Government's Copy

MME Form 51
Feb. 1959

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

EXPLORATION CONTRACT
(Short Form)

Docket No.	Commodity	Contract No.	County	State
OME-6264	Silver	14-23-090-2168	Shoshone	Idaho

It is agreed MAY 20 1963 (Date), between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and

Sunshine Consolidated, Inc., an Idaho corporation

whose mailing address is Sunshine Star Route, Kellogg, Idaho, hereinafter called the "Operator," as follows:

ARTICLE I. Authority and scope.--(a) This contract, entered into under the authority of Public Law 701, 85th Cong., 2d sess. (72 Stat. 700; 30 U.S.C. § 641 - 646), consists of this form, the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed. The work is a search for new or unexplored deposits of the commodity designated above. The Operator shall begin the work on or before _____ (Date), and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within 18 months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the work is $ 101,600.00 The Government will contribute 50 percent of the total fixed unit costs of the work performed, not in excess of $ 50,800.00 in accordance with the provisions of Articles 4 and 5.

(c) Interest computation.--Simple interest computed annually at the rate of 6 percent shall accrue from the dates Federal funds are made available until the period specified for payment of royalty expires, or until the amount of Federal funds contributed is fully repaid with interest.

(d) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. Operator's rights in land.--(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's right of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances:
Memorandum of Agreement with Sunshine Mining Company, dated September 8, 1943, and Agreement dated February 7, 1958, with Bunker Hill Company

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Lien Agreement of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached as follows:

Lien or Subordination Agreement by Sunshine Mining Company, dated December 4, 1962

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JUN 10 1963 MAY 27 1963
U.S.G.S. U.S.G.S.
SPOKANE, WASH. SPOKANE, WASH.

(c) The Operator shall preserve and maintain his right, title, or interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a royalty on production and liens for the payment thereof. Two true copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. Performance of the work.--(a) Operator's responsibility.--The work shall be performed diligently, efficiently, in a workmanlike manner in accordance with good mining standards, and in compliance with State laws governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work as specified in Article 1(a).

(b) Government may inspect.--The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract and production operations during the period that royalty is payable to the Government. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. Contribution by the Government.--The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5(b), but all payments by the Government are provisional only, subject to audit. Until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been received, the Government may withhold such sums as are necessary to protect its interests. To the extent that amounts in excess of fixed unit costs or in excess of the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such amounts for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. Reports, accounts, audits.--(a) Operator's records.--The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) Monthly reports.--The Operator shall provide the Government with five copies of monthly reports in three sections as follows:

(1) Operator's Monthly Voucher claiming costs for work performed;

(2) Operator's Progress Report showing the number of units of the various types of work performed; and

(3) a narrative report of the work performed during the reporting period, including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground.

(Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) Final report.--Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final monthly report). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) Report of sales.--The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's royalty relates, such as copies of smelter or concentrator settlement sheets and certified accounts of production and sale or other disposition of production.

(e) Compliance with requirements.--If the Government determines that any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the preparation or completion of same with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. Repayment by Operator.--(a) Certification.--If the Government considers that mineral or metal production from the land covered by the contract may be possible as a result of the exploration work, it shall so certify in writing to the Operator at any time not later than six months after a sufficient final report and final accounting (see Article 5) have been furnished.

(b) Royalty on production.--The Operator, whether or not the producer (for example, if the Operator either transfers or does not retain his interest in the land), shall pay to the Government a royalty on all minerals and metals mined or produced from the land as follows:

(1) irrespective of any certification of possible production--from the date of the contract until the lapse of the time within which the Government may issue such certification or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first; or

(2) if the Government issues a certification of possible production--for a period of ten years from the date of the contract or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first. **(See Also Article 14)**

(c) Payment of royalty.--(1) The Government's royalty shall be five percent of the ~~Operator's~~ gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrate, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business and shown as deductions on the buyer's settlement sheets (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable by the buyer to a carrier (not the Operator)), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. No costs of the Operator are deductible in arriving at the "gross proceeds" as that term is here used.

The term "treatment processes" means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

(2) The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be.

(d) Unsold production.--If any production (ore, concentrate, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrate, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(e) Lien for payment.--To secure the payment of royalty (see Article 6(b)), the Operator hereby grants to the Government a lien upon his interest in the land and upon any production of minerals and metals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(f) Notice to purchasers.--The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Government, and this estimate shall be final and binding upon the Operator.

(g) No obligation to produce.--Nothing in this contract shall be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(h) Government not obligated to buy.--Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals and metals mined or produced from the land.

ARTICLE 7. Termination of the Government's Obligations.--(a) If the Government determines that operations at any time have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and thereupon:

(1) the Government shall be free of all obligation to pay on account of units of work not then performed; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

(b) If the Government determines that the Operator is in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon:

(1) the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to royalty and liens to secure the payment thereof, and such rights shall be fully preserved.

(d) The determinations of the Government are subject to appeal under Article 11.

ARTICLE 8. Notices to be given by the Government may be delivered to the Operator or may be sent by certified mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. Officials not to benefit.--No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

(See Article 14)

~~ARTICLE 10. Nondiscrimination.--In connection with the performance of work under this contract, the Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Government setting forth the provisions of the nondiscrimination clause.~~

~~The Operator further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.~~

ARTICLE 11. Disputes.--Any dispute arising under this contract which is not disposed of by agreement shall be decided by the Director, Office of Minerals Exploration, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Operator. The decision of the Director, Office of Minerals Exploration, shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Operator mails or otherwise furnishes to the Director, Office of Minerals Exploration, a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

The term "Director, Office of Minerals Exploration," as used herein includes his duly authorized representative.

ARTICLE 12. Eight-Hour Law of 1912--Overtime compensation.--This contract, to the extent that it is of a character specified in the Eight-Hour Law of 1912, as amended (40 U. S. Code 324—326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35—45), is subject to the following provisions and exceptions of said Eight-Hour Law of 1912, as amended, and to all other provisions and exceptions of said Law:

No laborer or mechanic doing any part of the work contemplated by this contract, in the employ of the Operator or any independent contractor contracting for any part of said work contemplated, shall be required or permitted to work more than eight hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every laborer and mechanic employed by the Operator or any independent contractor engaged in the performance of this contract shall be computed on a basic day rate of eight hours per day; and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this clause a penalty of five dollars shall be imposed for each laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this clause, and all penalties thus imposed shall be withheld for the use and benefit of the Government.

ARTICLE 13. Copeland (Anti-Kickback) Act--Nonrebate of wages.--The regulations of the Secretary of Labor applicable to contractors and subcontractors (29 CFR, Part 3), made pursuant to the Copeland Act, as amended (40 U. S. C. 276c) and to aid in the enforcement of the Anti-Kickback Act (18 U. S. C. 874) are made a part of this contract by reference. The Operator will comply with these regulations and any amendments or modifications thereof and will be responsible for the submission of affidavits required of independent contractors thereunder. The foregoing shall apply except as the Secretary of Labor may specifically provide for reasonable limitations, variations, tolerances, and exemptions.

ARTICLE 14. Changes and added provisions.--

1. Article 10 is revised to read as follows:

Article 10. "Nondiscrimination. The provisions governing performance of work under Government contracts, as set out in Section 301 of the Executive Order 10925, dated March 6, 1961 (a copy of which is attached hereto as Exhibit B and by reference hereby incorporated and made a part of this contract), shall be applicable to this contract.

"In compliance with the Rules and Regulations (41 CFR, Section 60-1.3(a) issued under Executive Order 10925 of March 6, 1961, the Operator is hereby bound and agrees to include in each subcontract which it shall make with a subcontractor or supplier paragraphs (1) through (7) of Section 301 of said Executive Order, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity.

"The Operator shall require each of its subcontractors (first tier) to include in every subcontract with each of its subcontractors (second tier) the following clause: The (here identify the second-tier subcontractor by name) shall incorporate by reference in each subcontract or purchase order with a subcontractor or supplier paragraphs (1) through (6) of Section 301 of Executive Order 10925 of March 6, 1961, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity."

2. Special Agreement Concerning Royalty. Notwithstanding the certification provisions of this Article 6, and with no further action required on the part of the Government, the Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer, or its successor, shall pay to the Government a royalty on production, regardless of where it is produced, which is transported through any workings or any portion of any workings to the cost of which the Government has contributed, for the period described in Article 6(b)(2) above, and pursuant to the terms of Article 6(c) et seq. However, in no event shall more than one royalty be due or paid under this contract on the same production.

Long
App'd. Sol. Off.

Executed in quintuplicate the day and year first above written.

Talbert
Muswell
Selfridge
Johnson

THE UNITED STATES OF AMERICA

By _____
Director, Office of Minerals Exploration

_____
(Operator)

By _____

Title _____

I _____, certify
(Name)

that I am the _____ secretary of the

corporation named as Operator herein; that _____,
(Name)

who signed this contract on behalf of the Operator, was then

_____ of said corporation;
(Title)

that said contract was duly signed for and in behalf of said corporation

by authority of its governing body, and is within the scope of its

corporate powers.

_____

/ CORPORATE SEAL /

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
OME-6264

ANNEX I

The land referred to in Article 2 of the contract consists of all or parts of 7 patented and 32 unpatented claims, with all rights pertaining thereto, and described as follows:

The land is bordered on the north by a combination of inclined and vertical planes based on the elevation of 390 feet below sea level as indicated on the attached "Figure 1, Sun Con Claims" and as more fully described in the Agreement of February 7, 1958, between Sunshine Consolidated, Inc., Big Creek Apex Mining Co., and Sunshine Mining Co., the parties of the first part and the Bunker Hill Company as party of the second part.

The land is bordered on the west by a vertical plane passing through the western end lines of Grant No. 8, Grant No. 7, Grant No. 1, Lone Pine, Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI No. 13, SCI No. 14, Hillside No. 1, Hillside No. 2, and Hillside No. 3 claims.

The land is bordered on the south by the southerly side lines of the Hillside No. 3 and SCI No. 17 claims and that portion of the Cabin claim lying westerly of the southerly extension of the vertical plane bounding the land on the east.

The land is generally bordered on the east by a vertical plane passing parallel to and 400 feet easterly of the western end lines of the Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 6, Roberts, Roberts No. 1 and Rex claims and an extension of such vertical plane northward to its intersection with the above-cited northern boundary and also its extension southward covering part of the Cabin claim, but not including the Bismark No. 1 and 3 claims nor the area lying easterly of the east end lines of the SCI No. 15 and Humboldt claims and the Humboldt No. 1 claim in part.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "90" of Deeds at Page 30, Records of Shoshone County, Idaho.

Contact Mountain	Red Umbrella	Reberts
Bonanza Fraction	Rex	Roberts No. 1
		S.C. I No. 10

S.C. I Group, Unpatented, Mineral Survey #3291

Claim	Recorded Vol.	Recorded Page	Claim	Recorded Vol.	Recorded Page
Lone Pine	24	563	SCI No. 14	24	566
Lone Pine #1	20	115	SCI No. 15	24	567
Lone Pine #2	20	116	SCI No. 16	24	568
Humboldt	24	562	SCI No. 17	24	569
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	557
Humboldt No. 3	20	438	Giant No. 7	22	205
Hillside No. 1	21	347	Giant No. 8	22	206
Hillside Number Two	21	348	Giant No. 10	22	208
Hillside No. 3	24	561	Giant No. 11	22	209
SCI No. 7	24	374	Giant No. 12	22	210
SCI No. 8	24	375	Crescent	17	550
SCI No. 9	24	376	Crescent No. 1	24	579
SCI No. 11	24	539	Crescent No. 2	19	193
SCI No. 12	24	564	Crescent No. 6	20	434
SCI No. 13	24	565	Cabin	24	578

The lands pertaining to this contract are owned by the Operator and are included in a Memorandum of Agreement relating to mineral rights between the Operator and the Sunshine Mining Company dated September 8, 1943. A Lien or Subordination Agreement executed by Sunshine Mining Company, dated December 4, 1962, is attached hereto.

All claims pertaining to this contract are shown, with exterior property boundaries in blue outline on the attached Figure 1 entitled "Sun Con Claims."

MME Form 52
June, 1961

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

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U. S. G. S.
SPOKANE, WASH.

FOR GOVERNMENT USE ONLY
Operator
Docket No. OME –
Contract No. 14-23-090- 2168
Contract Date MAY 20 1963

LIEN OR SUBORDINATION AGREEMENT 1/

To the United States of America:

That certain land in the County of SHOSHONE, State of IDAHO,

described ~~as follows~~: 2/ See Attached Annex

hereinafter called the "land", is the subject of a proposed exploration contract, hereinafter called the "Contract", between the United States of America, hereinafter called the "Government" and

SUNSHINE CONSOLIDATED, Inc. 3/

hereinafter called the "Operator". In consideration for and as an inducement to the Government executing the Contract, the undersigned:

1. (a) Being the owner of an interest in the land, hereby grants to the Government a lien upon all of his right, title, and interest in the land and upon any production of minerals therefrom to secure the payment to the Government of the royalty on production provided for by the Contract, and agrees if the Operator's interest should be surrendered or terminated at any time prior to the expiration of the rights of the United States under said Contract to pay royalty to the Government according to the terms of said Contract; or

(b) Being the holder of a claim, lien, or encumbrance against the land, hereby subordinates his claim, lien, or encumbrance in or against the land and in any production therefrom to the rights of the Government under the Contract with respect to royalty on production and liens to secure same. 4/

2. Undertakes and agrees that property in which the Government may acquire an interest or equity under the Contract may be dismantled, severed from the land, and removed as may be provided in the Contract; and the Government's interest and equity in such property shall be prior and superior to any adverse right or claim of the undersigned.

3. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none". Do not leave blank.)

- NONE -

1/ Production from the land is not required, and in the absence of production there is no obligation to pay royalty to the Government.

2/ Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "in a lease /or contract, deed, or other document/ dated _____, and recorded in Book _____, Page ____, official records of said county". If (b) is used, the book and page of recordation must be inserted above. If the space provided is insufficient, use an Annex and refer to the Annex in the space.

3/ Insert name exactly as it appears in the Application MME Form 40.

4/ Subparagraph 1(a) does not apply to the holder of a claim, lien, or encumbrance.

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U. S. G. S.
SPOKANE, WASH.

4. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land or any production therefrom, furnishing the Government with two true copies of such notice; and

5. Consents to all amendments (including an agreement of termination) and assignments of the Contract without notice thereof, and undertakes and agrees that this agreement shall extend and apply thereto.

6. Added provisions - NONE - (State "None" or "See Annex No.____".)

Dated this 4th day of December, 19 62.

APPLICANT SHOULD NOT SIGN

(Seal)	By: [signature] President	SUNSHINE MINING COMPANY, West 300 Mission Ave. (Street) Spokane 1, Washington (City & State)
(Seal)		(Street) (City & State)
(Seal)		(Street) (City & State)
(Seal)		(Street) (City & State)
(Seal)		(Street) (City & State)
(Seal)		(Street) (City & State)

I, STANTON B. BENNETT (Name), certify that I am the Secretary (Title—Secretary, etc.) of the corporation named herein; that ROBERT M. HARDY, JR. (Name), who signed this agreement was then President (Title—Pres., Vice-Pres., etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

[signature]

(Corporate Seal)

INT.-DUP. SEC., WASH., D.C.

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ANNEX

Description of the Land:

" That portion of Mineral Surveys Nos. 3273 and 3291 of mining lode claims in Sections 16, 17, 20, 21, 28 and 29, Township 48 North, Range 3 East of Boise Meridian, Shoshone County, Idaho, bounded on the west by the western end lines of Giant No. 9, Giant No. 8, Giant No. 7, Giant No. 1, Lone Pine Lode, Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI No. 13, SCI No. 14; Hillside No. 1, Hillside Number Two, and Hillside No. 3; and bounded on the east by lines parallel to and 400 feet easterly from the western end lines of Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 6, Roberts, Roberts No. 1, Rex, Red Umbrella, SCI No. 10, Contact Mountain and Baldur Fraction, the area subject to lien includes only the westerly four hundred (400) feet of the immediately above-named claims.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "90" of Deeds at Page 30, Records of Shoshone County, Idaho.

Baldur	Bonanza Fraction	Roberts No. 1
Baldur Fraction	Red Umbrella	S.C. I No. 5
Contact Mountain	Rex	S.C. I No. 5 Fraction
Venus	Roberts	S.C. I No. 6
		S.C. I No. 10

S.C. I Group, Unpatented, Mineral Survey # 3291

Claim	Recorded Vol.	Recorded Page	Claim	Recorded Vol.	Recorded Page
Lone Pine	24	563	SCI No. 14	24	566
Lone Pine # 1	20	115	SCI No. 15	24	567
Lone Pine # 2	20	116	SCI No. 16	24	568
Humboldt	24	562	SCI No. 17	24	569
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	557
Humboldt No. 3	20	438	Giant No. 7	22	205
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SCI No. 8	24	375	Giant No. 12	22	210
SCI No. 9	24	376	Crescent	17	550
SCI No. 11	24	539	Crescent No. 1	24	579
SCI No. 12	24	564	Crescent No. 2	19	193
SCI No. 13	24	565	Crescent No. 6	20	434
			Cabin	24	578

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SPOKANE, WASH.

The boundary of the area subject to lien and subordination is more particularly described as follows:

Beginning at the southeast corner No. 1 of the Crescent No. 1 lode, Mineral Survey No. 3291 from which the quarter corner between Section 21 and 28, T 48 N, R 3 E, Boise Meridian bears South 53°29'20" East 620.68 feet, thence N. 83°40' E - 400 feet distance to a point on line 1 - 4 of Crescent No. 1; thence N. 0°23'W., 603 feet to a point on line 1 - 4 of Crescent lode; thence N 0°23'W., 603 feet to a point on line 1 - 4 of Crescent No. 2; thence N 0°23'W., 603 feet to a point on line 2 - 3 of Crescent No. 6; thence, N 0°23'W., 409.52 feet to a point on line 1 - 2 of Roberts No. 1 lode, Mineral Survey No. 3273; thence, N 0°23'W., 345 feet to a point on line 1 - 2 of Roberts lode; thence N 0°23' W., 603 feet to a point on line 3 - 4 of Rex lode; thence, N 4°05' W., 600 feet to a point on line 3 - 4 of Red Umbrella lode; thence, N 15°19'E, 645 feet to a point on line 3 - 4 of S.C. I No. 10; thence N 15°19'E., 326.25 feet to a point on line 1 - 4 of Contact Mountain lode; thence N 16°03'E., 648 feet to a point on line 1 - 4 of Baldur Fraction lode; thence N 16°03'E., 207.08 feet to a point on line 2 - 3 of Baldur Fraction lode; thence S 83°40'W., 400 feet to Corner No. 2 of Baldur Fraction lode; thence N 16°03'E., 356.16 feet to Corner No. 4 of Baldur lode; thence, N 80°14'W., 763.88 feet to intersection of line 3 - 4 Duke lode, Mineral Survey No. 3217; thence S 17°56'W., 592.71 feet along east end line to Corner No. 4 of said Duke lode; thence N. 78°25'W., 1,382.84 feet along south sideline of Duke lode to intersection of line 2 - 3 of Old Soll lode, Mineral Survey No. 2274; thence, S 5°26'W., 131.68 feet to Corner No. 3 of Old Soll lode; thence S 56°28'W., 1,269.86 feet along the southeasterly sideline of Old Soll lode to intersection of line 1 - 4 of Giant No. 9 lode, Mineral Survey No. 3291; thence S 12°27'W., 568.87 feet along west end line of Giant No. 9 to corner No. 4; thence, S 3°48'W., 599.96 feet along west end line of Giant No. 8 to Corner No. 3; thence S 0°23'E., 7,224 feet along west end lines of Giant No. 7, Giant No. 1, Lone Pine Lode; Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI, No. 13, SCI No. 14, Hillside No. 1, Hillside Number Two, and Hillside No. 3 all in Mineral Survey No. 3291, to corner No. 3 of said Hillside No. 3; thence S 85°26'E., 1,500 feet

to Corner No. 2; thence N 0°23'W., 602 feet to Corner No. 1; thence N 0°23'W., 240.25 feet to Corner No. 1 of SCI No. 17, thence N83°18' E., 1,485.56 feet to Corner No. 4; thence, N0°23'W., 603 feet to Corner No. 3 of SCI No. 17 identical with Corner No. 3 of Cabin lode; thence N 83°40'E., 654.16 feet to corner No. 2 of Cabin lode; thence, N 0°23'W., 603 feet to Corner No. 1; thence S 83°40'W., 654.16 feet to corner No. 4, identical with Corner No. 2 of SCI No. 15; thence N. 0°23'W., 1,399.52 feet along end lines of SCI No. 15, Humboldt, and Humboldt No. 1 to Corner No. 1 Crescent No. 1 lode, the place of beginning.

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
OME-6264

EXHIBIT A

The purpose of this project is to explore for silver-bearing ore bodies by drifting westerly on or parallel to the Yankee Girl vein on the 3100 level, with such auxiliary crosscutting as necessary; likewise by diamond core drilling.

The work shall be divided into two stages; Stage I work shall be done as outlined herein and as much of Stage II work shall be done as is approved in advance by the Government.

General Provisions

No work under this contract may be performed at distances less than 100 feet from the exterior property boundaries. The location, direction, and extent of each work item shall be subject to prior Government approval.

