

Official Record

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DECONCINI MCDONALD YETWIN & LACY

Lincoln County - NV

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Fee: \$47.00

Page 1 of 9

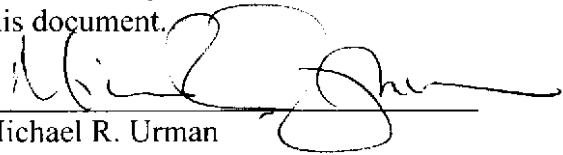
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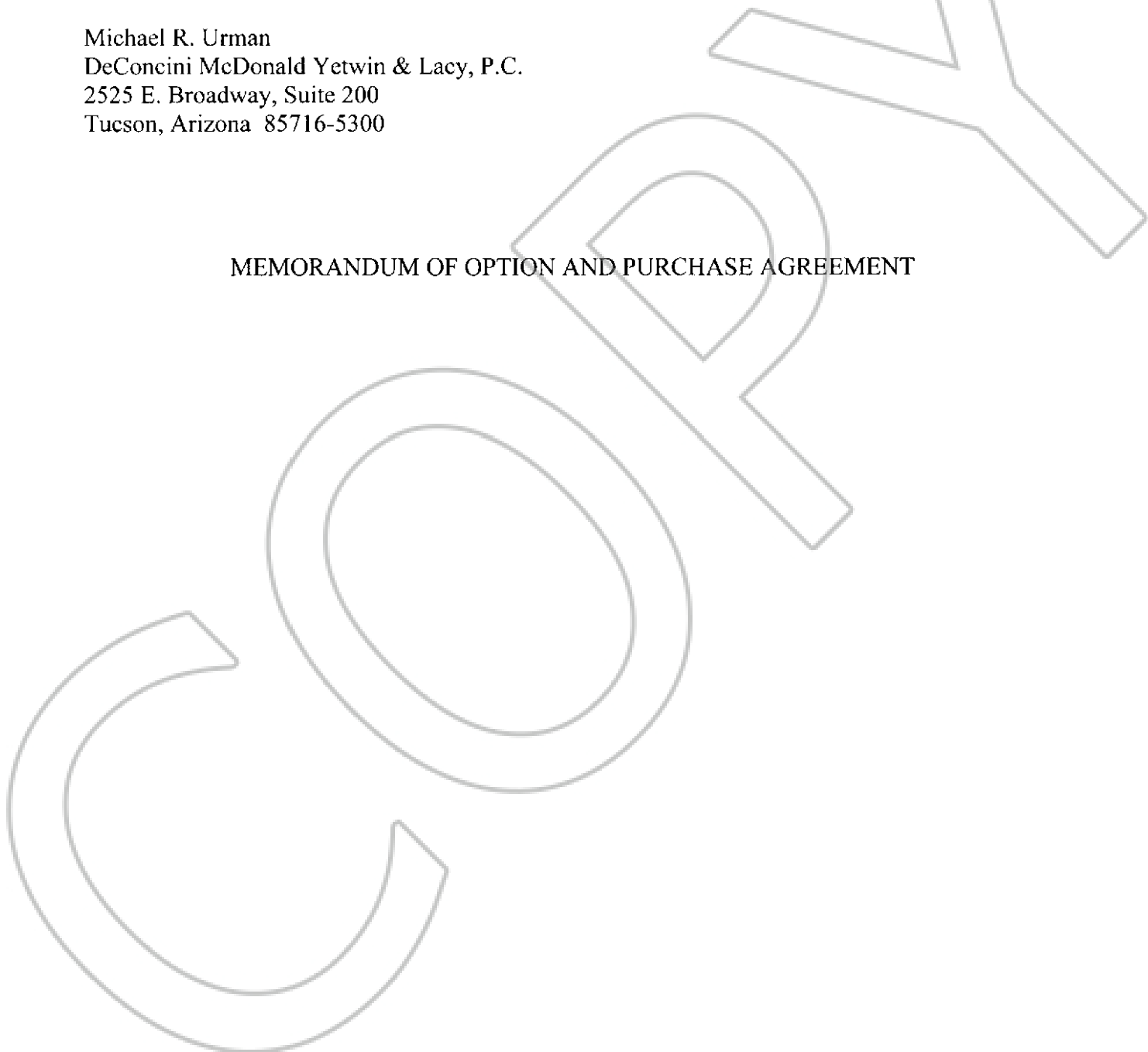
Be it hereby known that there are no social security numbers included within this document.


