dodge, to the extent required, such right as Lessor may have to take or receive payment in kind and Phelps Dodge shall sell the mineral products produced from the Mining Properties and apply the proceeds as provided in paragraph (a) above.

(ii) After Fifty Million Dollars (\$50,000,000) has been received by the parties in Net Smelter Returns from the sale of metals or minerals other than gold mined from the Mining Properties Lessor shall receive quarterly an amount equal to the lesser of two percent (2%) of the Net Smelter Returns derived from, or ten percent (10%) of the Annual Net Cash Flow attributable to, the production and sale of such metals or minerals other than gold.

(c) The term "Net Smelter Returns" as used herein shall mean the net amount received by Phelps Dodge from the sale of such metals or minerals other than gold, after deductions for all of the following:

(i) Reasonable custom smelting costs, milling costs, treatment charges and penalties, including, but without being limited to, metal losses, penalties for impurities and charges for refining and transportation from smelter to mint or refinery and from mine or refinery to market; provided, however, in the case of leaching operations, all processing and recovery costs incurred by Phelps Dodge shall also be deducted.

(ii) Production, excise, severance, sales, use, privilege, and similar taxes (other than income taxes) measured by production or the value of production.

(d) In the event that Phelps Dodge performs milling, smelting, concentrating, leaching, or refining operations on ores produced from the Mining Properties, deductions for such operations shall be based on Phelps Dodge's costs as shown by customary accounting methods and procedures, but shall not exceed the usual and ordinary charges made by others performing similar operations on a custom basis.

(e) Net Smelter Returns shall be calculated for each calendar month in which Net Smelter Returns are realized and such payments as are due Lessor hereunder shall be made within thirty (30) days following the end of the calendar month in which the Net Smelter Returns are realized. Such payments shall be accompanied by a settlement sheet and a statement summarizing the computation of Net Smelter Returns and the credits to which Phelps Dodge is entitled.

(f) If Phelps Dodge sells to one of its subsidiaries or affiliates in a transaction other than at arms length or if Phelps Dodge mines or extracts metals, minerals, or materials, or by-products thereof, from the Mining Properties but has not sold the same within ninety (90) days following the day the same are mined or extracted, then on the 90th day following the day the same are mined or extracted, such metals, minerals, or materials, or by-products thereof, shall be deemed to have been sold and Net Smelter Returns with respect thereto shall mean the pounds (or ounces or other customary unit of weight) of metals, minerals, or materials, or by-products thereof, contained in such ores or mine waters, leachates, precipitates or other derivatives containing metals or minerals, multiplied by the "Market Price". For purposes hereof, "Market Price" shall be the average domestic spot market price or quotation per pound (or ounce or other customary unit of weight) for metals, minerals, or materials, or by-products thereof, of equivalent type and metal or mineral content for immediate delivery for the calendar month immediately preceding the month of deemed sale as reported in "Metals Week".

8. Liens and Indemnity.

(a) During the term of this Lease, neither Phelps Dodge nor Lessor will by any action or inaction cause any lien, charge or other encumbrance to be placed upon or against any of the Mining Properties, other than liens for taxes not yet due and delinquent or being contested as provided in Section

9 hereof, except that if Phelps Dodge, in good faith, shall dispute the validity or amount of any claim or liability asserted against it for work performed on the Mining Properties during the term of this Lease, it shall not be required to pay the same until the amount and validity thereof have been finally determined.

(b) Phelps Dodge will indemnify and save Lessor harmless as to any liability for or on account of injury to or death of any person or damage to any property of persons not a party hereto which are sustained during the period this Lease remains in effect and which results from any act or omission of Phelps Dodge, its agents or employees.

(c) Lessor will indemnify and save Phelps Dodge harmless as to any liability for or on account of injury to or death of any person or damage to any property (including damage to property constructed, installed or placed by Phelps Dodge on or in the Mining Properties) which results from any act or omission of Lessor, its agents or employees.

9. Taxes.

(a) As additional consideration for this Lease Phelps Dodge will pay when due and before delinquent the ad valorem real property taxes imposed during the term of this Lease upon all of the patented real property, including the Mining Properties, owned or controlled by Lessor in the Jerome district (which taxes Lessor represents are approximately \$6,000 per year); provided, that such taxes assessed for tax years prior to January 1, 1981,

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shall be paid by Lessor and unpaid taxes assessed for the tax years in which this Lease begins and ends shall be apportioned among the parties hereto as of the date of such beginning and ending; provided further, however, that if Verde and Jerome-Verde, or either of them, enters into an agreement with another for the exploration, development or mining of part or all of its patented real properties in the Jerome district (other than the Mining Properties) Phelps Dodge shall be obliged to pay not more than one-half (1/2) of such taxes assessed on Lessor's properties other than the Mining Properties and Phelps Dodge may discharge such obligation by tendering to Lessor the amount of the taxes assessed on such other properties and payable by Phelps Dodge. Phelps Dodge will also pay all unsecured personal property taxes imposed during the term of this Lease on improvements, machinery, equipment, tools and supplies constructed, installed or placed by Phelps Dodge on the Mining Properties.

(b) Lessor will deliver to Phelps Dodge all tax notices received pertaining to taxes payable by Phelps Dodge. Lessor or Phelps Dodge, as the case may be, may contest in good faith the amount and validity of any such taxes, and in such event shall not be obligated to pay the same until the amount and validity thereof have been finally determined unless otherwise required by law, but in no event shall Phelps Dodge jeopardize titles to the Mining Properties by failure to pay taxes assessed thereon.

10. Termination.

(a) Phelps Dodge shall have the right to terminate this Lease at any time by giving Lessor written notice of such termination; provided that neither party hereto shall thereby be relieved of any of its obligations or liabilities which accrued prior to the date of such termination; it being understood, however, that Phelps Dodge shall not be liable for the payment under Section 5 of any rent becoming due and payable after such termination, or for the failure to make any expenditure or to perform any work under Section 6 hereof during the lease year in which this lease is terminated or thereafter, except that Phelps Dodge shall make the expenditure required by paragraph 6(a) for the first lease year or make a payment in lieu thereof as permitted by paragraph 6(c).

(b) Subject to the provisions of Section 16 hereof, if the Mining Properties are not in Commercial Production on or before five (5) years from the date of this Lease, Phelps Dodge shall be deemed to be in default. "Commercial Production" shall mean the production of not less than 1,500 tons of ore per month or the equivalent thereof on an annual basis.

(c) In the event of any default by Phelps Dodge in the performance of its obligations hereunder, Lessor may give to Phelps Dodge written notice specifying the default. If Phelps Dodge does not, within thirty (30) days after Phelps Dodge has received the notice (i) cure the default; or (ii) begin action to cure the default and thereafter diligently prosecute such action

to completion; or (iii) institute proceedings for a declaratory judgment or other appropriate judicial determination of the alleged default and thereafter diligently prosecute such proceeding to completion and cure or commence to cure, within thirty (30) days after such proceedings are completed, any default determined thereby to exist, Lessor may terminate this Lease by delivering to Phelps Dodge written notice of such termination, subject to Phelps Dodge's right to remove its property and equipment from the Mining Properties as hereinafter provided. Lessor shall have no right to terminate this Lease except as set forth in this subparagraph (c) of Section 10.

(d) Upon termination of this Lease, Phelps Dodge shall surrender to Lessor the possession of the Mining Properties in good order and shall secure all shaft and tunnel openings in the manner required by law for abandoned workings. Phelps Dodge shall also execute and deliver to Lessor such instruments as may be reasonably necessary to evidence the relinquishment by Phelps Dodge of all its interest in the Mining Properties.

(e) Within ninety (90) days after termination of this Lease, Phelps Dodge shall deliver to Lessor all documents, maps and data which may have been delivered to it by Lessor, and basic factual data (but not interpretations) relating to the Mining Properties developed by Phelps Dodge and not previously furnished to Lessor. Phelps Dodge shall also make available for pick up by Lessor within ninety (90) days after the effective date of such termination, all drill core developed by Phelps Dodge on

the Mining Properties, except those portions consumed in assaying, metalurgical testing or specific geologic studies.

(f) Lessor shall have the right for a period of thirty (30) days after termination of this Lease to purchase from Phelps Dodge any improvements and fixtures, except improvements or fixtures replaced during the term of the Lease in the ordinary course of operations, placed upon the surface of the Mining Properties and owned by Phelps Dodge for a price equal to seventy-five percent (75%) of installed cost. If Lessor does not elect to purchase any such improvements or fixtures, Phelps Dodge shall have the right, within ninety (90) days following expiration of said thirty (30) day period, to remove, if it so elects, and the right of ingress and egress for such purpose, any and all pipe and pipelines, improvements, structures, machinery, equipment, tools and supplies constructed, installed or placed by Phelps Dodge upon the surface of the Mining Properties. Any such property not removed by Phelps Dodge within said period shall be deemed abandoned and shall become the property of Lessor. Lessor shall also have the right for a period of thirty (30) days after termination of this Lease to purchase from Phelps Dodge any improvements and fixtures, including but not limited to, trackage, pipe or pipelines, ventilation systems, power lines and electrical systems, but excluding improvements or fixtures replaced during the term of this Lease in the ordinary course of operations, placed underground in the Mining Properties, at a price equal to seventy-five percent (75%) of installed cost. If Lessor does not elect to

purchase any such improvements or fixtures, Phelps Dodge shall have the right, within ninety (90) days following expiration of said thirty (30) day period, to remove, if it so elects, and the right of ingress and egress for such purpose, any and all trackage, pipe and pipelines, ventilation systems, power lines and electrical systems, machinery, equipment, tools and supplies constructed, installed or placed by Phelps Dodge underground on the Mining Properties. Any such property not removed by Phelps Dodge within said period shall be deemed abandoned and shall become the property of Lessor. Phelps Dodge shall not remove any timbering or other underground supports.

11. Work to be Performed in Workmanlike Manner. So long as this Lease remains in effect, Phelps Dodge shall perform all work relating to the Mining Properties, or cause the same to be performed, in a good and workmanlike and minerlike manner and in compliance with all applicable laws and regulations, and safeguard and maintain the Mining Properties in compliance with all applicable laws and regulations; provided, however, Phelps Dodge shall not be in default under this Lease for any violation of health and safety, environmental, reclamation or other laws or regulations if Phelps Dodge cures any such violation to the satisfaction of the appropriate governmental agency and pays any penalty assessed therefor.

12. Inspection of Mining Properties; Reports; Books.

(a) Lessor may have access to and the right to inspect the Mining Properties at all reasonable times and at

Lessor's risk and expense; provided that Lessor shall not unreasonably interfere with the operations of Phelps Dodge, and Lessor shall indemnify and hold Phelps Dodge harmless from any loss or injury to Lessor arising from such inspection.

(b) Phelps Dodge will furnish to Lessor on a monthly basis copies of factual data such as assay records, drill logs, geophysical readings, and assays developed by Phelps Dodge on the Mining Properties. Phelps Dodge shall allow Lessor^{agent} to examine drill cores taken from the Mining Properties. Lessor also shall have the right to examine such other factual data as Phelps Dodge may develop, and Lessor's and Phelps Dodge's representatives shall consult with one another, as reasonably requested by Lessor, regarding the nature of the work done or to be done, results derived or anticipated therefrom, and such other matters relative to the Mining Properties and operations thereof as may be of mutual interest to Phelps Dodge and Lessor.

(c) Phelps Dodge will keep true and correct books, accounts and records of its operations hereunder and will permit Lessor at all reasonable times to inspect, examine, audit, and copy the same at Lessor's expense. Phelps Dodge will furnish to Lessor on or before the 25th day of each calendar month, a statement showing minerals produced from the Mining Properties, the proceeds thereof when sold by Phelps Dodge, and the costs and expenses relating to the preceeding calendar month.

13. Publicity. Phelps Dodge and Lessor will keep in strictest confidence all information they may receive as a result

of or in connection with the work carried out under this Lease. Neither party will, during the term of this Lease, make any disclosure to any person not a party hereto or give out any publicity or written material relating to the work carried out under this Lease or the terms of this Lease without giving the other, in writing, the contents of such disclosure at least three (3) days prior to making such disclosure. If either party is required by law to make any disclosure to a governmental agency, that party shall notify the other party at least three (3) days prior to making such disclosure.

14. Further Assurances. Lessor and Phelps Dodge at any time upon request of the other, shall execute and acknowledge in form required by law for recording in the State of Arizona and shall deliver to the other such notices, deeds, or other instruments incorporating, referring to or carrying out the provisions of this Lease as either may reasonably deem necessary in order to preserve and protect its interests under this Lease or to effectuate the provisions thereof.

15. Notices.

(a) All notices under this Lease shall be deemed to have been given upon deposit thereof in the United States mail, registered or certified mail, return receipt requested, postage prepaid, enclosed in a sealed envelope addressed:

(i) if to Lessor to:

✓ Verde Exploration Ltd. and Jerome-
Verde Development Corporation
Room 4201, 40 Wall Street
New York, New York 10005

with copies to:

✓ J. R. Menke
44 Ogden Road
Scarsdale, New York 10583

and

✓ Paul A. Handverger
13 Old Jerome Highway
Clarksdale, Arizona 86324

or to such other address as Lessor shall have designated by written notice to Phelps Dodge;

(ii) if to Phelps Dodge, to:

S. C. Holmes
Vice President and General Manager
Small Mines Division
Phelps Dodge Corporation
P. O. Box 151
Safford, Arizona 85546

with copies to:

Robert L. Swain
Vice President-Exploration
Phelps Dodge Corporation
300 Park Avenue
New York, New York 10022

and

Manager
Western Exploration Operations
Phelps Dodge Corporation
Drawer 1217
Douglas, Arizona 85607

or to such other address as Phelps Dodge shall have designated by written notice to Lessor; provided, however, that any notice of change of address, or any notice of default pursuant to Section 10 shall not be deemed given until actually received by the party entitled to receive such notice.

(b) Any payment made pursuant to this Lease may be made at Phelps Dodge's option in the form of currency or by check or draft made payable to Verde subject to honor upon presentation.

(c) Jerome-Verde hereby appoints Verde as agent to receive from Phelps Dodge any payment due hereunder and to receive the delivery or redelivery of any instruments, reports, data or other documents of any kind required under this Lease, and the obligation to make such payment or delivery shall be deemed fully discharged by making such payment or delivery or tendering the same to Verde.

