

MINING LEASE

THIS MINING LEASE, made and entered into this 1st day of November, 1986, by and between GEORGE D. FEHR, ELOISE M. FEHR, JANET N. DAVISON, DONALD J. FEHR, CAROLINE E. FEHR, ERIC C. FEHR, G. ELDON ROBERTS, and STEVEN E. ROBERTS, hereinafter referred to as LESSOR (whether one or more), whose address is care of George D. Fehr, 10 Exchange Place, Suite 610, Salt Lake City, Utah 84111, and BAYOU OIL AND GAS, INC., a Minnesota corporation, as to fifty percent (50%) interest, whose address is 10 Exchange Place, Suite 610, Salt Lake City, Utah 84111, and with offices also at First Floor, 196 A'Beckett Street, Melbourne, Victoria 3000, Australia, and FIRST INVESTORS RESOURCES, N/L, a company incorporated in the State of Victoria, Australia, as to fifty percent (50%) interest, whose address is Level 3, 468 St. Kilda Road, Melbourne, Victoria 3004, Australia, collectively hereinafter referred to as LESSEE.

WITNESSETH:

That, in consideration of the sum of One Thousand Dollars (\$1,000.00), in hand paid, and other good and valuable considerations, the receipt and sufficiency of which Lessor hereby acknowledges, and in further consideration of the royalties and agreements herein set forth by the parties to be kept and performed, it is mutually agreed as follows:

1. Lease of Properties:

Lessor does hereby grant, lease, demise and let exclusively unto Lessee, and Lessee leases and takes from Lessor, upon the terms and conditions hereinafter set forth, all those mining claims and mining properties situate in Lincoln County, State of Nevada, more particularly described in Exhibit "A" hereto attached and by this reference made a part hereof, hereinafter sometimes referred to as the "premises."

Together with, all and singular, Lessor's mines, minerals, lodes and veins, dips and spurs, all dumps, plants, fixtures, improvements, water rights or other rights, easements and appurtenances whatsoever either upon, in or under or belonging to or associated with or used or usable in connection with the premises, whether heretofore or hereafter acquired. The designation of specific improvements, rights or appurtenances or other items, if any, on the premises shall not be deemed to be a limitation upon the generality of the foregoing sentence.

Together with, the exclusive rights and privileges to explore for, develop, mine (by open pit, underground, strip mining, or any other

method), extract, mill, beneficiate, store, remove and market all of the minerals, metals, ores, materials of whatsoever nature or sort found thereon, therein or thereunder or on, in or under other lands.

2. Term:

This Lease shall be for a term of twenty (20) years from the date hereof (called Primary term) and so long thereafter as ores, minerals or materials, or any one or more of them, are produced from the premises and/or so long thereafter as this Lease may be maintained in force and effect under any of the other provisions herein contained.

If at the expiration of the primary term Lessee has discovered minerals on the premises in quantities which in Lessee's opinion may be commercially mined and Lessee is then engaged in operations for recovery of the same, then this Lease shall be automatically extended after the expiration of the primary term for so long as such operations for recovery are being diligently prosecuted with no cessation of more than ninety (90) consecutive days and for so long thereafter as ores, minerals and/or materials are mined and produced, or in the event of cessation of production, for so long thereafter as Lessee diligently engages in development operations for the purpose of further producing ores, minerals or materials from the premises, or so long thereafter as Lessee continues to make the payments provided in Paragraph 3. It shall be considered that Lessee is diligently engaged in mining operations if Lessee conducts any such operations on the premises at any time during each period of three (3) consecutive months after cessation of production.

3. Royalty:

(A) Lessee shall pay to Lessors as royalty six percent (6%) of the refined gross value in money or in kind at the option of Lessors of all the gold, silver and other precious metals and other salable product recovered from Lessor's ores in Lessee's mining, milling, processing and refining operations.

(B) All payments herein provided shall be paid either directly to Lessor or mailed to the depository bank herein named. Royalty as above provided shall be paid or mailed on or before the twenty-fifth day of the calendar month following the time the ore is sold, or processed and sold, or used, and, upon request of Lessor, a true copy of the mill, smelter or refinery settlement return will be provided to Lessor, together with a statement of costs.