Michael R. Urman

After recording, please return to:

Michael R. Urman
DeConcini McDonald Yetwin & Lacy, P.C.
2525 E. Broadway, Suite 200
Tucson, Arizona 85716-5300

MEMORANDUM OF OPTION AND PURCHASE AGREEMENT





Upon recording, please return to:

Michael R. Urman, Esq.
DeConcini McDonald Yetwin & Lacy, P.C.
2525 E. Broadway, Suite 200
Tucson, Arizona 85716-5303

MEMORANDUM OF OPTION AND PURCHASE AGREEMENT

This Memorandum will serve as notice that an Option and Purchase Agreement has been executed between PAN AMERICAN ZINC, a Nevada corporation, whose address is 1508 Gentry Way, Reno, NV 89502, and INTERNATIONAL SILVER, INC., an Arizona corporation, whose address is 5210 E. Williams Circle #700, Tucson, AZ 85711, with respect to that real and personal property located and as further described in the attached Exhibits A and B, incorporated herewith. The term of the option in the Option and Purchase Agreement will end on July 31, 2013, unless otherwise extended by Pan American Zinc and International Silver, Inc.

A copy of the Option and Purchase Agreement is on file at the office of Michael R. Urman, Esq., DeConcini McDonald Yetwin & Lacy, P.C., 2525 E. Broadway Blvd., Ste. 200, Tucson, AZ 85716-5303.

DATED effective this 26th day of October, 2012.

PAN AMERICAN ZINC,
a Nevada corporation

INTERNATIONAL SILVER, INC.,
an Arizona corporation

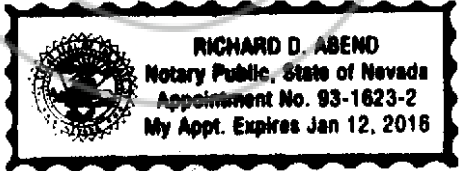
By: L. T. Atkinson
Lawrence T. Atkinson, President

By: H. R. Shipes
Harold R. Shipes, President

STATE OF NEVADA)
) ss.
County of WASHOE)

The foregoing instrument was acknowledged before me this 26 day of OCTOBER, 2012, by Lawrence T. Atkinson, PRESIDENT of Pan American Zinc, a Nevada corporation, by and on behalf of the corporation.

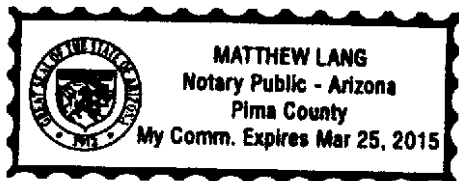
Richard D. Abend
Notary Public





STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this 31st day of October, 2012, by Harold R. Shipes, President of International Silver, Inc., an Arizona corporation, by and on behalf of the corporation.



