Initials: Au

File Name: 37537

Commodity: Ag Au As Cu Mo Pb Zn

Country: USA

State/Province: NEVADA

County: NYE

Project: SMOKY

Date: 1975

Title/Subject: LEASE AGREEMENT BETWEEN ZELON AND USSRAM

Notes:

#____Oversize Doc(s) ____Assay Data ____Log(s)

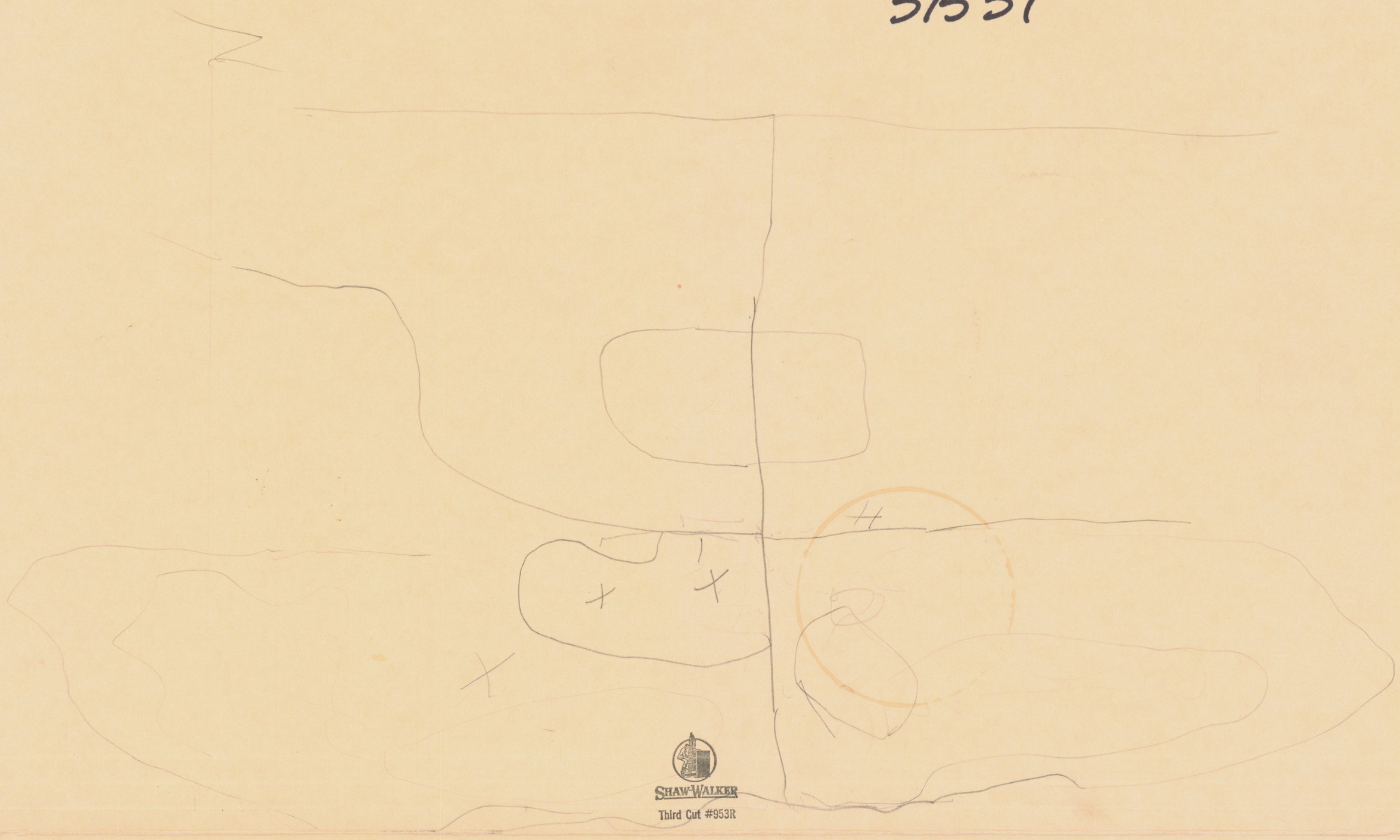
Map Scale:

T: 012N 013N

R: 044E 045E

S:

37537



SHAW-WALKER
Third Cut #953R

Mr. Gaylon Hansen

MEMORANDUM - MR. W. H. AMES

May 20, 1975

Attached is fully executed copy of Lease, made as of April 18, 1975, between Zelon Geochemical Services, Inc. and Ussram Exploration Company, on certain unpatented lode mining claims situate in the Big Smokey Valley Area, Nye County, State of Nevada. A fully executed copy of the Lease is being forwarded to our New York Office.