(C) Lessee shall pay Lessor a minimum monthly royalty regardless of actual production according to the following schedule:

Lincoln County

Fifteen Hundred Dollars (\$1,500.00) each and every month for seventeen months commencing May 1, 1987.

Three Thousand Dollars (\$3,000.00) each and every month for twelve months commencing October 1, 1988.

Five Thousand Dollars (\$5,000.00) or 15 ounces of gold, at the option of the Lessee, each and every month thereafter during the life of this Lease, commencing October 1, 1989.

All monthly minimum royalties shall be due and payable at the end of each such monthly period. Said monthly minimum royalties paid to Lessor shall be credited against the actual royalties due and payable hereunder.

(D) In the event at the end of the primary term of this Lease Lessee has discovered in the premises any minerals in quantities which in Lessee's opinion may be commercially produced, but said minerals are not being produced, and Lessee is not engaged in development operations as contemplated in Paragraph 2, this Lease shall nevertheless remain in full force and effect for a period of one year following the expiration of the primary term and Lessee shall pay an annual minimum royalty for the year following the end of the primary term a sum of \$60,000.00. Such payment shall be made on or before the end of such annual period. Thereafter, in like manner and from time to time, if a one-year period has elapsed during which no ores, minerals or materials have been produced and Lessee has been engaged in development operations during that period, this Lease shall nevertheless be considered to have remained in full force and effect during such period and lessee shall be obligated to make the annual royalty payment for such year. It is provided, however, that this Lease cannot be extended beyond the primary term by reason of the annual minimum royalty payments provided in this paragraph for a longer term than ten (10) consecutive years. Annual period as used herein shall be the one-year period commencing on the first anniversary date hereof and commencing on each anniversary date thereafter. All annual minimum royalties paid to Lessor pursuant to this paragraph shall be credited against actual royalties paid to Lessor.

(E) Any and all payments of monies due or payable by Lessee to Lessor under the terms hereof shall be paid or tendered to Lessor or to the credit of E. M. Fehr, representing the Lessor, at Zions First National Bank, Broadway Office, 310 South Main Street, Salt Lake City, Utah 84101, which bank is designated as the depository and the agent of the Lessor for the purpose of receiving such payments.

4. Lessor Interest Provision:

Without impairment of the warranties of title contained in this Lease, if Lessor owns less than the entire and undivided mineral estate in the premises, then the total royalties and all other payments herein provided shall be proportionately reduced and payable to Lessor only in the proportion which the Lessor's interest bears to the undivided mineral estate therein.

5. Warranty:

Lessor hereby warrants and agrees to defend the title to the patented mining claims or other patented lands referred to in Exhibit "A," and with respect to each unpatented mining claim described therein warrants unencumbered ownership of the claim and represents and warrants that the same was validly located upon lands open to mining location by Lessor or a predecessor, that the same is valid and subsisting and that all assessment work for prior years has been done and proof thereof recorded as required by law. Lessee shall have the optional right to redeem for the Lessor by payment of any mortgage, tax or other lien upon said premises in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof. Lessee shall also have the right to retain from any payment which would otherwise become due or payable to Lessor hereunder and thereby reimburse Lessee for payment of any such tax, mortgage or other lien and the retention of such sum or sums for payment shall have the same effect as if the amounts thereof were paid directly to the Lessor in whose behalf such payment was made. In case of a suit, adverse claim, dispute or question as to the ownership of the premises or the right to receive any of the monies payable under this Lease, Lessee shall not be in default in payment of any sum due hereunder until thirty (30) days after Lessee has been furnished with original or certified copies of the instrument or instruments disposing of such suit, claim or dispute with proof sufficient, in Lessee's opinion, to settle such question.

6. Release:

(A) Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering all of the premises, thereby surrendering this Lease as to all of said premises, and thereby terminate all obligations relating thereto except the payment obligations accrued as of the day of surrender, and subject to Paragraph 9D.

(B) Lessee shall likewise and in like manner have the right from time to time to surrender this Lease insofar as it covers only a portion of the premises and thereby terminate all obligations relating

thereto except the payment obligations accrued as of the date of surrender, and subject to Paragraph 9D. In the event of a partial release, the annual minimum royalties payable hereunder shall not be reduced proportionately.

