

LEASE OF MINING PROPERTY

THIS LEASE made at HILTON, CT. this 25th day of May, 1978
by and between COMET MINES, INCORPORATED, a Nevada corporation

hereinafter called "Lessor" and COMBINED METALS REDUCTION COMPANY, a Utah corporation

hereinafter called "Lessee",

WITNESSETH:

Lessor is the owner of certain patented and/or unpatented mining claims situated in the Comet Mining District of Lincoln County, Nevada and known as the Comet Mine, consisting of 26 such unpatented claims on which are located a 550 foot shaft and certain other workings

and more particularly described on Exhibit "A" attached hereto and made a part hereof and hereinafter referred to as the PROPERTY.

This Lease will set forth all the terms and conditions under which the Lessor grants Lessee a lease of the Property for the purpose and term hereinafter provided.

In consideration of the covenants and agreements hereinafter set forth, the parties agree as follows:

I. GRANT

Lessor hereby grants, leases and demises the Property, including such personal property as may be located thereon, together with all privileges and appurtenances, all right, title and interest owned, available or granted to the Lessor and pertaining to the Property.

II. TERM

This Lease is granted for a term commencing from and after the date hereof and shall extend for the duration of all the right, title and interest of the Lessor, or until this Lease be terminated as hereinafter provided.

III. PURPOSES

The purposes of this Lease are to grant to the Lessee the exclusive right to enter into and upon the Property, and each and every part thereof so long as this Lease remains in effect, and to explore for, develop, mine, leach in place, treat, produce, mill, ship, and sell, all for its own account, such ores, material (metallic and nonmetallic), and minerals as may be found therein or thereon, and all of which shall hereinafter be referred to as PRODUCTION.

IV. ROYALTIES/RENTALS

4.1 Commencing ~~Not Applicable~~ and thereafter while this Lease remains in effect, Lessee shall pay to Lessor the amount of None on the first day of each and every month, such amount being considered MINIMUM RENTALS.

4.2 The aggregate amount of all minimum rentals that are not earned as production royalties as hereinafter defined, shall be accrued and applied to reduce that portion of production royalties that would from month to month exceed the amount of minimum rentals set forth above.

4.3 Commencing on the last day of the first full month subsequent to each and every receipt of payment resulting from the sale of Production from the Property, the Lessee shall pay to the Lessor as PRODUCTION ROYALTIES percent of the NET SMELTER RETURNS (NSR), less the amount by which there remains an accrual of minimum rentals set forth above, and not theretofore applied to offset production royalties. Likewise, the aggregate amount of production royalties paid in excess of minimum rentals shall accrue to offset minimum rentals that would otherwise become due during subsequent periods. For purposes of this Agreement, NSR shall be defined as the net amount of payment received by the Lessee from the smelter, mill or other purchaser of Lessee's Production, as reduced by smelter or mill treatment charges, penalties, sampling and assaying charges and by transportation costs incurred by Lessee in connection with the delivery of such Production to its purchaser.

V. OPERATIONS OF LESSEE

5.1 Lessee shall conduct all mining and other operations under this Lease in accordance with GOOD MINING PRACTICES.

TICES and SOUND PRINCIPLES OF CONSERVATION and in accordance with all APPLICABLE LAWS and rules and regulations promulgated by Federal, State and local authorities.

5.2 Lessee shall keep and maintain true and correct BOOKS OF ACCOUNT AND RECORDS which shall show the amount of Production from the Property and the amount of proceeds derived from the sale of such Production. Said books and records shall be open for INSPECTION and audit by Lessor or its agent at all reasonable times and for a period of one (1) year following termination of this Lease.

5.3 Lessor expressly reserves the right, at Lessor's option and expense, to maintain an AGENT on the Property for the purpose of verifying production, and to check, inspect and keep account of all production from said property; provided that such Agent and/or inspections do not interfere with Lessee's operations.

