

No. 71254

FILED AND RECORDED AT REQUEST OF

HAROLD SPENCER

DEC. 18, 1981

AT 3:35 P.M. THIS DAY 11 O'CLOCK

A.M. IN ROOM 48 OF OFFICIAL

RECORDS, PAGE 64 LINCOLN

COUNTY, NEVADA.

YURKO SPENCER

COUNTY RECORDER

Karen Henderson

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LEASE AND OPTION AGREEMENT

A. PARTIES

The parties to this Agreement are:

THE CHARLES and ORA SELLS 1974 TRUST (hereinafter called "SELLS") and HAROLD A. SPENCER and JOYCE W. SPENCER, husband and wife (hereinafter called "SPENCER").

B. TERMS OF AGREEMENT

The parties named in paragraph A., above, agree as follows:

1. SELLS hereby leases to SPENCER the following patented and unpatented lode mining claims:

- ILLINOIS
- FIFTH OF JULY
- BEVERLY
- SYLVIA

which said claims are located in the Pahranaagat Lake mining district, Lincoln County, Nevada, comprising portions of Sections 29 through 32, Township 3 South, Range 59 East, and Section 5, Township 4 South, Range 59 East (hereinafter called the "MINING PROPERTIES").

2. The term of this Lease shall be for a period of five (5) years, commencing on the date hereof and ending November 30, 1986, unless sooner terminated as hereinafter provided.

3. SPENCER will perform or cause to be performed, at their expense, all assessment work required by law in order to maintain each unpatented mining claim during each assessment year which ends after December 1, 1981 and will, at their expense, file or cause to be filed, affidavits of the performance of such assessment work.

4. During the term of this Agreement, SPENCER shall not, by any action or inaction, cause any lien, charge or other encumbrance to be placed upon or against any of the

LAW OFFICES
JOHNSON & SEBASTIAN
A PROFESSIONAL
CORPORATION
830 SOUTH FOUNTAIN ST.
LAS VEGAS, NV
89101-0881

1 mining properties and SPENCER shall indemnify and save SELLS
2 harmless as to any liability for, or on account, of injury
3 to or death of any person or damage to any property of per-
4 sons which are sustained during the period of this Agree-
5 ment arising from any activity or condition on said prop-
6 erties.

7 5. SPENCER will pay when due, and before delinquent,
8 any license, production and excise taxes incurred on account
9 of ores or minerals extracted and removed from the mining
10 properties during the term of this Agreement and any ad
11 valorem and other taxes imposed during the term of this
12 Agreement upon the mining properties or improvements, ma-
13 chinery, equipment, tools and supplies constructed, install-
14 ed or placed by SPENCER on the mining properties.

15 6. SELLS shall have the right to terminate this Agree-
16 ment at any time after a six (6) month period during which
17 no profitable quantities of ores are mined and removed by
18 SPENCER. Also, in the event of any default by SPENCER in
19 the performance of their obligations hereunder, SELLS may
20 give to SPENCER written notice specifying the default. If
21 SPENCER does not cure the default within thirty (30) days
22 after SPENCER has received the notice, SELLS may terminate
23 this Agreement by delivering to SPENCER written notice of
24 such termination.

25 7. So long as this Agreement remains in effect,
26 SPENCER shall perform all work relating to the mining proper-
27 ties in a good and workmanlike manner and in compliance with
28 all applicable laws and regulations and shall safeguard and
29 maintain the mining properties in compliance with all applic-
30 able laws and regulations with respect to fencing of open
31 cuts, pits and shafts and capping or plugging of drill
32 holes.

1 8. SELLS may have access to and the right to inspect
2 the mining properties at all reasonable times.

3 9. SELLS hereby grants to SPENCER the exclusive right
4 and option, exercisable by notice as provided below, to pur-
5 chase the mining properties for the sum of Seven Hundred
6 Fifty Thousand Dollars (\$750,000.00) at any time prior to
7 the expiration or termination of this lease. All royalty
8 payments made hereunder shall apply to the purchase price.

9 10. In the event SPENCER elects to exercise their
10 option to purchase, they shall give written notice to SELLS
11 prior to sixty (60) days before the expiration or termina-
12 tion of this Agreement and at a time when SPENCER is not in
13 default hereunder.

14 11. SELLS hereby reserves to itself a royalty equal to
15 ten percent (10%) of the net proceeds derived by SPENCER
16 from the sale of ores extracted from the mining properties.
17 Said royalty payments shall commence at the end of the month
18 following the month in which SPENCER first derives net pro-
19 ceeds from the mining properties and on the last day of each
20 month thereafter. Net proceeds shall mean gross receipts
21 from the sale of ores less smelting expenses directly in-
22 curred in earning such receipts. Payment to SELLS shall be
23 made by Smelter directly to CHARLES and ORA SELLS 1974
24 TRUST.

25 12. All notices under this Agreement shall be de-
26 livered personally or by United States Mail, registered or
27 certified mail, postage pre-paid, addressed:

28 a. If to SELLS, to:

29
30 CHARLES and ORA SELLS 1974 TRUST
31 c/o CHARLES F. SELLS, Trustee
32 618 Mosswood Drive
 Henderson, NV 89015,
 or to such other address as SELLS has
 designated by written notice to SPENCER;

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b. If to SPENCER, to:

HAROLD A. SPENCER and JOYCE W. SPENCER
BOX 674
ELY, NV 89315

or to such other address as SPENCER shall
have designated by written notice to SELLS.

13. SPENCER shall, at their expense, acquire and maintain in force, insurance covering public liability and property damage with minimum limits of Five Hundred Thousand Dollars (\$500,000.00) (bodily injury) and Fifty Thousand Dollars (\$50,000.00) (property damage) which said insurance shall show SELLS as an additional named insured and SPENCER agrees to furnish SELLS with a copy of said policy, together with any renewals or replacements thereof.

14. SELLS, and SELLS' authorized agents, shall, at any and all reasonable times, be permitted to inspect all books and records of SPENCER relating to the mining properties in order to ascertain the correct amount of royalty due SELLS, or to determine whether or not the provisions of the Lease are being complied with.

15. SPENCER shall not mix any ores, minerals or products from these mining properties with the ores, minerals or products derived from any other property.

16. SPENCER shall not assign or sublet any or all of the mining properties without first obtaining the written consent of SELLS.

17. Any lodes, ledges or any kind of deposits subject to location under the general mining laws of the United States, or the State of Nevada, are discovered on the mining properties during the term of this Agreement, shall be the sole and separate property of SELLS and SPENCER hereby relinquishes and disclaims any interest therein.