The total combined footage of drifting, with auxiliary crosscutting, shall not exceed 1300 feet, and the total combined footage of diamond drilling shall not exceed 3800 feet. The Government will contribute to the cost of not to exceed 300 feet of timbering (or rock bolting) for drifts and crosscuts.

The diamond drilling shall be done by use of Standard BX coring bits (core diameter approximately 1-5/8 inches). When necessary to complete a hole, standard AX size (core diameter approximately 1-1/8 inches) may be used.

Core from the diamond drilling shall be properly boxed, marked and stored for later inspection by the Government. With prior Government approval, the Operator may later dispose of such core. Significantly mineralized core shall be split and sampled and the sample assayed. No sample shall represent a core length of more than five feet.

Facilities shall be provided for the sampling of diamond drill sludges and such sludges shall be retained when drilling in significantly mineralized areas. Whenever the core recovery is found to have been less than 60 percent the corresponding retained sludges shall be sampled by quartering as necessary and the sample assayed, in addition to the sampling and assaying of such core segments as may have been recovered.

True copies of assay certificates of all samples shall be submitted with the Operator's monthly report which shall also include a map or sketch showing the work completed during the reporting period and showing the locations of all samples taken. The map or sketch should also show the general geological formations and structures traversed by the work performed.

All holes shall be logged geologically and copies of the logs of the completed holes shall likewise be furnished monthly, with the Operator's monthly report.

All drifts and crosscuts shall be of not less than 7' by 9' in the clear of timber and shall be timbered as necessary, using drift sets of not less than 8" by 8" timber, or equivalent round timber. When considered advisable, steel rock bolts may be used in lieu of timber but the Government will not contribute to the costs of more than seven rock bolts in any 5-foot linear section.

Mine rails shall be of not less than 20 pound size, air lines of not less than 3-inch diameter and water lines of not less than 2-inch size. The drifts shall be ventilated, using not less than 24-inch diameter vent pipe.

All significantly mineralized areas traversed by the drifting shall be sampled normal to their trends at intervals of not more than ten feet. Likewise a representative bulk sample shall be taken of each round broken, in areas showing significant mineralization.

All samples from whatever source, before being sent for assay, shall be split and one split set aside and made available to the Government, properly marked as to source and location. Samples shall be assayed for silver and determinations may also be made for lead, zinc and copper, if considered desirable.

The Operator shall provide such supervisory and technical services as may be necessary to complete the project in a satisfactory manner.

Description of the Work

Stage I

The present westerly heading of the Yankee Girl lateral, 3100 level, shall be continued westerly for an approximate distance (including auxiliary crosscutting) of 700 feet. The lateral shall be driven parallel to the vein, in the hanging wall area, at such distance from the vein as appears most desirable to escape heavy ground conditions.

Diamond drilling shall be done in a northerly direction from the lateral, at 175-foot intervals, to explore the Yankee Girl vein zone. In the event the vein proves to be mineralized (not necessarily of ore grade), secondary drilling shall be done at approximately 60-foot spacing.

Whenever the drilling shows significant results, crosscuts may be driven to further explore the vein and the vein may be drifted upon, if ground conditions warrant and it is considered desirable.

Not to exceed 2000 feet of diamond drilling may be done under Stage I.

Stage II

The Yankee Girl lateral (or drifting on the vein if considered feasible) shall be continued westerly for an additional distance of approximately 600 feet including any auxiliary crosscutting, which may be deemed desirable. Northerly diamond drilling shall be done as delineated under Stage I.

Estimated Costs of the Project

Agreed Unit Costs

Stage I

Drifting and crosscutting 700 ft. @ $53	$37,100.00
Timbering of drifts and crosscuts 160 ft. @ $12	1,920.00
Rock bolts @ $5 each, complete	

Diamond drilling	
BX 2000 ft. @ $7.50	15,000.00
AX @ $6.50 per ft.	
Assaying 200 determinations @ $1.50 each	300.00
Total Estimated Cost Stage I	$ 54,320.00

Stage II

Agreed Unit Costs

Drifting and crosscutting 600 ft. @ $53	$31,800.00
Timbering of drifts and crosscuts 140 ft. @ $12	1,680.00
Rockbolts, complete @ $5 each	
Diamond drilling	
BX 1800 ft. @ $7.50	13,500.00
AX @ $6.50 per ft.	
Assaying 200 determinations at $1.50	300.00
Total Estimated Cost Stage II	$ 47,280.00
Total Estimated Costs, Both Stages	$ 101,600.00
Government Participation, 50%	$ 50,800.00

EXHIBIT B

NONDISCRIMINATION IN EMPLOYMENT

(Section 301, Executive Order 10925, March 6, 1961, 26 FR 1977)

"In connection with the performance of work under this contract, the contractor agrees as follows:

"(1) The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

"(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

"(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the said labor union or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

"(4) The contractor will comply with all provisions of Executive Order No. 10925 of March 6, 1961, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

"(5) The contractor will furnish all information and reports required by Executive Order No. 10925 of March 6, 1961, and by the rules, regulations, and orders of the said Committee, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

"(6) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled in whole or in part and the contractor may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order No. 10925 of March 6, 1961, and such other sanctions may be imposed and remedies invoked as provided in the said Executive order or by rule, regulation, or order of the President's Committee on Equal Employment Opportunity, or as otherwise provided by law.

"(7) The contractor will include the provisions of the foregoing paragraphs (1) through (6) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the President's Committee on Equal Employment Opportunity issued pursuant to section 303 of Executive Order No. 10925 of March 6, 1961, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: *Provided, however,* That in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States."

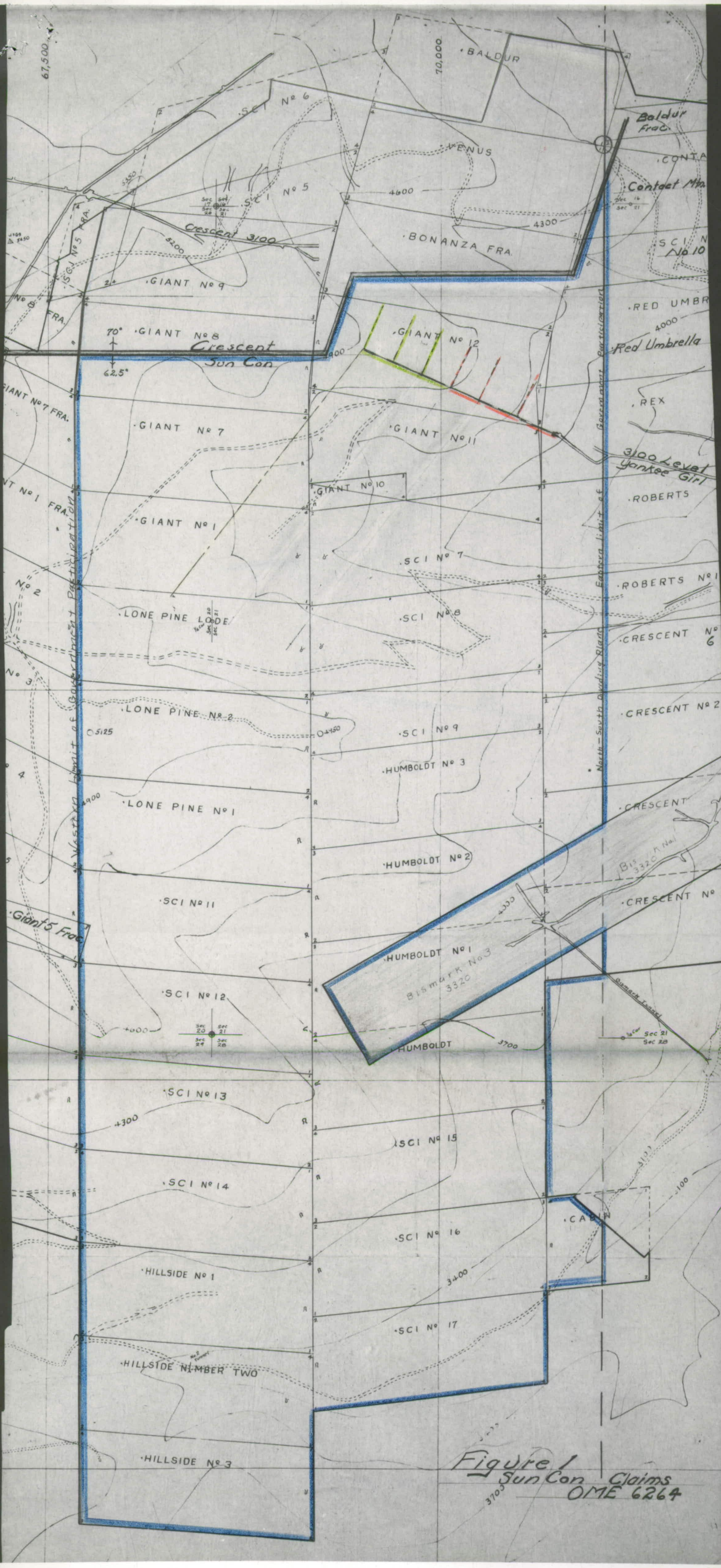

Figure 1
Sun Con Claims
OME 6264

Fiscal's Copy

MME Form 51
Feb. 1959

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

EXPLORATION CONTRACT
(Short Form)

Docket No.	Commodity	Contract No.	County	State
OME-[redacted]	[redacted]	14-23-090- 2168	[redacted]	[redacted]

It is agreed MAY 20 1963 (Date), between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and

[redacted],

whose mailing address is [redacted], hereinafter called the "Operator," as follows:

ARTICLE I. Authority and scope.--(a) This contract, entered into under the authority of Public Law 701, 85th Cong., 2d sess. (72 Stat. 700; 30 U.S.C. § 641 - 646), consists of this form, the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed. The work is a search for new or unexplored deposits of the commodity designated above. The Operator shall begin the work on or before _____ (Date), and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within [redacted] months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the work is $ [redacted] The Government will contribute 50 percent of the total fixed unit costs of the work performed, not in excess of $ [redacted] in accordance with the provisions of Articles 4 and 5.

(c) Interest computation.--Simple interest computed annually at the rate of 6 percent shall accrue from the dates Federal funds are made available until the period specified for payment of royalty expires, or until the amount of Federal funds contributed is fully repaid with interest.

(d) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. Operator's rights in land.--(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's right of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances:
[redacted]

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Lien Agreement of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached as follows:

[redacted]

RECEIVED JUN 10 1963 U.S.G.S. SPOKANE, WASH.

RECEIVED MAY 27 1963 U.S.G.S. SPOKANE, WASH.

(c) The Operator shall preserve and maintain his right, title, or interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a royalty on production and liens for the payment thereof. Two true copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. Performance of the work.--(a) Operator's responsibility.--The work shall be performed diligently, efficiently, in a workmanlike manner in accordance with good mining standards, and in compliance with State laws governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work as specified in Article 1(a).

(b) Government may inspect.--The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract and production operations during the period that royalty is payable to the Government. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. Contribution by the Government.--The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5(b), but all payments by the Government are provisional only, subject to audit. Until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been received, the Government may withhold such sums as are necessary to protect its interests. To the extent that amounts in excess of fixed unit costs or in excess of the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such amounts for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. Reports, accounts, audits.--(a) Operator's records.--The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) Monthly reports.--The Operator shall provide the Government with five copies of monthly reports in three sections as follows:

(1) Operator's Monthly Voucher claiming costs for work performed;

(2) Operator's Progress Report showing the number of units of the various types of work performed; and

(3) a narrative report of the work performed during the reporting period, including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground.

(Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) Final report.--Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final monthly report). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) Report of sales.--The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's royalty relates, such as copies of smelter or concentrator settlement sheets and certified accounts of production and sale or other disposition of production.

(e) Compliance with requirements.--If the Government determines that any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the preparation or completion of same with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. Repayment by Operator.--(a) Certification.--If the Government considers that mineral or metal production from the land covered by the contract may be possible as a result of the exploration work, it shall so certify in writing to the Operator at any time not later than six months after a sufficient final report and final accounting (see Article 5) have been furnished.

(b) Royalty on production.--The Operator, whether or not the producer (for example, if the Operator either transfers or does not retain his interest in the land), shall pay to the Government a royalty on all minerals and metals mined or produced from the land as follows:

(1) irrespective of any certification of possible production--from the date of the contract until the lapse of the time within which the Government may issue such certification or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first; or

(2) if the Government issues a certification of possible production--for a period of ten years from the date of the contract or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first. See also Article 13

(c) Payment of royalty.--(1) The Government's royalty shall be five percent of the ~~Operator's~~ gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrate, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business and shown as deductions on the buyer's settlement sheets (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable by the buyer to a carrier (not the Operator)), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. No costs of the Operator are deductible in arriving at the "gross proceeds" as that term is here used.

The term "treatment processes" means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

(2) The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be.

(d) Unsold production.--If any production (ore, concentrate, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrate, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(e) Lien for payment.--To secure the payment of royalty (see Article 6(b)), the Operator hereby grants to the Government a lien upon his interest in the land and upon any production of minerals and metals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(f) Notice to purchasers.--The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Government, and this estimate shall be final and binding upon the Operator.

(g) No obligation to produce.--Nothing in this contract shall be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(h) Government not obligated to buy.--Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals and metals mined or produced from the land.

ARTICLE 7. Termination of the Government's Obligations.--(a) If the Government determines that operations at any time have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and thereupon:

(1) the Government shall be free of all obligation to pay on account of units of work not then performed; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

(b) If the Government determines that the Operator is in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon:

(1) the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to royalty and liens to secure the payment thereof, and such rights shall be fully preserved.

(d) The determinations of the Government are subject to appeal under Article 11.

ARTICLE 8. Notices to be given by the Government may be delivered to the Operator or may be sent by certified mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. Officials not to benefit.--No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

(See Article 14)

~~ARTICLE 10. Nondiscrimination.--In connection with the performance of work under this contract, the Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Government setting forth the provisions of the nondiscrimination clause.~~

~~The Operator further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.~~

ARTICLE 11. Disputes.--Any dispute arising under this contract which is not disposed of by agreement shall be decided by the Director, Office of Minerals Exploration, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Operator. The decision of the Director, Office of Minerals Exploration, shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Operator mails or otherwise furnishes to the Director, Office of Minerals Exploration, a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

The term "Director, Office of Minerals Exploration," as used herein includes his duly authorized representative.

ARTICLE 12. Eight-Hour Law of 1912--Overtime compensation.--This contract, to the extent that it is of a character specified in the Eight-Hour Law of 1912, as amended (40 U. S. Code 324—326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35—45), is subject to the following provisions and exceptions of said Eight-Hour Law of 1912, as amended, and to all other provisions and exceptions of said Law:

No laborer or mechanic doing any part of the work contemplated by this contract, in the employ of the Operator or any independent contractor contracting for any part of said work contemplated, shall be required or permitted to work more than eight hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every laborer and mechanic employed by the Operator or any independent contractor engaged in the performance of this contract shall be computed on a basic day rate of eight hours per day; and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this clause a penalty of five dollars shall be imposed for each laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this clause, and all penalties thus imposed shall be withheld for the use and benefit of the Government.

ARTICLE 13. Copeland (Anti-Kickback) Act--Nonrebate of wages.--The regulations of the Secretary of Labor applicable to contractors and subcontractors (29 CFR, Part 3), made pursuant to the Copeland Act, as amended (40 U. S. C. 276c) and to aid in the enforcement of the Anti-Kickback Act (18 U. S. C. 874) are made a part of this contract by reference. The Operator will comply with these regulations and any amendments or modifications thereof and will be responsible for the submission of affidavits required of independent contractors thereunder. The foregoing shall apply except as the Secretary of Labor may specifically provide for reasonable limitations, variations, tolerances, and exemptions.

ARTICLE 14. Changes and added provisions.—

1. Article 10 is revised to read as follows:

Article 10. "Nondiscrimination. The provisions governing performance of work under Government contracts, as set out in Section 301 of the Executive Order 10925, dated March 6, 1961 (a copy of which is attached hereto as Exhibit B and by reference hereby incorporated and made a part of this contract), shall be applicable to this contract.

"In compliance with the Rules and Regulations (41 CFR, Section 60-1.3(a) issued under Executive Order 10925 of March 6, 1961, the Operator is hereby bound and agrees to include in each subcontract which it shall make with a subcontractor or supplier paragraphs (1) through (7) of Section 301 of said Executive Order, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity.

"The Operator shall require each of its subcontractors (first tier) to include in every subcontract with each of its subcontractors (second tier) the following clause: The (here identify the second-tier subcontractor by name) shall incorporate by reference in each subcontract or purchase order with a subcontractor or supplier paragraphs (1) through (6) of Section 301 of Executive Order 10925 of March 6, 1961, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity."

2. Special Government Conservation Royalty. Notwithstanding the certification provisions of this Article 6, and with no further action required on the part of the Government, the Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer, or its successor, shall pay to the Government a royalty on production, regardless of where it is produced, which is transported through any workings or any portion of any workings to the cost of which the Government has contributed, for the period described in Article 6(b)(2) above, and pursuant to the terms of Article 6(c) et seq. However, in no event shall more than one royalty be due or paid under this contract on the same production.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

_____ By _____
(Operator) Director, Office of Minerals Exploration

By _____

Title _____

I _____, certify
(Name)

that I am the _____ secretary of the

corporation named as Operator herein; that _____,
(Name)

who signed this contract on behalf of the Operator, was then

_____ of said corporation;
(Title)

that said contract was duly signed for and in behalf of said corporation

by authority of its governing body, and is within the scope of its

corporate powers.

_____

[CORPORATE SEAL]

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
GSS-6364

ANNEX I

The land referred to in Article 2 of the contract consists of all or parts of 7 patented and 32 unpatented claims, with all rights pertaining thereto, and described as follows:

The land is bordered on the north by a combination of inclined and vertical planes based on the elevation of 300 feet below sea level as indicated on the attached "Figure 1, Sun Con Claims" and as more fully described in the Agreement of February 7, 1958, between Sunshine Consolidated, Inc., Big Creek Apex Mining Co., and Sunshine Mining Co., the parties of the first part and the Bunker Hill Company as party of the second part.

The land is bordered on the west by a vertical plane passing through the western end lines of Grant No. 6, Grant No. 7, Grant No. 1, Lone Pine, Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI No. 13, SCI No. 14, Milloide No. 1, Milloide No. 2, and Milloide No. 3 claims.

The land is bordered on the south by the southerly side lines of the Milloide No. 3 and SCI No. 17 claims and that portion of the Cabin claim lying westerly of the southerly extension of the vertical plane bounding the land on the east.

The land is generally bordered on the east by a vertical plane passing parallel to and 400 feet easterly of the western end lines of the Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 4, Roberts, Roberts No. 2 and Ben claims and an extension of such vertical plane northward to its intersection with the above-cited northern boundary and also its extension southward covering part of the Cabin claim, but not including the Bismark No. 1 and 3 claims nor the area lying easterly of the east end lines of the SCI No. 15 and Humboldt claims and the Humboldt No. 1 claim in part.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3873, Patent recorded in Book "99" of Deeds at Page 30, Records of Shoshone County, Idaho.

Compact Mountain	Red Bobcalla	Roberts
Bonanza Fraction	Ben	Roberts No. 1
		S.C. I No. 10

S.C. I Group, Unpatented, Mineral Survey #5021

Recorded			Recorded		
Claim	Vol.	Page	Claim	Vol.	Page
Lone Pine	24	363	SCI No. 14	24	366
Lone Pine #1	20	115	SCI No. 15	24	367
Lone Pine #2	20	116	SCI No. 16	24	368
Humboldt	24	362	SCI No. 17	24	369
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	337
Humboldt No. 3	20	438	Giant No. 7	22	203
Hillside No. 1	21	347	Giant No. 8	22	206
Hillside Number Two	21	348	Giant No. 10	22	208
Hillside No. 3	24	361	Giant No. 11	22	209
SCI No. 7	24	374	Giant No. 12	22	210
SCI No. 8	24	375	Crescent	17	550
SCI No. 9	24	376	Crescent No. 1	24	379
SCI No. 11	24	339	Crescent No. 2	19	193
SCI No. 12	24	364	Crescent No. 6	20	434
SCI No. 13	24	365	Cabin	24	378

The lands pertaining to this contract are owned by the Operator and are included in a Memorandum of Agreement relating to mineral rights between the Operator and the Sunshine Mining Company dated September 8, 1943. A Lien or Subordination Agreement executed by Sunshine Mining Company, dated December 4, 1942, is attached hereto.

All claims pertaining to this contract are shown, with exterior property boundaries in blue outline on the attached Figure 1 entitled "Sun Cam Claims."

MME Form 52
June, 1961

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

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SPOKANE, WASH.