After completing your records, kindly forward to the Permanent Document File.

O. W. Gushee, Jr.

ec

cc: Permanent Document File
Mr. Clyde W. Gillam
Mr. Gaylon Hensen, with two Xerox copies of Lease for your use.

L E A S E

THIS LEASE, made and entered into as of the 18th day of April, 1975, by and between ZELON GEOCHEMICAL SERVICES, INC., a Utah corporation, hereinafter referred to as "Zelon", and USSRAM EXPLORATION COMPANY, a Maine corporation, authorized to do business in the State of Nevada, hereinafter referred to as "Ussram";

W I T N E S S E T H :

Zelon owns mining claims hereinafter described which the parties desire to subject to this Lease.

ARTICLE I

NOW THEREFORE, for and in consideration of the sum of Ten Dollars ($10.00) and other valuable consideration, paid by Ussram to Zelon, receipt whereof is hereby acknowledged, and for and in consideration of Ussram's covenants and agreements hereinafter set forth, Zelon does hereby:

1. LEASE

Lease, let and demise unto Ussram, its successors and assigns, those certain unpatented lode mining claims situate in the Big Smoky Valley Area, Nye County, State of Nevada, particularly described in Exhibit "A" attached hereto and made a part hereof, together with all and singular the mines, minerals, lodes and veins within the lines of said mining claims and their dips and spurs, and all water and water rights, dumps, plant, fixtures, structures, improvements, and other rights, privileges and appurtenances in anywise belonging.

TO HAVE AND TO HOLD the said mining claims unto Ussram for the term of this Lease, together with the right to use them and the workings therein for all uses and purposes incident to Ussram's exploration,development, mining and ore processing operations therein and in other premises owned or controlled by Ussram at any time while this Lease is in effect, including the right to prospect for, develop, mine, remove from the leased premises and ship, beneficiate, sell and dispose of all ores, minerals and materials taken therefrom.

2. COVENANT

Covenants and agrees with Ussram that:

(a) TERM OF LEASE - OPTION TO RENEW

The land covered by the mining claims described in said Exhibit "A", hereinafter referred to as "leased premises", shall be subject to this Lease for a term of twenty-five (25) years, commencing on the date hereof and ending at midnight on the 17th day of April, 2000, and Ussram shall have the right and option to extend such term for three additional periods of twenty-five (25) years each upon giving Zelon written notice of renewal at least one (1) year prior to the end of the primary term, the secondary term and the tertiary term, respectively.

(b) ADDITIONAL INSTRUMENTS

In the event it is advisable to amend the descriptions of said mining claims, as set forth in Exhibit "A", it will authorize the substitution of an amended Exhibit "A".

(c) MAKE INFORMATION AVAILABLE

It will promptly make available to Ussram any information Zelon may not have already made available which will facilitate operations under this Lease.

(d) TITLE WARRANTY

The mining claims described in Exhibit "A" are valid subsisting unpatented lode mining claims under the laws of the United States and the State of Nevada, and said mining claims are free from liens and encumbrances and Zelon has good right, full power and lawful authority to lease the same.

ARTICLE II

In consideration of said demise by Zelon and its covenants, Ussram covenants and agrees that:

1. POSTING NOTICES

It will, upon undertaking work in or upon the leased premises, post forthwith and thereafter keep posted in conspicuous places at entrances to the premises, such notices as may be necessary adequately to notify all

persons who may come in or upon the leased premises that they are held by Ussram under lease from Zelon and that Ussram is liable for all labor performed and supplies and materials used by it in and upon said premises and that Ussram, and not Zelon, will be responsible for any and all debts and expenses incurred in operations under this Lease, all as may be required by the Statutes of the State of Nevada.