VI. INSURANCE/INDEMNITY

6.1 It is specifically agreed by the parties hereto that the Lessor shall not be liable to third parties, or employees, or agents of the Lessee, for the activities and obligations of the Lessee during the term hereof, and that sufficient notice to such effect shall be posted on the property and appropriately filed in accordance with the laws of the political jurisdiction(s) within which the Property is located and wherever Lessee conducts operations relevant to this Lease.

6.2 Prior to commencement of operations hereunder, Lessee shall obtain all workmen's compensation insurance, liability insurance, and policies of insurance against other risks for which Lessor may reasonably be considered to have exposure as a result of Lessee's operations or tenancy of the Property. All insurance shall be maintained by Lessee at its own expense throughout the duration of this Lease, and whenever Lessor reasonably requests, Lessee shall furnish to Lessor evidence that such insurance is being maintained.

6.3 Lessee agrees to indemnify and save Lessor harmless from and against any and all liability, claims and causes of action for personal injury or death, and damage to, or loss or destruction of property, resulting from its tenancy of the Property and from its operations hereunder.

VII. ASSESSMENT WORK

Lessee shall perform such ASSESSMENT WORK as may be required by Federal, State and local law and shall prepare and record, for and on behalf of the Lessor, an affidavit(s) of labor and improvements during each assessment year in order to maintain all claims in good standing in the name of the Lessor. Lessee and Lessor shall each provide the other with a copy of all such filings made in respect to the Property. Should this Lease be terminated within ninety (90) days before the end of the then current assessment year, Lessee shall nevertheless perform the annual labor and comply with the other requirements of this paragraph. Should this Lease be terminated prior to said ninety (90) days, Lessee shall have no obligation to perform said assessment work.

VIII. ASSIGNMENT

Either the Lessor or the Lessee may assign all or any portion of their right, title and interest in this Lease and/or in the Property at any time and from time to time upon the giving of written notice of the identity and address of the assignee, providing however that notwithstanding said assignment(s) in whatever form, both the Lessee and the Lessor shall remain primarily and unconditionally liable, respectively, for the performance of all terms and conditions hereof prior to the date of assignment, as such terms and conditions are applicable to each.

IX. TAXES

Lessee shall pay before delinquency all taxes and assessments that may be levied or assessed against the Property, or against Production therefrom, except those taxes which Lessee is contesting in good faith, and except those taxes against the Property for the first and last year, which taxes shall be pro-rated between Lessee and Lessor.

X. WARRANTIES AND TITLE

10.1 Lessor makes no warranties, express or implied, as to the value or condition of the Property, or existence or adequacy of any facilities or equipment which are the subject of this Lease. However, Lessor will at all times during the term of this Lease furnish Lessee with any and all geological, production, and metallurgical data which may be available to Lessor. Lessor takes no responsibility for the interpretation of such data.

10.2 Lessor does warrant that it has good and valid title to the Property, that there are presently no adverse claims that will affect the Property or this Lease, and that it will upon demand promptly furnish to the Lessee copies of all documents and other evidence relating to Lessor's claim of title, including, but not limited to, copies of all Patents, location notices and affidavits relating to assessment work.

10.3 Lessor agrees to notify the Lessee at once of any claim against Lessor's interest in the Property, or against this Lease and will immediately undertake the defense of that claim at Lessor's own expense.

10.4 Lessor further agrees that at the option of the Lessee, Lessee may undertake the defense of any claim against Lessor's interest in the Property or against this Lease, and that Lessor will be liable for damages sustained by Lessee including the cost of such defense. Upon request by Lessee, Lessor will deliver to the Lessee all evidence and information reasonably required to defend against such claim, and will cooperate fully in such defense.

10.5 Lessor and Lessee each agree to execute, during the term of this Lease as an accommodation, such additional documents and agreements as the other may reasonably require in connection herewith, provided that such additional document(s) or agreement(s) would not impose additional obligations upon or impair the rights of the accommodating party.