FOR GOVERNMENT USE ONLY
Operator
Docket No. OME –
Contract No. 14-23-090 –
Contract Date MAY 20 1963

LIEN OR SUBORDINATION AGREEMENT 1/

To the United States of America:

That certain land in the County of SHOSHONE, State of IDAHO,

described ~~as follows~~: 2/ See Attached Annex

hereinafter called the "land", is the subject of a proposed exploration contract, hereinafter called the "Contract", between the United States of America, hereinafter called the "Government" and

SUNSHINE CONSOLIDATED, INC. 3/

hereinafter called the "Operator". In consideration for and as an inducement to the Government executing the Contract, the undersigned:

1. (a) Being the owner of an interest in the land, hereby grants to the Government a lien upon all of his right, title, and interest in the land and upon any production of minerals therefrom to secure the payment to the Government of the royalty on production provided for by the Contract, and agrees if the Operator's interest should be surrendered or terminated at any time prior to the expiration of the rights of the United States under said Contract to pay royalty to the Government according to the terms of said Contract; or

(b) Being the holder of a claim, lien, or encumbrance against the land, hereby subordinates his claim, lien, or encumbrance in or against the land and in any production therefrom to the rights of the Government under the Contract with respect to royalty on production and liens to secure same. 4/

2. Undertakes and agrees that property in which the Government may acquire an interest or equity under the Contract may be dismantled, severed from the land, and removed as may be provided in the Contract; and the Government's interest and equity in such property shall be prior and superior to any adverse right or claim of the undersigned.

3. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none". Do not leave blank.)

- NONE -

1/ Production from the land is not required, and in the absence of production there is no obligation to pay royalty to the Government.

2/ Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "in a lease /or contract, deed, or other document/ dated _____, and recorded in Book _____, Page ____, official records of said county". If (b) is used, the book and page of recordation must be inserted above. If the space provided is insufficient, use an Annex and refer to the Annex in the space.

3/ Insert name exactly as it appears in the Application MME Form 40.

4/ Subparagraph 1(a) does not apply to the holder of a claim, lien, or encumbrance.

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4. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land or any production therefrom, furnishing the Government with two true copies of such notice; and

5. Consents to all amendments (including an agreement of termination) and assignments of the Contract without notice thereof, and undertakes and agrees that this agreement shall extend and apply thereto.

6. Added provisions - NONE - (State "None" or "See Annex No.____".)

Dated this 4th day of December, 19 62.

APPLICANT SHOULD NOT SIGN

(Seal)	SUNSHINE MINING COMPANY, West 300 Mission Ave. Spokane 1, Washington	(Street) (City & State)
	By: President	
(Seal)		(Street) (City & State)
(Seal)		(Street) (City & State)
(Seal)		(Street) (City & State)
(Seal)		(Street) (City & State)
(Seal)		(Street) (City & State)

I, STANTON B. BENNETT (Name), certify that I am the Secretary (Title—Secretary, etc.) of the corporation named herein; that ROBERT M. HARDY, JR. (Name), who signed this agreement was then President (Title—Pres., Vice-Pres., etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

(Corporate Seal)

INT.-DUP. SEC., WASH., D.C.

95181

A N N E X

Description of the Land:

That portion of Mineral Surveys Nos. 3273 and 3291 of mining lode claims in Sections 16, 17, 20, 21, 28 and 29, Township 48 North, Range 3 East of Boise Meridian, Shoshone County, Idaho, bounded on the west by the western end lines of Giant No. 9, Giant No. 8, Giant No. 7, Giant No. 1, Lone Pine Lode, Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI No. 13, SCI No. 14; Hillside No. 1, Hillside Number Two, and Hillside No. 3; and bounded on the east by lines parallel to and 400 feet easterly from the western end lines of Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 6, Roberts, Roberts No. 1, Rex, Red Umbrella, SCI No. 10, Contact Mountain and Baldur Fraction, the area subject to lien includes only the westerly four hundred (400) feet of the immediately above-named claims.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "90" of Deeds at Page 30, Records of Shoshone County, Idaho.

Baldur	Bonanza Fraction	Roberts No. 1
Baldur Fraction	Red Umbrella	S.C. I No. 5
Contact Mountain	Rex	S.C. I No. 5 Fraction
Venus	Roberts	S.C. 1 No. 6
		S.C. I No. 10

S.C. 1 Group, Unpatented, Mineral Survey #3291

Claim	Recorded Vol.	Recorded Page	Claim	Recorded Vol.	Recorded Page
Lone Pine	24	563	SCI No. 14	24	566
Lone Pine #1	20	115	SCI No. 15	24	567
Lone Pine #2	20	116	SCI No. 16	24	568
Humboldt	24	562	SCI No. 17	24	569
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	557
Humboldt No. 3	20	438	Giant No. 7	22	205
Hillside No. 1	21	347	Giant No. 8	22	206
Hillside Number Two	21	348	Giant No. 9	22	207
Hillside No. 3	24	561	Giant No. 10	22	208
SCI No. 7	24	374	Giant No. 11	22	209
SCI No. 8	24	375	Giant No. 12	22	210
SCI No. 9	24	376	Crescent	17	550
SCI No. 11	24	539	Crescent No. 1	24	579
SCI No. 12	24	564	Crescent No. 2	19	193
SCI No. 13	24	565	Crescent No. 6	20	434
			Cabin	24	578

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The boundary of the area subject to lien and subordination is more particularly described as follows:

Beginning at the southwest corner No. 1 of the Crescent No. 1 Lode, Mineral Survey No. 3291 from which the quarter corner between Section 21 and 28, T 48 N, R 3 E., Boise Meridian bears South 53°29'20" East 620.68 feet, thence N. 83°40' E - 400 feet distance to a point on line 1 - 4 of Crescent No. 1; thence N 0°23'W., 603 feet to a point on line 1 - 4 of Crescent lode; thence N 0°23'W., 603 feet to a point on line 1 - 4 of Crescent No. 2; thence N 0°23'W., 603 feet to a point on line 2-3 of Crescent No. 6; thence, N 0°23'W., 409.52 feet to a point on line 1 - 2 of Roberts No. 1 Lode, Mineral Survey No. 3273; thence, N 0°23'W., 345 feet to a point on line 1 - 2 of Roberts Lode; thence N 0°23'W., 603 feet to a point on line 3 - 4 of Rex Lode; thence, N4°05' W., 600 feet to a point on line 3 - 4 of Red Umbrella Lode; thence, N 15°19'E, 645 feet to a point on line 3 - 4 of S.C. I No. 10; thence N 15°19'E., 326.25 feet to a point on line 1 - 4 of Contact Mountain Lode; thence N 16°03'E., 648 feet to a point on line 1 - 4 of Baldur Fraction lode; thence N 16°03'E., 207.08 feet to a point on line 2 - 3 of Baldur Fraction lode; thence S 83°40'W., 400 feet to Corner No. 2 of Baldur Fraction lode; thence N 16°03'E., 356.16 feet to Corner No. 4 of Baldur Lode; thence, N 80°14'W., 763.88 feet to intersection of line 3 - 4 Duke lode, Mineral Survey No. 3217; thence S 17°56'W., 592.71 feet along east end line to Corner No. 4 of said Duke Lode; thence N. 78°25'W., 1,382.84 feet along south sideline of Duke lode to intersection of line 2 - 3 of Old Soll Lode, Mineral Survey No. 2274; thence, S 5°26'W., 131.68 feet to Corner No. 3 of Old Soll lode; thence S 56°28'W., 1,269.86 feet along the southeasterly sideline of Old Soll lode to intersection of line 1 - 4 of Giant No. 9 Lode, Mineral Survey No. 3291; thence S 12°27'W., 568.87 feet along west end line of Giant No. 9 to corner No. 4; thence, S 3°48'W., 599.96 feet along west end line of Giant No. 8 to Corner No. 3; thence S 0°23'E., 7,224 feet along west end lines of Giant No. 7, Giant No. 1, Lone Pine Lode; Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI, No. 13, SCI No. 14, Hillside No. 1, Hillside Number Two, and Hillside No. 3 all in Mineral Survey No. 3291, to corner No. 3 of said Hillside No. 3; thence S 85°26'E., 1,500 feet

to Corner No. 2; thence N 0°23'W., 602 feet to Corner No. 1; thence N 0°23'W., 240.25 feet to Corner No. 1 of SCI No. 17, thence N83°18'E., 1,485.56 feet to Corner No. 4; thence, N 0°23'W., 603 feet to Corner No. 3 of SCI No. 17 identical with Corner No. 3 of Cabin lode; thence N. 83°40'E., 654.16 feet to corner No. 2 of Cabin lode; thence, N 0°23'W., 603 feet to Corner No. 1; thence S 83°40'W., 654.16 feet to corner No. 4, identical with Corner No. 2 of SCI No. 15; thence N. 0°23'W., 1,399.52 feet along end lines of SCI No. 15, Humboldt, and Humboldt No. 1 to Corner No. 1 Crescent No. 1 lode, the place of beginning.

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
GSE-4264

EXHIBIT A

The purpose of this project is to explore for silver-bearing ore bodies by drifting westerly on or parallel to the Yankee Girl vein on the 3100 level, with such auxiliary crosscutting as necessary; likewise by diamond core drilling.

The work shall be divided into two stages; Stage I work shall be done as outlined herein and as much of Stage II work shall be done as is approved in advance by the Government.

General Provisions

No work under this contract may be performed at distances less than 100 feet from the exterior property boundaries. The location, direction, and extent of each work item shall be subject to prior Government approval.

The total combined footage of drifting, with auxiliary crosscutting, shall not exceed 1300 feet, and the total combined footage of diamond drilling shall not exceed 3000 feet. The Government will contribute to the cost of not to exceed 300 feet of timbering (or rock bolting) for drifts and crosscuts.

The diamond drilling shall be done by use of Standard EX coring bits (core diameter approximately 1-5/8 inches). When necessary to complete a hole, standard AX size (core diameter approximately 1-1/8 inches) may be used.

Core from the diamond drilling shall be properly boxed, marked and stored for later inspection by the Government. With prior Government approval, the Operator may later dispose of such core. Significantly mineralized core shall be split and sampled and the sample assayed. No sample shall represent a core length of more than five feet.

Facilities shall be provided for the sampling of diamond drill sludges and such sludges shall be retained when drilling in significantly mineralized areas. Whenever the core recovery is found to have been less than 60 percent the corresponding retained sludges shall be sampled by quartering as necessary and the sample assayed, in addition to the sampling and assaying of such core segments as may have been recovered.

True copies of assay certificates of all samples shall be submitted with the Operator's monthly report which shall also include a map or sketch showing the work completed during the reporting period and showing the locations of all samples taken. The map or sketch should also show the general geological formations and structures traversed by the work performed.

All holes shall be logged geologically and copies of the logs of the completed holes shall likewise be furnished monthly, with the Operator's monthly report.

All drifts and crosscuts shall be of not less than 7' by 9' in the clear of timber and shall be timbered as necessary, using drift sets of not less than 8" by 8" timber, or equivalent round timber. When considered advisable, steel rock bolts may be used in lieu of timber but the Government will not contribute to the costs of more than seven rock bolts in any 5-foot linear section.

Mine raise shall be of not less than 20 yards size, air lines of not less than 3-inch diameter and water lines of not less than 2-inch size. The drifts shall be ventilated, using not less than 24-inch diameter vent pipe.

All significantly mineralized areas traversed by the drifting shall be sampled normal to their trends at intervals of not more than ten feet. Likewise a representative bulk sample shall be taken of each round broken, in areas showing significant mineralization.

All samples from whatever source, before being sent for assay, shall be split and one split set aside and made available to the Government, properly marked as to source and location. Samples shall be assayed for silver and determinations may also be made for lead, zinc and copper, if considered desirable.

The Operator shall provide such supervisory and technical services as may be necessary to complete the project in a satisfactory manner.

Description of the Work

Stage I

The present westerly heading of the Yankee Girl lateral, 3100 level, shall be continued westerly for an approximate distance (including auxiliary crosscutting) of 700 feet. The lateral shall be driven parallel to the vein, in the hanging wall area, at such distance from the vein as appears most desirable to escape heavy ground conditions.

Diamond drilling shall be done in a northerly direction from the lateral, at 175-foot intervals, to explore the Yankee Girl vein area. In the event the vein proves to be mineralized (not necessarily of ore grade), secondary drilling shall be done at approximately 60-foot spacing.

Whenever the drilling shows significant results, crosscuts may be driven to further explore the vein and the vein may be drifted upon, if ground conditions warrant and it is considered desirable.

Not to exceed 2000 feet of diamond drilling may be done under Stage I.

Stage II

The Yankee Girl lateral (or drifting on the vein if considered feasible) shall be continued westerly for an additional distance of approximately 600 feet including any auxiliary crosscutting, which may be deemed desirable. Northerly diamond drilling shall be done as delineated under Stage I.

Estimated Costs of the Project

Average Unit Costs

Stage I

Drifting and crosscutting 700 ft. @ $53	$37,100.00
Timbering of drifts and crosscuts 160 ft. @ $12	1,920.00
Muck bains @ $5 each, complete	

Diamond drilling

BX 2000 ft. @ $7.50	15,000.00
AX @ $6.50 per ft.	
Assaying	
200 determinations @ $1.50 each	300.00
Total Estimated Cost Stage I	$ 54,320.00

Stage II

Annual Unit Costs

Drifting and crosscutting	
600 ft. @ $53	$31,800.00
Timbering of drifts and crosscuts	
140 ft. @ $12	1,680.00
Rockbolts, complete @ $5 each	
Diamond drilling	
BX 1800 ft. @ $7.50	13,500.00
AX @ $6.50 per ft.	
Assaying	
200 determinations at $1.50	300.00
Total Estimated Cost Stage II	$ 47,280.00
Total Estimated Costs, Both Stages	$ 101,600.00
Government Participation, 50%	$ 50,800.00

EXHIBIT B

NONDISCRIMINATION IN EMPLOYMENT

(Section 301, Executive Order 10925, March 6, 1961, 26 FR 1977)

"In connection with the performance of work under this contract, the contractor agrees as follows:

"(1) The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

"(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

"(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the said labor union or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

"(4) The contractor will comply with all provisions of Executive Order No. 10925 of March 6, 1961, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

"(5) The contractor will furnish all information and reports required by Executive Order No. 10925 of March 6, 1961, and by the rules, regulations, and orders of the said Committee, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

"(6) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled in whole or in part and the contractor may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order No. 10925 of March 6, 1961, and such other sanctions may be imposed and remedies invoked as provided in the said Executive order or by rule, regulation, or order of the President's Committee on Equal Employment Opportunity, or as otherwise provided by law.

"(7) The contractor will include the provisions of the foregoing paragraphs (1) through (6) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the President's Committee on Equal Employment Opportunity issued pursuant to section 303 of Executive Order No. 10925 of March 6, 1961, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: *Provided, however,* That in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States."

Figure 1
Sun Con Claims
OME 6264

Audit's Copy

MME Form 51
Feb. 1959

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

EXPLORATION CONTRACT
(Short Form)

Docket No.	Commodity	Contract No.	County	State
OME-6264	Silver	14-23-090- 2168	Shoshone	Idaho

It is agreed MAY 20 1963 (Date), between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and

Sunshine Consolidated, Inc., an Idaho corporation,

whose mailing address is Sunshine Star Route, Kellogg, Idaho, hereinafter called the "Operator," as follows:

ARTICLE I. Authority and scope.--(a) This contract, entered into under the authority of Public Law 701, 85th Cong., 2d sess. (72 Stat. 700; 30 U.S.C. § 641 - 646), consists of this form, the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed. The work is a search for new or unexplored deposits of the commodity designated above. The Operator shall begin the work on or before _____ (Date), and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within 18 months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the work is $ 101,600.00 The Government will contribute 50 percent of the total fixed unit costs of the work performed, not in excess of $ 50,800.00 in accordance with the provisions of Articles 4 and 5.

(c) Interest computation.--Simple interest computed annually at the rate of 6 percent shall accrue from the dates Federal funds are made available until the period specified for payment of royalty expires, or until the amount of Federal funds contributed is fully repaid with interest.

(d) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. Operator's rights in land.--(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's right of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances:
Memorandum of Agreement with Sunshine Mining Company, dated September 8, 1943, and Agreement dated February 7, 1950, with Bunker Hill Company

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Lien Agreement of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached as follows:
Lien or Subordination Agreement by Sunshine Mining Company, dated December 4, 1962

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U. S. G. S.
SPOKANE, WASH.

RECEIVED
MAY 27 1963
U S G. S.
SPOKANE, WASH.

(c) The Operator shall preserve and maintain his right, title, or interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a royalty on production and liens for the payment thereof. Two true copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. Performance of the work.--(a) Operator's responsibility.--The work shall be performed diligently, efficiently, in a workmanlike manner in accordance with good mining standards, and in compliance with State laws governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work as specified in Article 1(a).

(b) Government may inspect.--The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract and production operations during the period that royalty is payable to the Government. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. Contribution by the Government.--The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5(b), but all payments by the Government are provisional only, subject to audit. Until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been received, the Government may withhold such sums as are necessary to protect its interests. To the extent that amounts in excess of fixed unit costs or in excess of the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such amounts for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. Reports, accounts, audits.--(a) Operator's records.--The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) Monthly reports.--The Operator shall provide the Government with five copies of monthly reports in three sections as follows:

(1) Operator's Monthly Voucher claiming costs for work performed;

(2) Operator's Progress Report showing the number of units of the various types of work performed; and

(3) a narrative report of the work performed during the reporting period, including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground.

(Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) Final report.--Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final monthly report). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) Report of sales.--The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's royalty relates, such as copies of smelter or concentrator settlement sheets and certified accounts of production and sale or other disposition of production.

(e) Compliance with requirements.--If the Government determines that any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the preparation or completion of same with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. Repayment by Operator.--(a) Certification.--If the Government considers that mineral or metal production from the land covered by the contract may be possible as a result of the exploration work, it shall so certify in writing to the Operator at any time not later than six months after a sufficient final report and final accounting (see Article 5) have been furnished.

(b) Royalty on production.--The Operator, whether or not the producer (for example, if the Operator either transfers or does not retain his interest in the land), shall pay to the Government a royalty on all minerals and metals mined or produced from the land as follows:

(1) irrespective of any certification of possible production--from the date of the contract until the lapse of the time within which the Government may issue such certification or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first; or

(2) if the Government issues a certification of possible production--for a period of ten years from the date of the contract or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first. **(See Also Article 14)**

(c) Payment of royalty.--(1) The Government's royalty shall be five percent of the ~~Operator's~~ gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrate, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business and shown as deductions on the buyer's settlement sheets (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable by the buyer to a carrier (not the Operator)), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. No costs of the Operator are deductible in arriving at the "gross proceeds" as that term is here used.

The term "treatment processes" means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

(2) The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be.

(d) Unsold production.--If any production (ore, concentrate, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrate, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(e) Lien for payment.--To secure the payment of royalty (see Article 6(b)), the Operator hereby grants to the Government a lien upon his interest in the land and upon any production of minerals and metals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(f) Notice to purchasers.--The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Government, and this estimate shall be final and binding upon the Operator.

(g) No obligation to produce.--Nothing in this contract shall be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(h) Government not obligated to buy.--Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals and metals mined or produced from the land.

ARTICLE 7. Termination of the Government's Obligations.--(a) If the Government determines that operations at any time have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and thereupon:

(1) the Government shall be free of all obligation to pay on account of units of work not then performed; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

(b) If the Government determines that the Operator is in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon:

(1) the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to royalty and liens to secure the payment thereof, and such rights shall be fully preserved.

(d) The determinations of the Government are subject to appeal under Article 11.

ARTICLE 8. Notices to be given by the Government may be delivered to the Operator or may be sent by certified mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. Officials not to benefit.--No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

(See Article 14)

ARTICLE 10. Nondiscrimination.--In connection with the performance of work under this contract, the Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Government setting forth the provisions of the nondiscrimination clause.

The Operator further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

ARTICLE 11. Disputes.--Any dispute arising under this contract which is not disposed of by agreement shall be decided by the Director, Office of Minerals Exploration, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Operator. The decision of the Director, Office of Minerals Exploration, shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Operator mails or otherwise furnishes to the Director, Office of Minerals Exploration, a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

The term "Director, Office of Minerals Exploration," as used herein includes his duly authorized representative.

ARTICLE 12. Eight-Hour Law of 1912--Overtime compensation.--This contract, to the extent that it is of a character specified in the Eight-Hour Law of 1912, as amended (40 U. S. Code 324—326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35—45), is subject to the following provisions and exceptions of said Eight-Hour Law of 1912, as amended, and to all other provisions and exceptions of said Law:

No laborer or mechanic doing any part of the work contemplated by this contract, in the employ of the Operator or any independent contractor contracting for any part of said work contemplated, shall be required or permitted to work more than eight hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every laborer and mechanic employed by the Operator or any independent contractor engaged in the performance of this contract shall be computed on a basic day rate of eight hours per day; and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this clause a penalty of five dollars shall be imposed for each laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this clause, and all penalties thus imposed shall be withheld for the use and benefit of the Government.

ARTICLE 13. Copeland (Anti-Kickback) Act--Nonrebate of wages.--The regulations of the Secretary of Labor applicable to contractors and subcontractors (29 CFR, Part 3), made pursuant to the Copeland Act, as amended (40 U. S. C. 276c) and to aid in the enforcement of the Anti-Kickback Act (18 U. S. C. 874) are made a part of this contract by reference. The Operator will comply with these regulations and any amendments or modifications thereof and will be responsible for the submission of affidavits required of independent contractors thereunder. The foregoing shall apply except as the Secretary of Labor may specifically provide for reasonable limitations, variations, tolerances, and exemptions.

ARTICLE 14. Changes and added provisions.--

1. Article 10 is revised to read as follows:

Article 10. "Nondiscrimination. The provisions governing performance of work under Government contracts, as set out in Section 301 of the Executive Order 10925, dated March 6, 1961 (a copy of which is attached hereto as Exhibit B and by reference hereby incorporated and made a part of this contract), shall be applicable to this contract.