16. Force Majeure. Except for the obligations of Phelps Dodge to pay rent and taxes, the obligations of Phelps Dodge hereunder (including without limitation the making of expenditures under Section 6) shall be suspended and neither Phelps Dodge nor Lessor shall be in default during the continuance of any event of force majeure. The term "force majeure" as used herein means acts of God; strikes; lockouts or other industrial disturbances; acts of public enemy, blockades, wars, insurrections or riots; epidemics; landslides, earthquakes, fires, storms, floods or wash-outs; arrests, title disputes or other litigation causing interruption of activities; governmental restraints or inability to obtain governmental approvals or permits, either federal or state, civil or military; civil disturbances; explosions; inability to obtain materials, supplies or labor; decline in the London Metal Exchange (LME) market price of gold to seventy-five percent (⁹⁰75%) or less

of the LME market price of gold at the date of this Lease; or any other similar or dissimilar cause beyond the reasonable control of Phelps Dodge or Lessor; provided, however, nothing herein shall require Phelps Dodge or Lessor to settle any labor dispute nor require Phelps Dodge or Lessor to test or refrain from testing any law, regulation, judgment or order. Each party shall give the other prompt written notice of the existence of an event of force majeure with reasonably full particulars.

17. No Implied Covenants. It is expressly understood and agreed that no implied covenant or condition whatsoever shall be read into this Lease relating to exploration, development, mining, marketing or to any obligation of the parties hereunder, or to the time therefore or the measure of diligence thereof.

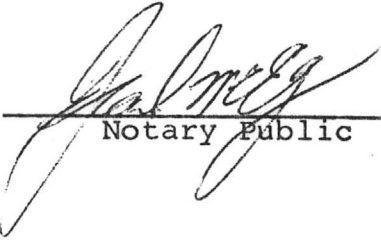
18. Relationship of the Parties. The relationship of Lessor and Phelps Dodge is that of landlord and tenant, and it is not the purpose or intention of this Lease to create, and it shall not be construed as creating, a joint venture, mining partnership, commercial partnership or other partnership relation.

19. Binding Effect of Agreement. This Lease shall be binding upon and shall inure to the benefit of the parties hereto, their successors and assigns.

20. Entire Agreement. This Lease embodies the entire agreement and understanding between the parties hereto, and supercedes all prior agreements and understandings relating to the subject matter hereof.

STATE OF NEW YORK)
) ss.
County of New York)

The foregoing instrument was acknowledged before me
this 10 day of SEPT., 1981, by JOHN^R MENKE, President of
VERDE EXPLORATION, LTD., a Delaware corporation, for and on behalf
of the corporation.



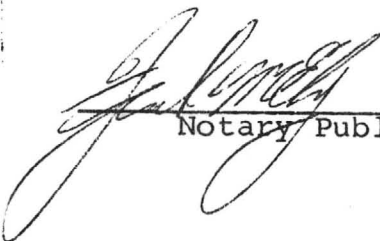
Notary Public

My Commission Expires:

FRANK MCELROY
Notary Public, State of New York
No. 7824015
Qualified in Westchester County
Term Expires March 30, 1982

STATE OF NEW YORK)
) ss.
County of New York)

The foregoing instrument was acknowledged before me
this 10 day of SEPT., 1981, by JOHN R. MENKE,
PRESIDENT of JEROME-VERDE DEVELOPMENT CORPORATION,
a New York corporation, for and on behalf of the corporation.



Notary Public

My Commission Expires:

FRANK MCELROY
Notary Public, State of New York
No. 7824015
Qualified in Westchester County
Term Expires March 30, 1982

21. Governing Law. Any claim or controversy arising out of or related to this Lease, or the breach hereof, shall be construed in accordance with the internal laws and not the law of conflicts of the State of Arizona.

22. Headings for Convenience Only. The headings used are for convenience only and shall be disregarded in construing this Lease.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the day, month and year first above written.

ATTEST:

Donald C. Jenkins
Its Secretary

VERDE EXPLORATION, LTD.

By John R. Menke
Its President

ATTEST:

Donald C. Jenkins
Its Secretary

JEROME-VERDE DEVELOPMENT
CORPORATION

By John R. Menke

ATTEST:

Chitah. Sandou
Its Secretary

PHELPS DODGE CORPORATION

By W. H. H. H.
Its Vice President

STATE OF NEW YORK)
) ss.
County of New York)

The foregoing instrument was acknowledged before me
this 14th day of Sept., 1981, by Robert L. Swain,
Vice President of PHELPS DODGE CORPORATION, a New York cor-
poration, for and on behalf of the corporation.

Josephine Cincotta
Notary Public

My Commission Expires:

JOSEPHINE CINCOTTA
Notary Public, State of New York
No. 41-4511243
Qualified in Queens County
Cert. Filed in New York County
Commission Expires March 30, 1983

EXHIBIT A
TO MINERAL LEASE

PARCEL NO. I:

LITTLE DAISY lode mining claim, in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 1445, on file in the Bureau of Land Management, as granted by patent recorded in Book 95 of Patents, page 418, records of Yavapai County, Arizona.

PARCEL NO. II:

MARCH, IRON CARBONATE and CONGLOMERATE lode mining claims, in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 1212, on file in the Bureau of Land Management, as granted by patent recorded in Book 41 of Patents, page 369, records of Yavapai County, Arizona.

PARCEL NO. III:

That half of the FLORENCIA lode mining claim, in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 1076A, on file in the Bureau Land Management, as granted by patent recorded in Book 36 of Patents, page 56, records of Yavapai County, Arizona, lying northerly and westerly of a line drawn from the northeast end center to the southwest end center of said claim.

PARCEL NO. IV:

That part of the MAINE lode mining cliam, in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 1051, on file in the Bureau of Land Management, as granted by patent recorded in Book 33 of Patents, page 471, records of Yavapai County, Arizona, lying northerly and easterly of the northeast sideline of the Hermit lode mining claim and the projected extension of said line from the southeast corner of said Hermit mining claim to the southwest corner of the Florencia mining claim.

PARCEL NO. V:

COPPER SPIKE lode mining claim in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 3898, on file in the Bureau of Land Management, as granted by patent recorded in Book 145 of patents, page 318, records of Yavapai County, Arizona.

PARCEL NO. VI:

That part of the MAINTOP and SIGNAL lode mining claims, in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 1492, on file in the Bureau of Land Management, as granted by patent recorded in Book 78 of Patents, page 61, records of Yavapai County, Arizona, lying south of a line extending due west from the point of intersection of the easterly sideline of the Signal mining claim with the northwesterly end line of the Iron Carbonate mining claim, to a point on the westerly sideline of the Maintop mining claim.

PARCEL NO VII:

The Audrey Shaft, including all underground workings associated therewith which are necessary or convenient for ventilation or ore haulage, and the surface to a depth of 25 feet surrounding the Audrey Shaft on the Bitter Creek lode claim and bounded on the west by the east sideline of the Iron Carbonate lode claim; bounded on the north by the southerly boundary of the adjacent Arizona State Park; bounded on the east by the westerly boundary of said Arizona State Park; and bounded on the south by the southerly limit of the United Verde Extension mine dump; comprising approximately one acre.

EXCEPTING AND EXCLUDING from Pacels II through VII above, the surface to a depth of twenty-five (25) feet below the surface of any part of said Parcels lying southerly of the following described line:

Beginning at a point at which Bitter Creek or the projected extension of Bitter Creek intersects the westerly sideline of the MARCH claim; thence easterly along the center line of Bitter Creek to its point of intersection with the easterly right-of-way line of the UVX Mine Road; thence southerly along said

easterly right-of-way line to a point at which said right-of-way line intersects the center-line of the FLORENCIA claim.

AND FURTHER EXCEPTING AND EXCLUDING from Parcels II and VI above the surface to a depth of twenty-five (25) feet below the surface of a parcel of land conveyed to Robert J. Searls and William Earl Bell d/b/a The Searls and Bell Land and Cattle Company by deed recorded in Book 538, page 591, Records of Yavapai County, Arizona.

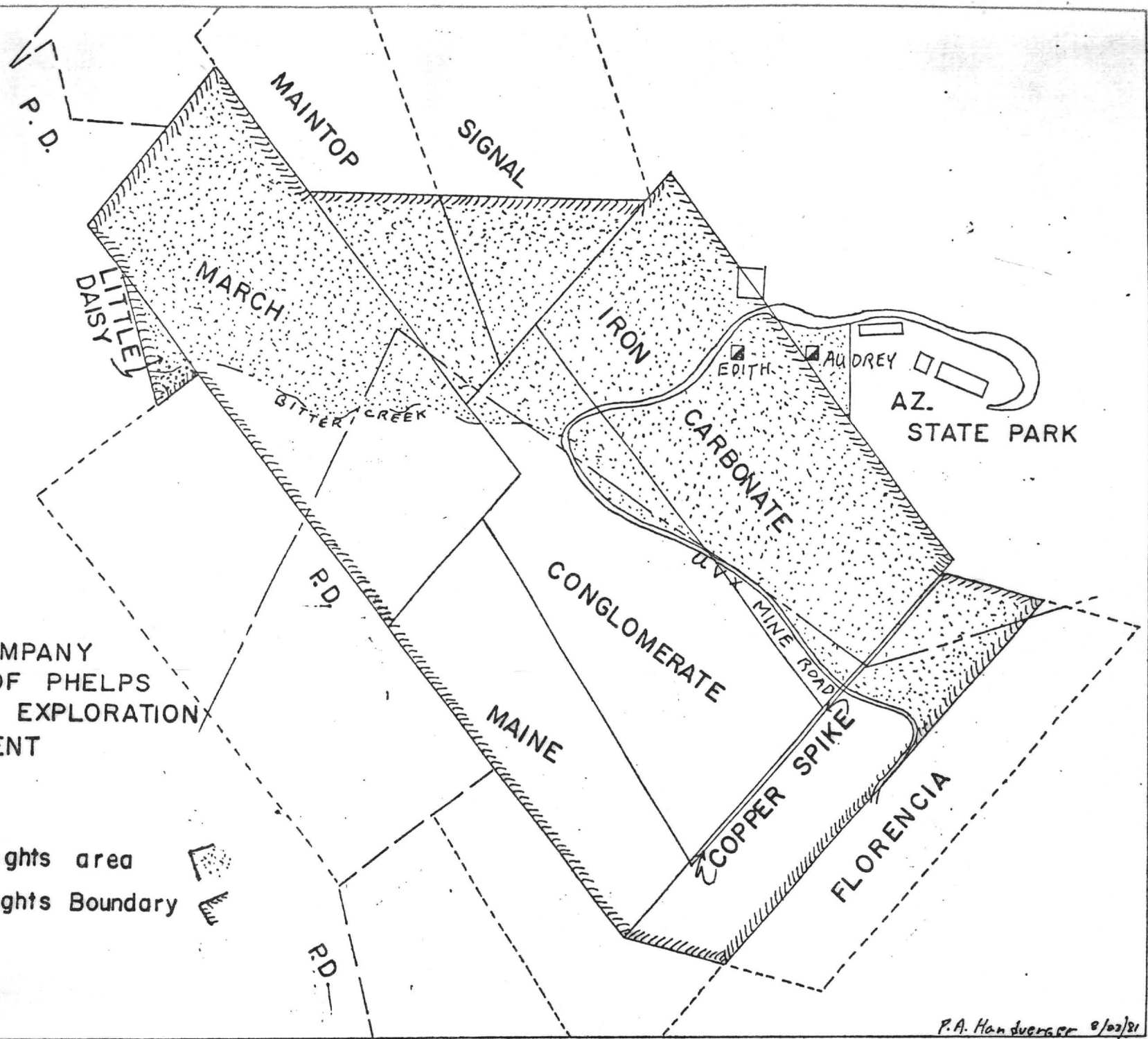


1" = 400'

MAP TO ACCOMPANY
EXHIBIT A OF PHELPS
DODGE-VERDE EXPLORATION
1981 AGREEMENT

Explanation

- Surface rights area
- Mineral rights Boundary



P.A. Handwerker 8/02/81

EXHIBIT B
TO MINERAL LEASE

1. Grazing Lease to the L.D.S. Welfare Ranch, as leasee, for a term of one year.
2. Unrecorded lease to Tom Allen, dba Hidden Valley Stoneryard, granting the right to quarry and remove surface rock in the vicinity of the Columbia Shaft, terminable upon sixty (60) days notice.
3. Recorded easement for road right of way dated _____, 1968, from Verde Exploration Ltd. to County of Yavapai, 25 feet on either side of a center line described by metes and bounds through the FLORENCIA, CONGLOMERATE, IRON CARBONATE and BITTER CREEK mining claims.
4. Recorded and unrecorded easements and rights-of-way for water-lines, sewer lines, electric lines, telephone lines, gas lines, streets and roads.

1 copy

LEASE AGREEMENT

THIS LEASE AGREEMENT is made effective this First day of July, 1983 between JEROME-VERDE DEVELOPMENT CORPORATION, a Delaware corporation, VERDE EXPLORATION, LTD., a Delaware corporation hereinafter collectively "Verde", and CoCa MINES INC., a Colorado corporation, hereinafter "CoCa".

W I T N E S S E T H :

WHEREAS, Verde is the owner of certain patented and unpatented lode mining claims and other property situate in Yavapai County, Arizona (as more specifically hereinafter defined, the "Property"); and

WHEREAS, Verde Exploration and CoCa entered into a lease agreement made the 9th day of November, 1981 in which CoCa conducted geophysical reconnaissance (the "Survey Phase") over a portion of the properties owned by Verde Exploration in Yavapai County, Arizona; and

WHEREAS, CoCa completed its commitments under the terms of said lease agreement by delivering to Verde Exploration under cover of a letter dated April 6, 1982 the factual data collected during the Survey Phase of said lease agreement, which agreement terminated in March 1982; and

WHEREAS, Verde and CoCa desire to enter into a new lease agreement encompassing the Property, whereby CoCa shall have the exclusive right to explore the Property and shall have the exclusive right to elect to carry out development and production operations upon the Property.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, CoCa and Verde agree as follows:

I.

DEFINITIONS

1.1 For the purposes of this Lease Agreement, the following terms shall have the following meaning:

(a) "Annual Net Cash Flow" shall mean Net Smelter Returns during a calendar year less the operating and other direct and indirect costs, more particularly described in

attached Exhibit "B" incorporated herein by reference, incurred during the calendar year with respect to the Property including rents to be paid to Verde pursuant to this Lease Agreement and the funding of such reasonable reserves as may be necessary in the judgment of CoCa for (i) working capital, (ii) the restoration, reworking or improvement of the mines, facilities and equipment relating to the Property, or (iii) other anticipated future expenditures relating to the Property.

(b) "Commercial Production"

shall mean the operation of the Property or any part thereof but shall not include milling for the purpose of testing, milling by a pilot plant or milling during an initial tune-up period of a plant. Commercial Production shall be deemed to have commenced upon the shipment to a purchaser in commercial quantities of minerals produced from the Property.