XI. DISPUTES

It is specifically agreed that should there arise any dispute between the parties hereto, such dispute shall not interrupt performance of this Lease by either Lessee or Lessor, nor will Lessee's operations hereunder be interrupted, delayed, or impaired during the pendency of and until the final settlement of such dispute. In the event of litigation between the parties hereto, the prevailing party will be entitled to all costs of the litigation, including but not limited to, reasonable attorney's fees.

XII. TERMINATION

12.1 Lessee may at any time after the date hereof, surrender this Lease, provided written notice of termination is given Lessor not less than thirty (30) days prior to the effective date of such termination, after which all right and obligations of Lessee hereunder shall cease.

12.2 In the event of Lessee's failure to comply with any substantial and material provision of this Lease, Lessor shall provide Lessee with a written notice setting forth the nature of such non-compliance, after receipt of which Lessee shall have not less than thirty (30) days to cure such non-compliance. In the event Lessee fails to cure its non-compliance within the prescribed period, Lessor may thereupon terminate this Lease by the giving of written notice, after the receipt of which all rights of Lessee hereunder shall cease. However, should there be an issue as to whether or not non-compliance has occurred, then resort shall be had to the provisions of paragraph XI hereof.

12.3 In the event of termination of this Agreement, Lessee shall deliver to Lessor within sixty (60) days following the effective date of said termination, a written release and quit claim deed releasing all of the rights granted to and acquired by Lessee under this Agreement and quit claiming to Lessor all of the rights granted, title and interests of Lessee in and to the Property.

12.4 If otherwise still in effect, the terms of this Lease shall not extend for a period longer than is allowed by applicable law.

XIII. PURCHASE OPTION

By the additional payment of Not Applicable (OPTION PAYMENT), made at any time during the term of this Lease, together with notice of Lessee's intention to purchase the Property, it is agreed that this Lease shall thereafter be considered a CONTRACT TO PURCHASE and that all rental and royalty payments made, both before and after such exercise of this option, will be credited toward purchase of the Property for an aggregate price of Not Applicable. Upon receipt of said option payment and notice, Lessor shall within sixty (60) days thereafter, deliver into escrow with a title insurance company licensed to operate in the state in which the Property is located, or other escrow agent as the parties may agree upon, such deeds and other documents as the Lessee may reasonably require, constituting evidence of good and sufficient title to the Property. Instructions to the escrow agent shall include the application of all terms and conditions of this Lease interpreted as a purchase agreement and shall provide that subsequent payments to Lessor be made through the escrow agent and that sufficient funds be held by the escrow agent to assure that title to the Property will be delivered to purchaser free and clear of all liens and encumbrances, immediately upon there having been received by and on behalf of the Lessor, payments which in the aggregate amount to the total purchase price.

XIV. PAYMENTS

All payments made by the Lessee to the Lessor pursuant to provisions of this Lease shall be made promptly and will be remitted to Lessor at the address herein designated for receipt of notices by Lessor, except as Lessor may from time to time otherwise designate in writing, and except as provided in paragraph XIII above.

XV. MISCELLANEOUS PROVISIONS

15.1 This Lease shall be construed in accordance with the Laws of the State of Nevada

15.2 The failure of either party to enforce any provision hereof at any time shall not be construed to be a waiver of such provision or of any other provision.

15.3 This Lease supersedes all prior agreements between Lessee and Lessor relating to the subject Property and constitutes the entire agreement thereof. No amendment or modification of this Lease shall be binding on either Lessee or Lessor unless made in writing and duly executed by both.

15.4 Titles and boldface type used in this Agreement are provided for convenience only and shall not be construed to affect the meaning of the text.