"In compliance with the Rules and Regulations (41 CFR, Section 60-1.3(a) issued under Executive Order 10925 of March 6, 1961, the Operator is hereby bound and agrees to include in each subcontract which it shall make with a subcontractor or supplier paragraphs (1) through (7) of Section 301 of said Executive Order, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity.

"The Operator shall require each of its subcontractors (first tier) to include in every subcontract with each of its subcontractors (second tier) the following clause: The (here identify the second-tier subcontractor by name) shall incorporate by reference in each subcontract or purchase order with a subcontractor or supplier paragraphs (1) through (6) of Section 301 of Executive Order 10925 of March 6, 1961, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity."

2. Special Agreement Concerning Royalty. Notwithstanding the certification provisions of this Article 6, and with no further action required on the part of the Government, the Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer, or its successor, shall pay to the Government a royalty on production, regardless of where it is produced, which is transported through any workings or any portion of any workings to the cost of which the Government has contributed, for the period described in Article 6(b)(2) above, and pursuant to the terms of Article 6(c) et seq. However, in no event shall more than one royalty be due or paid under this contract on the same production.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

_____ By _____
(Operator) Director, Office of Minerals Exploration

By _____

Title _____

I _____, certify
(Name)

that I am the _____ Secretary of the

corporation named as Operator herein; that _____,
(Name)

who signed this contract on behalf of the Operator, was then

_____ of said corporation;
(Title)

that said contract was duly signed for and in behalf of said corporation

by authority of its governing body, and is within the scope of its

corporate powers.

_____

[CORPORATE SEAL]

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
GSS-6264

ANNEX I

The land referred to in Article 2 of the contract consists of all or parts of 7 patented and 32 unpatented claims, with all rights pertaining thereto, and described as follows:

The land is bordered on the north by a combination of inclined and vertical planes based on the elevation of 390 feet below sea level as indicated on the attached "Figure 1, Sun Con Claims" and as more fully described in the Agreement of February 7, 1958, between Sunshine Consolidated, Inc., Big Creek Apex Mining Co., and Sunshine Mining Co., the parties of the first part and the Bunker Hill Company as party of the second part.

The land is bordered on the west by a vertical plane passing through the western end lines of Grant No. 6, Grant No. 7, Grant No. 1, Lone Pine, Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI No. 13, SCI No. 14, Hillside No. 1, Hillside No. 2, and Hillside No. 3 claims.

The land is bordered on the south by the southerly side lines of the Hillside No. 3 and SCI No. 17 claims and that portion of the Cabin claim lying westerly of the southerly extension of the vertical plane bounding the land on the east.

The land is generally bordered on the east by a vertical plane passing parallel to and 400 feet easterly of the western end lines of the Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 6, Roberts, Roberts No. 1 and Rex claims and an extension of such vertical plane northward to its intersection with the above-cited northern boundary and also its extension southward covering part of the Cabin claim, but not including the Bismark No. 1 and 3 claims nor the area lying easterly of the east end lines of the SCI No. 15 and Humboldt claims and the Humboldt No. 1 claim in part.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "90" of Deeds at Page 38, Records of Shoshone County, Idaho.

Contact Mountain	Red Umbrella	Roberts
Bonanza Fraction	Rex	Roberts No. 1
		S.C. 1 No. 10

S.C. I Group, Unpatented, Mineral Survey #3851

Claim	Recorded Vol.	Recorded Page	Claim	Recorded Vol.	Recorded Page
Lone Pine	24	563	SCI No. 14	24	566
Lone Pine #1	20	115	SCI No. 15	24	567
Lone Pine #2	20	116	SCI No. 16	24	568
Humboldt	24	562	SCI No. 17	24	569
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	557
Humboldt No. 3	20	438	Giant No. 7	22	203
Hillside No. 1	21	347	Giant No. 8	22	206
Hillside Number Two	21	348	Giant No. 10	22	208
Hillside No. 3	24	561	Giant No. 11	22	209
SCI No. 7	24	374	Giant No. 12	22	210
SCI No. 8	24	375	Crescent	17	550
SCI No. 9	24	376	Crescent No. 1	24	579
SCI No. 11	24	539	Crescent No. 2	19	193
SCI No. 12	24	564	Crescent No. 6	20	434
SCI No. 13	24	565	Cabin	24	578

The lands pertaining to this contract are owned by the Operator and are included in a Memorandum of Agreement relating to mineral rights between the Operator and the Sunshine Mining Company dated September 8, 1943. A Lien or Subordination Agreement executed by Sunshine Mining Company, dated December 4, 1962, is attached hereto.

All claims pertaining to this contract are shown, with exterior property boundaries in blue outline on the attached Figure 1 entitled "Sun Con Claims."

MME Form 52
June, 1961

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

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U S G. S.
SPOKANE, WASH.

GOVERNMENT USE ONLY
Operator
Docket No. OME –
Contract No. 14-23-090 – 2168
Contract Date MAY 20 1963

LIEN OR SUBORDINATION AGREEMENT 1/

To the United States of America:

That certain land in the County of SHOSHONE, State of IDAHO,

described ~~xxxxxxxx~~: 2/ See Attached Annex

hereinafter called the "land", is the subject of a proposed exploration contract, hereinafter called the "Contract", between the United States of America, hereinafter called the "Government" and

SUNSHINE CONSOLIDATED, Inc. 3/

hereinafter called the "Operator". In consideration for and as an inducement to the Government executing the Contract, the undersigned:

1. (a) Being the owner of an interest in the land, hereby grants to the Government a lien upon all of his right, title, and interest in the land and upon any production of minerals therefrom to secure the payment to the Government of the royalty on production provided for by the Contract, and agrees if the Operator's interest should be surrendered or terminated at any time prior to the expiration of the rights of the United States under said Contract to pay royalty to the Government according to the terms of said Contract; or

(b) Being the holder of a claim, lien, or encumbrance against the land, hereby subordinates his claim, lien, or encumbrance in or against the land and in any production therefrom to the rights of the Government under the Contract with respect to royalty on production and liens to secure same. 4/

2. Undertakes and agrees that property in which the Government may acquire an interest or equity under the Contract may be dismantled, severed from the land, and removed as may be provided in the Contract; and the Government's interest and equity in such property shall be prior and superior to any adverse right or claim of the undersigned.

3. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none". Do not leave blank.)

- NONE -

1/ Production from the land is not required, and in the absence of production there is no obligation to pay royalty to the Government.

2/ Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "in a lease /or contract, deed, or other document/ dated _____, and recorded in Book _____, Page ____, official records of said county". If (b) is used, the book and page of recordation must be inserted above. If the space provided is insufficient, use an Annex and refer to the Annex in the space.

3/ Insert name exactly as it appears in the Application MME Form 40.

4/ Subparagraph 1(a) does not apply to the holder of a claim, lien, or encumbrance.

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U S G. S.
SPOKANE, WASH.

4. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land or any production therefrom, furnishing the Government with two true copies of such notice; and

5. Consents to all amendments (including an agreement of termination) and assignments of the Contract without notice thereof, and undertakes and agrees that this agreement shall extend and apply thereto.

6. Added provisions - NONE - (State "None" or "See Annex No. ____".)

Dated this 4th day of December, 19 62.

SUNSHINE MINING COMPANY, West 300 Mission Ave.
Spokane 1, Washington (Street)
(City & State)

By: [signature]
President

APPLICANT SHOULD NOT SIGN

_____ (Seal) _____ (Street) (City & State)

_____ (Seal) _____ (Street) (City & State)

_____ (Seal) _____ (Street) (City & State)

_____ (Seal) _____ (Street) (City & State)

_____ (Seal) _____ (Street) (City & State)

_____ (Seal) _____ (Street) (City & State)

I, STANTON B. BENNETT (Name), certify that I am the Secretary (Title—Secretary, etc.) of the corporation named herein; that ROBERT M. HARDY, JR. (Name), who signed this agreement was then President (Title—Pres., Vice-Pres., etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

[signature] (Corporate Seal) seal

INT.-DUP. SEC., WASH., D.C.
95181

A N N E X

Description of the Land:

That portion of Mineral Surveys Nos. 3273 and 3291 of mining lode claims in Sections 16, 17, 20, 21, 28 and 29, Township 48 North, Range 3 East of Boise Meridian, Shoshone County, Idaho, bounded on the west by the western end lines of Giant No. 9, Giant No. 8, Giant No. 7, Giant No. 1, Lone Pine Lode, Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI No. 13, SCI No. 14; Hillside No. 1, Hillside Number Two, and Hillside No. 3; and bounded on the east by lines parallel to and 400 feet easterly from the western end lines of Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 6, Roberts, Roberts No. 1, Rex, Red Umbrella, SCI No. 10, Contact Mountain and Baldur Fraction, the area subject to lien includes only the westerly four hundred (400) feet of the immediately above-named claims.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "90" of Deeds at Page 30, Records of Shoshone County, Idaho.

Baldur	Bonanza Fraction	Roberts No. 1
Baldur Fraction	Red Umbrella	S.C. I No. 5
Contact Mountain	Rex	S.C. I No. 5 Fraction
Venus	Roberts	S.C. 1 No. 6
		S.C. I No. 10

S.C. 1 Group, Unpatented, Mineral Survey #3291

Claim	Recorded Vol.	Recorded Page	Claim	Recorded Vol.	Recorded Page
Lone Pine	24	563	SCI No. 14	24	566
Lone Pine #1	20	115	SCI No. 15	24	567
Lone Pine #2	20	116	SCI No. 16	24	568
Humboldt	24	562	SCI No. 17	24	569
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	557
Humboldt No. 3	20	438	Giant No. 7	22	205
Hillside No. 1	21	347	Giant No. 8	22	206
Hillside Number Two	21	348	Giant No. 9	22	207
Hillside No. 3	24	561	Giant No. 10	22	208
SCI No. 7	24	374	Giant No. 11	22	209
SCI No. 8	24	375	Giant No. 12	22	210
SCI No. 9	24	376	Crescent	17	550
SCI No. 11	24	539	Crescent No. 1	24	579
SCI No. 12	24	564	Crescent No. 2	19	193
SCI No. 13	24	565	Crescent No. 6	20	434
			Cabin	24	578

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SPOKANE, WASH.

The boundary of the area subject to lien and subordination is more particularly described as follows:

Beginning at the southwest corner No. 1 of the Crescent No. 1 Lode, Mineral Survey No. 3291 from which the quarter corner between Section 21 and 28, T 48 N, R 3 E., Boise Meridian bears South 53°29'20" East 620.68 feet, thence N. 83°40' E - 400 feet distance to a point on line 1 - 4 of Crescent No. 1; thence N 0°23'W., 603 feet to a point on line 1 - 4 of Crescent lode; thence N 0°23'W., 603 feet to a point on line 1 - 4 of Crescent No. 2; thence N 0°23'W., 603 feet to a point on line 2-3 of Crescent No. 6; thence, N 0°23'W., 409.52 feet to a point on line 1 - 2 of Roberts No. 1 Lode, Mineral Survey No. 3273; thence, N 0°23'W., 345 feet to a point on line 1 - 2 of Roberts Lode; thence N 0°23'W., 603 feet to a point on line 3 - 4 of Rex Lode; thence, N4°05' W., 600 feet to a point on line 3 - 4 of Red Umbrella Lode; thence, N 15°19'E, 645 feet to a point on line 3 - 4 of S.C. I No. 10; thence N 15°19'E., 326.25 feet to a point on line 1 - 4 of Contact Mountain Lode; thence N 16°03'E., 648 feet to a point on line 1 - 4 of Baldur Fraction lode; thence N 16°03'E., 207.08 feet to a point on line 2 - 3 of Baldur Fraction lode; thence S 83°40'W., 400 feet to Corner No. 2 of Baldur Fraction lode; thence N 16°03'E., 356.16 feet to Corner No. 4 of Baldur Lode; thence, N 80°14'W., 763.88 feet to intersection of line 3 - 4 Duke lode, Mineral Survey No. 3217; thence S 17°56'W., 592.71 feet along east end line to Corner No. 4 of said Duke Lode; thence N. 78°25'W., 1,382.84 feet along south sideline of Duke lode to intersection of line 2 - 3 of Old Soll Lode, Mineral Survey No. 2274; thence, S 5°26'W., 131.68 feet to Corner No. 3 of Old Soll lode; thence S 56°28'W., 1,269.86 feet along the southeasterly sideline of Old Soll lode to intersection of line 1 - 4 of Giant No. 9 Lode, Mineral Survey No. 3291; thence S 12°27'W., 568.87 feet along west end line of Giant No. 9 to corner No. 4; thence, S 3°48'W., 599.96 feet along west end line of Giant No. 8 to Corner No. 3; thence S 0°23'E., 7,224 feet along west end lines of Giant No. 7, Giant No. 1, Lone Pine Lode; Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI, No. 13, SCI No. 14, Hillside No. 1, Hillside Number Two, and Hillside No. 3 all in Mineral Survey No. 3291, to corner No. 3 of said Hillside No. 3; thence S 85°26'E., 1,500 feet

to Corner No. 2; thence N 0°23'W., 602 feet to Corner No. 1; thence N 0°23'W., 240.25 feet to Corner No. 1 of SCI No. 17, thence N83°18'E., 1,485.56 feet to Corner No. 4; thence, N 0°23'W., 603 feet to Corner No. 3 of SCI No. 17 identical with Corner No. 3 of Cabin lode; thence N. 83°40'E., 654.16 feet to corner No. 2 of Cabin lode; thence, N 0°23'W., 603 feet to Corner No. 1; thence S 83°40'W., 654.16 feet to corner No. 4, identical with Corner No. 2 of SCI No. 15; thence N. 0°23'W., 1,399.52 feet along end lines of SCI No. 15, Humboldt, and Humboldt No. 1 to Corner No. 1 Crescent No. 1 lode, the place of beginning.

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
OME-4264

EXHIBIT A

The purpose of this project is to explore for silver-bearing ore bodies by drifting westerly on or parallel to the Yankee Girl vein on the 3100 level, with such auxiliary crosscutting as necessary; likewise by diamond core drilling.

The work shall be divided into two stages; Stage I work shall be done as outlined herein and so much of Stage II work shall be done as is approved in advance by the Government.

General Provisions

No work under this contract may be performed at distances less than 100 feet from the exterior property boundaries. The location, direction, and extent of each work item shall be subject to prior Government approval.

The total combined footage of drifting, with auxiliary crosscutting, shall not exceed 1300 feet, and the total combined footage of diamond drilling shall not exceed 3000 feet. The Government will contribute to the cost of not to exceed 300 feet of timbering (or rock bolting) for drifts and crosscuts.

The diamond drilling shall be done by use of Standard BX coring bits (core diameter approximately 1-5/8 inches). When necessary to complete a hole, standard AX size (core diameter approximately 1-1/8 inches) may be used.

Core from the diamond drilling shall be properly boxed, marked and stored for later inspection by the Government. With prior Government approval, the Operator may later dispose of such core. Significantly mineralized core shall be split and sampled and the sample assayed. No sample shall represent a core length of more than five feet.

temporarily

Facilities shall be provided for the sampling of diamond drill sludges and such sludges shall be retained when drilling in significantly mineralized areas. Whenever the core recovery is found to have been less than 60 percent the corresponding retained sludges shall be sampled by quartering as necessary and the sample assayed, in addition to the sampling and assaying of such core segments as may have been recovered.

True copies of assay certificates of all samples shall be submitted with the Operator's monthly report which shall also include a map or sketch showing the work completed during the reporting period and showing the locations of all samples taken. The map or sketch should also show the general geological formations and structures traversed by the work performed.

All holes shall be logged geologically and copies of the logs of the completed holes shall likewise be furnished monthly, with the Operator's monthly report.

All drifts and crosscuts shall be of not less than 7' by 9' in the clear of timber and shall be timbered as necessary, using drift sets of not less than 8" by 8" timber, or equivalent round timber. When considered advisable, steel rock bolts may be used in lieu of timber but the Government will not contribute to the costs of more than seven rock bolts in any 5-foot linear section.

Mine rails shall be of not less than 20 pound size, air lines of not less than 3-inch diameter and water lines of not less than 2-inch size. The drifts shall be ventilated, using not less than 24-inch diameter vent pipe.

All significantly mineralized areas traversed by the drifting shall be sampled normal to their trends at intervals of not more than ten feet. Likewise a representative bulk sample shall be taken of each round broken, in areas showing significant mineralization.

All samples from whatever source, before being sent for assay, shall be split and one split set aside and made available to the Government, properly marked as to source and location. Samples shall be assayed for silver and determinations may also be made for lead, zinc and copper, if considered desirable.

The Operator shall provide such supervisory and technical services as may be necessary to complete the project in a satisfactory manner.

see Article 3

Description of the Work

Stage I

The present westerly heading of the Yankee Girl lateral, 3100 level, shall be continued westerly for an approximate distance (including auxiliary crosscutting) of 700 feet. The lateral shall be driven parallel to the vein, in the hanging wall area, at such distance from the vein as appears most desirable to escape heavy ground conditions.

Diamond drilling shall be done in a northerly direction from the lateral, at 175-foot intervals, to explore the Yankee Girl vein zone. In the event the vein proves to be mineralized (not necessarily of ore grade), secondary drilling shall be done at approximately 60-foot spacing.

Whenever the drilling shows significant results, crosscuts may be driven to further explore the vein and the vein may be drifted upon, if ground conditions warrant and it is considered desirable.

Not to exceed 2000 feet of diamond drilling may be done under Stage I.

Stage II

The Yankee Girl lateral (or drifting on the vein if considered feasible) shall be continued westerly for an additional distance of approximately 400 feet including any auxiliary crosscutting, which may be deemed desirable. Northerly diamond drilling shall be done as delineated under Stage I.

Estimated Costs of the Project

Agreed Unit Costs

Stage I

Drifting and crosscutting 700 ft. @ $53	$37,100.00
Timbering of drifts and crosscuts 160 ft. @ $12	1,920.00
384 Rock bolts @ $5 each, complete + 400	

Diamond drilling

BX 2000 ft. @ $7.50	15,000.00
AX @ $6.50 per ft.	
Assaying 200 determinations @ $1.50 each	300.00
Total Estimated Cost Stage I	$ 34,320.00

Stage II

Annual Unit Costs

Drifting and crosscutting 600 ft. @ $53	$31,800.00
Timbering of drifts and crosscuts 140 ft. @ $12	1,680.00
336 360 Rockbolts, complete @ $5 each	
Diamond drilling	
BX 1800 ft. @ $7.50	13,500.00
AX @ $6.50 per ft.	
Assaying 200 determinations at $1.50	300.00
Total Estimated Cost Stage II	$ 47,280.00
Total Estimated Costs, Both Stages	$ 101,600.00
Government Participation, 50%	$ 50,800.00

EXHIBIT B

NONDISCRIMINATION IN EMPLOYMENT

(Section 301, Executive Order 10925, March 6, 1961, 26 FR 1977)

"In connection with the performance of work under this contract, the contractor agrees as follows:

"(1) The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

"(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

"(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the said labor union or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

"(4) The contractor will comply with all provisions of Executive Order No. 10925 of March 6, 1961, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

"(5) The contractor will furnish all information and reports required by Executive Order No. 10925 of March 6, 1961, and by the rules, regulations, and orders of the said Committee, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

"(6) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled in whole or in part and the contractor may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order No. 10925 of March 6, 1961, and such other sanctions may be imposed and remedies invoked as provided in the said Executive order or by rule, regulation, or order of the President's Committee on Equal Employment Opportunity, or as otherwise provided by law.

"(7) The contractor will include the provisions of the foregoing paragraphs (1) through (6) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the President's Committee on Equal Employment Opportunity issued pursuant to section 303 of Executive Order No. 10925 of March 6, 1961, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: *Provided, however,* That in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States."