2. PERFORMANCE OF WORK

All work done by it in the leased premises will be performed in a good and minerlike manner, with due regard to the safety, development and preservation of the leased premises and workings and operations therein; and it will remove, insofar as is practicable and consistent with good mining practice, all commercial ores encountered in exploration, development and mining operations in the leased premises. All work shall at all times be under the sole control of and done in accordance with the exercise of the discretion and judgment of Ussram as to its place, method and manner of performance.

3. ROYALTIES, OPERATING COSTS, NET RECEIPTS, LEASE PROFITS

(a) ROYALTIES

It will pay to Zelon, as royalty, five per cent (5%) of the lease profit each year from operations under this Lease. "Lease profit" shall be the net receipts less all operating costs incurred from the date of this Lease.

The royalty due for any calendar year in which there is a lease profit shall be deposited in Walker Bank & Trust Company, Salt Lake City, Utah, for credit to the account of Zelon, within three (3) months after the end of each year.

(b) OPERATING COSTS

The term "operating costs" means all expenditures made directly or indirectly by Ussram for the benefit of this Lease, whether in preparation for or in operations under this Lease, including: abstracts of title, examination of title and curing title; assessment work; any and all prospecting, investigating and exploring for, and developing, mining, extracting, removing, processing, transporting, selling of ores and other materials recovered from the leased premises; the amount of settlements made with third parties owning undivided interests in mining claims subject to this Lease, if any, and all rentals, royalties and other payments made under or for leases, agreements or grants held subject to this Lease.

Royalties paid to Zelon, income and franchise taxes, home office

overhead expenses and supervisory salaries not directly related to operations under this Lease, acquisition cost of depreciable items and allowance for depletion shall not be operating costs.

Without limiting the generality of the foregoing, "operating costs" shall include: depreciation on depreciable items, acquired or constructed solely for use under this Lease, at a rate which will fully depreciate them over a period of eight (8) years; Salt Lake City office overhead expenses and supervisory salaries directly related to operations under this Lease, including allocation of insurance, rent, clerical salaries, supplies, telephone, telegram and legal services; the acquisition cost of items used in operations under this Lease expensed at the time of acquisition; reasonable rental charges for equipment owned and used by Ussram in and for such operations, but not acquired solely for such use; reasonable transportation expenses of employees, professional staff, materials and equipment to and from the site of the work; all taxes which Ussram is required to pay under the provisions of section 1 of Article III, and all costs incurred in environmental compliance with county, state and federal rules, laws and regulations.

The term "depreciable items" as used in this subsection, means items the acquisition cost of which is recovered on a depreciation basis.

(c) NET RECEIPTS

The term "net receipts" means all sums received by Ussram for ores mined or concentrates produced from such ores in operations under this Lease, and such additional amounts, if any, as are received by or accrue to Ussram from governmental subsidies, governmental purchase contracts, or other like sources on account of the production, sale and/or disposal of such ores or concentrates in the event and to the extent that Government regulations permit the payment of royalties thereon, less any freight, truck, treatment or other charges not deducted by the purchaser.

If ores mined and/or concentrates produced are not sold and Ussram elects to utilize them for its own purposes, then the ores and/or concentrates shall be sampled and assayed and the value thereof determined on the basis of the fair market value for such materials in the area, less any freight, truck treatment or other reasonable charges, which value shall be included as part of net receipts.

(d) LEASE PROFITS

For the purpose of calculating yearly lease profits:

(1) Costs, defined herein as operating costs, but incurred

prior to the start of a mining operation shall be accumulated and amortized as an operating cost over the proven reserves of the mine recoverable during the initial or extended term of the Lease, and determined at the time of starting mining operations.

(2) Any revenues received prior to the start of mining operations will be credited to the accumulated costs referred to in (1) above.

(3) Exploration, investigation or development costs incurred subsequent to the start of mining operations will be charged currently, as incurred, to operating costs.