Matthew Lang

Notary Public

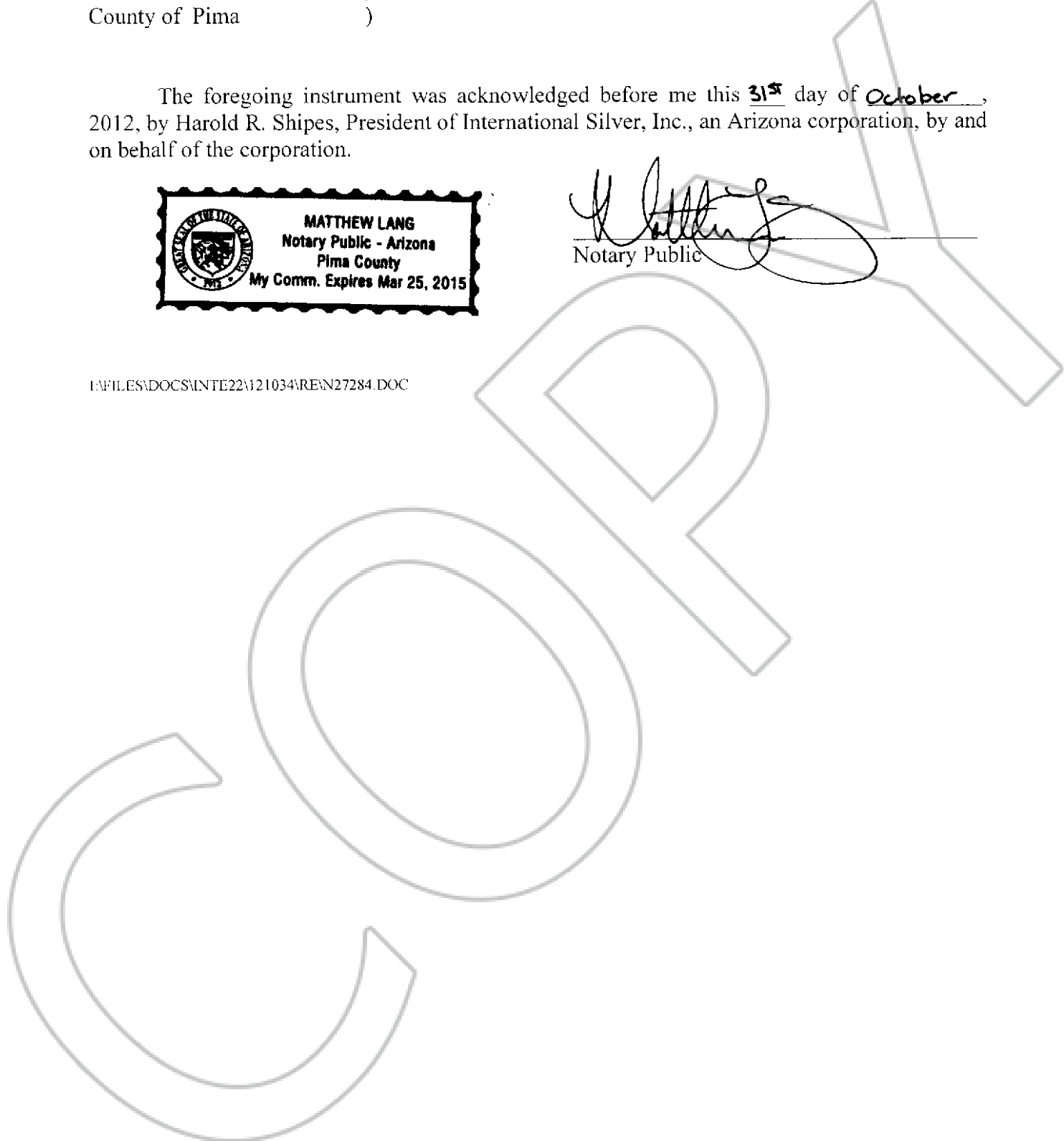


EXHIBIT A page 1 of 4
Pan American Mine Property

All right title and interest owned by Pan American Zinc Company, a Nevada corporation, to improvements, fixtures, equipment and real property with appurtenances in those properties known as the Pan American Mine located in Sections 4,5,8,9,16,17 T1S R66E and Sections 19,20,28,29,30,31,32,33 T1N R66E, MDBM Lincoln County, Nevada U.S.A. and listed herein.

Patented Mining Claims (43 in number):

M.S. 4731: Cedar No. 7, Hub, Hub no.1, Hub No.8, Hulla No.1, Spoke No.1, Spoke No.2, Pine No.5, Pine No.6, Pup No.1, Juniper No.1, Juniper No.2.