(c) "Net Smelter Returns" shall mean revenues from the sale of metals, minerals, or by-products thereof, produced from the Property less all applicable treatment, smelting, refining and transportation charges and all reasonable and customary customer, sales agent and broker commissions charged for such sales.

(d) "Plan" shall mean the plan prepared by CoCa for an economical mining operation of the Property pursuant to Section 6.1.

(e) "Project" shall mean the establishment of mining operations covering the Property pursuant to Section 5.1.

(f) "Property" shall mean the certain patented and unpatented lode mining claims more particularly described in attached Exhibit "A" incorporated herein by reference, including such fractional lode mining claims located by CoCa or Verde as would be internal or contiguous to the Property, together with all rights, privileges and appurtenances pertaining to or connected therewith, including all water and water rights, rights-of-way and easements, both recorded and unrecorded.

(g) "Total Investment" shall mean all sums expended by CoCa directly or indirectly (as hereinafter defined) upon or for the Property until the Project is brought into Commercial Production, together with sums expended by CoCa for the expansion, revision or operation of the Project thereafter, including expenditures made during the Exploration Period and for the Project.

II.

EXPLORATION PERIOD

2.1 For and in consideration of the sum of One Dollar (\$1.00), the receipt whereof is hereby acknowledged by Verde, Verde does hereby lease to CoCa for a period of one year from the date of this Lease Agreement, herein called the "Initial Exploration Period", the Property for the purpose of undertaking all or some of the activities described in Section 3.1. During the Initial Exploration Period, CoCa agrees to complete one drill hole on the Fanny Hill Group or Fanny Hill Extension Group of unpatented mining claims, described on Page A-6 of Exhibit A. The hole shall be drilled to a depth of 200 feet below the Precambrian/Paleozoic contact with core recovery equipment utilized from the said contact to the end of the hole. Drilling on this hole shall commence from the surface prior to August 20, 1983.

2.2 Any time prior to the termination of the Initial Exploration Period, CoCa may elect by notice to Verde to extend this Lease Agreement for a one-year period from the date this Lease Agreement would otherwise expire, for the purpose of continued exploration of the Property (the "Extended Exploration Period").

Such Extended Exploration Period may be extended for additional one-year periods at the election of CoCa by notice to Verde prior to the termination of the then existing one-year term with a maximum of four such one-year extensions.

2.3 During the Initial Exploration Period and during each subsequent year comprising an Extended Exploration Period, CoCa shall expend a minimum of \$100,000 for the activities described in Section 3.1, provided that if in any year more than that amount is expended, such excess shall be credited to expenditures required for the following year. Such expenditures shall include reimbursement for CoCa's general and administrative costs associated with such work, but in no event shall CoCa expend less than 75 percent of such expenditures for the payment of third party contractors. CoCa shall provide Verde with quarterly summaries of the sums expended and the work performed during the Initial and Extended Exploration Periods.

2.4 Unless CoCa elects to operate and, in accordance with the Plan, places into operation a Project on the Property as provided herein, this Lease Agreement and CoCa's right to possession of the Property shall automatically terminate at the end of the fourth Extended Exploration

Period. Notwithstanding anything to the contrary elsewhere contained herein, CoCa shall be obligated to drill a second hole in the said Fanny Hill Group or Fanny Hill Extension Group in the manner and by the method set forth in Section 2.1, unless Verde, upon request by CoCa agrees to waive said obligation due, in Verde's discretion, to negative results from the first hole. The second hole, if the obligation to drill is not waived, shall be completed during the Initial Exploration Period.

III.

RIGHTS GRANTED AND RESERVED

3.1 At all times while this Lease Agreement is in effect, CoCa shall have the exclusive possession of the Property, and commencing with the Initial Exploration Period, CoCa shall have the rights to:

(a) enter upon, explore, examine, survey, map, test, sample and to carry on such other geological, geochemical and geophysical work with respect to the Property as CoCa in its sole judgment and discretion may elect;

(b) prospect and search for minerals therein or thereon by means of drilling, trenching, drifting, cross cutting, raising and sinking shafts or winzes or by such other development or exploration methods, either surface or underground, as CoCa in its sole judgment and discretion may elect;

(c) delineate ores and ore occurrences and to secure cores and samples from the Property at such places and in such quantities as CoCa in its sole judgment and discretion shall deem advisable;

(d) ship bulk samples for assaying and metallurgical testing purposes;

(e) construct and install, operate and maintain upon the Property dumps and waste disposal facilities, roads, utility lines and such other improvements and facilities as CoCa may deem necessary and useful, including mills and plants for metallurgical testing;

(f) the use of any water available (subject to any prior water obligations of Verde) on the Property, to be used in exploration, metallurgical testing and operations, including the right to transport such water and construct and operate pipelines for the diversion and transmission of such water;

(g) examine all drill core, drill logs, geological, geochemical and geophysical maps and reports, assay data, ore reserve estimates and all other technical and interpretative data in the possession of Verde in connection with the Property;

(h) do all things necessary or desirable for the development, construction, equipping and operations of a mine, mill or other facilities for extracting and processing the mineral products of the Property; and

(i) subsequent to the Extended Exploration Period, provide capital for the Project. Such capital may be provided by CoCa or by obtaining loans. Any such loans may be secured by mortgages, deeds of trust or similar security instruments encumbering CoCa's leasehold interest in the Property, provided that such loans and encumbrances shall in no way encumber or otherwise affect (A) Verde's title or ownership of the Property, or (B) its right to payments provided for in this Lease agreement except as expressly set forth herein.

3.2 Verde or Verde's authorized representative shall have the right to enter upon the Property or any part thereof and inspect the same at any reasonable time while this Lease Agreement remains in effect, subject to CoCa's

operating and safety requirements. Any such inspection shall be at the sole risk of Verde and its representatives.

3.3 Upon termination of this Lease Agreement, Verde shall have the right to all drill core developed by CoCa, except those portions used for assaying, metallurgical testing or specific geologic studies, and to any factual data not previously furnished.

IV.

COVENANTS OF CoCa

4.1 During the period that this Lease Agreement remains in effect, CoCa agrees to:

(a) conduct and pay for all exploration and development operations on the Property in accordance with good and minerlike practices;

(b) comply with all health and safety regulations and with all other local, state and federal ordinances, laws, regulations, orders, rules and requirements applicable to its operations upon and use of the Property;

(c) maintain the Property free and clear of all liens for labor done or performed thereon, or for materials, supplies or equipment

furnished to, on or for the Property as a result of CoCa's operations thereon or by reason of any other acts of CoCa (except as set forth in Section 3.1.(i) hereof relating to loans); and to indemnify Verde against any liability to third persons resulting from CoCa's operations upon the Property;

(d) furnish Verde on a quarterly basis two (2) copies of assay records, geophysical readings and geochemical surveys acquired by or for CoCa on the Property. Verde also shall have the right to examine such other factual data as CoCa may develop, and CoCa agrees to consult with Verde's representative, at reasonable intervals, regarding the nature of the work done or to be done and the results derived or anticipated therefrom. Verde shall also be furnished with two (2) copies of each of the reports prepared by CoCa in connection with the Property;

(e) allow reasonable access to Verde for examination of any core produced by CoCa from the Property, except those portions used for assaying, metallurgical testing or specific geologic studies;

(f) refrain from removing or impairing any supports or mine timber which may be necessary for the protection of any openings necessary for working the Property and to leave in place in the underground workings all trackage, pipeline, electrical wiring and ventilation systems;

(g) respect the agreement with adjacent property owners that vertical sidelines will be followed as to production from the properties; and

(h) maintain the Property and at the termination hereof to restore the Property to good order with respect to work done thereon by CoCa and in accordance with all governmental regulations applicable to the Property.

(i) perform annual assessment work for the assessment year ending at noon, September 1, 1983, and each year thereafter until the Lease Agreement is terminated and in accordance with the provisions of Section 16.2. Affidavits thereof shall be recorded in the Office of the County Recorder of Yavapai County and copies thereof filed with the BLM in accordance with law and regulations.

If any court or governmental agency determines that work performed by CoCa does not constitute assessment work required by federal and state law, CoCa shall nevertheless have complied with this Lease Agreement if work done is of the kind generally accepted in the mining industry as assessment work under this existing law. In any year in which the owners of unpatented claims shall be exempted by law from performing assessment work, CoCa shall prepare or cause to be prepared and filed any notices, including notices of intention to hold, or other instruments required to take advantage of the exemption.

V.

PROJECT

5.1. At any time while this Lease Agreement is in effect, CoCa may by notice to Verde elect to establish mining operations (the "Project") covering the Property.

VI.

PLAN

6.1. Upon giving notice to Verde that it intends to establish the Project, CoCa shall have one year thereafter within which to prepare and notify Verde of a plan (the "Plan") for an economical mining operation to be conducted therefor.

6.2. The Plan shall set forth:

- (a) the work to be performed;
- (b) the estimated period of time required to perform the work; and
- (c) the estimated costs to be incurred at various intervals to carry out the Plan, including a reasonable amount for contingencies.

6.3. CoCa shall pay all capital costs of the Plan or Project, or expansions or revisions thereof after the commencement of Commercial Production, or obtain loans therefor as described in Section 3.1(i) hereof.

VII.

RECOVERY OF INVESTMENT

7.1. From and after achieving Commercial Production from the Project, 75

percent of the Annual Net Cash Flow
therefrom shall be applied toward the recovery
by CoCa of its Total Investment in the Project
as defined in Section I and to the repayment
of principal (but not interest) of loans
described in Section 3.1.(i) hereof, and
25 percent of the Annual Net Cash Flow shall
be distributed to CoCa and Verde as follows:

CoCa	75%
Verde	25%

For purposes of effecting such recovery and
such loan repayment, Verde hereby transfers to
CoCa its rights to take in kind as set forth
in Section X until such time as the Total
Investment of the Project has been recovered
and the principal of such loans has been
repaid as provided herein. After recovery
of the Total Investment of CoCa and the repay-
ment of the principal of the loans described
in Section 3.1.(i), the entire Annual Net Cash
Flow shall be distributed as follows:

CoCa	75%
Verde	25%

✓ All interest on loans described in Section 3.1.(i)
hereof shall be paid by CoCa and shall not be
included in either direct or indirect costs

in determining Annual Net Cash Flow.

VIII.

TERM OF PROJECT

8.1. The Project shall continue for so long as economic quantities of minerals can be produced from the Property and during any period of force majeure with respect thereto as described in Section XVIII hereof.

8.2. The entire Property shall remain subject to this Lease Agreement so long as the Project continues.

IX.

CoCa'S RIGHT AND DUTIES

9.1. CoCa shall have the full, complete and exclusive management, direction, control and supervision of the lands and personal property included in the Project and all operations conducted thereon. CoCa agrees to operate the Project to the best of its ability in a good and minerlike fashion. CoCa shall have the right to subcontract the Project to competent operators of its choice.

9.2. CoCa shall have the following duties:

(a) to manage, direct and control all exploration, development, producing and marketing operations in and on the Property and for the minerals produced therefrom subject to Verde's right to take in kind;

(b) to keep true and correct books, accounts and records of operations hereunder and to permit at all reasonable times the inspection, examination and auditing thereof by Verde;

(c) to keep the Property free from liens and encumbrances occasioned by operations hereunder;

(d) to furnish Verde on or before the 25th day after the expiration of each calendar quarter with a statement of the minerals produced from the Project during such quarter and a statement of the Net Smelter Returns during the preceding calendar quarter and on or before the 90th day after the expiration of each calendar year to present Verde with a statement of the Annual Net Cash Flow of the Project during such year;

(e) to pay all costs, expenses and liabilities accruing or resulting from exploration, development, production and all other operations, to make all distributions, apply all credits and charges and otherwise account to Verde in accordance with the provisions of the Accounting Procedure attached as Exhibit "B"; provided, however, that if any provisions of such Accounting Procedure conflict with any provisions hereof, this Lease Agreement shall be deemed to control:

(f) to account for and distribute quarterly to the parties entitled thereto in accordance with the provisions of this Lease Agreement Annual Net Cash Flow from whatever source received after application of the provisions of this Lease Agreement; and

(g) to furnish Verde each quarter with a general summary of operations conducted during the preceding quarter.

(h) to use reasonable efforts to incorporate into any agreement that CoCa might enter into with third parties pursuant to which CoCa would acquire an interest in mineral rights or other property rights within the Property or

within three miles of the outer perimeter of the Property, ("Third Party Rights") the right for CoCa to assign or transfer said Third Party Rights. Provided, however, that if the right of assignment or transfer cannot be obtained on a reasonable efforts basis, nothing contained herein shall prevent CoCa from acquiring said Third Party Rights without the right of assignment or transfer. To the extent assignments or transfers by CoCa are permitted in agreements with third parties and subject to such third parties consent as may be required, should CoCa determine to divest itself of such Third Party Rights, CoCa shall first notify Verde of its determination to relinquish such Third Party Rights and Verde shall thereafter have a period of 30 days in which to request by written notice that CoCa assign or transfer its interest in such Third Party Rights to Verde, such assignments or transfers to be in form and substance acceptable to CoCa's legal counsel. Should Verde fail to respond to CoCa's notice within the said 30 day period, CoCa shall be free to relinquish said Third Party Rights without further obligation to Verde. Any such

Third Party Rights assigned or transferred to Verde shall be without representations or warranties of any kind on the part of CoCa, and at Verde's sole cost and expense.

(i) at such time as CoCa determines to relinquish unpatented mining claims located by CoCa within the Property, CoCa shall deed said unpatented mining claims to Verde by quit claim deed. In the event the quit claim deed is made subsequent to April 1 of any year, CoCa shall first perform assessment work for the assessment year which ends at 12 noon on September 1 of such year on the unpatented mining claims before they are quit claimed to Verde. The provisions of Section 4.1(i) shall apply to any unpatented mining claims that CoCa might locate within the Property.

X.

DISPOSITION OF PRODUCTION

10.1 (a) CoCa and Verde shall each have the right to elect to take in kind or separately dispose of its proportionate share of product from the Property. Any extra expenditure incurred by reason of the taking

in kind or separate disposition by either party of its proportionate share of the product so produced shall be borne by such party, and such party shall be required to construct, operate and maintain, all at its own expense, any and all facilities which may be necessary to receive, store off the Property and dispose of its share of production at the rate it is produced.

(b) Any rights of the parties granted, in this Section X shall be subject to the provisions of Section VII hereof.

(c) In the event Verde shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of production, after having made the election in subparagraph (a) above, CoCa shall have the right, subject to revocation upon 90 days' written notice by Verde, to dispose of such share as if such election had not been made.

XI.