15.5 This Lease has been executed in one ~~two~~ counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same Lease.

15.6 If any term, provision, covenant or condition of this Agreement, or any application thereof, should be held by a court of competent jurisdiction to be invalid, void or unenforceable, all provisions, covenants and conditions of this Agreement, and all applications thereof not held invalid, void or unenforceable, shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

15.7 All Notices to Lessee shall be given only by registered mail and addressed to:

Combined Metals Reduction Company }
1865 So. Main Street } and John M. Barry, Esq.
Salt Lake City, Utah 84115 } 290 South Arlington
Reno, Nevada 89501

except as may be subsequently designated in writing by Lessee.

15.8 All Notices to Lessor must be in writing and signed by Lessee and shall be given by
Certified Mail and addressed to:

Comet Mines, Incorporated
c/o John G. Gemmill, Esq.
Forster, Gemmill & Farmer
Suite 1400, 900 Wilshire Boulevard
Los Angeles, California 90017

except as such party(s) may be otherwise designated from time to time in writing by Lessor.

15.9 To the extent that State or Federal "depletion allowance" is available with respect to Production from the Property to which this Lease relates, such depletion allowance(s) shall be reserved for use by the Lessee.

15.10 Wherever used herein, Lessor and Lessee shall include the singular and the plural and in the event that either Lessor or Lessee, or both, is/are more than one person, natural or otherwise, the obligations and liabilities created by this Lease are the joint and several obligations and liabilities of all such persons, respectively constituting either the lessor or the Lessee.

XVI. OTHER PROVISIONS

16.1 Delete paragraph 4.1 in its entirety.

16.2 Notwithstanding the provisions of paragraph 4.3 hereof, Lessee shall retain for its own use and benefit all of the first thirty thousand dollars (\$30,000) which would otherwise be owing to Lessor under this lease. Such amount is to be retained by Lessee pursuant to the 'Order Approving Stipulation and Settlement Respecting Claim of David L. Gemmill', entered June 29, 1972, in the District Court for the District of Nevada in the matter of Combined Metals Reduction Company, Debtor, No. LV 5541.

IN WITNESS WHEREOF THE PARTIES hereto have executed this Lease as of the 25th day of May 19 78

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.

On this _____ day of _____, 19____, I, _____, a Notary Public, who acknowledged to me that he executed the above instrument.

LESSOR:
COMET MINES, INCORPORATED
By: [Signature]
John G. Gemmill, President
By: [Signature]
Audrey Reed, Secretary

STATE OF Utah)
COUNTY OF Salt Lake) ss.

On this 10th day of June, 1978, I, _____, a Notary Public, who acknowledged to me that he executed the above instrument.

LESSEE:
COMBINED METALS REDUCTION COMPANY
By: [Signature]
By: _____

[Signature]
Notary Public

This signature page is number 1 of 1 each representing an original counterpart.

TO 448 C
(Corporation)

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } SS.

On June 16, 1978 before me, the undersigned, a Notary Public in and for said State, personally appeared John G. Gemmill known to me to be the President, and Audrey Reed known to me to be the Secretary of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Signature: Mary Lee Sharpe

MARY LEE SHARPE
Name (Typed or Printed)



(This area for official notarial seal)

EXHIBIT A

(To Mining Lease Between Comet
Mines, Incorporated and Combined
Metals Reduction Company)

The unpatented mining claims subject to this Lease
are the following, located in Sections 5 and 6, T1SR66E, Mt.

Diablo Base and Meridian, Lincoln County, Nevada:

Jackson	Greenback #1	Tungsten	First Chance
Jackson #1	Greenback #2	Spartan	Annex
Jackson #2	Greenback #3	Viking	Annex #1
Jackson #3	Greenback #4	Gladiator	Annex #2
Minerva	Greenback #5	Trojan	Annex #3
Burnett	Elmer #1	Dodey	Square Deal
Edna	Franklin		

To the extent available, recording data is set forth
on letter from Dominick Belingheri, Commissioned Abstracter,
dated July 25, 1977, a copy of which is attached.