M.S. 4732: Juniper No.3, Juniper No.4, Comet Chief, Log Cabin, Log Cabin No.2, Murphy (Murphy Amd.), Murphy No.4, Murphy No.5, Roxana, Stone Cabin, Tom Boy No.1.

M.S. 4734: Mount Comet no.1, Mount Comet No.3, Mount Comet No.4, Mount Comet No.6, Mount Comet No.7, Central No.3, Central No.4, Central No.6, Central No.7, Central No.8, Dorothy, Ramona, Ronnow, Sheik No.3, Stella No.2.

M.S. 4738: Fox, Southside.

M.S. 4741: Iron Cap No.3, Iron Cap Extension, Silver Star.

ALLS
B



EXHIBIT A page 2 of 4
Unpatented Lode Mining Claims (78 in number):

| | <u>CLAIM NAME</u> | <u>LOCATION</u> <u>DATE</u> | <u>RECORD</u> | <u>NMC NUMBER</u> |
|----|-------------------|--------------------------------|---------------|-------------------|
| 1 | Albert | 7/1/1925 | H-1; 185 | 87849 |
| 2 | Argentum | 5/20/1929 | J-1; 71 | 87783 |
| 3 | Argentum #1 | 5/20/1929 | J-1; 72 | 87784 |
| 4 | Argentum #2 | 5/20/1929 | J-1; 72 | 87785 |
| 5 | Argentum #4 (amd) | 9/26/1979 | 32; 671 | 98080 |
| 6 | Argentum #6 (amd) | 9/26/1979 | 32; 673 | 98082 |
| 7 | Bald Eagle (amd) | 8/10/1936 | L-1; 187 | 87851 |
| 8 | Boarding House | 7/1/1925 | H-1; 185 | 87850 |
| 9 | Calico | 3/1/1928 | H-1; 277 | 87778 |
| 10 | Calico #2 (amd) | 9/26/1979 | 32; 675 | 98084 |
| 11 | Cedar #1 | 12/12/1928 | H-1; 406 | 87729 |
| 12 | Cedar #2 | 12/13/1928 | H-1; 407 | 87730 |
| 13 | Cedar #3 | 12/13/1928 | H-1; 407 | 87731 |
| 14 | Cedar #4 | 12/13/1928 | H-1; 408 | 87732 |
| 15 | Cedar #8 | 12/23/1928 | H-1; 408 | 87733 |
| 16 | Central | 7/1/1926 | H-1; 107 | 87778 |
| 17 | Central #1 | 7/1/1926 | H-1; 107 | 87779 |
| 18 | Central #2 | 07/01/26 | H-1; 103 | 87780 |
| 19 | Christianson | 12/20/1920 | H-1; 417 | 87857 |
| 20 | Curtis | 3/4/2029 | H-1; 484 | 87853 |
| 21 | Flapper #1 (amd) | 8/18/1935 | L-1; 61 | 87900 |
| 22 | Flapper #2 | 12/10/2028 | H-1; 402 | 87901 |
| 23 | Flapper #4 | 12/10/2028 | H-1; 403 | 87903 |
| 24 | Flapper #5 | 12/10/2028 | H-1; 403 | 87904 |

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EXHIBIT A page 3 of 4
 Unpatented Lode Mining Claims (78 in number):