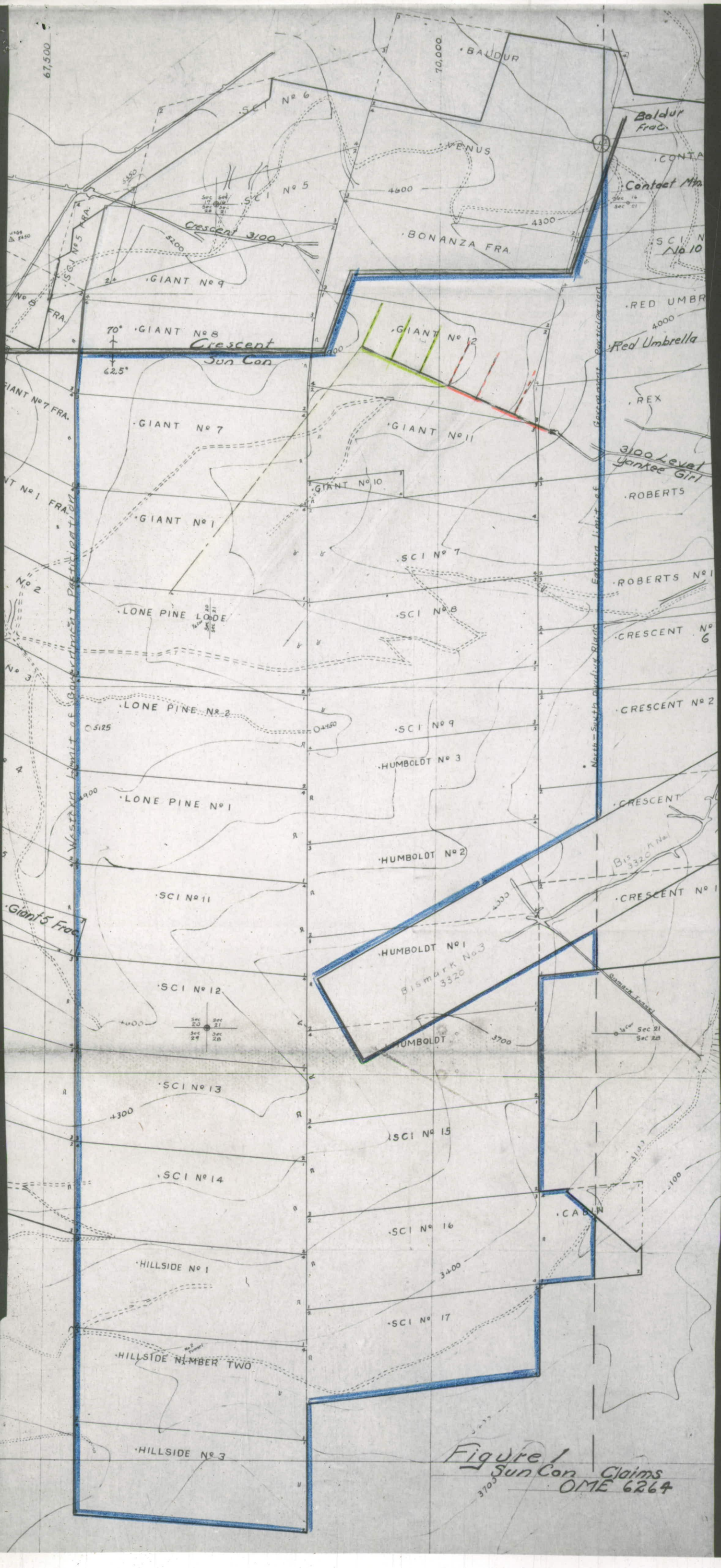

Figure 1
Sun Con Claims
OME 6264

Operator's Copy

MME Form 51
Feb. 1959

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

EXPLORATION CONTRACT
(Short Form)

Docket No.	Commodity	Contract No.	County	State
OME-6264	Silver	14-23-090-2168	Shoshone	Idaho

It is agreed MAY 20 1963 (Date), between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and

Sunshine Consolidated, Inc., an Idaho corporation

whose mailing address is Sunshine Star Route, Kellogg, Idaho, hereinafter called the "Operator," as follows:

ARTICLE I. Authority and scope.--(a) This contract, entered into under the authority of Public Law 701, 85th Cong., 2d sess. (72 Stat. 700; 30 U.S.C. § 641 - 646), consists of this form, the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed. The work is a search for new or unexplored deposits of the commodity designated above. The Operator shall begin the work on or before _____ (Date), and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within 18 months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the work is $101,600.00 The Government will contribute 50 percent of the total fixed unit costs of the work performed, not in excess of $50,800.00 in accordance with the provisions of Articles 4 and 5.

(c) Interest computation.--Simple interest computed annually at the rate of 6 percent shall accrue from the dates Federal funds are made available until the period specified for payment of royalty expires, or until the amount of Federal funds contributed is fully repaid with interest.

(d) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. Operator's rights in land.--(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's right of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances:
Memorandum of Agreement with Sunshine Mining Company, dated September 8, 1943, and Agreement dated February 7, 1958, with Bunker Hill Company

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Lien Agreement of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached as follows:

Lien or Subordination Agreement by Sunshine Mining Company, dated December 4, 1962

RECEIVED RECEIVED

JUN 10 1963 MAY 27 1963

U S G S SPOKANE, WASH. U S G S SPOKANE, WASH.

(c) The Operator shall preserve and maintain his right, title, or interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a royalty on production and liens for the payment thereof. Two true copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. Performance of the work.--(a) Operator's responsibility.--The work shall be performed diligently, efficiently, in a workmanlike manner in accordance with good mining standards, and in compliance with State laws governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work as specified in Article 1(a).

(b) Government may inspect.--The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract and production operations during the period that royalty is payable to the Government. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. Contribution by the Government.--The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5(b), but all payments by the Government are provisional only, subject to audit. Until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been received, the Government may withhold such sums as are necessary to protect its interests. To the extent that amounts in excess of fixed unit costs or in excess of the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such amounts for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. Reports, accounts, audits.--(a) Operator's records.--The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) Monthly reports.--The Operator shall provide the Government with five copies of monthly reports in three sections as follows:

(1) Operator's Monthly Voucher claiming costs for work performed;

(2) Operator's Progress Report showing the number of units of the various types of work performed; and

(3) a narrative report of the work performed during the reporting period, including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground.

(Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) Final report.--Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final monthly report). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) Report of sales.--The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's royalty relates, such as copies of smelter or concentrator settlement sheets and certified accounts of production and sale or other disposition of production.

(e) Compliance with requirements.--If the Government determines that any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the preparation or completion of same with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. Repayment by Operator.--(a) Certification.--If the Government considers that mineral or metal production from the land covered by the contract may be possible as a result of the exploration work, it shall so certify in writing to the Operator at any time not later than six months after a sufficient final report and final accounting (see Article 5) have been furnished.

(b) Royalty on production.--The Operator, whether or not the producer (for example, if the Operator either transfers or does not retain his interest in the land), shall pay to the Government a royalty on all minerals and metals mined or produced from the land as follows:

(1) irrespective of any certification of possible production--from the date of the contract until the lapse of the time within which the Government may issue such certification or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first; or

(2) if the Government issues a certification of possible production--for a period of ten years from the date of the contract or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first. **(See Also Article 14)**

(c) Payment of royalty.--(1) The Government's royalty shall be five percent of the ~~Operator's~~ gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrate, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business and shown as deductions on the buyer's settlement sheets (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable by the buyer to a carrier (not the Operator)), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. No costs of the Operator are deductible in arriving at the "gross proceeds" as that term is here used.

The term "treatment processes" means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

(2) The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be.

(d) Unsold production.--If any production (ore, concentrate, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrate, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(e) Lien for payment.--To secure the payment of royalty (see Article 6(b)), the Operator hereby grants to the Government a lien upon his interest in the land and upon any production of minerals and metals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(f) Notice to purchasers.--The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Government, and this estimate shall be final and binding upon the Operator.

(g) No obligation to produce.--Nothing in this contract shall be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(h) Government not obligated to buy.--Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals and metals mined or produced from the land.

ARTICLE 7. Termination of the Government's Obligations.--(a) If the Government determines that operations at any time have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and thereupon:

(1) the Government shall be free of all obligation to pay on account of units of work not then performed; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

(b) If the Government determines that the Operator is in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon:

(1) the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to royalty and liens to secure the payment thereof, and such rights shall be fully preserved.

(d) The determinations of the Government are subject to appeal under Article 11.

ARTICLE 8. Notices to be given by the Government may be delivered to the Operator or may be sent by certified mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. Officials not to benefit.--No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

(See Article 14)

ARTICLE 10. Nondiscrimination.--In connection with the performance of work under this contract, the Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Government setting forth the provisions of the nondiscrimination clause.

The Operator further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

ARTICLE 11. Disputes.--Any dispute arising under this contract which is not disposed of by agreement shall be decided by the Director, Office of Minerals Exploration, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Operator. The decision of the Director, Office of Minerals Exploration, shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Operator mails or otherwise furnishes to the Director, Office of Minerals Exploration, a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

The term "Director, Office of Minerals Exploration," as used herein includes his duly authorized representative.

ARTICLE 12. Eight-Hour Law of 1912--Overtime compensation.--This contract, to the extent that it is of a character specified in the Eight-Hour Law of 1912, as amended (40 U. S. Code 324—326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35—45), is subject to the following provisions and exceptions of said Eight-Hour Law of 1912, as amended, and to all other provisions and exceptions of said Law:

No laborer or mechanic doing any part of the work contemplated by this contract, in the employ of the Operator or any independent contractor contracting for any part of said work contemplated, shall be required or permitted to work more than eight hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every laborer and mechanic employed by the Operator or any independent contractor engaged in the performance of this contract shall be computed on a basic day rate of eight hours per day; and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this clause a penalty of five dollars shall be imposed for each laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this clause, and all penalties thus imposed shall be withheld for the use and benefit of the Government.

ARTICLE 13. Copeland (Anti-Kickback) Act--Nonrebate of wages.--The regulations of the Secretary of Labor applicable to contractors and subcontractors (29 CFR, Part 3), made pursuant to the Copeland Act, as amended (40 U. S. C. 276c) and to aid in the enforcement of the Anti-Kickback Act (18 U. S. C. 874) are made a part of this contract by reference. The Operator will comply with these regulations and any amendments or modifications thereof and will be responsible for the submission of affidavits required of independent contractors thereunder. The foregoing shall apply except as the Secretary of Labor may specifically provide for reasonable limitations, variations, tolerances, and exemptions.

ARTICLE 14. Changes and added provisions.--

1. Article 10 is revised to read as follows:

Article 10. "Nondiscrimination. The provisions governing performance of work under Government contracts, as set out in Section 301 of the Executive Order 10925, dated March 6, 1961 (a copy of which is attached hereto as Exhibit B and by reference hereby incorporated and made a part of this contract), shall be applicable to this contract.

"In compliance with the Rules and Regulations (41 CFR, Section 60-1.3(a) issued under Executive Order 10925 of March 6, 1961, the Operator is hereby bound and agrees to include in each subcontract which it shall make with a subcontractor or supplier paragraphs (1) through (7) of Section 301 of said Executive Order, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity.

"The Operator shall require each of its subcontractors (first tier) to include in every subcontract with each of its subcontractors (second tier) the following clause: The (here identify the second-tier subcontractor by name) shall incorporate by reference in each subcontract or purchase order with a subcontractor or supplier paragraphs (1) through (6) of Section 301 of Executive Order 10925 of March 6, 1961, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity."

2. Special Agreement Concerning Royalty. Notwithstanding the certification provisions of this Article 6, and with no further action required on the part of the Government, the Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer, or its successor, shall pay to the Government a royalty on production, regardless of where it is produced, which is transported through any workings or any portion of any workings to the cost of which the Government has contributed, for the period described in Article 6(b)(2) above, and pursuant to the terms of Article 6(c) et seq. However, in no event shall more than one royalty be due or paid under this contract on the same production.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

_____ (Operator)

By _____

Title _____

By _____
Director, Office of Minerals Exploration

I _____, certify
(Name)

that I am the _____ secretary of the

corporation named as Operator herein; that _____,
(Name)

who signed this contract on behalf of the Operator, was then

_____ of said corporation;
(Title)

that said contract was duly signed for and in behalf of said corporation

by authority of its governing body, and is within the scope of its

corporate powers.

_____

[CORPORATE SEAL]

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
CMZ-6264

ANNEX I

The land referred to in Article 2 of the contract consists of all or parts of 7 patented and 32 unpatented claims, with all rights pertaining thereto, and described as follows:

The land is bordered on the north by a combination of inclined and vertical planes based on the elevation of 390 feet below sea level as indicated on the attached "Figure 1, Sun Con Claims" and as more fully described in the Agreement of February 7, 1958, between Sunshine Consolidated, Inc., Big Creek Apex Mining Co., and Sunshine Mining Co., the parties of the first part and the Bunker Hill Company as party of the second part.

The land is bordered on the west by a vertical plane passing through the western end lines of Grant No. 8, Grant No. 7, Grant No. 1, Lone Pine, Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI No. 13, SCI No. 14, Hillside No. 1, Hillside No. 2, and Hillside No. 3 claims.

The land is bordered on the south by the southerly side lines of the Hillside No. 3 and SCI No. 17 claims and that portion of the Cabin claim lying westerly of the southerly extension of the vertical plane bounding the land on the east.

The land is generally bordered on the east by a vertical plane passing parallel to and 400 feet easterly of the western end lines of the Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 6, Roberts, Roberts No. 1 and Rex claims and an extension of such vertical plane northward to its intersection with the above-cited northern boundary and also its extension southward covering part of the Cabin claim, but not including the Bismark No. 1 and 3 claims nor the area lying easterly of the east end lines of the SCI No. 15 and Humboldt claims and the Humboldt No. 1 claim in part.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "90" of Deeds at Page 30, Records of Shoshone County, Idaho.

Contact Mountain	Red Umbrella	Roberts
Bonanza Fraction	Rex	Roberts No. 1
		S.C. I No. 10

S.C. I Group, Unpatented, Mineral Survey #3291

Claim	Recorded Vol.	Recorded Page	Claim	Recorded Vol.	Recorded Page
Lone Pine	24	563	SCI No. 14	24	566
Lone Pine #1	20	115	SCI No. 15	24	567
Lone Pine #2	20	116	SCI No. 16	24	568
Humboldt	24	562	SCI No. 17	24	569
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	557
Humboldt No. 3	20	438	Giant No. 7	22	205
Hillside No. 1	21	347	Giant No. 8	22	206
Hillside Number Two	21	348	Giant No. 10	22	208
Hillside No. 3	24	561	Giant No. 11	22	209
SCI No. 7	24	374	Giant No. 12	22	210
SCI No. 8	24	375	Crescent	17	550
SCI No. 9	24	376	Crescent No. 1	24	579
SCI No. 11	24	539	Crescent No. 2	19	193
SCI No. 12	24	564	Crescent No. 6	20	434
SCI No. 13	24	565	Cabin	24	578

The lands pertaining to this contract are owned by the Operator and are included in a Memorandum of Agreement relating to mineral rights between the Operator and the Sunshine Mining Company dated September 8, 1943. A Lien or Subordination Agreement executed by Sunshine Mining Company, dated December 4, 1962, is attached hereto.

All claims pertaining to this contract are shown, with exterior property boundaries in blue outline on the attached Figure 1 entitled "Sun Con Claims."

MME Form 52
June, 1961

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

FOR GOVERNMENT USE ONLY
Operator
Docket No. OME –
Contract No. 14-23-090– 2168
Contract Date MAY 20 1963

RECEIVED
DEC 21 1962
U. S. G. S.
SPOKANE, WASH.

LIEN OR SUBORDINATION AGREEMENT 1/

To the United States of America:

That certain land in the County of SHOSHONE, State of IDAHO,

described ~~as follows~~: 2/ See Attached Annex

hereinafter called the "land", is the subject of a proposed exploration contract, hereinafter called the "Contract", between the United States of America, hereinafter called the "Government" and

SUNSHINE CONSOLIDATED, Inc. 3/

hereinafter called the "Operator". In consideration for and as an inducement to the Government executing the Contract, the undersigned:

1. (a) Being the owner of an interest in the land, hereby grants to the Government a lien upon all of his right, title, and interest in the land and upon any production of minerals therefrom to secure the payment to the Government of the royalty on production provided for by the Contract, and agrees if the Operator's interest should be surrendered or terminated at any time prior to the expiration of the rights of the United States under said Contract to pay royalty to the Government according to the terms of said Contract; or

(b) Being the holder of a claim, lien, or encumbrance against the land, hereby subordinates his claim, lien, or encumbrance in or against the land and in any production therefrom to the rights of the Government under the Contract with respect to royalty on production and liens to secure same. 4/

2. Undertakes and agrees that property in which the Government may acquire an interest or equity under the Contract may be dismantled, severed from the land, and removed as may be provided in the Contract; and the Government's interest and equity in such property shall be prior and superior to any adverse right or claim of the undersigned.

3. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none". Do not leave blank.)

- NONE -

1/ Production from the land is not required, and in the absence of production there is no obligation to pay royalty to the Government.

2/ Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "in a lease /or contract, deed, or other document/ dated _____, and recorded in Book _____, Page ____, official records of said county". If (b) is used, the book and page of recordation must be inserted above. If the space provided is insufficient, use an Annex and refer to the Annex in the space.

3/ Insert name exactly as it appears in the Application MME Form 40.

4/ Subparagraph 1(a) does not apply to the holder of a claim, lien, or encumbrance.

RECEIVED
DEC 7 1962
U. S. G. S.
SPOKANE, WASH.

4. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land or any production therefrom, furnishing the Government with two true copies of such notice; and

5. Consents to all amendments (including an agreement of termination) and assignments of the Contract without notice thereof, and undertakes and agrees that this agreement shall extend and apply thereto.

6. Added provisions - NONE - (State "None" or "See Annex No.____".)

Dated this 4th day of December, 19 62.

APPLICANT SHOULD NOT SIGN

		SUNSHINE MINING COMPANY, West 300 Mission Ave. (Street)
		Spokane 1, Washington (City & State)
(Seal)	By: [signature]	
	President	
		(Street)
		(City & State)
(Seal)		
		(Street)
		(City & State)
(Seal)		
		(Street)
		(City & State)
(Seal)		
		(Street)
		(City & State)
(Seal)		
		(Street)
		(City & State)
(Seal)		

I, STANTON B. BENNETT (Name), certify that I am the Secretary (Title—Secretary, etc.) of the corporation named herein; that ROBERT M. HARDY, JR. (Name), who signed this agreement was then President (Title—Pres., Vice-Pres., etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

[signature]
(Corporate Seal)

INT.-DUP. SEC., WASH., D.C.
95181

A N N E X

Description of the Land:

That portion of Mineral Surveys Nos. 3273 and 3291 of mining lode claims in Sections 16, 17, 20, 21, 28 and 29, Township 48 North, Range 3 East of Boise Meridian, Shoshone County, Idaho, bounded on the west by the western end lines of Giant No. 9, Giant No. 8, Giant No. 7, Giant No. 1, Lone Pine Lode, Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI No. 13, SCI No. 14; Hillside No. 1, Hillside Number Two, and Hillside No. 3; and bounded on the east by lines parallel to and 400 feet easterly from the western end lines of Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 6, Roberts, Roberts No. 1, Rex, Red Umbrella, SCI No. 10, Contact Mountain and Baldur Fraction, the area subject to lien includes only the westerly four hundred (400) feet of the immediately above-named claims.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "90" of Deeds at Page 30, Records of Shoshone County, Idaho.

Baldur	Bonanza Fraction	Roberts No. 1
Baldur Fraction	Red Umbrella	S.C. I No. 5
Contact Mountain	Rex	S.C. I No. 5 Fraction
Venus	Roberts	S.C. 1 No. 6
		S.C. I No. 10

S.C. 1 Group, Unpatented, Mineral Survey #3291

Claim	Recorded Vol.	Recorded Page	Claim	Recorded Vol.	Recorded Page
Lone Pine	24	563	SCI No. 14	24	566
Lone Pine #1	20	115	SCI No. 15	24	567
Lone Pine #2	20	116	SCI No. 16	24	568
Humboldt	24	562	SCI No. 17	24	569
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	557
Humboldt No. 3	20	438	Giant No. 7	22	205
Hillside No. 1	21	347	Giant No. 8	22	206
Hillside Number Two	21	348	Giant No. 9	22	207
Hillside No. 3	24	561	Giant No. 10	22	208
SCI No. 7	24	374	Giant No. 11	22	209
SCI No. 8	24	375	Giant No. 12	22	210
SCI No. 9	24	376	Crescent	17	550
SCI No. 11	24	539	Crescent No. 1	24	579
SCI No. 12	24	564	Crescent No. 2	19	193
SCI No. 13	24	565	Crescent No. 6	20	434
			Cabin	24	578

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The boundary of the area subject to lien and subordination is more particularly described as follows:

Beginning at the southwest corner No. 1 of the Crescent No. 1 Lode, Mineral Survey No. 3291 from which the quarter corner between Section 21 and 28, T 48 N, R 3 E., Boise Meridian bears South 53°29'20" East 620.68 feet, thence N. 83°40' E - 400 feet distance to a point on line 1 - 4 of Crescent No. 1; thence N 0°23'W., 603 feet to a point on line 1 - 4 of Crescent lode; thence N 0°23'W., 603 feet to a point on line 1 - 4 of Crescent No. 2; thence N 0°23'W., 603 feet to a point on line 2-3 of Crescent No. 6; thence, N 0°23'W., 409.52 feet to a point on line 1 - 2 of Roberts No. 1 Lode, Mineral Survey No. 3273; thence, N 0°23'W., 345 feet to a point on line 1 - 2 of Roberts Lode; thence N 0°23'W., 603 feet to a point on line 3 - 4 of Rex Lode; thence, N4°05' W., 600 feet to a point on line 3 - 4 of Red Umbrella Lode; thence, N 15°19'E, 645 feet to a point on line 3 - 4 of S.C. I No. 10; thence N 15°19'E., 326.25 feet to a point on line 1 - 4 of Contact Mountain Lode; thence N 16°03'E., 648 feet to a point on line 1 - 4 of Baldur Fraction lode; thence N 16°03'E., 207.08 feet to a point on line 2 - 3 of Baldur Fraction lode; thence S 83°40'W., 400 feet to Corner No. 2 of Baldur Fraction lode; thence N 16°03'E., 356.16 feet to Corner No. 4 of Baldur Lode; thence, N 80°14'W., 763.88 feet to intersection of line 3 - 4 Duke lode, Mineral Survey No. 3217; thence S 17°56'W., 592.71 feet along east end line to Corner No. 4 of said Duke Lode; thence N. 78°25'W., 1,382.84 feet along south sideline of Duke lode to intersection of line 2 - 3 of Old Soll Lode, Mineral Survey No. 2274; thence, S 5°26'W., 131.68 feet to Corner No. 3 of Old Soll lode; thence S 56°28'W., 1,269.86 feet along the southeasterly sideline of Old Soll lode to intersection of line 1 - 4 of Giant No. 9 Lode, Mineral Survey No. 3291; thence S 12°27'W., 568.87 feet along west end line of Giant No. 9 to corner No. 4; thence, S 3°48'W., 599.96 feet along west end line of Giant No. 8 to Corner No. 3; thence S 0°23'E., 7,224 feet along west end lines of Giant No. 7, Giant No. 1, Lone Pine Lode; Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI, No. 13, SCI No. 14, Hillside No. 1, Hillside Number Two, and Hillside No. 3 all in Mineral Survey No. 3291, to corner No. 3 of said Hillside No. 3; thence S 85°26'E., 1,500 feet

to Corner No. 2; thence N 0°23'W., 602 feet to Corner No. 1; thence N 0°23'W., 240.25 feet to Corner No. 1 of SCI No. 17, thence N83°18'E., 1,485.56 feet to Corner No. 4; thence, N 0°23'W., 603 feet to Corner No. 3 of SCI No. 17 identical with Corner No. 3 of Cabin lode; thence N. 83°40'E., 654.16 feet to corner No. 2 of Cabin lode; thence, N 0°23'W., 603 feet to Corner No. 1; thence S 83°40'W., 654.16 feet to corner No. 4, identical with Corner No. 2 of SCI No. 15; thence N. 0°23'W., 1,399.52 feet along end lines of SCI No. 15, Humboldt, and Humboldt No. 1 to Corner No. 1 Crescent No. 1 lode, the place of beginning.

