

AGREEMENT dated January 25th, 1975 entered into by and between B F MINERALS CORPORATION, a Texas corporation, (herein called "B F Minerals"), ARABIAN SHIELD DEVELOPMENT COMPANY, a Texas corporation, (herein called "Arabian Shield"), and ELY VALLEY MINES, INC., a Nevada corporation, (herein called "Ely Valley").

R E C I T A L S :

I.

Ely Valley and Arabian Shield have heretofore entered into Lease Agreement dated the 1st day of ~~January 1975~~ ^{July 1972} ~~and~~ ^{and} copy of which is attached hereto as Exhibit "A" (herein called the "Base Lease").

II.

B F Minerals and Arabian Shield have heretofore entered into a Letter Agreement dated October 31, 1974 pursuant to which B F Minerals has made a geophysical study and evaluation of the area covered by the Base Lease, such area being herein referred to as the Pioche area.

III.

The parties hereto desire to enter into a formal agreement providing for certain amendments to the Base Lease, continued exploration by B F Minerals of the Pioche area, and the assignment to B F Minerals of certain rights in the Base Lease upon completion of such additional exploration.

NOW THEREFORE, it is agreed by and between the parties hereto as follows:

1. Ely Valley and Arabian Shield hereby agree to execute and place of record promptly after the execution of this Agreement, amendments to the Base Lease providing (i) that the term of the Base Lease shall be for a period of twenty-five

(25) years from the date of said lease and so long thereafter as minerals are being extracted in commercial quantities from the lands covered thereby, (ii) for a more specific description of the properties covered thereby including the claims and rights set forth in Exhibit "B" attached hereto, the mill, mine and mill equipment and mine and mill improvements being leased, (iii) that Lessee may remove all improvements placed by Lessee on the leased premises in connection with its operations, including fixtures, except those the removal of which would substantially damage the land and (iv) for free assignability of its interest by the Lessee.

2. In consideration of the preliminary geophysical study and evaluation made by B F Minerals and the submission of the results of said study to Arabian Shield concurrently with the execution of this Agreement by all parties, Arabian Shield does hereby give and grant to B F Minerals an option from the date hereof to ninety (90) days after the date of the delivery of the opinion of counsel provided for in paragraph 10, to commence core drilling on such portion of the Pioche area as it deems advisable.
3. B F Minerals agrees that if within said option period it commences such core drilling program, it will expend in connection with said core drilling program and/or other exploration activities, the sum of \$120,000 prior to the expiration of twelve (12) months from the end of said option period.

4. Notwithstanding any other provision contained herein, B F Minerals shall have the right to discontinue any and all operations provided for in Paragraph 3, and upon receipt by Arabian Shield of its intention to discontinue and the submission of all studies, data and information of every kind and character obtained by B F Minerals in connection with its operations in the Pioche area, Arabian Shield agrees to assign to B F Minerals a royalty of one percent (1%) of all net smelter returns with respect to all minerals produced pursuant to the Base Lease.
5. If B F Minerals complies with the provisions of Paragraph 3, Arabian Shield agrees to execute and deliver to B F Minerals or its nominees, an assignment of an undivided fifty percent (50%) interest in the Base Lease and all rights appurtenant thereto.
6. Upon the execution and delivery of the assignment provided for in paragraph 5 above, B F Minerals and Arabian Shield agree to enter into an Operating Agreement providing for the continued exploration, development and mining of the properties covered by the Base Lease in which B F Minerals will be designated as Operator and which will provide in addition to the standard clauses, an obligation on the part of B F Minerals to submit promptly a budget for further exploration, development and exploitation of any ore bodies on a long-range basis. Said Operating Agreement shall further provide that in the event Arabian Shield

does not elect to participate with B F Minerals in such long-range program within forty-five (45) days after such submittal, it will assign to B F Minerals its remaining fifty percent (50%) interest in the Base Lease reserving as a royalty two and one-half percent (2-1/2%) of net smelter returns, convertible to a twenty-five percent (25%) operating interest when and if B F Minerals shall have recouped out of production of minerals, all of its actual expenditures in connection with said proposed program (excluding depletion, depreciation and other non-cash charges).