(4) In the event that operating costs exceed net receipts for any year after the start of mining operations, such losses will be carried forward and be deducted from subsequent years' lease profits before the royalty calculation is applied.

4. SAFETY AND MAINTENANCE

It will perform all exploration, development, mining and other operations in the leased premises in a safe and minerlike manner in accordance with the requirements of proper and customary engineering practice, except when prevented from so doing by mine casualty or other causes beyond Ussram's reasonable control.

5. PAYMENT OF LABOR AND MATERIAL CLAIMS

It will pay for all labor, power, tools, equipment, powder, timber and other materials and supplies which may be employed or used by Ussram in operations under this Lease and will not allow any claim or lien for any such thing to be effectually made or asserted against the leased premises or against Zelon.

6. INDEMNITY OF ZELON

It will hold Zelon harmless and fully indemnify it against all claims and demands of any kind or nature which may be made upon it or against the leased premises for or on account of any debt or expense contracted or incurred by Ussram, and Ussram will defend and save Zelon harmless and fully indemnify it as to any liability or asserted liability for or on account of injury to or death of any person (except representatives of Zelon when upon the leased premises under permission granted pursuant to section 8 of this Article) or for damage to any property sustained during the continuance of this Lease resulting from the negligence of Ussram or the unsafe condition of the leased premises due to Ussram's negligence or default; it being understood, however, that the leased premises are mining property and will be operated as such, accompanied by the hazards attendant such operations, and that in the absence of demonstrable

negligence or breach of duty owing by Ussram, it guarantees the safety of neither person nor property of any kind or character wherever situated.

7. STATUTORY COMPLIANCE

It will carry Workmen's Compensation Insurance and Occupational Disease Disability Compensation Insurance covering Ussram's employees; it will pay any taxes and/or make any deductions under the Federal Insurance Contributions Act and the State and Federal Unemployment Tax Act, and for which Ussram may become obligated, and will comply with all other laws, rules and regulations of any duly constituted governmental authority affecting Ussram's operations in the leased premises and, on request of Zelon, will furnish it supporting evidence of compliance with the requirements of this section.

8. INSPECTION BY ZELON

It will permit the representatives of Zelon, authorized in writing, at all reasonable times, to enter, at their own risk and the risk of Zelon, into the leased premises and any workings therein to ascertain whether Ussram is complying with the terms and conditions of this Lease. Ussram's representatives may accompany the representatives of Zelon whenever they are in the leased premises.

9. EXPLORATION DATA

That, during the term of this Lease and for a period of thirty (30) days following termination, if requested by Zelon, it will provide Zelon with copies of raw data of exploration in the leased premises and will make available to Zelon for inspection:

(a) Maps showing workings made in the leased premises by Ussram and assays of samples, if any, taken by Ussram in the leased premises.

(b) Logs of and cores from any diamond drill holes made by Ussram in the leased premises.

10. ACCOUNTING - STATEMENTS

(a) It will keep records of work done and expenditures made under this Lease, the ores and/or concentrates shipped and sold, the receipts from the sale of such ores, and/or concentrates and of any other receipts from operations under this Lease, all in accordance with good and customary accounting procedure.

(b) It will furnish Zelon within two (2) months after the end of the first half of each calendar year a preliminary report of operations and production under this Lease during that half year and within three (3) months after the end of each calendar year, a final report of operations during the calendar year. Each such report shall include general character

of work done, cost of the work, expenditures for equipment, tonnage and grade of ores and/or concentrates sold and net receipts. Annual reports shall state the lease profit or loss for the year.

(c) For a period of six (6) months following receipt of the Annual Report for the preceding year,and, upon thirty (30) days advance written notice given by Zelon to Ussram, Zelon shall have the right to examine the books, records and accounts of Ussram relating to the determination of Lease profit or loss for the year.

ARTICLE III

MUTUAL COVENANTS OF THE PARTIES

The parties mutually covenant and agree that:

1. TAX PAYMENTS

Ussram shall prepare and file in a timely manner net proceeds, occupation and any other tax returns related to its operations under this Lease and shall pay all such taxes.

