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LEASE AND OPTION.

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THIS LEASE AND OPTION made and entered into this 18 day of July, 1939, by and between DANIEL W. NORRIS, of Milwaukee, Milwaukee County, Wisconsin, hereinafter called the Lessor, and ALEX JOHNSON, of Reno, Washoe County, Nevada, hereinafter called the Lessee,

W I T N E S S E T H:

For and in consideration of the sum of Ten Dollars (\$10.00) in hand paid to the Lessor by the Lessee, receipt whereof is hereby acknowledged, and in consideration of the mutual covenants and promises hereinafter contained, the Lessor does, by these presents, remise, lease and let unto the Lessee all those certain patented mining claims situated in the New Goldfield Mining District, Rebel Creek, Humboldt County, Nevada, being called, known and described as Ohio, Lot #37; Sciota, Lot #38; Pride of Valley, Lot #39; Buckeye; Badger; Ajax; Sucker; and Gray Eagle; together with all water and water rights, and all other tenements and hereditaments thereunto belonging or anyway appertaining, for a term of four (4) years from the date hereof, with the right and option in the Lessee to purchase all of the above described property for the total purchase price as hereinafter specified and set forth.

1. The Lessee agrees to pay to the Lessor, said payments to apply on the purchase price in the event the Lessee exercises the said option and as rental for said premises, the following royalties, towit: ten percent (10%) of the net smelter returns from all ores extracted and processed; said royalties shall be paid to said Lessor directly by the Lessee, and said payments shall be accompanied by full, true and correct copies of the smelter returns as received by the Lessee, said payments, together with said copies to be forwarded to the Lessor within ten (10) days after settlement with the

Lessee by the smelter and receipt of the smelter settlement sheets.

2. The Lessee shall have the immediate possession of said property and agrees to start mining work thereon or work in connection therewith within thirty (30) days from the date upon which this agreement is executed, and agrees to thereafter prosecute said work diligently and to cause to be done a minimum of one hundred (100) shifts per month in the prosecution and furtherance of said work, except insofar as causes beyond the control of said Lessee in the nature of acts of God, weather conditions, strikes and other occurrences which interfere with and prevent said minimum number of shifts. IT IS FURTHER AGREED that in the event said Lessee shall fail to provide said minimum number of shifts per month, then and in that event, this Lease and Option shall fully and completely terminate and the Lessor shall retain, as liquidated damages and not as a penalty, all payments theretofore received by him.

3. In consideration of the execution of this Lease, the Lessee agrees to drive the third level of the workings on said property north for a distance of at least three hundred (300) feet for the purpose of intersecting any possible downward extension of the ore-body known to exist in the first level above, provided, however, that in the event said ore-body be intersected at a lesser distance, the Lessee shall not be required to drive said third level beyond the ore-body so intersected.

4. The Lessee agrees, at his own expense and cost, to make application to the State Engineer for the securing of water rights or permits covering waters on said property, or that may be advantageously used in the operation of said property, and in the event of the granting of rights under said application by said State Engineer, the Lessee agrees to perfect said application for water in accordance with the laws of the State of Nevada. Any such applications shall either be made in the name of the Lessor or shall be transferred to the Lessor subject to this Lease and Option.

5. The Lessee may locate such adjoining ground as may in his judgment be advantageous to said properties, it being agreed that locations on any ground adjoining the property herein leased shall either be made in the name of the Lessor or shall be transferred to the Lessor, subject to this Lease and Option.

6. The Lessee will keep non-liability notices posted at all times in accordance with the provisions and requirements of the law to protect the Lessor from claims of laborers or material men, and the Lessee shall at all times carry adequate industrial insurance in accordance with the provisions of the Nevada Industrial Insurance Act, providing protection against such claims as are contemplated by the provisions of said Act. The premiums on said insurance and the costs in connection therewith shall be borne by the Lessee.

