

FILED FOR RECORDING
AT THE REQUEST OF

AFTER RECORDING, PLEASE RETURN TO:
MGC Resources Inc.
Attn: Alan Branham, President
2778 Spokane Creek Road
East Helena, MT 59635

William L. Carpenter

2004 JUN 25 PM 3 53

LINCOLN COUNTY RECORDED
FEE 18.00 DEPT 10
LESLIE BOUCHER

MEMORANDUM OF MINING LEASE WITH OPTION TO PURCHASE

NOTICE IS HEREBY GIVEN that, effective as of the 3 day of ~~May~~^{June}, 2004 (the "Effective Date"), DONALD B. POTTS, whose address is 503 Sandy Avenue, Yerington, Nevada 89447 ("Lessor"), and MGC RESOURCES INC., a Nevada corporation whose address is Attn: Alan Branham, 2778 Spokane Creek Road, East Helena, Montana 59635 ("Lessee"), have entered into a Mining Lease with Option to Purchase (the "Agreement") concerning the real property in Lincoln County, Nevada described in Exhibit A attached hereto and incorporated herein, including any amendments or relocations thereof and all ores, minerals, surface and mineral rights and all water rights and improvements, easements, licenses, rights-of-way, permits and other interests appurtenant thereto, which property is referred to collectively in the Agreement and herein as the "Property."

Under the terms of the Agreement, Lessor has granted to Lessee, and does hereby grant to Lessee, the exclusive right to explore, develop and mine the Property, together with an exclusive option to purchase the Property.

Lessor is entitled under the Agreement to receive certain annual payments and to receive a royalty on mineral production from the Property.

The term of the Agreement is for an initial period of ten years from and after the Effective Date, which period may be extended in Lessee's discretion for another ten years, and so long thereafter as Lessee continues to be engaged in Mining Operations (as defined in the Agreement), unless sooner terminated as provided in the Agreement.

The Agreement allows Lessor to transfer all or any part of his interest in the Property at any time, but Lessee is not obligated to make any payments to anyone other than Lessor or recognize any other owner or lessor until proper documentation of the transfer has been recorded in Lincoln County and received by Lessee. Lessee cannot assign, convey, encumber, sublease, license or otherwise transfer any of its rights under the Agreement without Lessor's prior written consent, which consent cannot be unreasonably withheld, but Lessee may encumber its interest under the Agreement for purposes of financing operations on the Property.

The Agreement is incorporated herein by this reference and made a part hereof. Copies of the Agreement are in the possession of the parties at the addresses shown in the first paragraph of

this document. The execution and recording of this document shall not limit, increase, or in any manner affect any of the terms of the Agreement, or the rights, interests or obligations of the parties thereunder.

This document may be executed in multiple counterparts and all counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, Lessor and Lessee have executed this document on the dates set forth in the acknowledgements below but effective as of the Effective Date.


Lessor:



DONALD B. POTTS

Lessee:

MGC RESOURCES INC., a Nevada
corporation

By 

Alan Branham, President

STATE OF NEVADA)
) ss.
COUNTY OF LYON)

On this 7th day of June, 2004, personally appeared before me, a Notary Public, DONALD B. POTTS, who acknowledged that he executed the above instrument.

Janice Shipley
Notary Public



STATE OF Montana)
) ss.
COUNTY OF Jensen & Clark

On this 7th day of June, 2004, personally appeared before me, a Notary Public, Alan Branham, the President of MGC RESOURCES INC., a Nevada corporation, who acknowledged that he executed the above instrument on behalf of said corporation.

Margaret S. Mitchell
Notary Public

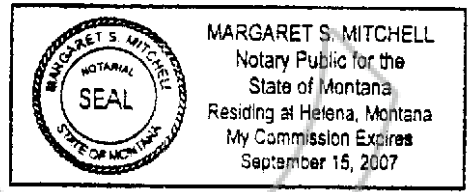


EXHIBIT A

Property

The Property consists of certain patented and unpatented lode mining claims generally located in Sections 23, 24, 25 and 26, Township 1 North, Range 67 East, and Sections 19 and 30, Township 1 North, Range 68 East, M.D.B&M, Lincoln County, Nevada, and more particularly described as follows:

Patented Claims

Victor, Victor Extension, Apex, Financier, Michigan and Senator, Mineral Survey 3769, Patent No. 249366 dated February 23, 1912, Assessor's Parcel No. 9-011-34, and containing 100.842 acres, more or less.

Unpatented Claims

<u>Claim Name</u>	<u>Location Date</u>	<u>Book/Page</u>	<u>BLM NMC No.</u>
Bum Again #1	12/17/94	111/673	713735
Bum Again #2	12/17/94	111/674	713736
Bum Again #3	12/17/94	111/675	713737
Bum Again #4	12/17/94	111/676	713738
Bum Again #5	12/17/94	111/677	713739
Bum Again #6	12/17/94	111/678	713740
Bum Again #7	12/17/94	111/679	713741
Bum Again #8	12/17/94	111/680	713742
Bum Again #9	12/17/94	111/681	713743
Bum Again #10	12/17/94	111/682	713744
Bum Again #11	12/17/94	111/683	713745
Bum Again #12	12/17/94	111/684	713746
Bum Again #13	12/17/94	111/685	713747
Bum Again #14	12/17/94	111/686	713748
Bum Again #15	12/17/94	111/687	713749
Contact #1	12/16/94	111/688	713750
Contact #2	12/16/94	111/689	713751
Contact #3	12/16/94	111/690	713752
Contact #4	12/16/94	111/691	713753

<u>Claim Name</u>	<u>Location Date</u>	<u>Book/Page</u>	<u>BLM NMC No.</u>
Contact #5	12/16/94	111/692	713754
Contact #6	12/16/94	111/693	713755
Contact #7	12/16/94	111/694	713756
Contact #8	12/16/94	111/695	713757
Contact #9	12/16/94	111/696	713758
Contact #10	12/16/94	111/697	713759
Contact #11	12/16/94	111/698	713760
Contact #12	12/16/94	111/699	713761
Contact #13	12/16/94	111/700	713762
Contact #14	12/16/94	112/1	713763
Contact #15	12/16/94	112/2	713764
Contact #16	12/16/94	112/3	713765
Contact #17	12/16/94	112/4	713766
Contact #18	12/16/94	112/5	713767
Apex Fraction	12/16/94	112/6	713768
Contact Fraction	12/16/94	112/7	713769
Berlin Fraction	12/16/94	112/8	713770