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
GSK-6264

EXHIBIT A

The purpose of this project is to explore for silver-bearing ore bodies by drifting westerly on or parallel to the Yankee Girl vein on the 3100 level, with such auxiliary crosscutting as necessary; likewise by diamond core drilling.

The work shall be divided into two stages; Stage I work shall be done as outlined herein and as much of Stage II work shall be done as is approved in advance by the Government.

General Provisions

No work under this contract may be performed at distances less than 100 feet from the exterior property boundaries. The location, direction, and extent of each work item shall be subject to prior Government approval.

The total combined footage of drifting, with auxiliary crosscutting, shall not exceed 1300 feet, and the total combined footage of diamond drilling shall not exceed 3800 feet. The Government will contribute to the cost of not to exceed 300 feet of timbering (or rock bolting) for drifts and crosscuts.

The diamond drilling shall be done by use of Standard BX coring bits (core diameter approximately 1-5/8 inches). When necessary to complete a hole, standard AX size (core diameter approximately 1-1/8 inches) may be used.

Core from the diamond drilling shall be properly boxed, marked and stored for later inspection by the Government. With prior Government approval, the Operator may later dispose of such core. Significantly mineralized core shall be split and sampled and the sample assayed. No sample shall represent a core length of more than five feet.

Facilities shall be provided for the sampling of diamond drill sludges and such sludges shall be retained when drilling in significantly mineralized areas. Whenever the core recovery is found to have been less than 60 percent the corresponding retained sludges shall be sampled by quartering as necessary and the sample assayed, in addition to the sampling and assaying of such core segments as may have been recovered.

True copies of assay certificates of all samples shall be submitted with the Operator's monthly report which shall also include a map or sketch showing the work completed during the reporting period and showing the locations of all samples taken. The map or sketch should also show the general geological formations and structures traversed by the work performed.

All holes shall be logged geologically and copies of the logs of the completed holes shall likewise be furnished monthly, with the Operator's monthly report.

All drifts and crosscuts shall be of not less than 7' by 9' in the clear of timber and shall be timbered as necessary, using drift sets of not less than 8" by 8" timber, or equivalent round timber. When considered advisable, steel rock bolts may be used in lieu of timber but the Government will not contribute to the costs of more than seven rock bolts in any 5-foot linear section.

Mine rails shall be of not less than 20 pound size, air lines of not less than 3-inch diameter and water lines of not less than 2-inch size. The drifts shall be ventilated, using not less than 24-inch diameter vent pipe.

All significantly mineralized areas traversed by the drifting shall be sampled normal to their trends at intervals of not more than ten feet. Likewise a representative bulk sample shall be taken of each round broken, in areas showing significant mineralization.

All samples from whatever source, before being sent for assay, shall be split and one split set aside and made available to the Government, properly marked as to source and location. Samples shall be assayed for silver and determinations may also be made for lead, zinc and copper, if considered desirable.

The Operator shall provide such supervisory and technical services as may be necessary to complete the project in a satisfactory manner.

Description of the Work

Stage I

The present westerly heading of the Yankee Girl lateral, 3100 level, shall be continued westerly for an approximate distance (including auxiliary crosscutting) of 700 feet. The lateral shall be driven parallel to the vein, in the hanging wall area, at such distance from the vein as appears most desirable to escape heavy ground conditions.

Diamond drilling shall be done in a northerly direction from the lateral, at 175-foot intervals, to explore the Yankee Girl vein zone. In the event the vein proves to be mineralized (not necessarily of ore grade), secondary drilling shall be done at approximately 60-foot spacing.

Whenever the drilling shows significant results, crosscuts may be driven to further explore the vein and the vein may be drifted upon, if ground conditions warrant and it is considered desirable.

Not to exceed 2000 feet of diamond drilling may be done under Stage I.

Stage II

The Yankee Girl lateral (or drifting on the vein if considered feasible) shall be continued westerly for an additional distance of approximately 600 feet including any auxiliary crosscutting, which may be deemed desirable. Northerly diamond drilling shall be done as delineated under Stage I.

Estimated Costs of the Project

Agreed Unit Costs

Stage I

Drifting and crosscutting 700 ft. @ $53	$37,100.00
Timbering of drifts and crosscuts 160 ft. @ $12	1,920.00
Rock bolts @ $5 each, complete	

Diamond drilling	
BX 2000 ft. @ $7.50	15,000.00
AX @ $6.50 per ft.	
Assaying	
200 determinations @ $1.50 each	300.00
Total Estimated Cost Stage I	$ 54,320.00

Stage II

Agreed Unit Costs

Drifting and crosscutting	
600 ft. @ $53	$31,800.00
Timbering of drifts and crosscuts	
140 ft. @ $12	1,680.00
Rockbolts, complete @ $5 each	
Diamond drilling	
BX 1800 ft. @ $7.50	13,500.00
AX @ $6.50 per ft.	
Assaying	
200 determinations at $1.50	300.00
Total Estimated Cost Stage II	$ 47,280.00
Total Estimated Costs, Both Stages	$ 101,600.00
Government Participation, 50%	$ 50,800.00

EXHIBIT B

NONDISCRIMINATION IN EMPLOYMENT

(Section 301, Executive Order 10925, March 6, 1961, 26 FR 1977)

"In connection with the performance of work under this contract, the contractor agrees as follows:

"(1) The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

"(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

"(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the said labor union or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

"(4) The contractor will comply with all provisions of Executive Order No. 10925 of March 6, 1961, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

"(5) The contractor will furnish all information and reports required by Executive Order No. 10925 of March 6, 1961, and by the rules, regulations, and orders of the said Committee, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

"(6) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled in whole or in part and the contractor may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order No. 10925 of March 6, 1961, and such other sanctions may be imposed and remedies invoked as provided in the said Executive order or by rule, regulation, or order of the President's Committee on Equal Employment Opportunity, or as otherwise provided by law.

"(7) The contractor will include the provisions of the foregoing paragraphs (1) through (6) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the President's Committee on Equal Employment Opportunity issued pursuant to section 303 of Executive Order No. 10925 of March 6, 1961, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: *Provided, however,* That in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States."

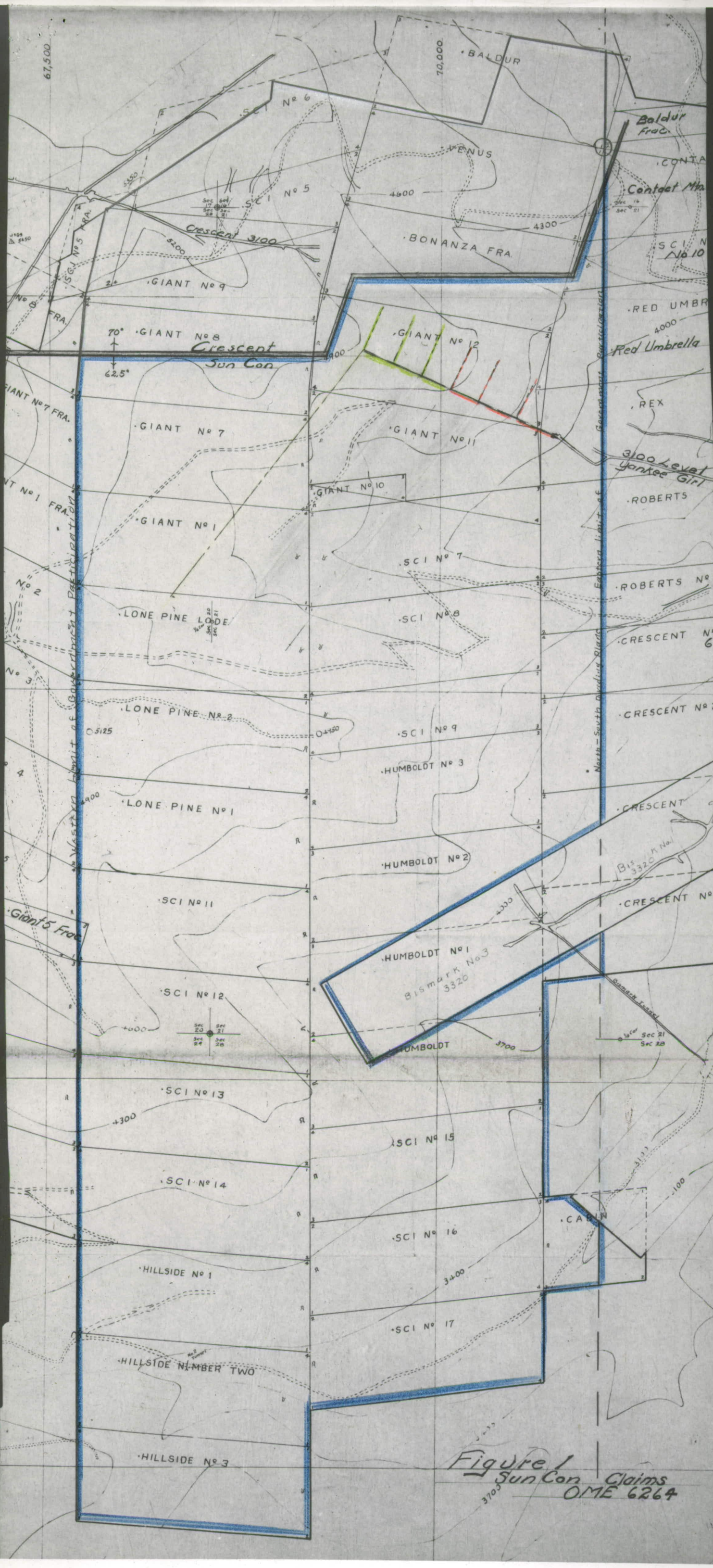

Figure 1
Sun Con Claims
OME 6264

Field Office Copy

MME Form 51
Feb. 1959

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

EXPLORATION CONTRACT
(Short Form)

Docket No.	Commodity	Contract No.	County	State
OME-6264	Silver	14-23-090- 2168	Shoshone	Idaho

It is agreed MAY 20 1963 (Date), between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and

Sunshine Consolidated, Inc., an Idaho corporation

whose mailing address is Sunshine Star Route, Kellogg, Idaho, hereinafter called the "Operator," as follows:

ARTICLE I. Authority and scope.--(a) This contract, entered into under the authority of Public Law 701, 85th Cong., 2d sess. (72 Stat. 700; 30 U.S.C. § 641 - 646), consists of this form, the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed. The work is a search for new or unexplored deposits of the commodity designated above. The Operator shall begin the work on or before _____ (Date), and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within 18 months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the work is $ 101,600.00 The Government will contribute 50 percent of the total fixed unit costs of the work performed, not in excess of $ 50,800.00 in accordance with the provisions of Articles 4 and 5.

(c) Interest computation.--Simple interest computed annually at the rate of 6 percent shall accrue from the dates Federal funds are made available until the period specified for payment of royalty expires, or until the amount of Federal funds contributed is fully repaid with interest.

(d) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. Operator's rights in land.--(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's right of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances:
Memorandum of Agreement with Sunshine Mining Company, dated September 8, 1943, and Agreement dated February 7, 1958, with Bunker Hill Company

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Lien Agreement of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached as follows:

Lien or Subordination Agreement by Sunshine Mining Company, dated December 4, 1962

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JUN 10 1963 MAY 27 1963
U. S. G. S. SPOKANE, WASH. U. S. G. S. SPOKANE, WASH.

(c) The Operator shall preserve and maintain his right, title, or interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a royalty on production and liens for the payment thereof. Two true copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. Performance of the work.--(a) Operator's responsibility.--The work shall be performed diligently, efficiently, in a workmanlike manner in accordance with good mining standards, and in compliance with State laws governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work as specified in Article 1(a).

(b) Government may inspect.--The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract and production operations during the period that royalty is payable to the Government. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. Contribution by the Government.--The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5(b), but all payments by the Government are provisional only, subject to audit. Until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been received, the Government may withhold such sums as are necessary to protect its interests. To the extent that amounts in excess of fixed unit costs or in excess of the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such amounts for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. Reports, accounts, audits.--(a) Operator's records.--The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) Monthly reports.--The Operator shall provide the Government with five copies of monthly reports in three sections as follows:

(1) Operator's Monthly Voucher claiming costs for work performed;

(2) Operator's Progress Report showing the number of units of the various types of work performed; and

(3) a narrative report of the work performed during the reporting period, including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground.

(Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) Final report.--Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final monthly report). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) Report of sales.--The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's royalty relates, such as copies of smelter or concentrator settlement sheets and certified accounts of production and sale or other disposition of production.

(e) Compliance with requirements.--If the Government determines that any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the preparation or completion of same with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. Repayment by Operator.--(a) Certification.--If the Government considers that mineral or metal production from the land covered by the contract may be possible as a result of the exploration work, it shall so certify in writing to the Operator at any time not later than six months after a sufficient final report and final accounting (see Article 5) have been furnished.

(b) Royalty on production.--The Operator, whether or not the producer (for example, if the Operator either transfers or does not retain his interest in the land), shall pay to the Government a royalty on all minerals and metals mined or produced from the land as follows:

(1) irrespective of any certification of possible production--from the date of the contract until the lapse of the time within which the Government may issue such certification or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first; or

(2) if the Government issues a certification of possible production--for a period of ten years from the date of the contract or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first. **(See Also Article 14)**

(c) Payment of royalty.--(1) The Government's royalty shall be five percent of the ~~Operator's~~ gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrate, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business and shown as deductions on the buyer's settlement sheets (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable by the buyer to a carrier (not the Operator)), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. No costs of the Operator are deductible in arriving at the "gross proceeds" as that term is here used.

The term "treatment processes" means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

(2) The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be.

(d) Unsold production.--If any production (ore, concentrate, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrate, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(e) Lien for payment.--To secure the payment of royalty (see Article 6(b)), the Operator hereby grants to the Government a lien upon his interest in the land and upon any production of minerals and metals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(f) Notice to purchasers.--The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Government, and this estimate shall be final and binding upon the Operator.

(g) No obligation to produce.--Nothing in this contract shall be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(h) Government not obligated to buy.--Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals and metals mined or produced from the land.

ARTICLE 7. Termination of the Government's Obligations.--(a) If the Government determines that operations at any time have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and thereupon:

(1) the Government shall be free of all obligation to pay on account of units of work not then performed; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

(b) If the Government determines that the Operator is in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon:

(1) the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to royalty and liens to secure the payment thereof, and such rights shall be fully preserved.

(d) The determinations of the Government are subject to appeal under Article 11.

ARTICLE 8. Notices to be given by the Government may be delivered to the Operator or may be sent by certified mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. Officials not to benefit.--No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

(See Article 14)

~~ARTICLE 10. Nondiscrimination.--In connection with the performance of work under this contract, the Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Government setting forth the provisions of the nondiscrimination clause.~~

~~The Operator further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.~~

ARTICLE 11. Disputes.--Any dispute arising under this contract which is not disposed of by agreement shall be decided by the Director, Office of Minerals Exploration, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Operator. The decision of the Director, Office of Minerals Exploration, shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Operator mails or otherwise furnishes to the Director, Office of Minerals Exploration, a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

The term "Director, Office of Minerals Exploration," as used herein includes his duly authorized representative.

ARTICLE 12. Eight-Hour Law of 1912--Overtime compensation.--This contract, to the extent that it is of a character specified in the Eight-Hour Law of 1912, as amended (40 U. S. Code 324—326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35—45), is subject to the following provisions and exceptions of said Eight-Hour Law of 1912, as amended, and to all other provisions and exceptions of said Law:

No laborer or mechanic doing any part of the work contemplated by this contract, in the employ of the Operator or any independent contractor contracting for any part of said work contemplated, shall be required or permitted to work more than eight hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every laborer and mechanic employed by the Operator or any independent contractor engaged in the performance of this contract shall be computed on a basic day rate of eight hours per day; and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this clause a penalty of five dollars shall be imposed for each laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this clause, and all penalties thus imposed shall be withheld for the use and benefit of the Government.

ARTICLE 13. Copeland (Anti-Kickback) Act--Nonrebate of wages.--The regulations of the Secretary of Labor applicable to contractors and subcontractors (29 CFR, Part 3), made pursuant to the Copeland Act, as amended (40 U. S. C. 276c) and to aid in the enforcement of the Anti-Kickback Act (18 U. S. C. 874) are made a part of this contract by reference. The Operator will comply with these regulations and any amendments or modifications thereof and will be responsible for the submission of affidavits required of independent contractors thereunder. The foregoing shall apply except as the Secretary of Labor may specifically provide for reasonable limitations, variations, tolerances, and exemptions.

ARTICLE 14. Changes and added provisions.--

1. Article 10 is revised to read as follows:

Article 10. "Nondiscrimination. The provisions governing performance of work under Government contracts, as set out in Section 301 of the Executive Order 10925, dated March 6, 1961 (a copy of which is attached hereto as Exhibit B and by reference hereby incorporated and made a part of this contract), shall be applicable to this contract.

"In compliance with the Rules and Regulations (41 CFR, Section 60-1.3(a) issued under Executive Order 10925 of March 6, 1961, the Operator is hereby bound and agrees to include in each subcontract which it shall make with a subcontractor or supplier paragraphs (1) through (7) of Section 301 of said Executive Order, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity.

"The Operator shall require each of its subcontractors (first tier) to include in every subcontract with each of its subcontractors (second tier) the following clause: The (here identify the second-tier subcontractor by name) shall incorporate by reference in each subcontract or purchase order with a subcontractor or supplier paragraphs (1) through (6) of Section 301 of Executive Order 10925 of March 6, 1961, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity."

2. Special Agreement Concerning Royalty. Notwithstanding the certification provisions of this Article 6, and with no further action required on the part of the Government, the Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer, or its successor, shall pay to the Government a royalty on production, regardless of where it is produced, which is transported through any workings or any portion of any workings to the cost of which the Government has contributed, for the period described in Article 6(b)(2) above, and pursuant to the terms of Article 6(a) et seq. However, in no event shall more than one royalty be due or paid under this contract on the same production.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

_____ By _____
(Operator) Director, Office of Minerals Exploration

By _____

Title _____

I _____, certify
(Name)

that I am the _____ secretary of the

corporation named as Operator herein; that _____,
(Name)

who signed this contract on behalf of the Operator, was then

_____ of said corporation;
(Title)

that said contract was duly signed for and in behalf of said corporation

by authority of its governing body, and is within the scope of its

corporate powers.

_____

[CORPORATE SEAL]

4. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land or any production therefrom, furnishing the Government with two true copies of such notice; and

5. Consents to all amendments (including an agreement of termination) and assignments of the Contract without notice thereof, and undertakes and agrees that this agreement shall extend and apply thereto.

6. Added provisions - NONE - (State "None" or "See Annex No._____".)

Dated this 4th day of December, 19 62.

SUNSHINE MINING COMPANY, West 300 Mission Ave.
Spokane 1, Washington (Street) (City & State)

By: [signature]
President

APPLICANT SHOULD NOT SIGN

_____ (Seal) _____ (Street) (City & State)

_____ (Seal) _____ (Street) (City & State)

_____ (Seal) _____ (Street) (City & State)

_____ (Seal) _____ (Street) (City & State)

_____ (Seal) _____ (Street) (City & State)

_____ (Seal) _____ (Street) (City & State)

I, STANTON B. BENNETT (Name), certify that I am the Secretary (Title—Secretary, etc.) of the corporation named herein; that ROBERT M. HARDY, JR. (Name), who signed this agreement was then President (Title—Pres., Vice-Pres., etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

[signature]
(Corporate Seal)

INT.-DUP. SEC., WASH., D.C.
95181

MME Form 52
June, 1961

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

RECEIVED
DEC 21 1962
U S G. S.
SPOKANE, WASH.

