

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT, made and entered into this April 18, 1983 by and between W.Va. Sioux Coal Corp. (hereinafter referred to as "SUBLESSOR") and Glen Neva West, Ltd. (hereinafter referred to as "SUBLESSEE").

WITNESSETH:

WHEREAS, SUBLESSOR now owns certain mineral rights to mine Ore (the "Ore") and a lease hold estate covering lands and minerals located in Lincoln County, Nevada called Castle Claim # 6 (collectively referred to as the "LEASE"); and,

WHEREAS, SUBLESSOR desires to lease, let and demise unto SUBLESSEE; and, SUBLESSEE desires to acquire from SUBLESSOR, for the consideration hereinafter set forth, the right and privilege to mine and remove all of the merchantable and mineable Ore in, on, and underlying the lands described as follows: an undivided forty (40) percent interest in 160 acres described as Castle # 6 S.E. 1/4 § 31, T12S, R66E as shown in the map listed as Exhibit "1" attached hereto and made a part hereof (the "PROPERTY"), comprising a portion of said lands and minerals covered by the LEASE, subject to the terms and conditions of the LEASE and to the provisions hereof (hereinafter referred to as the "SUBLEASE").

NOW THEREFORE, for and in consideration of the payment of the consideration set forth herein, the performance and observance of the mutual covenants, terms and conditions herein contained the parties agree as follows:

1. RIGHTS GRANTED.

A. SUBLESSOR hereby leases, lets and demises the Property to SUBLESSEE, its respective successors and assigns for the period of time set forth herein, together with the sole and exclusive right to mine, excavate, remove, process, transport, ship and market the Ore on or underlying the PROPERTY.

B. SUBLESSOR further gives, grants, conveys and demises unto SUBLESSEE, so long as this SUBLEASE is in effect, all of the mining rights, easements and privileges owned by SUBLESSOR with respect to the PROPERTY under the provisions of the LEASE and which it has the right to grant, including, but not limited to, the following rights and privileges; insofar as they are not inconsistent with the duties of the SUBLESSOR.

(1) The right and privilege of ingrees, egress and regress in-to, upon, over, across and through said PROPERTY and the surface and sub-surface of the PROPERTY, at such points and in such manner as SUBLESSEE may deem necessary or convenient for the purpose of prospecting, exploring, investigating, core drilling, testing, developing, mining, removing, producing, storing, processing, washing, cleaning, transporting, marketing and shipping Ore from the PROPERTY (hereinafter collectively referred to as the "OPERATIONS").

Lincoln County

(2) The right to construct, operate, use and maintain such roads, tram roads, railroads, and other ways, building, stockpiles, telephone and telegraph wires, electric transmission lines, power houses, transformers, choppers, tipples, bins, chutes, picking tables, sluices, sediment basins, silt dams, washing, processing, cleaning and other machinery and equipment upon the PROPERTY as may be necessary or convenient to the OPERATIONS on the PROPERTY.

(3) The right and privilege to deposit upon the surface such earth, rock, stone, slate, gob and other refuse and waste material as may be produced in connection with the SUBLESSEE'S OPERATIONS hereunder, and the right to take and use from the PROPERTY, any such materials produced from the OPERATIONS hereunder or found upon said PROPERTY for the purpose of utilizing same in building such roads, ramps, dams, fills or other facilities as may be necessary or convenient to the OPERATIONS hereunder.

(4) The right and privilege to use, impound, or drain water upon and over the surface of the PROPERTY by any means and to use, change, divert, increase, decrease, or destroy such dams, impoundments, surface, and underground or subterranean streams, springs, or percolating water as may be necessary or convenient to the OPERATIONS hereunder.

(5) All mining rights, easements, and privileges as may be necessary or convenient for the economical mining by the placer method or any other methods or processes of mining, regardless of whether now known, or hereafter developed, or, any combination of same.

C. The foregoing rights and privileges granted to SUBLESSEE are granted only to the extent of SUBLESSOR'S power to grant same and are limited to such as SUBLESSOR possesses and has the lawful right to grant and are made subject to all reservations, covenants, and conditions contained in or referred to in the LEASE.

D. Notwithstanding any provisions to the contrary contained herein, SUBLESSOR EXCEPTS and RESERVES unto itself, its successors and assigns, the following:

(1) Full and free rights of ingress, egress and regress into, upon, over, across and through the surface and sub-surface of the PROPERTY for purpose of access to and the exploration, development and operation of properties now held, or hereafter acquired, by SUBLESSOR or by its assignees, by deed, lease or otherwise.