(C) As to any part or all of the premises released under this Paragraph 6, Lessee shall have the right, but not the obligation, at any time, or within six (6) months after the termination or expiration of the rights granted by this Lease, to remove all property including mine dumps and tailings, fixtures or structures erected or placed by Lessee on said premises except timbering in tunnels, shafts and openings.

7. Title:

Upon request by Lessee, Lessor shall furnish promptly to Lessee all abstracts of title in Lessor's possession covering the premises in whole or in part, the recorded notice of location, prior deeds, if any, proofs of annual labor and all other data and material in Lessor's files relative thereto.

8. Taxes:

Lessor shall pay promptly when due all other property taxes levied against the premises affected by this Lease except as hereinafter provided. Lessee shall pay all taxes levied or assessed for period during the term of this Lease upon improvements placed by the Lessee upon the premises. Lessor and Lessee shall each bear their respective shares of all severance or other taxes now or hereafter levied or computed upon the amount or value of ores produced.

9. Duties:

The provisions for annual minimum payments contained herein are intended to exclude and negate any implied duty or obligation to perform exploration or development work or to mine at any rate or in any manner. The activities of Lessee, if any, shall be only to the extent and at the locations, time and methods and in the manner that Lessee shall determine in Lessee's sole discretion. However, with respect to all such work as Lessee shall determine to perform, it is specifically agreed as follows:

(A) Lessee, in all operations under this Lease, will comply with all applicable state and federal laws, including the social laws relative to employment, workmen's compensation insurance, Social Security, unemployment tax and tax withholding. Lessee shall hold Lessor harmless from claims of damage to persons or property arising from Lessee's operations under this Lease, except only that any right of access to the premises by Lessor or Lessor's representatives shall be at Lessor's risk.

Lessee shall specifically comply with all laws pertaining to environmental protection of the area, and shall hold Lessor harmless for any noncompliance with said laws.

(B) Lessor shall have access to the operations upon the premises and to the records and accounts thereof at reasonable times to the end that Lessor might verify that the specified payments are being made properly.

(C) Ore, substances or materials from the premises which are mixed or comingled with ore, substances or materials from other lands shall be determined as to quantity and grade by the Lessee through procedures consistent with practices in the mining industry, such as truck factors, skip factors, and volumetric surveys.

(D) For the assessment year commencing September 1, 1986, and each year thereafter during the term hereof, Lessee shall, with respect to each unpatented mining claim described in Exhibit "A," endeavor in good faith to do and perform the assessment work as required by law for the maintenance of the claims, to file reports and affidavits as required by law with respect thereto. It is provided, however, that Lessee shall have no assessment work obligation for the then current assessment year with respect to any unpatented mining claim which is released from this Lease not later than July 1 of any year.

10. Inurement:

The provisions hereof are intended to be specifically enforceable and shall inure to the benefit of and shall bind the parties hereto, their heirs, devisees, personal representatives, successors and assigns, but no change in the ownership of the premises or in the right to receive the payments made hereunder shall be binding upon Lessee until thirty (30) days after Lessee shall have received the original or certified copies of all instruments necessary, in Lessee's opinion, to evidence the transfer.

11. Forfeiture or Termination:

In the event Lessee shall fail to make any payment provided for in Paragraph 3 above within the time provided or thirty (30) days thereafter, or in the event Lessee shall default in the performance of any other covenant hereof on its part to be kept and performed and shall not have corrected or commenced action to correct such default within thirty (30) days after written notice of such default from Lessor, then and in either of said events, Lessor may, at Lessor's option, cancel this Mining Lease and enter into possession of the mining properties.

12. Force Majeure:

When any of the operations contemplated by this Lease are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, requisition or necessity of any governmental agency having jurisdiction, or inability after diligent effort to obtain a profitable market for any leased mineral produced hereunder, or as a result of any cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this Lease to the contrary notwithstanding. All express or implied covenants or conditions of this Lease shall be subject to all federal and state laws, executive orders, rules or regulations of any governmental agency, state or federal, having jurisdiction, and this Lease shall not be terminated in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by or if such failure is the result of any such law, order, rule or regulation. If from any such cause Lessee is prevented from conducting mining or producing operations, or from transporting, selling or using minerals from the leased premises, the time while Lessee is so prevented shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting such operations, selling or using such minerals, notwithstanding any other provisions hereof.