7. It is expressly understood that the royalties payable to Ely Valley pursuant to the Base Lease, as amended, will be borne by the owners of the leasehold interest in proportion to their interest in the lease, and further that the contingent two and one-half percent (2-1/2%) royalty to Arabian Shield and the contingent one percent (1%) royalty to B F Minerals shall be in addition to royalties payable to Ely Valley.
8. It is understood and agreed that all operations to be carried on pursuant to this Agreement will be done in accordance with accepted geological and geophysical standards and in accordance with good and standard mining practices.
9. Ely Valley and Arabian Shield represent and covenant that the Base Lease is in full force and effect and will continue in full force and effect when amended. Arabian Shield represents that it has good title to the Base Lease and will have good title thereto, when amended, and that its

interest therein is free and clear of all liens and encumbrances. Ely Valley further represents that it has good title to the claims, leases and minerals as set forth in Exhibit "B" attached hereto, that the same are in full force and effect, and that all obligations in connection therewith have been performed, and that they are free and clear of all liens and encumbrances other than the Base Lease.

10. Arabian Shield hereby agrees that within thirty (30) days from the date hereof, it will obtain and deliver to B F Minerals an opinion by counsel satisfactory to B F Minerals confirming the representations made in Paragraph 9 above.

EXECUTED the year and day first above written.

B F MINERALS CORPORATION

By *William J. Gutz*

ARABIAN SHIELD DEVELOPMENT COMPANY

By *J. I. Gihlton*

ELY VALLEY MINES, INC.

By *Lee D. Lawrence, Vice Pres.*

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On January 21st, 1975 personally appeared before me, a Notary Public, William D. Gatta, President of B F MINERALS CORPORATION, who acknowledged that he executed the above instrument.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 21st day of January, 1975.

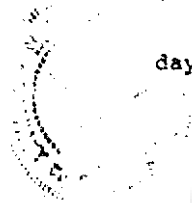


Carol Riley
Notary Public in and for Dallas
County, Texas

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On January 21st, 1975 personally appeared before me, a Notary Public, C. A. Cheek, President of ARABIAN SHIELD DEVELOPMENT COMPANY, who acknowledged that he executed the above instrument.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 21st day of January, 1975.



Carol Riley
Notary Public in and for Dallas
County, Texas

STATE OF MARYLAND)
) ss.
COUNTY OF MONTGOMERY)

On January 30th, 1975 personally appeared before me, a Notary Public, Lee D. Lawton, Vice President of ELY VALLEY MINES, INC., who acknowledged that he executed the above instrument.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 30th day of January, 1975.

MY COMMISSION EXPIRES JULY 1, 1978

Nicholas A. Lipstein
Notary Public in and for MONTGOMERY
County, MARYLAND

EXHIBIT A
LEASE OF MINING PROPERTY

THIS AGREEMENT, made this ^{LDC}15 day of ^{LDC}July, 1912, by and between ELY VALLEY MINES, INC., a Nevada corporation, hereinafter called "LESSOR," and ARABIAN SHIELD DEVELOPMENT COMPANY, a Texas corporation, hereinafter called "LESSEE,"

WITNESSETH:

WHEREAS, LESSOR owns certain mining property and equipment including an undivided one-half interest in certain real property on which there is a mill building containing various fixtures and equipment; and

WHEREAS, LESSEE desires to lease, to enter upon, explore, develop and produce minerals and mill the same;

NOW, THEREFORE, IT IS AGREED by and between the parties hereto that the said LESSOR, for the sum of TEN DOLLARS (\$10.00), receipt of which is hereby acknowledged, and for the further consideration of the mutual promises made herein, grants to the LESSEE a lease for a period of twenty-five (25) years from date hereof on all of its properties in the Pioche Area, Lincoln County, Nevada.

Said lease shall be upon the following terms and conditions:

1. LESSEE shall have the right to enter upon and take possession of said property, to explore for, develop and produce ores therefrom immediately upon the execution of this lease by each of the parties hereto.
2. LESSEE agrees to pay to LESSOR, on all ore extracted from the above properties:

Ten Percent (10%) of all ores or concentrates produced from said properties and shipped to a smelter, based on the net smelter returns after smelter charges and freight cost on concentrates have been deducted, or

Ten Percent (10%) on all metals produced from said properties and shipped to the United States Mint, based on Mint receipts.

Also ONE DOLLAR (\$1.00) per ton on all ores milled as "custom ores" defined as ores produced elsewhere if milled or benefited or treated in the Pioche Mill, except if such ores are from properties of Ely Valley Mines, Inc., Lessor is to be paid THIRTY-FIVE CENTS (\$.35) per ton.

3. Commencing on the execution of the Lease Agreement, LESSEE shall also pay to the LESSOR a payment per month of not less than \$1000,

and continuing thereafter on the 1st day of each month during the term of this lease.