2. ASSESSMENT WORK

(a) Ussram shall perform upon or for the benefit of the unpatented mining claims described in said Exhibit "A" the assessment work required by the laws of the United States and the State of Nevada to keep and maintain them in good standing as unpatented lode mining claims for each assessment year in which this Lease is in effect for nine (9) months; provided, however, that for any year or years in which assessment work on unpatented mining claims shall be suspended by Act of Congress, notice of intention to hold said unpatented mining claims or other instruments under any such law may be filed in lieu of performance of the assessment work. Ussram shall make and file affidavits of performance of such assessment work or notice of intention to hold said unpatented mining claims and its officers and agents are hereby authorized to make and file such instruments.

(b) Notwithstanding anything in the preceding subsection (a) of this section 2 to the contrary, Ussram may give Zelon written notice of the nature and place of the assessment work it will perform on or for the benefit of said unpatented mining claims, and if, within thirty (30) days after

Zelon 's receipt of such notice, Ussram does not receive written notice from Zelon objecting to said assessment work, in whole or in part, and clearly stating to which and why it objects, Zelon shall be deemed to have accepted the performance of such work as fully satisfying the obligation for assessment work in the year involved.

3. ACQUISITIONS

Zelon and Ussram shall keep each other informed of any negotiations by it, or a subsidiary of it, for leasing, purchasing or obtaining rights or interests in or over any properties and of any mining claims located within a six (6) mile radius of Exhibit "A" property, hereinafter referred to as "Area of Mutual Interest".

If Zelon or Ussram, or a subsidiary of either, shall acquire rights or interest in or over such properties, or locate mining claims within said Area of Mutual Interest, it shall promptly notify the other party in writing, of such acquisitions or locations, the cost incurred in acquiring or locating them, and the terms of the lease, agreement or grant. The party receiving such notice may elect to have such rights or interests acquired or claims located by the other party included under this Lease by notifying the other party in writing of such election within forty-five (45) days from the date of receiving said notice of such acquisitions or locations and the costs and terms. Upon such election, the party acquiring the rights or interests, or locating the claims, shall promptly execute such instruments as may be necessary to include such rights or interests or claims under this Lease, and Ussram shall promptly reimburse Zelon for payments made by it in acquiring such rights or interests or locating such claims so included under this Lease. No payment shall be made by Ussram to Zelon for shares of common stock of Zelon delivered to the parties granting such rights or interests.

All costs incurred by Ussram in acquiring rights or interests or locating claims included under this Lease, all payments made by Ussram to reimburse Zelon for costs incurred in acquiring rights or interests or locating claims, included under this Lease, all rents, royalties and other payments made under the terms of leases or agreements assigned to Ussram and held subject to the terms of this Lease, and all costs incurred in

operations in properties so included under this Lease shall be operating costs under this Lease.

All sums received for ores and concentrates produced and sold from properties subject to this Lease shall be net receipts under this Lease.

4. INSURANCE

Ussram shall include under its excess fire insurance policy all structures and equipment on or in the leased premises used in operations under this Lease, and any losses not covered by such policy shall be an operating cost. The benefits under such insurance policies shall be payable to Ussram.

5. CONTRACTING WORK AND SUBLETTING

Ussram shall have the right at any time to enter into agreements with corporations, partnerships or individuals for the performance of any work in the leased premises.

6. ACCEPTANCE OF STATEMENTS AND SETTLEMENTS

Any statement required to be rendered by Ussram, and any settlement made by it shall be deemed to have been fully accepted as an adequate statement and final settlement, and shall be conclusive between the parties unless exception thereto, in writing, be taken within sixty (60) days after such statement or settlement shall have been rendered or made.