13. Non-Liability Notices:

Lessor may record, in accordance with the Statutes of Nevada, such notices as will inform whom it may concern that the mining properties are operated under lease, and that the Lessor shall not be liable for any of the expenses or charges of operation.

14. Lessor's Right to Information:

Lessee agrees that Lessor or Lessor's authorized agents shall have access to, and the right to copy any information from geological, drilling, sampling and other data relating to the mining properties, secured by and in the possession of Lessee in connection with its prospecting and development of said mining properties.

In the event of termination of this Mining Lease for any reason whatsoever, the Lessee agrees to furnish Lessor with copies of all drilling and sampling data, a map accurately showing the development work performed by the Lessee upon the mining properties and copies of any and all geologic maps relating to said mining properties prepared by Lessee.

15. Manner of Giving Notice:

Any notice to be served upon the Lessee shall be in writing and shall be served if mailed in the United States Post Office, postage prepaid and certified, addressed to the Lessee at the following addresses: 10 Exchange Place, Suite 610, Salt Lake City, Utah 84111; First Floor, 196 A'Beckett Street, Melbourne, Victoria 3000, Australia; and, Fourth Floor, 124 Exhibition Street, Melbourne, Victoria 3000, Australia.

Any notice contemplated herein to be served upon Lessor shall be in writing and shall be sufficiently given if mailed in the United States Post Office, postage prepaid and certified, addressed to the Lessor at: care of George D. Fehr, 10 Exchange Place, Suite 610, Salt Lake City, Utah 84111, or such other address as the Lessor may from time to time in writing designate.

16. Assignment:

This Mining Lease may be assigned or sublet by Lessee without the prior written consent of Lessor.

17. Commencing Operations:

Notwithstanding anything to the contrary provided in Clause 9 above or in any other clause of this Mining Lease, Lessee shall, nevertheless, commence or cause to be commenced mining and processing ore from the premises at the rate of 300 or more tons per day for the recovery of precious metals on or before October 1, 1990.

18. Ingress and Egress:

George D. Fehr, one of the Lessors herein, reserves the right to himself and to his successors or assigns to traverse the premises, if necessary or convenient, for the purpose of exploiting his adjoining leased premises known as Castle Claims.

In like manner, George D. Fehr grants to Lessee the right to traverse those Castle Claims held under lease to George D. Fehr, his successors or assigns, if necessary or convenient, for the purpose of Lessee's exploitation of the premises.

19. Joinder:

The joinder herein by the spouse of Lessor or one or more of the parties who constitute Lessor is with the intent and for the purpose of committing to this Lease and releasing and waiving any and all dower, homestead exemption and other rights conferred upon or reserved to such spouse by the laws of the state in which the premises described in Exhibit "A" are located and all rights which such spouse has or might obtain in and to the said premises are committed to and bound by this Lease.

20. Headings:

The headings to the paragraphs of this Lease constitute no part of this Lease between the parties, having been inserted for convenience only.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the day and year first hereinabove written.

Witness:

George D. Fehr
GEORGE D. FEHR

Eloise M. Fehr
ELOISE M. FEHR

Janet N. Davison
JANET N. DAVISON

Donald J. Fehr
DONALD J. FEHR

Caroline E. Fehr
CAROLINE E. FEHR

Eric C. Fehr
ERIC C. FEHR

G. Eldon Roberts
G. ELDON ROBERTS

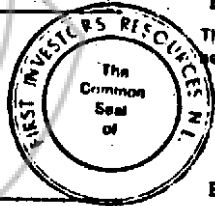
Steven E. Roberts
STEVEN E. ROBERTS

LESSOR

Attest:

BAYOU OIL AND GAS, INC.

Attest:



By: [Signature] President

The Common Seal of the Company was hereunto affixed in the presence of-

FIRST INVESTORS RESOURCES, N/L

By: J. L. Gurtick President
[Signature] Secretary
LESSOR

STATE OF UTAH)
) ss.
COUNTY OF SALT LAKE)

The foregoing instrument was acknowledged before me this 26 day of Nov., 1986, by George D. Fehr, Eloise M. Fehr, Janet N. Davison, Donald J. Fehr, Caroline E. Fehr, Eric C. Fehr, G. Eldon Roberts, and Steven C. Roberts.

WITNESS my hand and the official seal of my office.