TAXES

11.1. Verde shall pay all taxes upon the Property so as to keep the Property free and clear of all taxes, liens, or claims

assessed or incurred prior to the date this Lease Agreement becomes effective, CoCa shall pay all taxes of any kind assessed upon the Property while this Lease Agreement is in effect. CoCa or Verde shall have the right to contest the validity or amount of any taxes so assessed, and Verde shall cooperate to the extent necessary. Any fractional tax year shall be prorated between Verde and CoCa. Prior to Commercial Production, such tax payments by CoCa shall be included as part of its Total Investment. Upon commencement of Commercial Production, all taxes (except income taxes), including those assessed upon production, shall be prorated among the parties according to the Accounting Procedure set forth in Exhibit "B".

11.2. The failure of either party to discharge timely its obligations under Section 11.1. herein shall permit, but not require, the other party to discharge such obligations and recover from or credit against the other party all costs and expense incurred by discharging the other party's obligation.

Handwritten:
7/11/83
HJM
7/21/83

XII.

TITLE

12.1. Verde represents and warrants that it has full and complete ownership of the Property free and clear of all liens and encumbrances; the unpatented claims, however, being subject to the paramount rights of the United States. Verde covenants that this Lease Agreement shall cover and extend to any further or additional rights, title, interest or estate acquired by it in or to the minerals or rights therein in the Property, and that except as hereinabove stated, it has not entered into and will not enter into any other agreement which presently affects or will in the future affect adversely the title or interest of Verde in the Property.

12.2. If, in the opinion of CoCa's counsel, Verde's title to any of the Property is defective or less than as described herein, CoCa may deliver to Verde written notice stating its objections to the title, and if Verde is unable or unwilling to promptly correct the defects in title, CoCa may attempt, with all reasonable dispatch, to perfect the title. In that event, Verde shall execute all documents and shall take such other actions as are reasonably necessary to assist CoCa in its

efforts to correct the defects in title. If title to any of the Property is contested or questioned by any person, entity or governmental agency (upon grounds other than grounds arising from CoCa's failure to perform its obligations herein set forth), CoCa, at its own election may defend or initiate litigation to protect the title before any court or administrative body. All costs, including but not limited to attorneys' fees, court costs, cost of investigation or obtaining evidence and amounts paid in settlement or satisfaction of any such action incurred by CoCa in defending or protecting Verde's title to the Property, shall be recoverable by CoCa from Verde's share of any production from the Property or any other payment due Verde hereunder.

12.3. Verde covenants that it will pay, discharge or otherwise indemnify and save CoCa harmless from and against any and all charges, commissions and other sums which may be or become payable to any third party or parties in any way connected with or arising out of the acquisition by Verde of the Property or any part thereof

or the making of this Lease Agreement, and Verde shall further indemnify and save harmless CoCa from any and all claims of whatever nature or kind with respect to or in any way arising out of work heretofore done by or on behalf of Verde on the Property, except as may have been incurred by CoCa.

XIII.

ADDITIONAL RENTAL PAYMENTS

13.1. As part of the consideration for placing the Property subject to the terms and conditions of this Lease Agreement, Verde shall receive the sum of \$10,000 for each year of this Lease Agreement commencing the first day of the Initial Exploration Period. Prior to commencement of Commercial Production, such rental payments shall be contributed by CoCa as part of its Total Investment, and after commencement of Commercial Production, the annual rental payment shall be an operating expense of the Project. The first \$10,000 payment shall be made not more than 30 days after the commencement of the Initial Exploration Period, and each subsequent payment shall be due on the anniversary date of such first payment.

XIV.

WATER RESOURCES

14.1. CoCa and Verde shall cooperate in order to provide sufficient water resources (and any additional land required) for the Project and/or operations conducted hereunder. However, existing allowances by Verde to third parties shall be permitted to continue at the same rate.

XV.

ACCESS AND INSPECTION

15.1. Verde or Verde's authorized representative shall have access to the Property, at its sole risk and subject to operating and safety rules and requirements, at any reasonable time to inspect any operation, together with the right to inspect drilling data, samples, cores and other factual data pertaining to the Project. CoCa agrees to consult with representatives of Verde at reasonable intervals regarding the progress of current work on the Project and its plans for future work.

15.2. Verde, upon request of CoCa, ^{Luvx}
agrees to use its best efforts to obtain
for CoCa the non-exclusive rights of access
to and the use of facilities, including but
not limited to shafts, tunnels and other
underground facilities; transportation,
power and other communication facilities
upon property owned or controlled by Verde
but leased to third parties in Sections
13, 14, 15, 16, 21, 22, 23, and 24, T16N,
R2E, Gila and Salt River Base and Meridian,
Yavapai County, Arizona. CoCa's use of said
rights shall be solely for the enjoyment of
the rights granted CoCa pursuant to Section
3.1 and shall be at the sole risk of CoCa
and its representatives. ^{Luvx}

15.3. Should Verde hereafter lease
or sell to third parties all or a portion of
the other property it owns or controls within
the Sections specified in Section 15.2 above,
Verde shall reserve unto itself the right to
grant CoCa the rights set forth in Section
15.2. CoCa's use of said rights shall be at
the sole risk of CoCa and its representatives.

15.4. CoCa, upon request of Verde,
will grant to third parties the non-exclusive

rights set forth in Section 15.2 for access to and use of facilities upon the Property; provided such access to and use does not interfere with CoCa's operations on the Property; provided further that CoCa shall have no obligation to reopen or to maintain for third party access and use any underground facilities on the Property and provided further that CoCa may deny such rights to any third party which has refused Verde's request for access and use by CoCa pursuant to Section 15.2 on property heretofore leased to said third party. Access and use by a third party of facilities on the Property shall be at the sole risk of said third party and its representatives.

XVI.

TERMINATION

16.1. CoCa shall have the right to terminate this Lease Agreement and the Project at any time upon 90 days' written notice to Verde. Such termination shall be effective upon the expiration of the 90-day

period. CoCa shall thereupon be free from any and every obligation and liability incurred hereunder or in any manner arising out of any term, covenant or conditions hereof except liabilities theretofore accruing. CoCa agrees that if it elects to terminate this Lease Agreement during the Initial Exploration Period of the Extended Exploration Periods hereof, it shall also complete the expenditure requirement of Section 2.3 herein for the Exploration Period year in which this Lease Agreement is terminated, together with the obligation to drill a second hole pursuant to Section 2.4, unless said obligation is waived by Verde. After termination of this Lease Agreement, CoCa shall have no rights to the Property.

16.2. Notwithstanding anything to the contrary elsewhere contained in this Lease Agreement, should CoCa provide notice of termination after April 1 of any year, CoCa shall nevertheless have a continuing obligation to complete required assessment work on any unpatented lode mining claims subject to this Lease Agreement for the

assessment year which ends at 12 noon on September 1 of such year. CoCa, its agents and representatives shall have a continuing right of access to the Property in order to comply with the provisions of this Section 16.2.

16.3. In the event this Lease Agreement is terminated without termination of all of CoCa's interest acquired pursuant to Section 9.2(h) and 9.2(i), concurrent with termination of this Lease Agreement, CoCa and Verde shall enter into an agreement providing for CoCa's continuing obligation to observe the assignment or transfer provisions and quit claim provisions of Section 9.2(h) and 9.2(i) respectively prior to CoCa relinquishing such interest.

XVII.

PROPERTY

17.1. Except for that property referred to in Section 4.1(f) and except for that property for which CoCa has recovered its costs pursuant to Section 7.1, all tools, equipment, apparatus, buildings, structures, and property of every nature and description, whether or not affixed to the soil, placed upon the Property by CoCa shall be deemed to be and shall remain the personal property of CoCa. CoCa shall have the right, at all times during the term of this Lease Agreement

and for a period of 120 days after the termination thereof, to remove such property from the Property. Any property not so removed shall be deemed to have been abandoned by CoCa and shall become the property of Verde.

XVIII.

FORCE MAJEURE

18.1. Except for the obligations of CoCa to pay additional rentals under Section XIII and to pay taxes and to perform its covenants under Section IV, in the event CoCa is delayed or interrupted in or prevented from performing its obligations in whole or in part as herein provided by acts of God, wars, fires, floods, strikes or labor disturbances, insurrection or mob violence, injunction, regulations, orders or requirements of government or other disabling cause beyond its reasonable control, or if prevailing levels of costs in relation to prevailing levels of prices result in CoCa shutting down or drastically curtailing the mining or milling of ores from the Project, then in all such cases CoCa shall be excused, without liability, from performance of its obligations hereunder during the period of such delay, prevention, disability or condition. All of the other provisions of this Lease Agreement

as to both CoCa and Verde shall be suspended and extended during the period of any force majeure hereunder and shall again come into full force and effect upon the conclusion of the period of delay, prevention, disability or condition.

XIX.

CONFIDENTIALITY AND RELEASE OF INFORMATION

19.1. The parties agree that except as herein provided, information exchanged under this Lease Agreement shall be held in strictest confidence. Each party agrees, however, that the other party may release to third parties of good character, as determined in the releasing party's sole discretion, reasonably exercised, data relating to the exploration and development potential of the Property, for the purposes of facilitating discussions with such third parties with respect to a participation in the leasehold interest, should the party in its sole discretion offer such participation.

19.2. Except as expressly provided in Section 19.1, information concerning this Lease Agreement shall be voluntarily released only upon mutual agreement of CoCa and Verde, except as counsel for any party may deem legally necessary, in which event such party

shall notify the other party or parties in advance of the time, contents of and specific legal reasons for such release.

XX.

DEFAULT

20.1. Should CoCa default on any of the terms or provisions of this Lease Agreement, Verde shall give notice to CoCa in writing as herein provided, designating such asserted default. Should CoCa fail to correct or fail to commence to correct the default of which it has received notice within 60 days from receipt of such notice, Verde may, at its election, cancel and terminate this Lease Agreement upon written notice to CoCa.

XXI.

NOTICES

21.1. All notices shall be in writing. Any notice or communication required or permitted herein shall be effective when personally delivered or deemed effective when

deposited, postage prepaid, registered or
certified, return receipt requested, in the
United States mail as set forth below:

If to CoCa:

CoCa Mines Inc.
Denver Center Building
1776 Lincoln Street
Denver, Colorado 80203

If to Verde:

Verde Exploration Limited
Room 4201, 40 Wall Street
New York, New York 10005

with copies to:

J. R. Menke
44 Ogden Road
Scarsdale, New York 10583

and

Paul A. Handverger
13 Old Jerome Highway
Clarksdale, Arizona 86234

Any of the above may change their address by
written notice given as provided in this Section.

XXII.

ASSIGNMENT

22.1. Either party shall have the
right at any time or from time to time to assign
in whole or in part all or any of its rights
under this Lease Agreement subject to consent

by the other party, which consent may not be unreasonably withheld. Notwithstanding anything to the contrary set forth above, either party may assign its rights under this Lease Agreement without the consent of the other party to a parent corporation or majority-owned subsidiary or to its successor by merger, consolidation or reorganization, provided written notice is first given to the other party at least 30 days prior to the assignment..

XXIII.

RELATIONSHIP OF THE PARTIES

23.1. The relationship of Verde and CoCa shall be and remain as lessor and lessee. Nothing contained in this Lease Agreement shall be deemed or construed to make any party hereunder a partner, agent or representative of any other party or to create any trust or joint venture, mining or commercial partnership or other partnership relation or any company or corporate entity for any purpose whatsoever. Each party shall be responsible only for its obligations as herein set forth.

23.2 Each of the parties hereto elects to be excluded from the application of all of the provisions of sub-chapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, and CoCa is hereby directed and agrees to file such election with appropriate partnership returns for the first year in which joint operations are in effect.

XXIV.

ENFORCEMENT OF AGREEMENT

24.1. This Lease Agreement shall be construed and enforced in accordance with the internal laws of the State of Arizona (and not the law of conflicts of Arizona), except insofar as it may become necessary to comply with Federal statutes, rules or regulations.

XXV.

MEMORANDUM OF LEASE AGREEMENT

25.1. Verde and CoCa shall execute and acknowledge a Memorandum of Lease Agreement

for the purpose of recordation which will refer to and incorporate this Lease Agreement therein by reference and state therein generally the description of the Property, the term of this Lease Agreement, the parties and an address where a copy of this Lease Agreement is available for inspection.

XXVI.

ENTIRE AGREEMENT

26.1. This Lease Agreement embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof.

XXVII.

HEADINGS FOR CONVENIENCE ONLY

27.1 The headings used are for convenience only and shall be disregarded in construing this Lease Agreement.

XXVIII.

INUREMENT

28.1. This Lease Agreement is and shall be binding upon and inure to the benefit of the successors and assigns of the parties.

IN WITNESS WHEREOF, the parties have
executed this Lease Agreement the day and year
first above written.

VERDE EXPLORATION, LTD.

By *John Blumke*
President

JEROME-VERDE DEVELOPMENT CORPORATION

By *John Blumke*
President

CoCa MINES INC.

By *Hugh J. Matheson*
President

STATE OF COLORADO)
COUNTY OF DENVER) ss.

I, DEBORAH L. HURT, Notary Public
do hereby certify that on this 8th day of July,
1983, personally appeared before me Hugh J. Matheson,
who, being by me first duly sworn, declared that he
is the President of ~~Jerome-Verde Development Corpora-~~
~~tion~~, that he signed the foregoing document as
President of the corporation and that the statements
therein contained are true.

COCA mines, Inc.
JRM
7/11/83
NSM
7/21/83

In witness whereof I have hereunto
set my hand and official seal this 8th day of
July, A.D., 1983.

My commission expires: Jan. 28, 1984

Deborah L. Hurt
Notary Public

1776 Lincoln Street
Denver, Colorado 80203

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

I, Barbara M. Goetz, Notary Public, do hereby certify that on this 13th day of July, 19 83, personally appeared before me John R. Menke, who, being by me first duly sworn, declared that he is the President of Verde Exploration, Ltd., that he signed the foregoing document as President of the corporation, and that the statements therein contained are true.

In witness whereof I have hereunto set my hand and seal this 13th day of July, A.D., 19 83.

My commission expires: 3/30/84

Barbara M. Goetz
Notary Public

BARBARA M. GOETZ
Notary Public, State of New York
No. 31-6551950
Qualified in New York County
Commission Expires March 30 84

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

I, Barbara M. Goetz, Notary Public, do hereby certify that on this 13th day of July, 19 83, personally appeared before me John R. Menke, who, being by me first duly sworn, declared that he is the President of Jerome Verde Exploration, Ltd., that he signed the foregoing document as President of the corporation, and that the statements therein contained are true.

In witness whereof I have hereunto set my hand and seal this 13th day of July, A.D., 19 83.