4. LESSEE agrees that the minimum work on said properties to be done by him includes any assessment work necessary to be done, and such other work as presented to the Board of Directors in the Plan of Operations to be submitted each six months. Such work shall be carried out with due diligence. LESSEE further agrees to complete required assessment work on unpatented claims and to file proper notices regarding same no later than June 1 for each fiscal assessment year.

5. It is further understood and agreed between the parties hereto that this agreement is subject to the following limitations and conditions:

A. All payments made under this agreement shall be made to the place designated by the President or other authorized representative of LESSOR, such designation to be in writing.

B. The LESSEE shall keep good and sufficient books and records relative to material sales, and such books and records shall be available to inspection by LESSOR or its accredited agents upon any working day during the proper working hours. This right to inspect such records is for the purpose of proof of proper principal payments under this contract only. LESSEE is to provide LESSOR with copy of original Settlement Sheets on all ore or concentrates sent to the smelter or other purchasers.

C. LESSOR will provide LESSEE with all engineering and operational data available. LESSOR will be furnished with copies of all maps, reports and operational and engineering data from LESSEE'S operations in the event this lease is terminated and the properties should revert to LESSOR; and in any event LESSOR shall be entitled to such maps, reports and operational and engineering data at the expiration hereof.

D. LESSEE further agrees to pay all state and country taxes, including bullion taxes, if any, that may be levied or assessed against said property after the date of this agreement.

E. Effective as of the date of execution hereof, LESSEE agrees to refrain from creating, permitting or otherwise allowing any encumbrances of any nature whatsoever (except as herein provided) during the life of this Agreement, and to save the LESSOR harmless and free from any liability or responsibility for any damage or injuries to persons or property that might occur in the operation of said mine or

mill premises. LESSEE agrees to maintain general liability insurance in an amount acceptable to LESSOR. LESSEE also agrees to maintain fire insurance on surface building and installations in an amount sufficient to cover the replacement thereof.

F. LESSEE further agrees to at all times during the life of this Agreement, post and keep posted in a conspicuous place or places on said mining properties and mill, notices in writing, reading to the effect that the work of development and mining on said premises, and any improvements thereon, are being done wholly and solely at the expense of said LESSEE, and stating that said LESSOR will not be responsible for any indebtedness for labor, material, or other claims or obligations of whatever nature created or incurred by the said LESSEE in connection with the work and operation of said mining properties or mill; copy of said posted notice to be recorded if provided by law.

G. LESSEE agrees to comply with all federal, state, or local laws or regulations appertaining to mining and the employment of labor and industrial compensation thereof, and to do any necessary annual assessment work that may be required on the property during the life of this Agreement. A timely notice of the completion of said assessment work and the filing of notice of the same as required by law, shall be made by the LESSEE.

H. It is understood and agreed that all written notices provided for in this Agreement to be served upon the respective parties hereto shall be deposited in the United States Mail, postage prepaid, and addressed to the said parties at their respective addresses.

I. LESSOR agrees to include within the terms and conditions of this Agreement, any and all water rights they may possess that are required for the proper operation of the mines and mill.

J. This Agreement shall extend to, bind and be enforceable against the heirs, executors, administrators, and assigns of the respective parties hereto; provided, however, that this paragraph shall not be construed to be a consent to the assignment of this Agreement.

K. LESSEE agrees to maintain the property in as good a condition as taken at the date of the execution hereof, reasonable wear and tear excepted. Mining and milling operations will be carried on by competent engineers, mechanics, and millmen. The LESSEE shall operate the demised properties and equipment in a customary and proper manner, and keep all machinery and equipment in first class working condition.

L. LESSEE understands that LESSOR'S properties may be involved in litigation at the time of the execution hereof; nevertheless, LESSOR shall, at its expense, defend its titles and its right to enter into this Lease Agreement should the validity or legality of either be assailed. Upon its failure or refusal to do so, however, for whatever reason, LESSEE shall have the right to undertake any necessary defense in support of LESSOR'S titles and/or right to enter into this lease; provided, however, that as a condition precedent to LESSEE'S action hereunder, it shall provide a minimum of ten (10) days prior written notice of its intention so to do, and LESSOR shall have the right, during said notice period, to undertake the action or defense in lieu of the LESSEE. The cost of any defense or action assumed by LESSEE pursuant to the terms of this paragraph shall be charged against and deducted from any royalties or payments due LESSOR hereunder.