(2) The right to use jointly and in common with SUBLESSEE any, and all, roads or other ways constructed on the PROPERTY, without charge for wheelage, which right shall be exercised so as to avoid unreasonable interference with, or adverse effect upon, SUBLESSEE'S existing or proposed OPERATIONS hereunder.

2. TERM. Unless sooner terminated in the manner herein provided, the term of this SUB-LEASE shall begin on the date hereof and continue for an initial term of Ten (10) years with an option to renew subject to the provisions for such renewal contained in the Lease, for an indefinite period so long as the Operations on the Property continues.

3. DEVELOPMENT AND OPERATION. SUBLESSEE shall promptly and diligently commence OPERATIONS on the PROPERTY in a proper, skillful and workmanlike manner so as to recover the greatest amount of mineable and merchantable Ore from the PROPERTY which can be mined with modern machinery and equipment and consistent with good mining practices, having due regard for the development of the entire PROPERTY and the future development thereof; and, so as to avoid unnecessary damage, and shall comply with all laws, regulations and ordinances now in effect or which may be hereafter enacted by State or Federal Government, or, any agency or political subdivisions thereof, relating to, or governing, directly or indirectly, mining practices and procedures, reclamation, air or water pollution control, health and safety, and related subjects.

4.a. ROYALTY. This lease shall become effective with the payment on or before December 31, 1983, of an initial minimum royalty of Four hundred thousand (\$400,000) dollars. This royalty will be recoupable against production royalties only from production in 1983.

This document shall be considered to be an option to lease unless Four Hundred thousand (\$400,000) dollars is paid on or before December 31, 1983. The option granted shall terminate at midnight of that day if full royalty has not been paid.

4.b. ROYALTY. SUBLESSEE agrees to pay to the SUBLESSOR at its office in Elkins, West Virginia, or at such other place as the SUBLESSOR may designate in writing on or before December 31 of each year after 1983 a Royalty in an amount equal to Fifteen (15%) percent of the sales proceeds (but in any event not less than Two hundred thousand (\$200,000) dollars per year) received by the Sublessee for each ounce of gold, silver or other metals, removed and sold from the PROPERTY.

5. PAYMENT OF SUBLESSOR'S ROYALTIES.

A. SUBLESSEE is hereby given permission to pay for and on behalf of SUBLESSOR on, or before, the date the same shall become due and payable to the SUBLESSOR under the Lease, each of SUBLESSOR'S royalty or other obligations thereunder; provided the SUBLESSEE shall simultaneously pay to SUBLESSOR the difference, if any, between the royalties reserved hereunder and the royalties so paid to the party leasing the Property to the SUBLESSOR; and, shall deliver to SUBLESSOR evidence of such payment within thirty (30) days after SUBLESSOR may request the same. Any such payments by SUBLESSEE on behalf of SUBLESSOR shall constitute a credit against royalties payable hereunder.

B. The payment of any royalties by SUBLESSEE on behalf of the SUBLESSOR under the LEASE shall not constitute an attornment.

6. INSPECTION OF RECORDS. SUBLESSEE agrees to keep accurate and correct books of accounts and records showing all metals mined, removed, and sold from the PROPERTY, and such other information as may be pertinent to SUBLESSEE'S obligations here under.

7. TAXES.

A. SUBLESSEE covenants and agrees to assume and pay all taxes, assessments and governmental charges that may be levied or assessed against the estate, rights, and privileges granted hereby, the metals mined or sold hereunder, any mining equipment owned or leased by SUBLESSEE and placed upon the PROPERTY, and/or any improvements and fixtures erected by SUBLESSEE thereon.

B. SUBLESSOR shall pay all taxes, assessments and governmental charges that may be levied or assessed against the estate rights, and privileges reserved hereunder and on, or based upon, the income received by it under the provisions hereof.

C. SUBLESSEE shall have the right, at its option, to pay any taxes, assessments or governmental charges levied against the PROPERTY which is in default, regardless of whether any lien or encumbrances has then attached or been perfected; and, unless payable by them hereunder, to set off and deduct any amounts so paid from sums otherwise due to SUBLESSOR hereunder.

8. SECURITY INTEREST. To secure the due and punctual payment of amounts from time to time payable to SUBLESSEE under this SUBLEASE grants to SUBLESSOR a mortgage on, and a security interest in, the below described PROPERTY (collectively the "COLLATERAL").

A. The PROPERTY.

B. All improvements, buildings, structures, equipment, machinery and other personal property of SUBLESSEE used in connection with the OPERATIONS on the PROPERTY.