7. All work performed on said property shall be done in a good and miner-like manner and in conformity with the provisions of the mining laws of the State of Nevada.

8. IT IS FURTHER AGREED that in the event of termination of this lease for any reason, the Lessee shall have the right to dismantle and remove from said property any and all buildings, equipment, machinery or any other structures of every nature whatsoever, and any other personal property which may have at any time been placed upon said property by the Lessee.

9. In the event of the failure of the said Lessee to perform any of the terms, covenants or conditions of this Lease within thirty (30) days after performance shall have become due, then this lease shall terminate and become null and void, and the Lessor shall retain as liquidated damages and not as a penalty, all payments theretofore made to him hereunder.

10. The Lessor hereby gives and grants to the Lessee an option, which may be exercised by the Lessee at any time during the term of this lease, to purchase all of the property hereinabove described and set forth for the following consideration and upon the

following terms:

a. The total purchase price for all of said property, together with all water, water rights, minerals, mineral rights and all other rights thereunto belonging or appertaining, shall be Twenty-five Thousand Dollars (\$25,000.00) payable as follows: Ten percent (10%) of the net smelter returns on all ores extracted and shipped from said property or milled thereon, provided, however, that if the Lessee exercises this Option and the said royalty payments do not, within four (4) years of the date hereof, amount to the sum of Twenty-five Thousand Dollars (\$25,000.00), the difference shall be paid by the Lessee in cash to the Lessor within thirty (30) days thereafter; provided, further, that in the event the operations in driving north on the third level, as hereinabove set forth, shall intersect an ore-body of the economic value of at least Ten Dollars (\$10.00) per ton in gold and silver and of a mining width of four (4) feet or more, then in that event the purchase price, under this option, shall be Fifty Thousand Dollars (\$50,000.00), payable in the same manner as hereinbefore provided, and also in that event the Lessee shall have an additional two (2) years under this lease and within which to complete the payment of the full purchase price of Fifty Thousand Dollars (\$50,000.00) for said property.

11. The Lessee may exercise said Option by a written notice to that effect properly addressed to the Lessor, stamped and deposited in the United States mails.

12. In the event the Lessee exercises the option herein granted, then upon receipt of full payment of the purchase price, as hereinabove provided, the Lessor shall forthwith make, execute and deliver, with documentary stamps affixed thereto, his grant, bargain and sale deed conveying to the Lessee title to the patented claims hereinabove described, together with all water and water rights in connection therewith. In the event the Lessee shall locate any

claims under the terms hereof, the Lessor shall at the same time and under the same conditions make, execute and deliver to the Lessee his quit-claim deed and transfer to the Lessee all of his right, title and interest in and to all of such unpatented claims.

13. The Lessee shall be given immediate possession of said property and shall have the quiet use and enjoyment thereof during the life of this lease, and at the termination thereof, and in the event of a failure to exercise the option herein granted, the Lessee shall then redeliver the possession of said premises to the Lessor.

IN WITNESS WHEREOF the parties hereto have hereunto affixed their signatures and executed this Lease and Option in duplicate on the day and year first above written.

DANIEL W. NORRIS

Lessor

H. ALEX JOHNSON

Lessee.

STATE OF NEVADA)
COUNTY OF WASHOE) SS.

On this 18 day of July, 1939, personally appeared before me a notary public, in and for the County of Washoe, ALEX JOHNSON, known to me to be the person described in and who executed the foregoing instrument, who acknowledged to me that he executed the same freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

(Notarial Seal)

WALTER A. SUTTON
NOTARY PUBLIC

STATE OF WISCONSIN)
) SS.
COUNTY OF MILWAUKEE)

On this 21st day of July, 1939, personally appeared before me a notary public, in and for the County and State aforesaid, DANIEL W. NORRIS, known to me to be the person described in and who executed the foregoing instrument, who acknowledged to me that he executed the same freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

(Notarial Seal)

DONALD A. GRANT
NOTARY PUBLIC.