My commission expires: 3/30/84

Barbara M. Goetz
Notary Public

BARBARA M. GOETZ
Notary Public, State of New York
No. 31-6551950
Qualified in New York County
Commission Expires March 30 84

EXHIBIT A

To the Lease Agreement made as of the First day of July, 1983 between
JEROME-VERDE DEVELOPMENT CORPORATION, VERDE EXPLORATION, LTD., and
CoCa MINES INC.

PROPERTY DESCRIPTION
JEROME DISTRICT
YAVAPAI COUNTY, ARIZONA

PATENTED CLAIMS

NAME	ACREAGE	MS NUMBER	PATENT NO.	PATENT DATE	RECORDED BOOK OF DEEDS	PAGE
GLO - General Land Office Number) Issued by U.S. while Arizona in MC - Mineral Certificate Number) territorial status.						
<u>COPPER COUNTRY GROUP</u>	115.768					
Laurium		3305	776,637	10/7/20	121	300
Franklin		"	"	"	"	"
Quincy		"	"	"	"	"
Calumet		"	"	"	"	"
Houghton		"	"	"	"	"
Hancock		"	"	"	"	"
<u>HAYNES GROUP</u>	185.896					
Monarch		2443	114,518	3/1/10	90	1
Victor Extension		"	"	"	"	"
Devide		"	"	"	"	"
Mountain Side		"	"	"	"	"
Fox Camp		"	"	"	"	"
Contention		"	"	"	"	"
Stonewall		"	"	"	"	"
Fairwell		"	"	"	"	"
Granny		3239	545,939	9/16/16	106	106
Cactus (a/k/a Humbolt 2463)		3693	890,837	12/18/22	129	548
<u>JEROME DEL MONTE GROUP</u>	(Part of group only)					
Indiana		3776	911,368	7/9/23	131	1
Arizona		"	"	"	"	"
Nebraska		"	"	"	"	"
Sunday		"	"	"	"	"
Mineral Point		"	"	"	"	"
Iowa		"	"	"	"	"
New York		"	"	"	"	"
Idaho		"	"	"	"	"
Michigan		"	"	"	"	"
Louisiana		"	"	"	"	"
Bird		"	"	"	"	"
Brooklyn		"	"	"	"	"
Butte		"	"	"	"	"
Pittsburg		"	"	"	"	"
Blue Jay		"	"	"	"	"

continued...

Patented Claims (Cont'd)

NAME	ACREAGE	MS NUMBER	PATENT NO.	PATENT DATE	RECORDED	
					BOOK OF DEEDS	PAGE
<u>EROME DEL MONTE GROUP</u>						
con't.)						
nion Jack		3776	911,368	7/9/23	131	1
oring		"	"	"	"	"
im		"	"	"	"	"
ill		"	"	"	"	"
ismark		"	"	"	"	"
etroit		"	"	"	"	"
mma		"	"	"	"	"
ocking Bird		"	"	"	"	"
t. Louis		"	"	"	"	"
ajor Fraction		"	"	"	"	"
lue Bell		"	"	"	"	"
attlesnake		"	"	"	"	"
eonard		"	"	"	"	"
ulligan			GLO 37,941			

EROME VERDE DEVELOPMENT 467.458
COMPANY

Quarter Deck	1491	MC 519	2/9/04	78	40
ackstaff	"	"	"	"	"
oeman	"	"	"	"	"
aster	"	"	"	"	"
opper Wonder	"	"	"	"	"
ard Arm	"	"	"	"	"
arietta	"	"	"	"	"
nsign	"	"	"	"	"
olumbia	"	"	"	"	"
innacle	"	"	"	"	"
oxswain	"	"	"	"	"
Gertrude	1490	GLO 37,810	1/25/04	"	52
Admiral	"	MC 518	"	"	"
Magazine	"	"	"	"	"
ibstay	"	"	"	"	"
Bowspirit	"	"	"	"	"
Commander	"	"	"	"	"
Bessie	"	"	"	"	"
Commodore	"	"	"	"	"
Lulu	"	"	"	"	"
		GLO 37,976			
Capstan	1492	MC 520	2/18/04	"	61
Forecastle	"	"	"	"	"
Compass	"	"	"	"	"
Anchor	"	"	"	"	"
Signal	"	"	"	"	"
Main Top	"	"	"	"	"
Windlass	"	"	"	"	"
Verde	1356	GLO 33,627	3/18/01	"	71
		MC 382			

Patented Claims (cont'd)

NAME	ACREAGE	MS NUMBER	PATENT NO.	PATENT	RECORDED	
				DATE	BOOK OF	PAGE
<u>JOHN M. SULLIVAN GROUP</u>	538.415					
One		3436	906,680	5/18/23	130	387
Two		"	"	"	"	"
Three		"	"	"	"	"
Four		"	"	"	"	"
Five		"	"	"	"	"
Six		"	"	"	"	"
Seven		"	"	"	"	"
Eight		"	"	"	"	"
Nine		"	"	"	"	"
Ten		"	"	"	"	"
Eleven		"	"	"	"	"
Twelve		"	"	"	"	"
Thirteen		"	"	"	"	"
Fourteen		"	"	"	"	"
Fifteen		"	"	"	"	"
Sixteen		"	"	"	"	"
Seventeen		"	"	"	"	"
Eighteen		"	"	"	"	"
Nineteen		"	"	"	"	"
Twenty		"	"	"	"	"
Twenty One		"	"	"	"	"
Twenty Two		"	"	"	"	"
Twenty Three		"	"	"	"	"
Twenty Four		"	"	"	"	"
Twenty Five		"	"	"	"	"
Twenty Six		"	"	"	"	"
Twenty Seven		"	"	"	"	"
Twenty Eight		"	"	"	"	"
Twenty Nine		"	"	"	"	"
Thirty		"	"	"	"	"
Thirty One		"	"	"	"	"
Thirty Two		"	"	"	"	"
Thirty Three		"	"	"	"	"
Thirty Four		"	"	"	"	"
Thirty Five		"	"	"	"	"
Thirty Six		"	"	"	"	"
Thirty Seven		"	"	"	"	"
Thirty Eight		"	"	"	"	"
Thirty Nine		"	"	"	"	"
Forty		"	"	"	"	"
Forty One		"	"	"	"	"
Forty Two		"	"	"	"	"
Forty Three		"	"	"	"	"
Forty Four		"	"	"	"	"
Forty Five		"	"	"	"	"
Forty Six		"	"	"	"	"
Forty Seven		"	"	"	"	"
Forty Eight		"	"	"	"	"
Forty Nine		"	"	"	"	"
Fifty		"	"	"	"	"
Fifty One		"	"	"	"	"
Fifty Two		"	"	"	"	"
Fifty Three		"	"	"	"	"
Fifty Four		"	"	"	"	"
Fifty Five		"	"	"	"	"
Fifty Six		"	"	"	"	"
Fifty Seven		"	"	"	"	"
Fifty Eight		"	"	"	"	"
Fifty Nine		"	"	"	"	"
Sixty		"	"	"	"	"
Sixty One		"	"	"	"	"
Sixty Two		"	"	"	"	"
Sixty Three		"	"	"	"	"
Sixty Four		"	"	"	"	"
Sixty Five		"	"	"	"	"
Sixty Six		"	"	"	"	"
Sixty Seven		"	"	"	"	"
Sixty Eight		"	"	"	"	"
Sixty Nine		"	"	"	"	"
Seventy		"	"	"	"	"
Seventy One		"	"	"	"	"
Seventy Two		"	"	"	"	"
Seventy Three		"	"	"	"	"
Seventy Four		"	"	"	"	"
Seventy Five		"	"	"	"	"
Seventy Six		"	"	"	"	"
Seventy Seven		"	"	"	"	"
Seventy Eight		"	"	"	"	"
Seventy Nine		"	"	"	"	"
Eighty		"	"	"	"	"
Eighty One		"	"	"	"	"
Eighty Two		"	"	"	"	"
Eighty Three		"	"	"	"	"
Eighty Four		"	"	"	"	"
Eighty Five		"	"	"	"	"
Eighty Six		"	"	"	"	"
Eighty Seven		"	"	"	"	"
Eighty Eight		"	"	"	"	"
Eighty Nine		"	"	"	"	"
Ninety		"	"	"	"	"
Ninety One		"	"	"	"	"
Ninety Two		"	"	"	"	"
Ninety Three		"	"	"	"	"
Ninety Four		"	"	"	"	"
Ninety Five		"	"	"	"	"
Ninety Six		"	"	"	"	"
Ninety Seven		"	"	"	"	"
Ninety Eight		"	"	"	"	"
Ninety Nine		"	"	"	"	"
One Hundred		"	"	"	"	"
One Hundred One		"	"	"	"	"
One Hundred Two		"	"	"	"	"
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atented Claims (cont'd)

NAME	ACREAGE	MS NUMBER	PATENT NO.	PATENT DATE	RECORDED BOOK OF DEEDS	PAGE
AWTOOTH GROUP						
thirty Eight	50.00	3835	939,992	6/16/24	133	336
thirty Nine		"	"	"	"	"
forty		"	"	"	"	"
forty One		"	"	"	"	"
forty Two		"	"	"	"	"
ident		3434	776,639	10/7/20	121	307
MUNNEL GROUP						
o. 1	81.267	3350	779,743	11/2/20	121	399
o. 4		"	"	"	"	"
o. 5		"	"	"	"	"
o. 6		"	"	"	"	"
o. 8		"	"	"	"	"
VULCAN GROUP						
unrise	116.563	3240	545,940	9/16/16	106	101
raction		"	"	"	"	"
monster		"	"	"	"	"
beauty		"	"	"	"	"
victory		"	"	"	"	"
mint		"	"	"	"	"
OTHER						
6 to 1	1.083	1395	GLO 34,200	7/17/01	82	162
			MC 393			
Omega		3315	776,636	10/7/20	121	290
Antelope		"	"	"	"	"
Twilight Fraction		"	"	"	"	"
Sunset		"	"	"	"	"
Leo		"	"	"	"	"
Virgo	143.231	"	"	"	"	"
Santa Ana		"	"	"	"	"
Hummer		"	"	"	"	"
Spur		"	"	"	"	"
Diamond		"	"	"	"	"
Midget	.018	3358	663,574	2/1/19	116	380
Elk	.167	3357	663,573	2/1/19	"	383
Wedge	.193	3359	819,457	8/17/21	129	378
Taper Fraction	.021	3433	813,326	7/6/21	"	385
Tunnel Fraction	.015	3435	819,095	8/15/21	"	383
Neglected Fraction	.165	3745	884,344	10/25/22	"	380
June	.025	3431	776,640	10/7/20	121	310
Bitter Creek	16.700	1212	GLO 28,145	5/14/97	41	369
			MC 304			

continued...

atented Claims (cont'd)

NAME	ACREAGE	MS NUMBER	PATENT NO.	PATENT	RECORDED	PAGE
				DATE	BOOK OF DEEDS	
THER (cont'd)						
ron Carbonate	18.870	1212	MC 304	5/14/97	41	369
arch	20.180	"	"	"	"	"
onglomerate	17.090	"	"	"	"	"
aine	17.220	1051	GLO 23,373	8/17/93	33	471
			MC 247			
lorenzia	16.770	1076A	GLO 23,874	2/3/94	36	56
			MC 249			
opper Spike	.172	3898	1,016,622	5/31/28	145	318
opper Chief	13.780	1213	GLO 31,813	12/2/99	49	638
			MC 320			
o. 7	19.240	1213	"	"	"	"
o. 19	9.670	"	"	"	"	"
o. 6	16.100	"	"	"	"	638
o. 5 Fraction	5.654	3471	936,708	4/18/24	133	146
o. 6 Fraction		"	"	"	"	"
tar	.101	3432	751,450	6/17/24	120	605
				(5/27/20)?		
ellie Blye	7.821	3203	567,987	2/19/17	108	247
one Star	9.557	1374	GLO 36,714	6/15/03	64	153
			MC 397			
Bouquet No. 1	90.490	3200	537,828	7/13/16	104	462
Bouquet No. 2		"	"	"	"	"
Bouquet No. 3		"	"	"	"	"
Bouquet No. 5		"	"	"	"	"
Bouquet No. 6		"	"	"	"	"
organ	5.058	3202	545,936	9/16/16	106	95
ountain View	18.454	2251	535,537	6/28/16	104	386
erde	1.858	1356	GLO 33,627	3/18/01	78	71
			MC 382			
o. 2	4.697	1285	GLO 31,018	5/18/99	47	621
			MC 345			
o. Three	7.767	1285	"	"	"	621
ittle Daisy	.718	1445	GLO 34,110	7/8/01	95	418
			MC 400			
ontention	4.975	3201	818,944	8/11/21	129	388
L.W.D. lot be M & B	.606					

UNPATENTED CLAIMS

<u>NAME OF CLAIM</u>	<u>BLM Ser. No.</u>	<u>ORIGINAL</u>	
		<u>BOOK</u>	<u>PAGE</u>
<u>FANNY HILL GROUP</u>			
Anna	AMC 50422	478	507
Carolyn	AMC 50423	478	508
Cora	AMC 50424	478	509
Elbow	AMC 50425	478	510
Fan	AMC 50426	478	511
Fanny Hill	AMC 50427	478	512
Galts Gulch	AMC 50428	478	513
Ginger	AMC 50429	478	514
Jen	AMC 50430	478	515
Kathy	AMC 50431	478	516
Lamanite	AMC 50432	478	517
Lula	AMC 50433	478	518
Margie	AMC 50434	478	519
Maureen	AMC 50435	478	520
Path	AMC 50436	478	521
Rita	AMC 50437	478	522
Snoopy	AMC 50438	478	523
Zipper	AMC 50439	478	524

FANNY HILL EXTENSION GROUP

Ma	1434	430
Pappy	"	428
Ellen M.	"	432
Betty M.	"	434
Sibyl	"	442
Carla	"	436
Bill	"	440
George	"	438
Michelle	"	444

EXCEPTING AND EXCLUDING from the above, those claims and portions of claims subject to that certain mineral lease made as of the 14th day of September, 1981, between Verde Exploration Ltd., Jerome-Verde Development Corporation and Phelps-Dodge Corporation, a memorandum of which mineral lease is recorded in the records of Yavapai County, Arizona at Book 1503 Page 566 , to wit:

PARCEL NO. I:

LITTLE DAISY lode mining claim, in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 1445, on file in the Bureau of Land Management, as granted by patent recorded in Book 95 of Patents, page 418, records of Yavapai County, Arizona..

PARCEL NO. II:

MARCH, IRON CARBONATE and CONGLOMERATE lode mining claims, in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 1212, on file in the Bureau of Land Mangement, as granted by patent recorded in Book 41 of Patents, page 369, records of Yavapai County, Arizona.