C. All proceeds realized after a default, as defined hereunder, from such properties described in Sub-paragraphs A and B above, including, without limitation, insurance proceeds from any loss or damage to the PROPERTY and other proceeds of any kind resulting from any event of loss with respect to the PROPERTY: provided, however, that except as hereinafter specifically set forth in this provision, the SUBLESSOR shall look only to the Collateral for payment of SUBLESSEE obligations secured hereby.

9. EVENT OF DEFAULT. If SUBLESSEE shall default in the payment of any royalties and/or other monies required hereunder, when the same shall become due and payable, and such default shall not have been remedied within thirty (30) days after written notice thereof shall have been received by SUBLESSEE from SUBLESSOR, then there shall be an event of default.

10. REMEDIES/FORFEITURE. If any event of default occurs, then, in that event, and as often as the same occurs, SUBLESSOR may, at its option exercised by written notice to SUBLESSEE terminate this SUBLEASE and declare it forfeited, and hold and possess the PROPERTY.

11. **FORCE MAJEURE.** In the event SUBLESSEE is rendered unable in whole, or in part, by a force majeure, to carry out its respective obligations under this SUBLEASE, such obligations so far as they are affected by such force majeure shall be suspended during the continuance of any liability so caused. The term "force majeure" as used herein shall include, without limitation, Acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, riots, epidemics, lighting, earthquakes, explosions, mine accidents, accidents or repairs to machinery or pipes, delays of carriers, partial or complete embargoes of transportation, interruption in normal transportation, inability to obtain materials, or rights of way on reasonable terms, acts of public authorities, or any other causes, whether or not of the same kind enumerated herein, not within the control of the SUBLESSEE and which, by the exercise of due diligence, SUBLESSEE is unable to overcome.

12. **WAIVER.** The failure of either party to insist, in any one or more instances, upon strict performance of any one of the provisions of the SUBLEASE or to enforce any of its rights hereunder, shall not be considered a waiver of any such provisions or rights, but the same shall continue and remain in full force and effect.

13. **REMOVAL OF PROPERTY.** Upon termination of this SUBLEASE, whether by its terms, agreement, forfeiture or surrender, SUBLESSEE shall have one hundred twenty (120) days to enter upon the PROPERTY and to remove therefrom all equipment, machinery, supplies, structures, tanks, and other items of personalty, and all fixtures owned by SUBLESSEE, provided that all sums due and owing to SUBLESSOR hereunder shall have been paid. Any such property not so removed within said one hundred twenty (120) day period shall become the property of SUBLESSOR.

14. **SUB-LESSOR'S WARRANTIES.**

A. SUB-LESSOR represents, warrants, covenants and agrees that:

- (1) It is validly organized and existing in good standing under the laws of the state of its organization;
- (2) It is the owner of the leasehold, estate and mineral rights created or granted by the LEASE;
- (3) The LEASE is valid and subsisting; is not in default; and grants all rights necessary for the conduct of the OPERATIONS upon the lands described therein;
- (4) SUBLESSOR has good and lawful right to SUBLEASE the Ore lying in, on, and under the PROPERTY to SUBLEASE as herein done;
- (5) Upon proper execution and recording of this SUBLEASE, SUBLESSEE shall have the right to mine and remove the Ore in, on, and under the PROPERTY;

(6) SUBLESSOR has granted to SUBLESSEE hereunder an economic interest in the PROPERTY so that SUBLESSEE will be entitled to any and all depletion available in respect of the PROPERTY pursuant to the Internal Revenue Code of 1954, as amended, and any similar state or local tax laws applicable to the PROPERTY or income therefrom.

(7) SUBLESSOR will not sell or assign or offer to sell or assign or otherwise transfer any or all of the PROPERTY, either in whole or in part, or any interest therein, without the written consent of SUBLESSEE; and

(8) The PROPERTY will be kept free from any claim, adverse lien, security interest or encumbrance attributable to SUBLESSOR; SUBLESSOR WARRANTS GENERALLY the title to the leasehold estate granted herein and hereby, subject to the terms of the LEASE, SUBLESSOR agrees to indemnify and hold harmless SUBLESSEE from any loss, liability, claim, damage, or expense, resulting from any defect of title and further agrees to assume and bear the expenses of the defense of any action brought against SUBLESSEE as a result of any title defect; and, SUBLESSOR covenants that it will take no action or omit to take any action which would result in the amendment, modification, cancellation or termination of the LEASE. If SUBLESSOR fails to perform any of such covenants and agreements, SUBLESSEE shall have the right to make the same and to perform such obligation and deduct the amount thereof from (and thereby reduce) any payment otherwise due to the SUBLESSOR.