7. TERMINATION BY ZELON FOR CAUSE

If Ussram shall at any time be in default in the performance of any of the terms and conditions of this Lease, including payment of royalties or other sums payable hereunder, such default shall not operate to or give Zelon the right to cancel, forfeit or terminate this Lease unless Zelon shall notify Ussram, in writing, specifying the nature of such default and unless Ussram shall fail to make any such payment or to proceed diligently to cure any other default within sixty (60) days from the date of receipt of such notification. If, at the expiration of said sixty (60) days after the date of receipt of such notice, Ussram has not made such payment or proceeded diligently to cure any other default, Zelon may terminate this Lease by giving Ussram written notice of termination,

and without further demand or notice, Zelon, by its agents or attorneys, may enter upon and into the leased premises and dispossess all persons occupying them, with or without force, and with or without process of law, or at Zelon's option, Ussram and all persons found in occupation of any of the leased premises may be proceeded against as guilty of unlawful detainer. Failure of Zelon to exercise for any length of time any right of forfeiture for such cause shall, in no event, operate as a waiver of such right of forfeiture for such cause still continuing or for any recurrence thereof or for any different cause.

8. SURRENDER OF PREMISES ON TERMINATION

Ussram shall deliver to Zelon the leased premises, without demand or further notice, on the last day of the term hereof, unless extended, and then on the last day of the extended term, or at any time previous upon termination hereof; provided, however:

(i) Broken Ores

All broken ores on surface or underground not shipped prior to such expiration or earlier termination may be removed by Ussram within ninety (90) days after termination and accounted for, as herein provided, as if shipped prior to termination, but if not so removed within said ninety (90) days, such ores shall become the property of Zelon.

(ii) Track, Pipe and Vent Pipe

All track, pipe and vent pipe in place at the termination of this Lease shall remain and become the property of Zelon.

(iii) Removal of Equipment

On termination of this Lease, Ussram shall, as soon as convenient and practicable, remove from the leased premises and sell all fixtures and equipment (other than track, pipe and vent pipe) placed by it, either on the surface or underground, and from the proceeds reimburse itself for any unreimbursed operating cost and for any undepreciated portion of the cost of such fixtures and equipment. Either Ussram or Zelon shall have the right to purchase any such fixtures or equipment at its fair appraised value. Any proceeds from the sale of such fixtures and equipment,

after Ussram has been reimbursed for all operating costs and undepreciated cost of such fixtures and equipment, shall be divided five per cent (5%) to Zelon and ninety-five per cent (95%) to Ussram.

9. DELAY DUE TO CAUSES BEYOND CONTROL OF USSRAM

If Ussram shall be delayed or interrupted in, or prevented from performance of its obligations as herein provided, by acts of God, fires, floods, strikes or labor troubles, breakage of machinery, inability to obtain necessary materials, supplies, power or labor, interruptions in delivery or transportation, insurrection or mob violence, injunction, regulations or orders or requirements of Government or other disabling cause beyond its reasonable control, then and in all such cases, Ussram shall, for the time being, and without liability, be excused from performance of its obligations as herein provided for the period of such prevention, delay, interruption, disability, and all provisions of this Lease shall again come into full force and effect immediately upon the termination of the period of prevention, delay or disability resulting from any of the causes aforesaid. The term of this Lease shall be extended for a period equal to the number of days in any such period of prevention, delay or disability.

10. INTEGRATION OF LEASE - AMENDMENTS

This Lease constitutes the whole agreement between the parties. There are no terms, obligations, covenants or conditions other than those contained herein. No variation thereof shall be deemed valid unless signed by the parties with the same formality as this Lease.

11. TERMINATION, PARTIAL SURRENDER AND ASSIGNMENT BY USSRAM

It is expressly understood between the parties hereto, anything herein contained to the contrary notwithstanding, that continuance of this Lease is optional with Ussram. Ussram may terminate this Lease at any time and may assign this Lease, or any part of it, at any time. Thereupon all its obligations and liabilities hereunder shall immediately cease and terminate, except liability on account of any obligation incurred and owing at the time of such termination or assignment. Ussram may surrender and yield up to Zelon any part of the leased premises at any time and thereupon its obligations under this Lease with respect to the premises surrendered

and yielded up shall cease, except liability on account of any obligations incurred and owing at the time of such surrender.