FOR GOVERNMENT USE ONLY
Operator
Docket No. OME –
Contract No. 14-23-090 – 2168
Contract Date MAY 20 1963

LIEN OR SUBORDINATION AGREEMENT 1/

To the United States of America:

That certain land in the County of SHOSHONE, State of IDAHO,

described ~~as follows~~: 2/ See Attached Annex

hereinafter called the "land", is the subject of a proposed exploration contract, hereinafter called the "Contract", between the United States of America, hereinafter called the "Government" and

SUNSHINE CONSOLIDATED, Inc. 3/

hereinafter called the "Operator". In consideration for and as an inducement to the Government executing the Contract, the undersigned:

1. (a) Being the owner of an interest in the land, hereby grants to the Government a lien upon all of his right, title, and interest in the land and upon any production of minerals therefrom to secure the payment to the Government of the royalty on production provided for by the Contract, and agrees if the Operator's interest should be surrendered or terminated at any time prior to the expiration of the rights of the United States under said Contract to pay royalty to the Government according to the terms of said Contract; or

(b) Being the holder of a claim, lien, or encumbrance against the land, hereby subordinates his claim, lien, or encumbrance in or against the land and in any production therefrom to the rights of the Government under the Contract with respect to royalty on production and liens to secure same. 4/

2. Undertakes and agrees that property in which the Government may acquire an interest or equity under the Contract may be dismantled, severed from the land, and removed as may be provided in the Contract; and the Government's interest and equity in such property shall be prior and superior to any adverse right or claim of the undersigned.

3. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none". Do not leave blank.)

- NONE -

1/ Production from the land is not required, and in the absence of production there is no obligation to pay royalty to the Government.

2/ Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "in a lease /or contract, deed, or other document/ dated_____, and recorded in Book_____, Page____, official records of said county". If (b) is used, the book and page of recordation must be inserted above. If the space provided is insufficient, use an Annex and refer to the Annex in the space.

3/ Insert name exactly as it appears in the Application MME Form 40.

4/ Subparagraph 1(a) does not apply to the holder of a claim, lien, or encumbrance.

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SPOKANE, WASH.

A N N E X

Description of the Land:

That portion of Mineral Surveys Nos. 3273 and 3291 of mining lode claims in Sections 16, 17, 20, 21, 28 and 29, Township 48 North, Range 3 East of Boise Meridian, Shoshone County, Idaho, bounded on the west by the western end lines of Giant No. 9, Giant No. 8, Giant No. 7, Giant No. 1, Lone Pine Lode, Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI No. 13, SCI No. 14; Hillside No. 1, Hillside Number Two, and Hillside No. 3; and bounded on the east by lines parallel to and 400 feet easterly from the western end lines of Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 6, Roberts, Roberts No. 1, Rex, Red Umbrella, SCI No. 10, Contact Mountain and Baldur Fraction, the area subject to lien includes only the westerly four hundred (400) feet of the immediately above-named claims.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "90" of Deeds at Page 30, Records of Shoshone County, Idaho.

Baldur	Bonanza Fraction	Roberts No. 1
Baldur Fraction	Red Umbrella	S.C. I No. 5
Contact Mountain	Rex	S.C. I No. 5 Fraction
Venus	Roberts	S.C. 1 No. 6
		S.C. I No. 10

S.C. 1 Group, Unpatented, Mineral Survey #3291

Claim	Recorded Vol.	Recorded Page	Claim	Recorded Vol.	Recorded Page
Lone Pine	24	563	SCI No. 14	24	566
Lone Pine #1	20	115	SCI No. 15	24	567
Lone Pine #2	20	116	SCI No. 16	24	568
Humboldt	24	562	SCI No. 17	24	569
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	557
Humboldt No. 3	20	438	Giant No. 7	22	205
Hillside No. 1	21	347	Giant No. 8	22	206
Hillside Number Two	21	348	Giant No. 9	22	207
Hillside No. 3	24	561	Giant No. 10	22	208
SCI No. 7	24	374	Giant No. 11	22	209
SCI No. 8	24	375	Giant No. 12	22	210
SCI No. 9	24	376	Crescent	17	550
SCI No. 11	24	539	Crescent No. 1	24	579
SCI No. 12	24	564	Crescent No. 2	19	193
SCI No. 13	24	565	Crescent No. 6	20	434
			Cabin	24	578

RECEIVED
DEC 21 1962
U S G. S.
SPOKANE, WASH.

The boundary of the area subject to lien and subordination is more particularly described as follows:

Beginning at the southwest corner No. 1 of the Crescent No. 1 lode, Mineral Survey No. 3291 from which the quarter corner between Section 21 and 28, T 48 N, R 3 E, Boise Meridian bears South 53°29'20" East 620.68 feet, thence N. 83°40' E - 400 feet distance to a point on line 1 - 4 of Crescent No. 1; thence N. 0°23'W., 603 feet to a point on line 1 - 4 of Crescent lode; thence N 0°23'W., 603 feet to a point on line 1 - 4 of Crescent No. 2; thence N 0°23'W., 603 feet to a point on line 2 - 3 of Crescent No. 6; thence, N 0°23'W., 409.52 feet to a point on line 1 - 2 of Roberts No. 1 lode, Mineral Survey No. 3273; thence, N 0°23'W., 345 feet to a point on line 1 - 2 of Roberts lode; thence N 0°23' W., 603 feet to a point on line 3 - 4 of Rex lode; thence, N 4°05' W., 600 feet to a point on line 3 - 4 of Red Umbrella lode; thence, N 15°19'E, 645 feet to a point on line 3 - 4 of S.C. I No. 10; thence N 15°19'E., 326.25 feet to a point on line 1 - 4 of Contact Mountain lode; thence N 16°03'E., 648 feet to a point on line 1 - 4 of Baldur Fraction lode; thence N 16°03'E., 207.08 feet to a point on line 2 - 3 of Baldur Fraction lode; thence S 83°40'W., 400 feet to Corner No. 2 of Baldur Fraction lode; thence N 16°03'E., 356.16 feet to Corner No. 4 of Baldur lode; thence, N 80°14'W., 763.88 feet to intersection of line 3 - 4 Duke lode, Mineral Survey No. 3217; thence S 17°56'W., 592.71 feet along east end line to Corner No. 4 of said Duke lode; thence N. 78°25'W., 1,382.84 feet along south sideline of Duke lode to intersection of line 2 - 3 of Old Soll lode, Mineral Survey No. 2274; thence, S 5°26'W., 131.68 feet to Corner No. 3 of Old Soll lode; thence S 56°28'W., 1,269.86 feet along the southeasterly sideline of Old Soll lode to intersection of line 1 - 4 of Giant No. 9 lode, Mineral Survey No. 3291; thence S 12°27'W., 568.87 feet along west end line of Giant No. 9 to corner No. 4; thence, S 3°48'W., 599.96 feet along west end line of Giant No. 8 to Corner No. 3; thence S 0°23'E., 7,224 feet along west end lines of Giant No. 7, Giant No. 1, Lone Pine Lode; Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI, No. 13, SCI No. 14, Hillside No. 1, Hillside Number Two, and Hillside No. 3 all in Mineral Survey No. 3291, to corner No. 3 of said Hillside No. 3; thence S 85°26'E., 1,500 feet

to Corner No. 2; thence N 0°23'W., 602 feet to Corner No. 1; thence N 0°23'W., 240.25 feet to Corner No. 1 of SCI No. 17, thence N83°18'E., 1,485.56 feet to Corner No. 4; thence, N 0°23'W., 603 feet to Corner No. 3 of SCI No. 17 identical with Corner No. 3 of Cabin lode; thence N. 83°40'E., 654.16 feet to corner No. 2 of Cabin lode; thence, N 0°23'W., 603 feet to Corner No. 1; thence S 83°40'W., 654.16 feet to corner No. 4, identical with Corner No. 2 of SCI No. 15; thence N. 0°23'W., 1,399.52 feet along end lines of SCI No. 15, Humboldt, and Humboldt No. 1 to Corner No. 1 Crescent No. 1 lode, the place of beginning.

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
ORE-6264

ANNEX I

The land referred to in Article 2 of the contract consists of all or parts of 7 patented and 32 unpatented claims, with all rights pertaining thereto, and described as follows:

The land is bordered on the north by a combination of inclined and vertical planes based on the elevation of 390 feet below sea level as indicated on the attached "Figure 1, Sun Con Claims" and as more fully described in the Agreement of February 7, 1958, between Sunshine Consolidated, Inc., Big Creek Apex Mining Co., and Sunshine Mining Co., the parties of the first part and the Bunker Hill Company as party of the second part.

The land is bordered on the west by a vertical plane passing through the western end lines of Grant No. 8, Grant No. 7, Grant No. 1, Lone Pine, Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI No. 13, SCI No. 14, Hillside No. 1, Hillside No. 2, and Hillside No. 3 claims.

The land is bordered on the south by the southerly side lines of the Hillside No. 3 and SCI No. 17 claims and that portion of the Cabin claim lying westerly of the southerly extension of the vertical plane bounding the land on the east.

The land is generally bordered on the east by a vertical plane passing parallel to and 400 feet easterly of the western end lines of the Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 6, Roberts, Roberts No. 1 and Rex claims and an extension of such vertical plane northward to its intersection with the above-cited northern boundary and also its extension southward covering part of the Cabin claim, but not including the Bismark No. 1 and 3 claims nor the area lying easterly of the east end lines of the SCI No. 15 and Humboldt claims and the Humboldt No. 1 claim in part.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "90" of Deeds at Page 30, Records of Shoshone County, Idaho.

Contact Mountain	Red Umbrella	Roberts
Bonanza Fraction	Rex	Roberts No. 1
		S.C. I No. 10

S.C. I Group, Unpatented, Mineral Survey #3291

Claim	Recorded Vol.	Recorded Page	Claim	Recorded Vol.	Recorded Page
Lone Pine	24	563	SCI No. 14	24	566
Lone Pine #1	20	115	SCI No. 15	24	567
Lone Pine #2	20	116	SCI No. 16	24	568
Humboldt	24	562	SCI No. 17	24	569
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	557
Humboldt No. 3	20	438	Giant No. 7	22	205
Hillside No. 1	21	347	Giant No. 8	22	206
Hillside Number Two	21	348	Giant No. 10	22	208
Hillside No. 3	24	561	Giant No. 11	22	209
SCI No. 7	24	374	Giant No. 12	22	210
SCI No. 8	24	375	Crescent	17	550
SCI No. 9	24	376	Crescent No. 1	24	579
SCI No. 11	24	539	Crescent No. 2	19	193
SCI No. 12	24	564	Crescent No. 6	20	434
SCI No. 13	24	565	Cabin	24	578

The lands pertaining to this contract are owned by the Operator and are included in a Memorandum of Agreement relating to mineral rights between the Operator and the Sunshine Mining Company dated September 8, 1943. A Lien or Subordination Agreement executed by Sunshine Mining Company, dated December 4, 1962, is attached hereto.

All claims pertaining to this contract are shown, with exterior property boundaries in blue outline on the attached Figure 1 entitled "Sun Con Claims."

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
OSM-6264

EXHIBIT A

The purpose of this project is to explore for silver-bearing ore bodies by drifting westerly on or parallel to the Yankee Girl vein on the 3100 level, with such auxiliary crosscutting as necessary; likewise by diamond core drilling.

The work shall be divided into two stages; Stage I work shall be done as outlined herein and as much of Stage II work shall be done as is approved in advance by the Government.

General Provisions

No work under this contract may be performed at distances less than 100 feet from the exterior property boundaries. The location, direction, and extent of each work item shall be subject to prior Government approval.

The total combined footage of drifting, with auxiliary crosscutting, shall not exceed 1300 feet, and the total combined footage of diamond drilling shall not exceed 3000 feet. The Government will contribute to the cost of not to exceed 300 feet of timbering (or rock bolting) for drifts and crosscuts.

The diamond drilling shall be done by use of Standard BX coring bits (core diameter approximately 1-5/8 inches). When necessary to complete a hole, standard AX size (core diameter approximately 1-1/8 inches) may be used.

Core from the diamond drilling shall be properly boxed, marked and stored for later inspection by the Government. With prior Government approval, the Operator may later dispose of such core. Significantly mineralized core shall be split and sampled and the sample assayed. No sample shall represent a core length of more than five feet.

Facilities shall be provided for the sampling of diamond drill sludges and such sludges shall be retained when drilling in significantly mineralized areas. Whenever the core recovery is found to have been less than 60 percent the corresponding retained sludges shall be sampled by quartering as necessary and the sample assayed, in addition to the sampling and assaying of such core segments as may have been recovered.

True copies of assay certificates of all samples shall be submitted with the Operator's monthly report which shall also include a map or sketch showing the work completed during the reporting period and showing the locations of all samples taken. The map or sketch should also show the general geological formations and structures traversed by the work performed.

All holes shall be logged geologically and copies of the logs of the completed holes shall likewise be furnished monthly, with the Operator's monthly report.

All drifts and crosscuts shall be of not less than 7' by 9' in the clear of timber and shall be timbered as necessary, using drift sets of not less than 8" by 8" timber, or equivalent round timber. When considered advisable, steel rock bolts may be used in lieu of timber but the Government will not contribute to the costs of more than seven rock bolts in any 5-foot linear section.

Mine rails shall be of not less than 20 pound size, air lines of not less than 3-inch diameter and water lines of not less than 2-inch size. The drifts shall be ventilated, using not less than 24-inch diameter vent pipe.

All significantly mineralized areas traversed by the drifting shall be sampled normal to their trends at intervals of not more than ten feet. Likewise a representative bulk sample shall be taken of each round broken, in areas showing significant mineralization.

All samples from whatever source, before being sent for assay, shall be split and one split set aside and made available to the Government, properly marked as to source and location. Samples shall be assayed for silver and determinations may also be made for lead, zinc and copper, if considered desirable.

The Operator shall provide such supervisory and technical services as may be necessary to complete the project in a satisfactory manner.

Description of the Work

Stage I

The present westerly heading of the Yankee Girl lateral, 3100 level, shall be continued westerly for an approximate distance (including auxiliary crosscutting) of 700 feet. The lateral shall be driven parallel to the vein, in the hanging wall area, at such distance from the vein as appears most desirable to escape heavy ground conditions.

Diamond drilling shall be done in a northerly direction from the lateral, at 175-foot intervals, to explore the Yankee Girl vein zone. In the event the vein proves to be mineralized (not necessarily of ore grade), secondary drilling shall be done at approximately 60-foot spacing.

Whenever the drilling shows significant results, crosscuts may be driven to further explore the vein and the vein may be drifted upon, if ground conditions warrant and it is considered desirable.

Not to exceed 2000 feet of diamond drilling may be done under Stage I.

Stage II

The Yankee Girl lateral (or drifting on the vein if considered feasible) shall be continued westerly for an additional distance of approximately 600 feet including any auxiliary crosscutting, which may be deemed desirable. Northerly diamond drilling shall be done as delineated under Stage I.

Estimated Costs of the Project

Agreed Unit Costs

Stage I

Drifting and crosscutting 700 ft. @ $53	$37,100.00
Timbering of drifts and crosscuts 160 ft. @ $12	1,920.00
Rock bolts @ $5 each, complete	

Diamond drilling

BX 2000 ft. @ $7.50	15,000.00
AX @ $6.50 per ft.	
Assaying	
200 determinations @ $1.50 each	300.00
Total Estimated Cost Stage I	$ 54,320.00

Stage II

Agreed Unit Costs

Drifting and crosscutting	
600 ft. @ $52	$31,800.00
Timbering of drifts and crosscuts	
140 ft. @ $12	1,680.00
Rockbolts, complete @ $5 each	
Diamond drilling	
BX 1800 ft. @ $7.50	13,500.00
AX @ $6.50 per ft.	
Assaying	
200 determinations at $1.50	300.00
Total Estimated Cost Stage II	$ 47,280.00
Total Estimated Costs, Both Stages	$ 101,600.00
Government Participation, 50%	$ 50,800.00

EXHIBIT B

NONDISCRIMINATION IN EMPLOYMENT

(Section 301, Executive Order 10925, March 6, 1961, 26 FR 1977)

"In connection with the performance of work under this contract, the contractor agrees as follows:

"(1) The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

"(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

"(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the said labor union or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

"(4) The contractor will comply with all provisions of Executive Order No. 10925 of March 6, 1961, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

"(5) The contractor will furnish all information and reports required by Executive Order No. 10925 of March 6, 1961, and by the rules, regulations, and orders of the said Committee, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

"(6) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled in whole or in part and the contractor may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order No. 10925 of March 6, 1961, and such other sanctions may be imposed and remedies invoked as provided in the said Executive order or by rule, regulation, or order of the President's Committee on Equal Employment Opportunity, or as otherwise provided by law.

"(7) The contractor will include the provisions of the foregoing paragraphs (1) through (6) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the President's Committee on Equal Employment Opportunity issued pursuant to section 303 of Executive Order No. 10925 of March 6, 1961, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: *Provided, however,* That in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States."

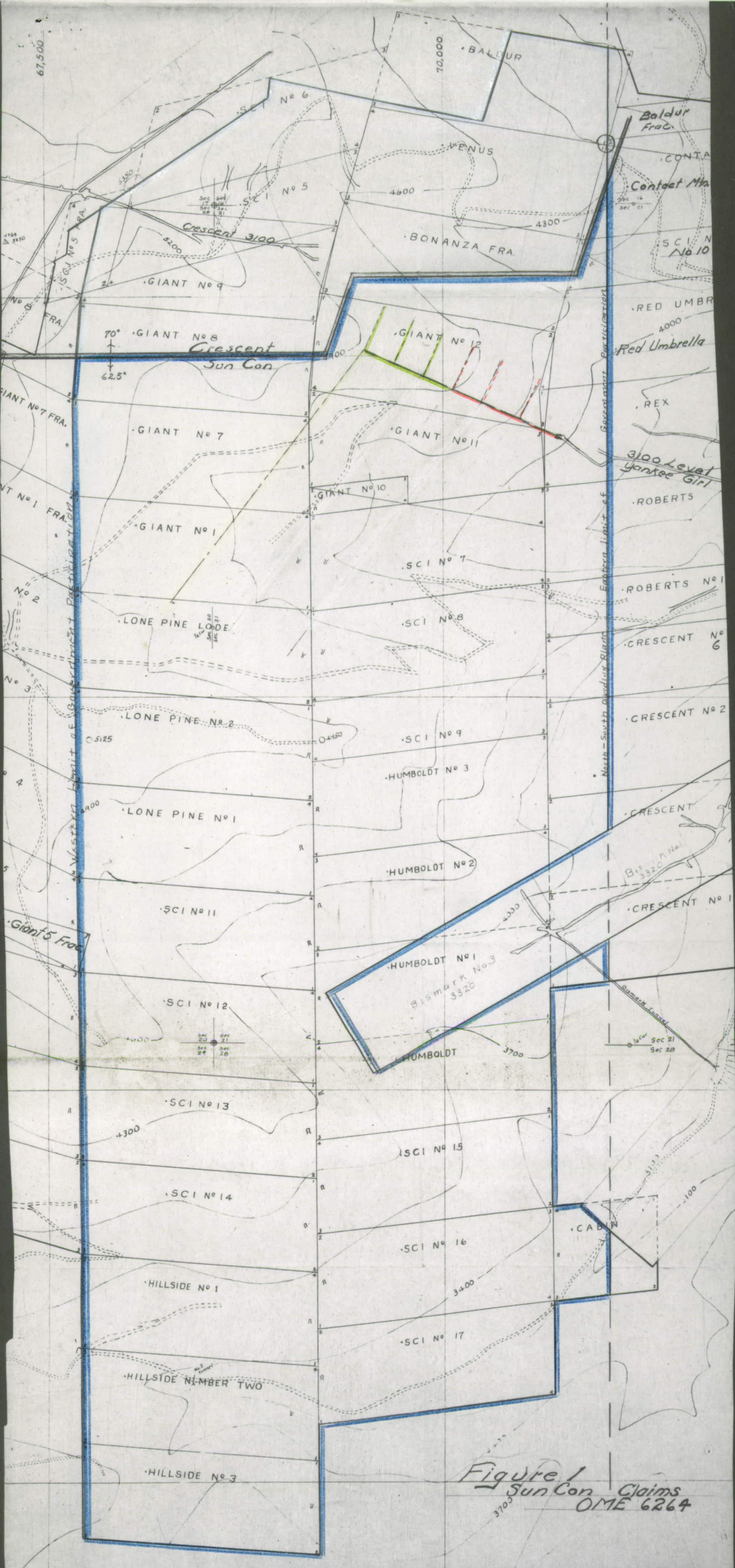

Figure 1
Sun Con Claims
OME 6264

Extra Copy for Field Office

MME Form 51
Feb. 1959

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

EXPLORATION CONTRACT
(Short Form)

Docket No.	Commodity	Contract No.	County	State
OME [redacted]	[redacted]	14-23-090-2168	[redacted]	[redacted]

It is agreed MAY 20 1963 (Date), between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and

[redacted],

whose mailing address is [redacted], hereinafter called the "Operator," as follows:

ARTICLE I. Authority and scope.--(a) This contract, entered into under the authority of Public Law 701, 85th Cong., 2d sess. (72 Stat. 700; 30 U.S.C. § 641 - 646), consists of this form, the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed. The work is a search for new or unexplored deposits of the commodity designated above. The Operator shall begin the work on or before _____ (Date), and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within [redacted] months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the work is $[redacted]. The Government will contribute 50 percent of the total fixed unit costs of the work performed, not in excess of $[redacted] in accordance with the provisions of Articles 4 and 5.