| | | | | |
|----|----------------------|------------|----------|-------|
| 25 | Gigolo | 12/14/1928 | H-1; 401 | 87917 |
| 26 | Gigolo #2 | 11/15/1929 | J-1; 209 | 87918 |
| 27 | Great Western #1 | 10/22/1928 | H-1; 390 | 87766 |
| 28 | Great Western #2 | 10/22/1928 | H-1; 390 | 87767 |
| 29 | Great Western #3 | 10/22/1928 | H-1; 391 | 87768 |
| 30 | Great Western #4 | 10/22/1928 | H-1; 391 | 87769 |
| 31 | Great Western #5 | 10/22/28 | H-1; 392 | 87770 |
| 32 | Hanna | 12/20/1928 | H-1; 418 | 87753 |
| 33 | Harwood | 12/20/1928 | H-1; 417 | 87755 |
| 34 | Hub #2 | 7/1/1928 | H-1; 345 | 87749 |
| 35 | Hub #3 | 7/1/1928 | H-1; 346 | 87750 |
| 36 | Hub #5 | 7/1/1928 | H-1; 347 | 87751 |
| 37 | Hub #7 | 7/1/1930 | J-1; 400 | 87752 |
| 38 | Iron Cap (amd) | 8/10/1936 | L-1; 186 | 87762 |
| 39 | Jennie | 3/2/1914 | E-1; 415 | 87872 |
| 40 | Lindberg | 3/4/1929 | H-1; 434 | 87877 |
| 41 | Log Cabin #1 | 12/10/1928 | H-1; 405 | 87878 |
| 42 | Lone Eagle | 10/26/1928 | H-1; 368 | 87879 |
| 43 | Lucky Bill | 4/2/1919 | E-1; 293 | 87881 |
| 44 | Mount Comet #2 | 1/18/1919 | F-1; 289 | 87914 |
| 45 | Mount Comet #5 (amd) | 11/1/1935 | L-1; 75 | 87915 |
| 46 | Mount Comet #8 | 7/1/1925 | G-1; 466 | 87916 |
| 47 | Mount Comet #10 (am) | 7/1/1925 | 32; 677 | 98066 |
| 48 | Murphy #1 (amd) | 12/10/1928 | J-1; 413 | 87910 |
| 49 | Murphy #2 | 7/1/1928 | H-1; 337 | 87911 |
| 50 | Murphy #3 (amd) | 11/11/1930 | J-1; 413 | 87912 |
| 51 | Fine #1 | 2/17/1929 | H-1; 463 | 87744 |

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EXHIBIT A page 4 of 4
Unpatented Lode Mining Claims (78 in number):

| | | | | |
|----|----------------|------------|----------|--------|
| 52 | Pine #4 | 2/17/1929 | H-1; 468 | 87747 |
| 53 | Pine Fraction | 7/1/1930 | J-1; 399 | 87748 |
| 54 | Ramona #1 | 7/1/1929 | J-1; 98 | 87771 |
| 55 | Ramona #2 | 7/1/1929 | J-1; 98 | 87772 |
| 56 | September | 9/26/1935 | L-1; 71 | 87897 |
| 57 | Sheik (amd) | 11/1/1935 | L-1; 77 | 87809 |
| 58 | Sheik #2 | 8/26/1929 | J-1; 209 | 87810 |
| 59 | Sheik #4 (amd) | 11/1/1935 | L-1; 77 | 87811 |
| 60 | Snow #8 | 2/15/1929 | H-1; 454 | 87795 |
| 61 | Snow #9 | 2/15/1929 | H-1; 454 | 87796 |
| 62 | Snow #21 | 11/15/1929 | J-1; 210 | 87808 |
| 63 | South | 8/18/1984 | G-1; 410 | 317144 |
| 64 | Southside #1 | 1/15/1928 | H-1; 266 | 87896 |
| 65 | Spearhead | 3/1/1928 | H-1; 278 | 87898 |
| 66 | Spoke #3 | 3/1/1928 | H-1; 385 | 87818 |
| 67 | Spoke #4 | 3/1/1928 | H-1; 386 | 87819 |
| 68 | Top #1 | 8/23/1929 | J-1; 160 | 87821 |
| 69 | Top #3 | 8/23/1929 | J-1; 161 | 87823 |
| 70 | Top #4 | 8/23/1929 | J-1; 162 | 87824 |
| 71 | Top #5 | 8/23/1929 | J-1; 162 | 87825 |
| 72 | Top #7 | 8/30/1929 | J-1; 163 | 87827 |
| 73 | Top #8 | 8/31/1929 | J-1; 164 | 87828 |
| 74 | Top #11 | 9/22/1929 | J-1; 165 | 87831 |
| 75 | Top #12 | 9/23/1929 | J-1; 165 | 87832 |
| 76 | Top #13 | 9/23/1929 | J-1; 166 | 87833 |
| 77 | Top #14 | 9/24/1929 | J-1; 167 | 87834 |
| 78 | Top #15 | 9/24/1929 | J-1; 167 | 87835 |