My Commission Expires:
4/9/88

William J. ...
NOTARY PUBLIC
Residing at Salt Lake City, Utah

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, known to me to be the President of the corporation that executed the within Instrument, known to me to be the person 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 the official seal of my office.

My Commission Expires:
March 1 1990

S. S. Payne J.P.
NOTARY PUBLIC
FOR VICTORIA
Name (Typed or Printed)
Residing at Australia

STATE OF Victoria)
) ss.
COUNTY OF Australia)

On _____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, known to me to be the President of the corporation that executed the within Instrument, known to me to be the person 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 the official seal of my office.

My Commission Expires:
March 1990

S. S. Payne J.P.
NOTARY PUBLIC
FOR VICTORIA
Name (Typed or Printed)
Residing at Australia

EXHIBIT A
TO
MINING LEASE

Dated: September 12, 1986

From GEORGE D. FEHR, ELOISE M. FEHR, JANET N. DAVISON, DONALD J. FEHR, CAROLINE E. FEHR, ERIC C. FEHR, G. ELDON ROBERTS, and STEVEN B. ROBERTS, LESSOR, to BAYOU OIL AND GAS, INC., and GREAT FINGALL MINING COMPANY, N.L., LESSEE.

The premises covered by the within Mining Lease are described as follows, to-wit:

Unpatented placer mining claims in the Rox Mining District, Lincoln County, Nevada, described as Don Claims Numbers 1 through 13, located in:

T. 12 S., R. 65 E., M.D.B.&M.
Section 12: E 1/2, E 1/2 SW 1/4, SE 1/4 NW 1/4
Section 13: E 1/2, SW 1/4, SE 1/4 NW 1/4
Section 24: E 1/2 SW 1/4, SW 1/4 SW 1/4, NW 1/4

T. 12 S., R. 65 E., M.D.B.&M.
Section 18: All

containing 1,880.00 acres, more or less.

Said claims are more particularly described as follows, to-wit:

<u>Name of Claim</u>	<u>Land Description</u>	<u>Rec. Book 69, Page</u>	<u>BLM Claim Number</u>
Don # 1	E 1/2 SW 1/4, SW 1/4 SW 1/4 Sec. 24	530	NMC 360141
	Amended	666	NMC 360141
Don # 2	NW 1/4, Sec. 24	531	NMC 360142
Don # 3	SW 1/4, Sec. 13	532	NMC 360143
Don # 4	SE 1/4, Sec. 13	533	NMC 360144
Don # 5	SE 1/4 NW 1/4, Sec. 13	534	NMC 360145
Don # 6	NE 1/4, Sec. 13	535	NMC 360146
Don # 7	SW 1/4, Sec. 18	536	NMC 360147
Don # 8	SE 1/4, Sec. 18	537	NMC 360148
Don # 9	NE 1/4, Sec. 18	538	NMC 360149
Don #10	NW 1/4, Sec. 18	539	NMC 360150
Don #11	SE 1/4, Sec. 12	540	NMC 360151
	Amended	667	NMC 360151
Don #12	E 1/2 SW 1/4, SE 1/4 NW 1/4, Sec. 12	541	NMC 360152
Don #13	NE 1/4, Sec. 12	542	NMC 360153

And the foregoing particular descriptions shall be deemed (without increase in the considerations stated in the within instrument) to include all interests of Lessor now owned or hereafter acquired in lands which are within mining claims or mill sites which conflict with or overlie the same in whole or in part, or within the area bounded by straight lines around the exterior limits of the above described premises.

Signed for Identification:

George D. Fehr
Ernie M. Fehr
James W. Davison
Donald J. Fehr
Carole C. Fehr
Ernie C. Fehr
H. Eldon Roberts
Steven E. Roberts

LESSOR

BAYOU OIL AND GAS, INC.

By: [Signature]

FIRST INVESTORS RESOURCES, N/L

By: J. I. Cantrell

LESSEE

No. 87174
FILED AND RECORDED AT REQUEST OF
George D. Fehr
June 26, 1987
AT 1 MINUTES PAST 1 O'CLOCK
P M IN BOOK 75 OF OFFICIAL
RECORDS, PAGE 670 LINCOLN
COUNTY, NEVADA
FRANK C. HULSE
COUNTY RECORDER

By [Signature], Deputy