12. If Zelon desires to sell its "Lease Profits Interest" held under this Lease, or if Zelon shall have received an offer from a third party to purchase the Lease Profits Interest, Zelon shall notify Ussram accordingly and Ussram shall have an exclusive and preferential right for a period of thirty (30) days after receipt of such notice to purchase the interest on the same terms offered by a third party or if no such offer exists, on terms that may be negotiated between Zelon and Ussram. If this optional right is not exercised by Ussram then Zelon shall have a period of sixty (60) days from such rejection by Ussram to consummate a sale to a third party free and clear of Ussram's preferential right, but not thereafter. Any third party acquiring such Lease profits interest shall do so subject to all terms and provisions of this Lease.

13. NOTICE

Either party may give notice under this Lease by United States registered or certified mail, addressed to the party to whom the notice is being given at the address hereinafter stated or by actual delivery of such notice to such party and, except as may be otherwise provided in this Lease, the notice shall be deemed given when so deposited in the mail.

The address of Ussram is:

Nineteenth Floor, University Club Building
136 East South Temple Street
Salt Lake City, Utah 84111

The address of Zelon is:

353 West Pierpont Avenue
Salt Lake City, Utah 84104

Either party may from time to time change the address which it desires used and upon written notice to the other party, such changed address shall be deemed inserted herein in place of the address above stated.

14. AGREEMENT BINDING ON ASSIGNS

Each and every clause and covenant of this Agreement shall extend to, benefit and bind the successors and assigns of the parties hereto respectively.

15. MISCELLANEOUS

(a) In the event any provision of this Lease shall be declared by a court of competent jurisdiction to be invalid, or rendered invalid or inoperative by any ruling of the Federal Government or agency thereof, such holding shall not prejudice the intent and spirit of this Lease and the other provisions hereof shall continue in full force and effect.

(b) The parties hereto shall execute a Memorandum of Lease for recording so that there will be constructive notice of this Lease. Should this Lease be surrendered or terminated under any provision hereof prior to the end of the term, Ussram shall execute and deliver to Zelon an instrument of surrender and release capable of being recorded.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective corporate officers thereunto duly authorized and their corporate seals to be hereunto affixed, duly attested, all as of the day and year first hereinabove written.

ATTEST:

ZELON GEOCHEMICAL SERVICES, INC.

By _____ President of Zelon

USSRAM EXPLORATION COMPANY

By _____
W. R. KASTELIC, Vice President

STATE OF Utah)
: ss
COUNTY Salt Lake)

On this 16th day of May, 1975, personally appeared before me Patsy Ann Riches, a notary public in and for Salt Lake County, Utah, John H. Hajek, known to me to be the President of ZELON GEOCHEMICAL SERVICES, INC., The corporation that executed the foregoing instrument and upon oath did depose that he is the officer of said corporation as above designated; and that the said corporation executed the said instrument 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 at my office in the County of Salt Lake, the day and year in this certificate first above written.

My Commission Expires:
4-13-79

Patsy Ann Riches
Notary Public, In and For the
County of Salt Lake
State of Utah

STATE OF UTAH)
: ss
COUNTY OF SALT LAKE)

On this 19th day of May, 1975, personally appeared before me FLORENCE G. SMITH, a notary public in and for SALT LAKE County, W. R. KASTELIC known to me to be the Vice President of USSRAM EXPLORATION COMPANY, the corporation that executed the foregoing instrument, and upon oath did depose that he is the officer of said corporation as above designated; and that the said corporation executed the said instrument 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 at my office in the County of Salt Lake the day and year in this certificate first above written.

My Commission Expires:
April 15, 1978

Florence G. Smith
Notary Public, In and For the
County of Salt Lake
State of Utah

E X H I B I T "A"

Big Smoky Valley Area, Nye County, Nevada

Attached to and made a part of Lease between Zelon Geochemical Services, Inc., Lessor, and Ussram Exploration Company, Lessee, dated as of April 18, 1975.

Name of Claim	Date of Location	Certificate of Location Recorded in Records of Nye County, Nev.	
		Book	Page
Molly #1	4/13/75	181	611
Molly #2	4/13/75	181	612
Molly #3	4/13/75	181	613
Molly #4	4/13/75	181	614
Molly #5	4/14/75	181	615
Molly #6	4/14/75	181	616
Molly #7	4/14/75	181	617