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EXHIBIT B

All right, title and interest owned by Pan American Zinc Company, a Nevada corporation, to improvements, fixtures, equipment and real and personal property with tenements more fully described in the Trustee's Deed to Combined Metals Reduction Company listed in Book 23 pages 379,330; Book 23 pages 376,377 and referenced as segregated from sub surface rights in Book 18, pages 313, 314, 315, and Book 18 pages 329,330 and 331 of the Lincoln County Nevada Recorder, transferred to Pan American Zinc Company as the successor or assign of Combined Metals Reduction Company. Such title attaches to:

- A) Crushing plant, including crushers, screens, conveyors, samplers, weight meter and ventilation and dust capture systems;
- B) Flotation plant, including storage bins, ball mills, flotation circuits and sink/float plant;
- C) Thickener and filtration plant, including thickeners, filters and accessories;
- D) Compressors, blowers, offices, warehouses, oil, brick, sulfur and acid storages; assay office, administration office, geological and metallurgical laboratories, machine, carpenter, truck repair and timber framing shops, reagent plant; transformers, power lines, pipe lines, buildings and equipment;
- E) Dormitory, commissary, guest houses and residences, if any;
- F) Perlite plant with associated buildings and equipment/repair parts storage yard with all replacement parts, mill liners, pipes, wire and equipment stored thereon excepting private property listed on Exhibit C;
- G) Surface rights to the Perlite plant Area;
- H) Surface rights to the Caselton Mill Area comprising approximately 28 acres including that of all contiguous pond and tailing areas;
- I) Surface rights to the Caselton Heights Campsite remaining in the possession of Seller;
- J) Manganese mill tailings, millrun, stock piles and manganese tailings storage area;
- K) Water rights and permits, if any, to the Caselton Mill operation.



EXHIBIT C

Material Located at Caselton Belonging to Western Mine Services

- A) Drums of Mineral ores and concentrates stored in Mill building.
- B) John Deere 450 track loader
- C) Military boom truck.
- D) 10,000 gallon (prox) tank adjacent to Bozo plant
- E) Mancha motor, structural steel, jack shafts w/gears & pulleys, weldments & fabricated steel components located in Mill storage yard behind and adjacent to warehouses. These items do not include Ball Mill liners, large diameter fiberglass ventilation line and a limited quantity of components with direct application to the Caselton Mill or Pan American Mine; these items will be left for the Purchaser.
- F) Materials in the three ware houses that are not replacement parts for the Caselton mill on Mine.
- G) All hand tools, rigging supplies, drills, taps, bits, dies, reamers, hydraulic jacks and components, pneumatic drills and drill parts, engine parts and accessories, fasteners, electrical parts, parts containers, and machine shop supplies in the shop building excepting electrical parts which may be used as replacements at the Mill or Mine. One machine tool of Seller's choice shall also be removed.
- H) 500/1000 gallon fuel tank on stand East of Shop building
- I) Tilt-top (miller trailer) and farm tractor South of Shop building
- J) All lumber stored in various locations on the Mill property
- K) Small forklift in mill or shop and miscellaneous autos and trucks.
- L) All pipe and cable, two submersible pumps for the oil well water supply Project.

It is agreed that the above listed materials will be identified and marked by Messrs Atkinson and Matson at a convenient time prior to July 31, 2013 and that removal to either the Perlite Plant building and yard, or to an off-site location of Western Mine Services choosing will be accomplished at Seller's convenience but no later than 30 days following Purchaser's exercise of its option.

It is agreed that Seller may use the Perlite Plant building with a designated adjacent yard for a period of three years from Closing of Escrow, without charge.

By agreement with Purchaser, adjustments to the foregoing list maybe made.