B. In the event that title to any portion of the leasehold estate granted herein is defective or any portion of the leasehold estate is being used or exploited by any person having the right to so use or exploit it; and SUBLESSEE is thus prevented or restricted from conducting mining operations thereon, regardless of whether such defect or right appears of record, and such defect can not be cured by SUBLESSOR or restriction lifted within sixty (60) days following written notification thereof to SUBLESSOR, SUBLESSOR shall substitute other Ore bearing property and leasehold estates now owned or hereafter acquired by SUBLESSOR, containing substantially equivalent recoverable reserves of Ore of at least equal quality, containing terms no more onerous than the terms of the LEASE and said substituted leases and leasehold estates shall be treated as if it was the PROPERTY as originally described and all references to the PROPERTY contained herein shall include such substituted leases and leasehold estates.

15. LIMITATION OF LIABILITY. Except as warranted in Paragraph 14 above with respect to the warranties of the SUBLESSOR, neither SUBLESSOR nor SUBLESSEE nor their respective nominees, successors, assigns, employees, agents,

or any person or entity controlled by them or with which they are affiliated shall initiate, seek, pursue, or participate in any action, legal or equitable including but not limited to, any attempt to obtain money, damage, or deficiency judgments, against SUBLESSEE or SUBLESSOR, as the case may be, their respective heirs, executors, administrators, successors, or assigns, in their capacity as SUBLESSEE or SUBLESSOR under the SUBLEASE it being agreed that:

A. With respect to SUBLESSEE, only its interest in collateral shall be subject to execution, attachment, or any other claim or proceeding on account of any obligation of SUBLESSEE hereunder, and

B. With respect to SUBLESSOR, only the interest of SUBLESSOR under the SUBLEASE and the LEASE, shall be subject to execution, attachment, or any other claim or proceeding on account of any obligation of SUBLESSOR hereunder (except as provided in Paragraph 14).

16. **NOTICES.** Any notice, consent, communication, or delivery which is permitted or required under this SUBLEASE shall be duly and properly given if in writing and either delivered personally to the person to whom it is authorized to be given, or, if sent, by registered or certified mail, return receipt requested, postage prepaid, or, by telegraph as follows:

SUBLESSOR: W.Va. Sioux Coal Corp.
P.O. Box 1514
Elkins, West Virginia 26241

SUBLESSEE: Glen Neva West, Ltd.
c/o Dennis J. McLaughlin
12 East 41st Street
New York, New York 10017

Changes of address or parties to be notified, shall be accomplished in like manner.

17. **ENTIRE AGREEMENT.** This SUBLEASE incorporates the entire agreement among the parties hereto with respect to the matters contained herein.

18. **AMENDMENTS.** Any amendment to this SUBLEASE shall be in writing and signed by all parties hereto.

19. **PARTIES BOUND.** This SUBLEASE shall be binding upon and inure to the benefit of the parties hereto, their respective successors and assigns.

20. **ASSIGNING OR SUB-LETTING.** The SUBLESSEE shall not have the right to assign or sub-let his interest in this SUBLEASE without the written consent of SUBLESSOR.

21. GOVERNING LAW. This SUBLEASE shall be interpreted and construed in accordance with the laws of The State of New York.

22. CAPTIONS. The captions used in this SUBLEASE, are inserted for convenience only and shall be ignored in interpreting or construing the terms hereof.

23. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of this day of April 18, 1983.

SUBLESSOR:

By: *James P. Lavage III*

SUBLESSEE:

General Partner,
Glen Neva West Ltd.

Lincoln County

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

On this 18th day of April, 1983, before me personally appeared DENNIS J. McLAUGHLIN, to me known and known to me to be the individual described in and who executed the foregoing instrument, and he acknowledged to me that he executed the same.

Adrian P. Driggs, III
Notary Public

ADRIAN P. DRIGGS, III
Notary Public, State of New York
No. 31-4754889
Qualified in New York County
Commission Expires March 30, 1985

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

On this 18th day of April, 1983, before me personally appeared JAMES P. SAVAGE, III, to me known, who, being by me duly sworn, did depose and say that he resides at 400 East 57th Street, New York, New York 10022; that he is the President of West Virginia Sioux Coal, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Adrian P. Driggs, III
Notary Public

ADRIAN P. DRIGGS, III
Notary Public, State of New York
No. 31-4754889
Qualified in New York County
Commission Expires March 30, 1985

No. 77793
FILED AND RECORDED AT REQUEST OF
CROWELL, CROWELL, CHASE & BAKER
MAY 19, 1983
AT 1 MINUTES PAST 1 O'CLOCK
P.M. IN BOOK 55 OF OFFICIAL
RECORDS, PAGE 3 LINCOLN
COUNTY, NEVADA.

Yvonne Nelson
COUNTY RECORDER