PARCEL NO. III:

That half of the FLORENCIA lode mining claim, in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 1076A, on file in the Bureau Land Management, as granted by patent recorded in Book 36 of Patents, page 56, records of Yavapai County, Arizona, lying northerly and westerly of a line drawn from the northeast end center to the southwest end center of said claim.

PARCEL NO. IV:

That part of the MAINE lode mining cliam, in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 1051, on file in the Bureau of Land Management, as granted by patent recorded in Book 33 of Patents, page 471, records of Yavapai County, Arizona, lying northerly and easterly of the northeast sideline of the Hermit lode mining claim and the projected extension of said line from the southeast corner of said Hermit mining claim to the southwest corner of the Florencia mining claim.

PARCEL NO. V:

COPPER SPIKE lode mining claim in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 3898, on file in the Bureau of Land Management, as granted by patent recorded in Book 145 of patents, page 318, records of Yavapai County, Arizona.

PARCEL NO. VI:

That part of the MAINTOP and SIGNAL lode mining claims, in the Verde (Jerome) Mining District, being shown on Mineral Survey No. 1492, on file in the Bureau of Land Management, as granted by patent recorded in Book 78 of Patents, page 61, records of Yavapai County, Arizona, lying south of a line extending due west from the point of intersection of the easterly sideline of the Signal mining claim with the northwesterly end line of the Iron Carbonate mining claim, to a point on the westerly sideline of the Maintop mining claim.

PARCEL NO VII:

The Audrey Shaft, including all underground workings associated therewith which are necessary or convenient for ventilation or ore haulage, and the surface to a depth of 25 feet surrounding the Audrey Shaft on the Bitter Creek lode claim and bounded on the west by the east sideline of the Iron Carbonate lode claim; bounded on the north by the southerly boundary of the adjacent Arizona State Park; bounded on the east by the westerly boundary of said Arizona State Park; and bounded on the south by the southerly limit of the United Verde Extension mine dump; comprising approximately one acre.

FURTHER EXCEPTING AND EXCLUDING those claims and portions of claims, which would otherwise be included in the Property, which lie within a distance of 200 feet measured from the outside perimeter of the claims and portions of claims set forth as Parcel No. I-VII inclusive.

EXHIBIT B

ACCOUNTING PROCEDURE

I. GENERAL PROVISIONS

1. Introduction

(a) This document is a part of the Verde Exploration, Ltd.-CoCa Mines Inc. Lease Agreement to which it is attached. In the event of differences in interpretations, the terms of the Lease Agreement shall control.

(b) CoCa will maintain a bank account or accounts, and bookkeeping records devoted to transactions performed pursuant to the Lease Agreement, herein called the "Jerome Account." It shall deposit in the Jerome Account funds for working capital, reserves, monies for anticipated expenditures, Net Smelter Returns, and income from other sources generated by reason of the Lease Agreement. It shall draw on the Jerome Account its Total Investment, operating expenses, and will distribute Net Cash Flow.

(c) Direct and indirect costs which may be charged against the Jerome Account are defined below.

2. Statements

CoCa will submit to Verde a statement reflecting the costs and expenditures incurred by CoCa in connection with its activities relating to the Property during the Initial and Extended Exploration Periods and the Project. Statements shall include all charges and

credits to the Jerome Account, summarized by appropriate classifications indicative of the nature thereof, except that charges and credits to the Jerome Account for capital expenditures shall be shown in detail. Statements shall be submitted annually until Commercial Production and quarterly thereafter in all cases within 90 days of the end of the calendar period concerned.

3. Adjustments

All statements rendered to Verde by CoCa during any calendar year shall conclusively be presumed to be true and correct after twelve (12) months following the end of any calendar year, unless within the said twelve (12) month period Verde takes written exception thereto and makes claim on CoCa for adjustment. No adjustment favorable to CoCa shall be made unless it is made within the same prescribed period. Failure on the part of Verde to make claim on CoCa for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustment thereon.

4. Audits

Verde, upon notice in writing to CoCa, shall have the right to audit CoCa's accounts and records relating to the accounting hereunder for any calendar year within the twelve (12) month period following the end of such calendar year; provided, however, that Verde must take written exception to and make claim upon CoCa for all discrepancies disclosed by said audit within said twelve (12) month period.

5. Consistent Application of Accounting Principles

The purpose of this Accounting Procedure is to provide guidance for the determination of those costs and expenditures which under generally accepted principles of accounting may properly be allocated to the Lease Agreement. Where any such cost or expenditure may be chargeable under more than one provision of this Accounting Procedure, it shall be charged under only one of such provisions. An acceptable form of accounting once adopted shall be applied on a consistent basis from period to period.

II. EXPLORATION, DEVELOPMENT, MINING AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, CoCa shall charge the Jerome Account with the following items of expense which it has incurred:

1. Rent

Annual rentals paid by CoCa to Verde.

2. Labor

(a) Salaries and wages of CoCa's employees (excluding its Chairman, Vice-Chairman, President and other directors) directly engaged on the Property or the Project in the exploration, development, maintenance, mining and operations thereof, including salaries or wages paid to CoCa's other employees who from time to time are temporarily engaged in activities which further advance the exploration, development, maintenance, mining, and operations of the Property or the Project.

B. CoCa's cost of holiday, vacation, sickness, and disability benefits, and other customary allowances applicable to the salaries and wages chargeable under paragraphs 2A and 11. These costs may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable under paragraphs 2A and 11. If percentage assessment is used, the rate shall be based on CoCa's cost experience, which shall not be greater than is customarily paid in the mining industry.

C. Costs of expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to CoCa's labor cost of salaries and wages as provided under paragraphs 2A and 11.

3. Employee Benefits

For CoCa's employees directly employed on the Property or the Project, current costs of established plans for employee's group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to CoCa's labor cost.

4. Material and Warehousing Costs

Material, equipment, and supplies purchased or furnished by CoCa for use on the Property or the Project. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the Property or the Project as may be required for immediate use; and the accumulation of surplus

Stocks shall be avoided. Where necessary to accumulate spare parts or stocks of supplies, warehousing costs shall be an expense.

5. Transportation

Transportation of employees, equipment, material, and supplies necessary for exploration, development, maintenance, mining and operation of the Property including transportation and per diem expenses of CoCa employees to and from the Property.

6. Services

The cost of contract services and utilities procured from outside sources other than services covered by paragraphs 8 and 10 of this Section II.

7. Damages and Losses to Property and Equipment

If or to the extent not covered by insurance, all costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause not controllable by CoCa through the exercise of reasonable diligence. CoCa shall furnish Verde written notice of damages or losses incurred as soon as practicable after report of the same has been received by CoCa.

8. Legal Expense

All costs and expenses of handling, investigation, and settling litigation or claims arising by reason of the operations or necessary to protect or recover the Property;

including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence, and amounts paid in settlement or satisfaction of any such litigation or claims.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Property which is the subject of the Lease Agreement, the production therefrom or the operation thereof, and which taxes have been paid by CoCa for the benefit of the parties hereto, excluding taxes on the income of CoCa and Verde arising therefrom.

All unsecured personal property taxes imposed during the term of the Lease Agreement on improvements, machinery, equipment, tools, and supplies constructed, installed, or placed by CoCa on the Property.

Taxes shall be prorated as of the date of the Lease Agreement and shall be prorated as of the date of termination.

10. Administrative Overhead

During the Initial and Extended Exploration Periods ten percent (10%) of direct costs to allow for administration, purchasing, accounting, engineering, legal (of an administrative nature), and other services rendered by CoCa's Head Office personnel in performance of its operations and activities under the provisions of the Lease Agreement. Engineering and legal services obtained from outside sources and accounting services provided by independent accountants shall be charged under paragraph 6. Upon the conclusion of the Exploration Periods CoCa and Verde shall in good faith agree to a reasonable formula or computa-

tion method for the purpose of enabling CoCa thereafter to charge the Jerome Account for the foregoing items of expense. The amounts so charged shall be determined in accordance with recognized and accepted accounting procedures.

11. Operating Costs

Costs of exploration, development, mining, the extraction of metals, marketing and operating costs.

12. Capital Costs

The costs of capital improvements, buildings erected on the Property, tools, equipment, apparatus, and property of every nature and description reasonably necessary to achieve the objectives of the Lease Agreement.

13. Insurance Premiums

Premiums paid for insurance required to be carried on the Property for the protection of the parties.

14. Other Expenditures

Any expenditure, other than expenditures which are covered and dealt with by the foregoing provisions, incurred by CoCa for the necessary and proper exploration, development, maintenance, mining, extraction, and operation of the Property.

III. BASIS OF CHARGES AND CREDITS
TO THE JEROME ACCOUNT

1. Purchases

Purchases of all tools, equipment, apparatus,

buildings, structures and property of every nature and description (herein "Paragraph 1, Section III Property") for which CoCa has reimbursed itself, shall become the joint property of CoCa and Verde, with CoCa having a 75% interest therein and Verde a 25% interest therein. Such property purchased and services procured shall be charged against the Jerome Account at the price paid by CoCa after deduction of all discounts actually received.

2. Premium Prices

Whenever property described in Paragraph 1 of this Section III is not readily obtainable at the customary supply point and at prices specified in that paragraph because of national emergencies, strikes, or other unusual causes over which CoCa has no control, CoCa may charge the Jerome Account for the required materials on the basis of CoCa's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location.

3. Disposition of Paragraph 1, Section III Property

(a) Sales to outsiders of Paragraph 1, Section III Property shall be credited to the Jerome Account at the net amount collected by CoCa from the vendee. Any claims by the vendee for defective material or otherwise shall be charged back to the Jerome Account if and when paid by CoCa.

(b) Upon termination of the Lease Agreement, Verde shall have the option to purchase all or a part of the Paragraph 1, Section III Property at 75% of its depreciated value.

Such property which Verde does not so purchase shall be sold to outsiders, and the net amount collected shall be distributed 75% to Coca and 25% to Verde.

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<u>Name</u>	<u>Office</u>	<u>Shares Under Option</u>	<u>Effective Date of Grant</u>
John S. Sumner	Geophysical Officer	500	8/14/77
Weston G. Thomas	Assistant Vice President and Assistant Secretary	1,000	4/8/75
Ralph E. Hansmann	Assistant Secretary	10,000	4/8/75
James Douglas	Assistant Secretary	2,500	8/14/77
Barbara M. Goetz	Assistant Treasurer	500	6/1/78
		500	4/8/75
		<u>1,000</u>	
TOTAL OUTSTANDING		<u>100,000</u>	

VERDE EXPLORATION, LIMITED

Notice of Meeting of Stockholders

To the Stockholders of
VERDE EXPLORATION, LIMITED:

NOTICE IS HEREBY GIVEN that a meeting of the stockholders of VERDE EXPLORATION, LIMITED, a Delaware Corporation, will be held at Room 4201, 40 Wall Street, New York, New York, on September 19, 1978 at 11:00 o'clock A.M. (New York Time) for the following purposes:

- (a) To elect six directors to serve until their successors shall be elected and qualified.
- (b) To ratify the action of the Board of Directors on May 22, 1978 which granted stock options to certain key employees of the Corporation.
- (c) To consider and transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on August 11, 1978 as the record date for the determination of stockholders entitled to notice of and to vote at this stockholders' meeting and any adjournment or adjournments thereof.

The stock transfer books will not be closed.

By order of the Board of Directors,

Donald C. Jenkins
Secretary

August 25, 1978

NOTE: If you do not expect to be present at the meeting, you may wish to date and execute the enclosed form of proxy and mail it to Verde Exploration, Limited, Room 4201, 40 Wall Street, New York, New York 10005.

Per your request 11/13/86
last letter to
stockholders

PAT

DMEA LTD.
NOV 15 1986
RECEIVED

The options granted by the Board of Directors on May 22, 1978 are as follows:

<u>Name</u>	<u>Office</u>	<u>Shares Under Option</u>	
		<u>1972 Plan</u>	<u>1973 Plan</u>
Phillip I. Blumberg	Vice President and Counsel	3,500	5,127
Barbara M. Goetz	Assistant Treasurer	500	-
Paul A. Handverger	Vice President and Geologist	2,300	3,700
Donald C. Jenkins	Vice President, Secretary and Treasurer	2,700	4,300
John R. Menke	President	17,500	7,500

The foregoing options replaced expiring options for the same number of shares, also at a purchase price of \$2.00 per share, under the 1972 and 1973 Stock Option Plans of the Corporation.

Outstanding Options. Options to purchase an aggregate of 100,000 shares of stock of the Corporation at a purchase price of \$2.00 per share for a term of 5 years granted (without consideration except for services) under the 1972, 1973, and 1976 Stock Option Plans of the Corporation to directors and officers are now outstanding as follows:

<u>Name</u>	<u>Office</u>	<u>Shares Under Option</u>	<u>Effective Date of Grant</u>
John R. Menke	President and Director	5,000	9/15/77
		12,500	6/1/78
		12,500	6/4/78
		<u>20,000</u>	7/21/76
		50,000	
Donald C. Jenkins	Vice President, Secretary and Treasurer	7,000	6/1/78
		<u>3,000</u>	4/8/75
		10,000	
Paul A. Handverger	Vice President and Geologist	1,000	9/15/77
		6,000	6/1/78
		3,500	4/8/75
		<u>2,500</u>	7/21/76
		13,000	
Phillip I. Blumberg	Vice President and Counsel	8,627	6/1/78
		<u>3,373</u>	7/21/76
		12,000	

(Table Continued)

VERDE EXPLORATION, LIMITED
UNAUDITED BALANCE SHEET

ASSETS

	<u>6/30/76</u>	<u>6/30/78</u>
CURRENT ASSETS		
Cash and Government Securities	\$130,374	\$130,671
COSTS, EXPENDITURES, AND PROPERTY		
Deferred Costs and Expenditures	400,806	420,879
Real Property - at cost	74,404	74,404
Investment in Subsidiary	10,000	10,000
	<u>485,210</u>	<u>505,283</u>
Total Assets	<u>\$615,584</u>	<u>\$635,954</u>

LIABILITIES AND CAPITAL

LIABILITIES		
Taxes Withheld	\$ 74	\$ 53
Deposit against Sale of Property	5,040	6,300
	<u>5,114</u>	<u>6,353</u>
CAPITAL		
Capital Stock (par value \$0.25 per share)		
Authorized 1,250,000 shares		
Issued and outstanding - 930,985 shares	232,746	232,746
Paid-In Capital	714,356	714,356
	<u>947,102</u>	<u>947,102</u>
Less: Accumulated excess of non-exploration expenses over income	336,632	317,501
	<u>610,470</u>	<u>629,601</u>
Total Liabilities and Capital	<u>\$615,584</u>	<u>\$635,954</u>

SUMMARY OF STOCK OPTION GRANTS

The Corporation's 1972 and 1973 Stock Option Plans authorize the Board of Directors, in its administration of the Plans, to determine the employees of the Corporation to whom options may be granted, the number of shares to be covered by the options, the times at which the options may be granted, and the terms upon which options may be exercised.