Phone - Bus. 962-5495
Res. 962-5258

P. O. Box 537

DOMINICK BELINGHERI
COMMISSIONED ABSTRACTER

PIOCHE, NEVADA 89043
July 25, 1977

RECEIVED
FORSTER, GEMMILL & FARMER
DATE

Mr John G. Gemmill
Forster, Gemmill & Farmer
Suite 1400, 900 Wilshire Boulevard
Los Angeles, Calif. 90017

Dear Jack:

In reply to your letter of July 19th in regards to the 26 mining claims of the Comet Mines, Inc., I have looked up a lot of records and find the following:

- JACKSON No. 1, 2 & 3- Certificate of locations were recorded on Oct. 14, 1947, in Book "O-1" of Mining Notices at pages 200, 200 & 201.
- MINERVA I find an Amended Certificate of location, recorded on July 10, 1939, in Book "M-1" of Mining Notices at page 137. I am unable to find the original certificate or location.
- BURNETT I find a Location Notice only, recorded on 13 October 1917, in Book "F-1" of Mining Notices at page 158. I am unable to find any Certificate of Location.
- GREENBACK NO. 1, 2, 3 & 4- Notice of Locations were recorded on March 1, 1913, in Book E-1 of Mining Notices, at pages 281, 281, 282 & 282. I am unable to find an record of the Certificate of Location
- GREENBACK NO. 5- Amended Location Notice was recorded on June 5, 1923 in Book "G-1" of Mining Notices at page 290. I am unable to find an original location Notice or a Certificate of Location.
- ELMER NO. 1,- I am unable to find either a certificate of location or a Notice of Location. Proof of labor lists this claim in 1923. (Book G-1 Mining Notices page 304)
- TUNGSTEN - Notice of Location was recorded on October 13, 1917 in Book "F-1" of Mining Notices at page 158. I am unable to find any certificate of location.
- SPARTON, VIKING, TROJAN & EDNA-I am unable to find a certificate of location or Notice of location for these claims. They first appear on the Proof of labor in 1950. (Book "O-1" Mining Notices page 480), but do not appear on the proof of labor recorded 1947. (There must have been exemptions filed for the years 1948 & 1949)

Page 2:

GLADIATOR- Certificate of location recorded 14 September 1936 in Book "L-1" Mining Notices at page 202.

BODY- Certificate of Location recorded 13 June 1929 in Book "H-1" of Mining Notices at page 494.

FIRST CHANCE- Amended Location Certificate was recorded on July 11, 1939 in Book "M-1" of Mining Notices at page 136. I am unable to find an original Certificate or notice.

ANNEX and ANNEX NO.1; Certificate of Locations were recorded on April 8, 1929 in Book H-1 of Mining Notices at pages 432 & 433.

ANNEX NO. 2 & 3- Certificate of Locations were recorded on June 3, 1929 in Book "H-1" of Mining Notices at page 483.

SQUARE DEAL- Certificate of Location was recorded on July 3, 1929 in Book "J-1" of Real Estate Deeds at page 15.

FRANKLIN - Certificate of Location was recorded on April 8, 1927 in Book "H-1" of Mining Notices at page 172.

TUNGSTEN EXTENSION- Location Notice was recorded on September 5, 1916 in Book "F-1" of Mining Notices at page 70. I am unable to find any certificate of Location. In may of the Proofs of labor "Tungsten Fraction is mentioned, however I am unable to find any notice or Certificate for the Tungsten Fraction, and I think it was meant to by Tungsten Extension.

I have spent about 5 hours of my own time looking up these records, I had to examine many Proofs of labor and kept trying to tie in the claims as they appear on the said proofs of labor. I suppose a fee of \$25.00 should be alright. If I can be of any further help, let me know.

Very truly yours,

Dominick Belingheri

62389

No. _____
FILED AND RECORDED AT REQUEST OF
John M. Barry
July 27, 1978
AT 1 MINUTES PAST 1 O'CLOCK
P.M. IN BOOK 26 OF OFFICIAL
RECORDS, PAGE 267 LINCOLN
COUNTY, NEVADA

[Signature]
COUNTY RECORDER