M. Time is of the essence of this Agreement, and should said LESSEE fail, neglect or refuse to fulfill or comply with any of the terms, covenants or conditions in this Agreement provided for, and for a period of thirty (30) days after written notice of said default has been given to LESSEE by LESSOR as herein provided for, and LESSEE shall continue said failure of performance, this contract shall become null and void and of no further force and effect, and all payments made hereunder shall be retained by the LESSOR as liquidated damages for the use and occupancy of said premises, and as full consideration for which this Agreement is executed, and the LESSEE shall forthwith deliver up to the LESSOR the peaceable possession of said premises and every part thereof.

N. It is further understood and agreed that in the event of the forfeiture, cancellation or surrender of this Agreement as hereinafter mentioned, or upon its natural expiration, all improvements made in or about the said property by the LESSEE and affixed to the realty of the same, shall remain the property of the LESSOR; but all personal property such as machinery, tools, automobiles, trucks or portable equipment purchased by LESSEE, shall be removed therefrom by the LESSEE within sixty (60) days from the date of such forfeiture, cancellation, surrender or expiration.

O. Anything in this Agreement to the contrary notwithstanding, it is hereby understood and agreed that LESSEE may cancel or surrender this lease at any time; provided, however, that as a condition precedent to such cancellation or surrender, LESSEE shall pay the cost of taxes and assessment work for the year in

which such cancellation or surrender shall occur; and further provided that LESSOR'S properties shall be returned in as good a condition as existed on the date of the execution hereof, reasonable wear and tear excepted.

P. Should LESSEE be prevented from complying with any express or implied covenant of this lease by reason of scarcity of or inability to obtain or use labor, water, equipment or material, strikes or differences with workmen, failure of carriers to transport or furnish facilities for transportation, compliance with or obedience to any federal or state law or any regulation, rule or order of any governmental authority, force majeure, weather, act of God, civil strife, riots, war, or circumstances as a result of war or action against the enemy, or any cause whatsoever (other than financial) beyond the control of LESSEE, whether similar to or dissimilar from those enumerated, then while LESSEE is so prevented its obligation to comply with such covenant shall be suspended and LESSEE shall not be liable in damages for failure to comply therewith. If LESSEE is prevented by any of said causes from its operations in exploring, operating, or producing, this lease shall continue in force as if operations were carried on during the time of such prevention.

Q. LESSEE acknowledges having been advised by LESSOR that some of the unpatented designated claims may have to be relocated. Upon demand by LESSEE, LESSOR agrees to properly locate said claims and thereafter promptly make them subject to this lease.

R. This Lease shall be non-assignable in whole or in part, including the rights or obligations contained herein or any part thereof, without the express written consent of both parties hereto.

IN WITNESS WHEREOF, LESSOR has executed this agreement by its officers, thereunto duly authorized and LESSEE has executed this Contract by its officers, thereunto duly authorized, as of the 13 day of July, 1972.

LESSOR:

ELY VALLEY MINES, INC.

By Lee D. Laurien
Vice President

Attest: S/ SAM R. PARKER
Secretary

LESSEE:

ARABIAN SHIELD DEVELOPMENT COMPANY

By J. C. Smith
President

Attest: S/ SAM R. PARKER
Secretary

EXHIBIT B

Description of

Ely Valley Mines, Inc.

Mineral Properties and Millsite

Patented Lode Mining Claims

The Ely Valley, Ely Valley Nos. 2, 3, 4 & 5,
the O. K.,
the Margaret Pillans,
Baby Mine Fraction,
Alice,
Golden Fleece,
Ophir,
Flagstaff,
Jefferson,
Annice and
Silver Dick, patented lode mining claims, and

Unpatented Lode Mining Claims

The Superior No. 1 and 2,
O.K. Nos. 2 to 20 inclusive,
The Harvester, Harvester Nos. 2 to 42 inclusive,
The Marion, Marion Nos. 2 to 7 inclusive.

Millsite

NW 1/4 Section 14, Township 1 North,
Range 67 East, Mount Diablo Meridian.

All of the above properties are situate in the Ely Mining
District, Lincoln County, Nevada.

56836

No.

FILED AND RECORDED AT REQUEST OF

RAYMOND TRAE

JUNE 13, 1975

AT 30 MINUTES PAST 2 O'CLOCK

P. M IN BOOK 14 OF OFFICIAL

RECORDS PAGE 522-533 LINCOLN

COUNTY, NEVADA.

Ernest B. ...
COUNTY RECORDER