Accordingly, on May 22, 1978 the Board of Directors granted options under the 1972 and 1973 Stock Option Plans on a total of 47,127 shares of the Common Stock of the Corporation to certain key employees, at a purchase price of \$2.00 per share. This action by the Board of Directors is being submitted to the stockholders for ratification.

VERDE EXPLORATION, LIMITED
40 Wall Street
New York, New York 10005

Directors

PHILLIP I. BLUMBERG
DONALD C. JENKINS

WILLIAM T. GOLDEN
HELENE L. KAPLAN

RALPH E. HANSMANN
JOHN R. MENKE

Officers

JOHN R. MENKE
DONALD C. JENKINS

President
Vice President, Secretary
and Treasurer
Vice President and Geologist
Vice President and Counsel
Geophysical Officer
Assistant Vice President and
Assistant Secretary
Assistant Secretary
Assistant Secretary
Assistant Treasurer

PAUL A. HANDVERGER
PHILLIP I. BLUMBERG
JOHN S. SUMNER
WESTON G. THOMAS

RALPH E. HANSMANN
JAMES DOUGLAS
BARBARA M. GOETZ

To the Stockholders:

Exploration

The Anaconda Company and the Corporation again extended the exploration contract, originally entered into in 1971, to June 30, 1979, with options extending through June 30, 1981. Anaconda has continued to drill on Verde Exploration properties and on the property of Verde Exploration's 58%-owned subsidiary, Jerome Verde Development Company. Twenty-five holes, totaling approximately 35,000 feet, have been drilled on the properties under the exploration contract. Although no ore has been found, these exploration programs have increased our understanding of the geology. Much remains to be done to explore the area adequately.

On an adjacent property not owned by the Corporation but which was subject to participation rights on the part of the Corporation under the Anaconda exploration contract, Anaconda found mineralization as previously reported. However, it was not thought to be economic and the property was dropped.

Geological study is continuing on both the patented and unpatented claims of the Corporation.

Real Estate

Verde Exploration, Limited and its 58%-owned subsidiary, Jerome Verde Development Company, own approximately 3,350 acres of land (about 5 square miles) in the Jerome-Clarkdale area of the Verde Valley. The land is divided into four groups of patented claims; the Haynes Group west of Jerome (291 acres), the A & A Group north of Jerome (487 acres), the Del Monte Group south of Jerome (725 acres), and the Main Group east of Jerome towards Clarkdale (1,850 acres of which Verde Exploration owns 1,332 acres and Jerome Verde Development Company owns 518 acres). A part of the town of Jerome is situated on the west boundary of the Main Group. Other land holdings include approximately 10 acres of former railroad right-of-way within Clarkdale.

The Corporation's land varies from steep rocky mountainside north and west of Jerome to rolling hills to the south and open range land to the east near Clarkdale. A portion of the Corporation's land may ultimately be developable for residential or other purposes. Route 89A, a Federal road, serves a part of this land. Water is available to serve some of it, but distribution piping will be needed.

Jerome is currently preparing a master plan. The maps show that Verde Exploration owns a considerable portion of the future residential land within the town's boundaries. A new water system is being completed for the town which should assure an adequate water supply for reasonable population projections.

The Corporation is discussing the sale of up to 30 lots (surface rights only, to a depth of 25 feet) to people who own homes on land leased from the Corporation. Some of these homes have been on this leased land for over 50 years. The lots range in size from 2,500 square feet up to 2 acres.

Jerome, with its interesting history, its picturesque old mining character and excellent climate and spectacular mountainside view of the Verde Valley, is creating a demand for home sites that is increasingly hard to meet without additional development.

Outside of Jerome, the Corporation's land adjoining the town of Clarkdale may also hold promise for the future. The Del Monte Group includes potential building sites near Clarkdale's Haskell Spring area.

In addition, about five years ago, the Corporation acquired one of the then abandoned Mingus Union High School buildings (which was formerly the mine hospital). Thereafter, the Corporation purchased the remaining other three High School buildings and land. Space in these former school buildings is being offered at low rentals to craftsmen, light manufacturers, and others.

Financial Condition and Administration

Funds are available for some time for the payment of real estate taxes (payable by the Corporation with respect to periods commencing after July 1, 1979 in the event that the Anaconda exploration contract is not extended), general administration and operating expenses. It is not the present intention of the Board of Directors to expend funds on mineral exploration on the properties and claims of the Corporation, other than periodic assessment work that will be required to hold unpatented claims. The Corporation does not have funds to conduct any substantial exploration work in the event the Anaconda exploration contract is not extended beyond its present terminal date of June 30, 1979. Should the contract not be renewed, the Corporation would attempt to negotiate an exploration contract with another corporation.

As stockholders have been previously advised, the officers and directors of the Corporation (with the exception of Vice President and Geologist Paul A. Handverger) serve without pay, except for \$100 per year to each officer. In order to provide additional incentive for the continued participation of certain officers and key employees, the Board of Directors has adopted and the Corporation's stockholders have approved various Stock Option Plans. On May 22, 1978 the Board of Directors granted options to certain key employees for 47,127 shares of Common Stock to replace expiring options. This action by the Board of Directors is being submitted to stockholders for their ratification. Options outstanding, including the above, total 100,000.

At the Board meeting on May 3, 1977, Helene L. Kaplan, an attorney, was elected a director of the Corporation, increasing the number of directors to six. We welcome her.

John R. Menke
President

DMEA Ltd.

Mineral Exploration Advice

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

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

April 9, 1986

Al Binegar
Inspiration Consolidated
Copper Co.
P.O. Box 4444
Claypool, AZ 85532

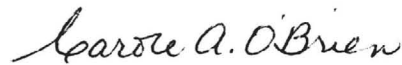
Dear Al:

As I mentioned on the telephone yesterday, we have a property at Jerome that we are considering mining for smelter flux.

I am enclosing some copies of Skyline analyses run on a variety of our core. The highlighted items represent intervals in the chert-hosted gold and silver mineralization.

Within the next week we will send an appropriate sample, also core, for you to analyse in order to ascertain whether or not it would be suitable for purchase.

Sincerely,



Carole A. O'Brien

encls.

DMEA Ltd.
Mineral Exploration Advice

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

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

April 9, 1986

Thomas Aldrich
Asarco, Inc.
P.O. Box 98
Hayden, AZ 85235

Dear Mr. Aldrich:

As I mentioned on the telephone last Friday, we have a property at Jerome that we are considering mining for smelter flux.

I am enclosing some copies of Skyline analyses run on a variety of core. The highlighted items represent intervals in the chert-hosted gold and silver mineralization.

Within the next week, we will send an appropriate sample, also core, for you to analyse in order to ascertain whether or not it would be suitable for purchase.

Sincerely,



Carole A. O'Brien

encls.

DMEA Ltd.

Mineral Exploration Advice

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Carole A. O'Brien
Certified Geologist

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

April 25, 1985

John R. Menke
44 Ogden Road
Scarsdale, N.Y. 10583

Re: Budge - UVX Agreement

Dear Mr. Menke:

Enclosed are two copies of the referenced agreement for your approval and execution, together with a check for \$25,000.00 payable to Verde Exploration Ltd., as consideration.

After execution and notarization, please send both copies to Mr. Budge in the enclosed preaddressed and prepaid Express Mail envelope.

Mr. Budge will execute the agreements and one copy will be returned to you. At this point I believe Paul would like a copy of the executed agreement for his files.

If you have any questions concerning these instructions, please do not hesitate to call.

Very truly yours,



Ben F. Dickerson III

encls.

cc: A.F. Budge
P. Handverger

BROOKS MINERALS INCORPORATED

8700 W. 14th AVE.
LAKEWOOD, CO 80215

TELEPHONE
(303) 232-5955

May 29, 1985

MHSA District Office
3221 N. 16th St.
Phoenix, AZ 85016

Attn: Mr. Vern Gomez

Dear Mr. Gomez,

This is to inform you that Brooks Minerals, Inc. intends to begin re-opening the old United Verde Extension mine located in Jerome, AZ on or about the second week in June of this year.

We will be operating as contract miners and our MSHA identification number is B 1 U .

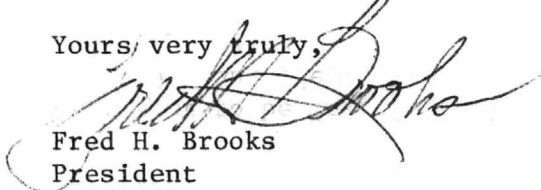
Our plan is to re-open the Edith shaft and rehabilitate workings on the 1100 level preparatory to sampling and diamond drilling.

We expect to be in relatively continuous operation for approximately one year, and ,depending on the results of the exploration program, possibly longer.

The person in charge at the beginning of operations will be Mr. Maurice H. Brady, Vice President, and he will be staying in Cottonwood. As soon as we have an Arizona mailing address, I will let you know.

If you require any further information at this time, please contact me at this address in Colorado.

Yours, very truly,


Fred H. Brooks
President

cc: DMEA - Scottsdale

DMEA Ltd.
Mineral Exploration Advice

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

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

May 3, 1985

Maurice Brady
Fred Brooks
Brooks Minerals, Inc.
8700 W. 14th Avenue
Lakewood, CO 80215

Dear Maurice & Fred:

Forgive the delay in sending this package out to you. Too many things to do, and not enough time and only one errand gal to do them.

Anyway, I am sending you a copy of Paul Handverger's report on the UVX, also a copy of Bureau of Mines I.C. 6250 which you might find of interest. (Ben certainly did!)

We finally got the lease-purchase agreement from P-D. Can you imagine - 12 pages plus a 13-page Exhibit A, plus Schedule 1, plus a 2-page Schedule 2, and a 100-page document which we didn't get, but John Lacy has seen. Heaven only knows how long it will take to get it executed.

We should have you guys down to look over the situation. The week of May 13 - 17 will probably be the best. We are sending the geologist we have working on the UVX to Nevada for a few days next week to look at a property. While we don't necessarily need him, it would be nice to have you meet most of the characters.

I know this is a little later than the dates we spoke of, but if this will fit into your schedule, give me a call, make your reservations, and I'll book a room for you.

Best regards.


Carole A. O'Brien

w/ reports

DMEA Ltd.

Mineral Exploration Advice

Ben F. Dickerson III
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Carole A. O'Brien
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If you have any questions concerning these instructions, please do not hesitate to call.

Very truly yours,



Ben F. Dickerson III

encls.

cc: A.F. Budge
P. Handverger

DMEA Ltd.

Mineral Exploration Advice

Ben F. Dickerson III
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Very truly yours,



Ben F. Dickerson III

encls.

cc: A.F. Budge
P. Handverger

DMEA Ltd.

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(602) 945-4630
Telex: 75-1739

April 18, 1985

John R. Menke
44 Ogden Road
Scarsdale, N.Y. 10583

Dear Mr. Menke:

Enclosed is a revised draft of the Budge-Verde Agreement. A copy has been hand delivered to Paul in Jerome. We would appreciate your comments as soon as possible in order to expedite execution of the agreement.

We hope to have the final draft express mailed to you early next week, with our check for \$25,000 representing the first year option payment in the mail at approximately the same time.

Best regards.

Yours very truly,


Ben F. Dickerson III

BFD:ca
encl.
cc: A.F. Budge

DMEA Ltd.
Mineral Exploration Advice

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

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

March 22, 1985

Fred E. Ferguson, Jr., Esq.
Evans, Kitchel & Jenckes
Phelps Dodge Tower
2600 N. Central Avenue
Phoenix, AZ 85004

Re: Lease Agreement, Phelps-Dodge
Edith Shaft, Jerome, AZ

Dear Mr. Ferguson:

At John Lacy's suggestion, I attach some information
on our client, A.F. Budge, and his various companies.

These enclosures should give you some understanding
of Mr. Budge's activities and his worth.

If any questions arise, please contact us at any
time.

Very truly yours,


Ben F. Dickerson III

w/attachment
cc: A.F. Budge

DMEA Ltd.

Mineral Exploration Advice

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

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

April 18, 1985

Paul A. Handverger
2160 Old Jerome Highway
Clarkdale, AZ 86324

Dear Paul:

Accompanying this letter are 1) a new copy of Professional Paper 308 to replace the one you loaned to us, and 2) a revised draft of the Budge-Verde Agreement. The changes are in bold face type throughout the draft.

To expedite execution, could you discuss the changes with Mr. Menke on the phone in the next couple of days and report back to me. You can reach me on weekends at home (990-8234). On Monday, we hope to have John Lacy prepare the final draft and Federal Express copies to Mr. Menke for execution. At approximately the same time we will send our check to Mr. Menke for Verde for the first year option payment of \$25,000.00

We would like to get all the paper work, including the rent-purchase agreement from Phelps-Dodge (which we have not seen as yet), cleared by the end of the month. We would appreciate any assistance you may be able to provide us in order to meet this objective.

Regards.

Sincerely,

Carole A. O'Brien

OAK WASH ASSAYS FROM DDH DV3 - 1986

ASSAYS IN PPM

FOOTAGE INTERVAL	SAMPLE WIDTH	SAMPLE NUMBER	GOLD ASSAY	SILVER ASSAY	COPPER ASSAY	ZINC ASSAY	ZN/CU RATIO
135-140	5	37	-0.05	0.6	295	3400	11.53
216-218	2	38	-0.05	0.4	610	155	0.25
350-355	5	39	-0.05	1.2	485	385	0.79
525-530	5	40	-0.05	0.2	65	335	5.15
530-535	5	41	-0.05	0.2	35	265	7.57
553-558	5	42	-0.05	0.2	55	325	5.91
558-563	5	43	-0.05	0.2	145	650	4.48
563-568	5	44	-0.05	0.6	345	760	2.20
568-573	5	45	-0.05	0.2	165	495	3.00
573-578	5	46	-0.05	0.2	205	200	0.98
578-583	5	47	-0.05	0.2	100	105	1.05
583-588	5	48	-0.05	0.2	175	210	1.20
588-593	5	49	-0.05	0.4	115	100	0.87
593-598	5	50	-0.05	0.2	80	80	1.00
598-603	5	51	-0.05	0.2	40	100	2.50
603-608	5	52	-0.05	0.2	30	120	4.00
608-613	5	53	-0.05	-0.2	50	155	3.10
613-618	5	54	-0.05	0.2	145	420	2.90
618-620	2	55	-0.05	4.6	3600	7700	2.14
620-625	5	56	-0.05	0.2	145	520	3.59
625-630	5	57	-0.05	0.2	170	430	2.53
630-632	2	58	-0.05	0.4	220	980	4.45
632-634	2	59	-0.05	0.4	440	2900	6.59
634-639	5	60	-0.05	1	1400	3400	2.43
639-644	5	61	-0.05	0.2	220	910	4.14
644-649	5	62	-0.05	0.4	590	2600	4.41
649-654	5	63	-0.05	0.8	3900	11000	2.82
654-659	5	64	-0.05	0.2	350	1200	3.43
659-664	5	65	-0.05	0.6	1800	4600	2.56
664-669	5	66	-0.05	0.4	80	490	6.13
669-674	5	67	-0.05	0.2	140	510	3.64
674-679	5	68	-0.05	0.1	225	420	1.87
679-684	5	69	-0.05	1	2100	295	0.14
684-689	5	70	-0.05	-0.05	105	185	1.76
689-694	5	71	-0.05	0.15	320	175	0.55
694-699	5	72	-0.05	0.2	245	240	0.98
699-704	5	73	-0.05	0.15	225	300	1.33
793-798	5	74	-0.05	0.05	34	265	7.79
798-802	4	75	-0.05	0.05	95	270	2.84
					OPT AU	OPT AG	
22-11-A			>10	32	0.034	0.933	
22-11-B			>10	41	0.620	1.196	
22-11-C			7.3	14	0.213	0.408	
7-86-1			0.19	1	0.006	0.029	

10,000PPM

= 1%

1 PPM

= 0.029167 TROY OUNCE

Report to: John Menke, President
Verde Exploration Ltd.

Re: Oak Wash Exploration Model

From: Paul A. Handverger

Date: October 30, 1986

INTRODUCTION

A massive sulfide ore forming model is presented for the Oak Wash-Silver Spring area. This model is based on the geologic, geochemical and geophysical field evidence observed in that area. The volcanogenic concepts form the basis of the model with field and laboratory observations from throughout the Verde District and from other massive sulfide districts used as supporting background and evidence.

HISTORY

The Oak Wash area has been recognized as having evidence of mineralization early in the development of the Verde District. Many exploration tunnels, shafts and cuts, including two larger underground exploration projects, are found throughout the Oak Wash-Silver Spring area. This area is defined as the Verde Fault footwall rocks south of the Copper Chief mine in the Oak Wash-Silver Spring drainages. Some mineralization had been found in the past; however, nothing economic has been mined in the area.

The modern exploration of this area started in the late forties and early fifties when Mingus Mountain Mining Corporation geologically mapped the district at 400 feet to the inch. The geology appeared encouraging enough for Hal Norman to recommend drilling the eastward projection of the Oak Wash rocks under the Verde fault. This drilling was never accomplished then or subsequently. New Jersey Zinc conducted a rock geochemical sampling program over the Verde District. Anomalous geochemical indications of base metals were obtained in the Oak Wash-Silver Spring area.

In 1962, Peter Price started an alteration study on the Verde District. The study started in the Oak Wash area, where strongly altered schistose rocks were identified and a favorable zone of rocks was identified and called the Oak Wash Shear zone (Peter Price report, July 26, 1963). During the Anglo American exploration in the mid-sixties, consideration was given to drilling a hole in the western part of the Oak Wash area based on the anomalous copper and zinc geochemistry. Price thoroughly considered drilling the eastward projection of the altered Oak Wash units under the Verde fault. This target was never drilled in favor of drilling the Verde fault hanging wall rocks. During the late sixties and throughout the seventies, a number of holes was completed in the Verde fault hanging wall rocks east of the Silver Spring area. These programs were conducted by Newmont,

Copper Range-Freeport, and Anaconda. The rocks intersected in the drill holes were locally mineralized and altered and have certain similarities to the Oak Wash-Silver Spring geology as well as the Copper Chief-Silver Plate geology. The original source and position of these rocks is still speculative. This important hanging wall target area needs much more work and will not be discussed any further in this paper.

In 1980, Verde became interested in the Oak Wash-Silver Spring area and a series of reports described some of the geology, geochemistry and geophysics (Handverger, July, 1980 monthly report, August, 1980 monthly report, Dec., 1980-Jan., 1981 monthly report and subsequent reports.). Anaconda dropped their option on Verde's property in 1981 releasing this favorable ground.

Contact was immediately made with geologist Dale Armstrong of Occidental Minerals (Oxymin). Armstrong was a former member of the experienced massive sulfide exploration team of Conoco, where he was an excellent well-rounded Precambrian massive sulfide geologist. Oxymin took an option on the Oak Wash-Silver Spring area and under Armstrong's direction, conducted geological, geochemical, and geophysical studies on that area. Additional claims were staked to cover an area of altered and mineralized mafic rocks located along the Oak Wash shear zone mid-way between the Verde fault and the western edge of the exposure of the Precambrian footwall rocks. Armstrong drilled two holes (OV-1 and OV-2 totaling 975 feet) which intersected strongly altered and weakly mineralized rocks. In spite of Armstrong's geologic success, Oxymin dropped their option immediately, as they were going out of the mineral business. The holes were funded only because of the Verde-Oxymin contractual requirements which called for field expenditures.

Armstrong, who became an independent consultant after Oxymin stopped their mineral work, was employed in the mid-eighties by Verde to conduct additional detailed field mapping in the drill area with which he was so familiar. Verde conducted mercury geochemical programs and alteration studies in the Oak Wash-Silver Spring area. The geophysical results were reinterpreted by John Sumner for Verde. Verde personnel located a small gold vein cropping out in the Silver Spring drainage that assays 0.340 ounces per ton (opt) gold and 0.933 opt silver over 7 inches. Trace amounts of gold and silver have been found in some of the jasper units in the Silver Spring area, a favorable sign that precious metals have formed and moved around in this area.

In July 1986, Verde drilled its first exploration hole in over 55 years. This was OV-3 (931 feet) which intersected strongly altered rock which hosted weak zinc-copper mineralization. The best 5-foot assay ran 0.39% copper and 1.1% zinc. The best 30 feet ran 0.14% copper and 0.40% zinc. There was 151 feet of continuous low grade base metal mineralization intercepted from 553 to 704.

DISCUSSION

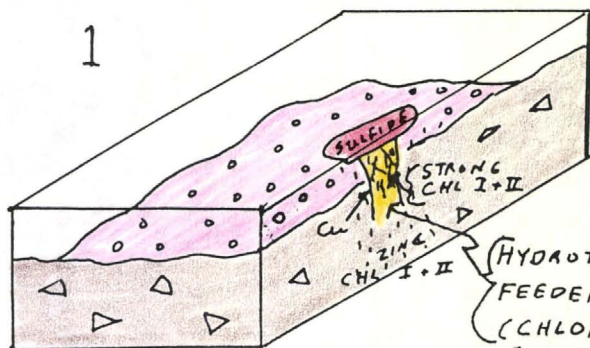
The following is a discussion of the postulated geologic model of the economic geology of the Oak Wash-Silver Spring area. It is presented in numbered paragraphs that relate to the attached figure:

1. A mafic fragmental volcanic sequence was deposited. This was followed by the deposition of a rhyolite flow unit. The source area of these units has not yet been identified. The hydrothermal metal-rich solutions were then deposited as a massive sulfide body upon the sea floor utilizing a plumbing system. This plumbing system is postulated to be a fault zone that had some sort of paleogeographic expression at the time the sulfides formed. The evidence for the paleogeographic expression of a fault is the apparent termination of various units in the vicinity of the proposed massive sulfide occurrence. (This is shown on block 2 of the figure with the overlying basalt termination at the proposed vent area.) The plumbing system is identified in the surrounding rocks by the disseminated and veined mineralization of zinc and copper sulfides, and the formation of alteration minerals, sericite and magnesium chlorites (Chlorite I). Massive sulfide plumbing systems are often quite schistose due to the abundant phyllosilicate (mica family) minerals (chlorites and sericites). A strong zone of chloritic schistose rocks has been mapped by Armstrong across the rhyolite. A pronounced manganese anomaly occurs along this same trend (Oxymin geochemical maps).

2. The period of mineralization was followed by basalt deposition and finally volcanic tuffs and sediments. The plumbing system continued active on a reduced scale with the formation of epidote and chlorite II alteration in the overlying beds and the movement of mercury up into the same overlying beds.

3. Strong folding then severely deformed the stratigraphy into complex fold patterns. Isoclinal folds with some reverse dips developed. The intensity was great enough to develop transposition of units in some areas of the Oak Wash-Silver Spring region. A small granite body intruded along the north side of the Silver Spring area.

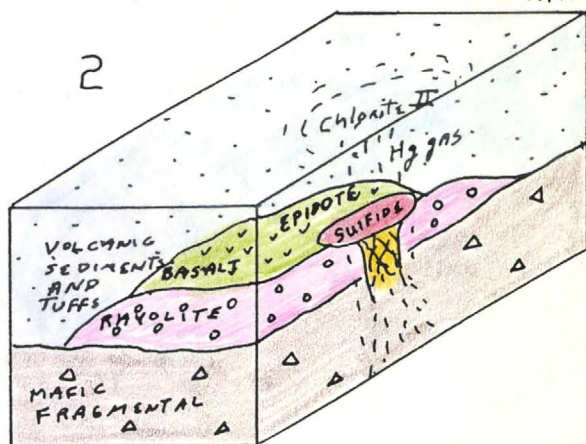
4. Recent erosion has almost cut down to the proposed massive sulfides in the Morman Tank area. The massive sulfides are identified by the geophysical (IP) work and mercury geochemical anomalies along a geologic contact between a rhyolite and a basalt. The Bramble area is interpreted to be a fringe portion of the plumbing system where the rhyolite in this area is strongly altered in thin section and whole rock analyses, and scattered showings of copper stain and pyritic rhyolite are evident in outcrop. The Oak Wash area has disseminated sulfides and moderate to strong alteration in outcrop, and geophysical and geochemical anomalies. This area was tested by drilling (Holes OV-1 through 3). The type of zinc-rich mineralization and the alteration indicate a distal part of a massive sulfide system.



OAK WASH-SILVERSPRING AREA ORE MODEL

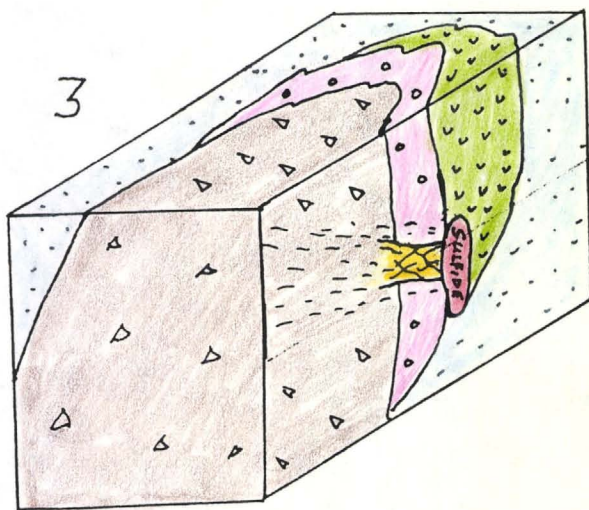
Formation of
Massive sulfides

(HYDROTHERMAL
FEEDER SYSTEM - FAULT ORIGIN TO VENT
(CHLORITE-BASE METAL PIPE)
FAULT SUGGESTED BY LITHOLOGIC FACIES
CHANGES THAT OCCUR IN AREA



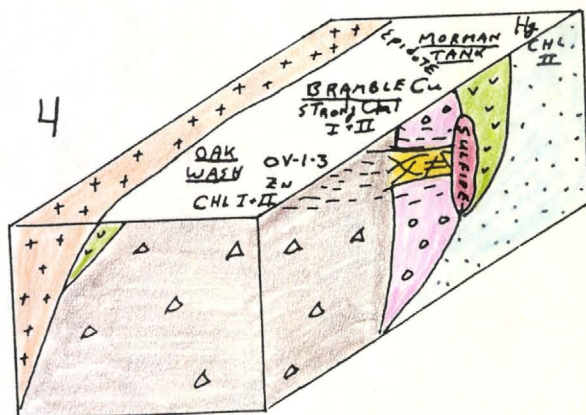
Final volcanism
(Basalts + Tuff/seds.)

Final weak phase
of hydrothermal
activity (goes into
overlying formation)



Folding including
some transposition
and reversal of
dips of beds

Granite intrusion.



Present day
after erosion
showing location
of various zones
and target areas

LOOKING NORTH

CONCLUSIONS AND RECOMMENDATIONS

The geology, geophysics and geochemistry of the Oak Wash-Silver Spring area indicate that there is a high potential for the discovery of massive sulfide mineralization. Mineralized drill hole OV-3 is interpreted as intersecting the distal fringe of a massive sulfide system. A manganese geochemical anomaly defines the general trend of the Precambrian mineralization system. Alteration studies using chlorite as the prime indicator of the path of the hydrothermal mineralization, identify a field pattern of iron and magnesium chlorites that pinpoint a favorable target zone. Using an IP geophysical anomaly and mercury geochemistry, a specific site for drilling has been identified at about 12 west, 14 south (Oak Wash grid). The top of the mineralization is interpreted to be about 300 feet below the surface.

It is recommended that a 400 foot vertical core hole be drilled as close to 12 west, 14 south as possible. The topography will determine the final drill site by locating the drill pad at the lowest contour possible within a radius of 100 feet easterly of 12 west, 14 south.

2160 Old Jerome Highway
Clarkdale, Arizona 86324
October 20, 1986

Mr. John Menke, President
Verde Exploration Ltd.
44 Ogden Road
Scarsdale, New York 10583

Dear John:

Submitted are the final assay results obtained from specimens collected from the quartz vein called the Goldpath, located in the upper Silver Springs area. The three samples, 22-11-A, B, and C assay results in ounces per ton (OPT) are presented below:

Sample Number	Assay Results (OPT)		Sample Description
	Gold	Silver	
22-11-A	0.340	0.933	7 inch channel sample at lower blast hole.
22-11-B	0.620	1.196	Select quartz-sulfide samples collected from the old dump.
22-11-C	0.213	0.408	11 inch channel sample from upper part of exposed vein.

These result are interesting, but not very promising economically. Two more samples will be collected from the walls adjoining the vein to see if there is any gold in the wall rocks. If not, the width of the visable structure is too small to be economic at any reasonable possible grade.

The significant fact about the Goldpath vein is that there is good-grade gold in the Oak Wash-Silver Spring area. The geologic events in this area concentrated gold at some time during geologic history. Many Canadian massive sulfide districts located in Precambrian greenstone belts have associated gold-rich sub-districts. It is possible that the Copper Chief-Oak Wash area may be the the gold-rich portion of the Verde Mining District, an exciting economic possibility and promise for the area.

Respectfully yours,

Paul A. Handverger
Geologist



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