(c) Interest computation.--Simple interest computed annually at the rate of 6 percent shall accrue from the dates Federal funds are made available until the period specified for payment of royalty expires, or until the amount of Federal funds contributed is fully repaid with interest.

(d) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. Operator's rights in land.--(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's right of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances: [redacted]

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Lien Agreement of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached as follows: [redacted]

(c) The Operator shall preserve and maintain his right, title, or interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a royalty on production and liens for the payment thereof. Two true copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. Performance of the work.--(a) Operator's responsibility.--The work shall be performed diligently, efficiently, in a workmanlike manner in accordance with good mining standards, and in compliance with State laws governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work as specified in Article 1(a).

(b) Government may inspect.--The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract and production operations during the period that royalty is payable to the Government. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. Contribution by the Government.--The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5(b), but all payments by the Government are provisional only, subject to audit. Until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been received, the Government may withhold such sums as are necessary to protect its interests. To the extent that amounts in excess of fixed unit costs or in excess of the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such amounts for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. Reports, accounts, audits.--(a) Operator's records.--The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) Monthly reports.--The Operator shall provide the Government with five copies of monthly reports in three sections as follows:

(1) Operator's Monthly Voucher claiming costs for work performed;

(2) Operator's Progress Report showing the number of units of the various types of work performed; and

(3) a narrative report of the work performed during the reporting period, including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground.

(Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) Final report.--Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final monthly report). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) Report of sales.--The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's royalty relates, such as copies of smelter or concentrator settlement sheets and certified accounts of production and sale or other disposition of production.

(e) Compliance with requirements.--If the Government determines that any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the preparation or completion of same with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. Repayment by Operator.--(a) Certification.--If the Government considers that mineral or metal production from the land covered by the contract may be possible as a result of the exploration work, it shall so certify in writing to the Operator at any time not later than six months after a sufficient final report and final accounting (see Article 5) have been furnished.

(b) Royalty on production.--The Operator, whether or not the producer (for example, if the Operator either transfers or does not retain his interest in the land), shall pay to the Government a royalty on all minerals and metals mined or produced from the land as follows:

(1) irrespective of any certification of possible production--from the date of the contract until the lapse of the time within which the Government may issue such certification or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first; or

(2) if the Government issues a certification of possible production--for a period of ten years from the date of the contract or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first. (See Also Article 10)

(c) Payment of royalty.--(1) The Government's royalty shall be five percent of the ~~Operator's~~ gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrate, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business and shown as deductions on the buyer's settlement sheets (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable by the buyer to a carrier (not the Operator)), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. No costs of the Operator are deductible in arriving at the "gross proceeds" as that term is here used.

The term "treatment processes" means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

(2) The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be.

(d) Unsold production.--If any production (ore, concentrate, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrate, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(e) Lien for payment.--To secure the payment of royalty (see Article 6(b)), the Operator hereby grants to the Government a lien upon his interest in the land and upon any production of minerals and metals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(f) Notice to purchasers.--The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Government, and this estimate shall be final and binding upon the Operator.

(g) No obligation to produce.--Nothing in this contract shall be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(h) Government not obligated to buy.--Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals and metals mined or produced from the land.

ARTICLE 7. Termination of the Government's Obligations.--(a) If the Government determines that operations at any time have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and thereupon:

(1) the Government shall be free of all obligation to pay on account of units of work not then performed; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

(b) If the Government determines that the Operator is in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon:

(1) the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to royalty and liens to secure the payment thereof, and such rights shall be fully preserved.

(d) The determinations of the Government are subject to appeal under Article 11.

ARTICLE 8. Notices to be given by the Government may be delivered to the Operator or may be sent by certified mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. Officials not to benefit.--No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

(See Article 14)

~~ARTICLE 10. Nondiscrimination.--In connection with the performance of work under this contract, the Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Government setting forth the provisions of the nondiscrimination clause.~~

~~The Operator further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.~~

ARTICLE 11. Disputes.--Any dispute arising under this contract which is not disposed of by agreement shall be decided by the Director, Office of Minerals Exploration, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Operator. The decision of the Director, Office of Minerals Exploration, shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Operator mails or otherwise furnishes to the Director, Office of Minerals Exploration, a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

The term "Director, Office of Minerals Exploration," as used herein includes his duly authorized representative.

ARTICLE 12. Eight-Hour Law of 1912--Overtime compensation.--This contract, to the extent that it is of a character specified in the Eight-Hour Law of 1912, as amended (40 U. S. Code 324—326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35—45), is subject to the following provisions and exceptions of said Eight-Hour Law of 1912, as amended, and to all other provisions and exceptions of said Law:

No laborer or mechanic doing any part of the work contemplated by this contract, in the employ of the Operator or any independent contractor contracting for any part of said work contemplated, shall be required or permitted to work more than eight hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every laborer and mechanic employed by the Operator or any independent contractor engaged in the performance of this contract shall be computed on a basic day rate of eight hours per day; and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this clause a penalty of five dollars shall be imposed for each laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this clause, and all penalties thus imposed shall be withheld for the use and benefit of the Government.

ARTICLE 13. Copeland (Anti-Kickback) Act--Nonrebate of wages.--The regulations of the Secretary of Labor applicable to contractors and subcontractors (29 CFR, Part 3), made pursuant to the Copeland Act, as amended (40 U. S. C. 276c) and to aid in the enforcement of the Anti-Kickback Act (18 U. S. C. 874) are made a part of this contract by reference. The Operator will comply with these regulations and any amendments or modifications thereof and will be responsible for the submission of affidavits required of independent contractors thereunder. The foregoing shall apply except as the Secretary of Labor may specifically provide for reasonable limitations, variations, tolerances, and exemptions.

ARTICLE 14. Changes and added provisions.—

1. Article 10 is revised to read as follows:

Article 10. "Nondiscrimination. The provisions governing performance of work under Government contracts, as set out in Section 301 of the Executive Order 10925, dated March 6, 1961 (a copy of which is attached hereto as Exhibit A and by reference hereby incorporated and made a part of this contract), shall be applicable to this contract.

"In compliance with the Rules and Regulations (41 CFR, Section 60-1.3(a) issued under Executive Order 10925 of March 6, 1961, the Operator is hereby bound and agrees to include in each subcontract which it shall make with a subcontractor or supplier paragraphs (1) through (7) of Section 301 of said Executive Order, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity.

"The Operator shall require each of its subcontractors (first tier) to include in every subcontract with each of its subcontractors (second tier) the following clause: The (here identify the second-tier subcontractor by name) shall incorporate by reference in each subcontract or purchase order with a subcontractor or supplier paragraphs (1) through (6) of Section 301 of Executive Order 10925 of March 6, 1961, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity."

2. Special Agreement Concerning Royalty. Notwithstanding the certification provisions of this Article 6, and with no further action required on the part of the Government, the Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer, or its successor, shall pay to the Government a royalty on production, regardless of where it is produced, which is transported through any workings or any portion of any workings to the east of which the Government has contributed, for the period described in Article 6(b)(2) above, and pursuant to the terms of Article 6(c) et seq. However, in no event shall more than one royalty be due or paid under this contract on the same production.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

_____ (Operator)

By _____

Title _____

By George Fumich, Jr. (Pl)
Director, Office of Minerals Exploration

I _____ (Name), certify

that I am the _____ secretary of the

corporation named as Operator herein; that _____ (Name),

who signed this contract on behalf of the Operator, was then

_____ (Title) of said corporation;

that said contract was duly signed for and in behalf of said corporation

by authority of its governing body, and is within the scope of its

corporate powers.

_____

[CORPORATE SEAL]

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
GSS-6264

ANNEX I

The land referred to in Article 2 of the contract consists of all or parts of 7 patented and 32 unpatented claims, with all rights pertaining thereto, and described as follows:

The land is bordered on the north by a combination of inclined and vertical planes based on the elevation of 300 feet below sea level as indicated on the attached "Figure 1, Sun Cap Claims" and as more fully described in the Agreement of February 7, 1958, between Sunshine Consolidated, Inc., Big Creek Spar Mining Co., and Sunshine Mining Co., the parties of the first part and the Bunker Hill Company as party of the second part.

The land is bordered on the west by a vertical plane passing through the western end lines of Crest No. 6, Crest No. 7, Crest No. 1, Lone Pine, Lone Pine No. 2, Lone Pine No. 1, BCI No. 11, BCI No. 12, BCI No. 13, BCI No. 14, Hillside No. 1, Hillside No. 2, and Hillside No. 3 claims.

The land is bordered on the south by the southerly side lines of the Hillside No. 3 and BCI No. 17 claims and that portion of the Cabin claim lying westerly of the southerly extension of the vertical plane bounding the land on the east.

The land is generally bordered on the east by a vertical plane passing parallel to and 400 feet easterly of the western end lines of the Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 6, Roberts, Roberts No. 1 and Sun claims and an extension of such vertical plane northward to its intersection with the above-cited northern boundary and also its extension southward covering part of the Cabin claim, but not including the Bismark No. 1 and 3 claims nor the area lying westerly of the east end lines of the BCI No. 13 and Humboldt claims and the Humboldt No. 1 claim in part.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "98" of Deeds at Page 30, Records of Shoshone County, Idaho.

Contact Mountain	Red Mahogany	Roberts
Sunshine Fraction	Sun	Roberts No. 1
		S.C. I No. 10

S.C. I Group, Supplemental, Mineral Survey #3891

Claim	Recorded Vol.	Recorded Page	Claim	Recorded Vol.	Recorded Page
Lone Pine	24	363	SCI No. 14	24	366
Lone Pine #1	20	115	SCI No. 15	24	367
Lone Pine #2	20	116	SCI No. 16	24	368
Humboldt	24	362	SCI No. 17	24	369
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	357
Humboldt No. 3	20	438	Giant No. 7	22	205
Hillside No. 1	21	347	Giant No. 8	22	206
Hillside Number Two	21	348	Giant No. 10	22	208
Hillside No. 3	24	361	Giant No. 11	22	209
SCI No. 7	24	374	Giant No. 12	22	210
SCI No. 8	24	375	Crescent	17	990
SCI No. 9	24	376	Crescent No. 1	24	379
SCI No. 11	24	539	Crescent No. 2	19	193
SCI No. 12	24	364	Crescent No. 6	20	434
SCI No. 13	24	365	Cabin	24	378

The lands pertaining to this contract are owned by the Operator and are included in a Memorandum of Agreement relating to mineral rights between the Operator and the Sunshine Mining Company dated September 8, 1943. A Lien or Subordination Agreement executed by Sunshine Mining Company, dated December 4, 1982, is attached hereto.

All claims pertaining to this contract are shown, with exterior property boundaries in blue outline on the attached Figure 1 entitled "Sun Con Claims."

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
OMS-6204

EXHIBIT A

The purpose of this project is to explore for silver-bearing ore bodies by drifting westerly on or parallel to the Yankee Girl vein on the 3100 level, with such auxiliary crosscutting as necessary; likewise by diamond core drilling.

The work shall be divided into two stages; Stage I work shall be done as outlined herein and no work of Stage II work shall be done as is approved in advance by the Government.

General Provisions

No work under this contract may be performed at distances less than 100 feet from the exterior property boundaries. The location, direction, and extent of each work item shall be subject to prior Government approval.

The total combined footage of drifting, with auxiliary crosscutting, shall not exceed 1300 feet, and the total combined footage of diamond drilling shall not exceed 3000 feet. The Government will contribute to the cost of not to exceed 300 feet of timbering (or rock bolting) for drifts and crosscuts.

The diamond drilling shall be done by use of Standard BX coring bits (core diameter approximately 1-5/8 inches). When necessary to complete a hole, Standard AX size (core diameter approximately 1-1/8 inches) may be used.

Core from the diamond drilling shall be properly boxed, marked and stored for later inspection by the Government. With prior Government approval, the Operator may later dispose of such core. Significantly mineralized core shall be split and sampled and the sample assayed. No sample shall represent a core length of more than five feet.

Facilities shall be provided for the sampling of diamond drill sludges and rock sludges shall be retained when drilling in significantly mineralized areas. Whenever the core recovery is found to have been less than 60 percent the corresponding retained sludges shall be sampled by quartering as necessary and the sample assayed, in addition to the sampling and assaying of such core segments as may have been recovered.

Two copies of assay certificates of all samples shall be submitted with the Operator's monthly report which shall also include a map or sketch showing the work completed during the reporting period and showing the locations of all samples taken. The map or sketch should also show the general geological formations and structures traversed by the work performed.

All holes shall be logged geologically and copies of the logs of the completed holes shall likewise be furnished monthly, with the Operator's monthly report.

All drifts and crosscuts shall be of not less than 7' by 9' in the clear of timber and shall be timbered as necessary, using drift sets of not less than 8" by 8" timber, or equivalent round timber. When considered advisable, steel rock bolts may be used in lieu of timber but the Government will not contribute to the costs of more than seven rock bolts in any 5-foot linear section.

Mine rails shall be of not less than 30 pound size, air lines of not less than 3-inch diameter and water lines of not less than 2-inch size. The drifts shall be ventilated, using not less than 24-inch diameter vent pipe.

All significantly mineralized areas traversed by the drifting shall be sampled normal to their trends at intervals of not more than ten feet. Likewise a representative bulk sample shall be taken of each round broken, in areas showing significant mineralization.

All samples from whatever sources, before being sent for assay, shall be split and one split set aside and made available to the Government, properly marked as to source and location. Samples shall be assayed for silver and determinations may also be made for lead, zinc and copper, if considered desirable.

The Operator shall provide such supervisory and technical services as may be necessary to complete the project in a satisfactory manner.

Description of the Work

Stage I

The present westerly heading of the Yankee Girl Intercal, 3100 level, shall be continued westerly for an approximate distance (including auxiliary crosscutting) of 700 feet. The intercal shall be driven parallel to the vein, in the hanging wall area, at such distance from the vein as appears most desirable to escape heavy ground conditions.

Diamond drilling shall be done in a northerly direction from the intercal, at 175-foot intervals, to explore the Yankee Girl vein area. In the event the vein proves to be mineralized (not necessarily of ore grade), secondary drilling shall be done at approximately 60-foot spacing.

Whenever the drilling shows significant results, crosscuts may be driven to further explore the vein and the vein may be drifted upon, if ground conditions warrant and it is considered desirable.

Not to exceed 3000 feet of diamond drilling may be done under Stage I.

Stage II

The Yankee Girl Intercal (or drifting on the vein if considered feasible) shall be continued westerly for an additional distance of approximately 600 feet including any auxiliary crosscutting, which may be deemed desirable. Northerly diamond drilling shall be done as delineated under Stage I.

Estimated Costs of the Project

Annual Unit Costs

Stage I

Drifting and crosscutting 700 ft. @ $53	$37,100.00
Timbering of drifts and crosscuts 160 ft. @ $12	1,920.00
Rock bolts @ $5 each, complete	

Diamond drilling

BX 2000 ft. @ $7.50 — 15,000.00

AX @ $6.50 per ft.

Assaying
200 determinations @ $1.50 each — 300.00

Total Estimated Cost Stage I — $ 34,300.00

Stage II

Actual Unit Costs

Drifting and crosscutting
900 ft. @ $33 — $31,000.00

Timbering of drifts and crosscuts
140 ft. @ $12 — 1,680.00

Rockbolts, complete @ $5 each

Diamond drilling

BX 1800 ft. @ $7.50 — 13,500.00

AX @ $6.50 per ft.

Assaying
200 determinations at $1.50 — 300.00

Total Estimated Cost Stage II — $ 47,280.00

Total Estimated Costs, Both Stages — $ 201,600.00

Government Participation, 30% — $ 30,000.00

EXHIBIT B

NONDISCRIMINATION IN EMPLOYMENT

(Section 301, Executive Order 10925, March 6, 1961, 26 FR 1977)

"In connection with the performance of work under this contract, the contractor agrees as follows:

"(1) The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

"(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

"(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the said labor union or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

"(4) The contractor will comply with all provisions of Executive Order No. 10925 of March 6, 1961, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

"(5) The contractor will furnish all information and reports required by Executive Order No. 10925 of March 6, 1961, and by the rules, regulations, and orders of the said Committee, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

"(6) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled in whole or in part and the contractor may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order No. 10925 of March 6, 1961, and such other sanctions may be imposed and remedies invoked as provided in the said Executive order or by rule, regulation, or order of the President's Committee on Equal Employment Opportunity, or as otherwise provided by law.

"(7) The contractor will include the provisions of the foregoing paragraphs (1) through (6) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the President's Committee on Equal Employment Opportunity issued pursuant to section 303 of Executive Order No. 10925 of March 6, 1961, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: *Provided, however,* That in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States."

MME Form 9
Rev. Mar. 59

UNITED STATES
DEPARTMENT OF THE INTERIOR
Office of Minerals Exploration

OFFICIAL DOCKET FILE Contract No. 14-23-_____ Docket No. MME-6264

Application
- [ ] Denied
- [x] Withdrawn

Contract
- [ ] Terminated - Not Certified
- [ ] Terminated - Certified
- [ ] Cancelled
- [ ] Royalty Agreement

The records contained in this file are marked (x) and arranged in this order:

Folder No. 1:

Left Side

- [ ] Royalty Audits
- [ ] Certification of Discovery
- [ ] Closing Letter
- [ ] Cost Audits
- [ ] Termination Notice or Agreement
- [ ] Recision Notice
- [ ] Assignment of Contract
- [ ] Contract Amendments
- [ ] Contract with all exhibits and annexes
- [ ] Owner's Consent to Lien and Subordination Agreement
- [x] Application and Attachments

Right Side

- [ ] Project Summary (final)
- [ ] Work Completed Analysis (final)

All other material filed in chronological order including the following reports if checked:

- [ ] Field Team Semiannual Report for Certified Project
- [ ] Final Field Team Report (Tab)
- [ ] Operator's Final Report (Tab)
- [ ] Interim Field Team Reports
- [ ] Operator's monthly reports and all attachments
- [x] On-site Exam. Report (Tab) 1-14-63
- [ ] Settlement Sheets
- [ ] Drill Logs

Additional Folders:

Left Side

Folders No._____: Reports

- [ ] Analysis of Semiannual Inspection Reports
- [ ] Project Summary (Interim) by MME Engineers

Right Side

- [ ] Field Team Semiannual Report for Certified Project
- [ ] Field Team Interim Reports
- [ ] Operator's Monthly Reports with Transmittal, Narrative and Maps

Folders No. 2 : Maps (Use pocket folder or envelope)

Folders No._____: Settlement Sheets

Folders No._____: Drill Logs

Folders No._____: Royalty Material

52615

Sunshine Mining Company
W. 300 MISSION AVE. - PHONE FA 8-3661
SPOKANE 1, WASHINGTON

OFFICIAL FILE COPY
O. M. E
RECEIVED DEC 31 1962
DATE | INITIALS

December 26, 1962

Mr. D. R. MacLaren
Acting Field Officer, OME, Region IV
U. S. Department of the Interior
South 157 Howard Street
Spokane 4, Washington

RE: OME - 6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. MacLaren:

With reference to the application of Sunshine Consolidated, Inc. for OME assistance in a program of exploration in the Sun Con Area, Sunshine Mining Company, for a number of reasons, would not undertake the proposed exploration at its sole expense at the present time. As operator of the Sun Con Area, we have agreed to bear one-half the expense. ?

Yours very truly,

John Edgar

John Edgar
Vice President

JE:njd

cc: Norman M. Smith

RECEIVED
DEC 27 1962
U. S. G. S.
SPOKANE, WASH.

SUNSHINE CONSOLIDATED, INC.

ANNUAL REPORT

For the Year Ended

DECEMBER 31, 1961

OFFICIAL FILE COPY
O. M. E
RECEIVED JAN 9 1963

DATE	INITIALS	CODE
		120
	H	500

OFFICERS

W. M. YEAMAN, *President*

NORMAN M. SMITH, *Vice President*

RAY MORRISON, *Secretary-Treasurer*

DIRECTORS

W. M. YEAMAN
NORMAN M. SMITH
RAY MORRISON
H. J. HULL
H. F. MAGNUSON

OFFICE

Scott Building Wallace, Idaho

RECEIVED
JAN 7 1963
U. S. G. S.
SPOKANE, WASH.

SUNSHINE CONSOLIDATED, INC.

President's Report

March 12, 1962

To the Stockholders of
SUNSHINE CONSOLIDATED, INC.:

Your directors herewith submit for your consideration the 1961 Annual Report covering your Company's mining operations and financial statements.

The Sunshine Mining Company, operator of your Company's property, mined 1,604 tons of ore from the Sun Con Area during 1961. The silver content of this ore averaged 31.93 ounces per ton. Development work amounted to 101.5 feet of drifting on two intermediate levels and 124 feet of raising.

The long diamond drill hole, being driven downward from the surface at the beginning of the year, cut the Yankee Girl vein at approximately 800 feet below the surface. The vein contained some silver mineralization and plans are being made to drill the vein again from other horizons.

During the latter part of the year, plans were being discussed involving an extensive exploration program. This program would entail diamond drilling mineralized structures from various levels in the mine and the driving of the 3100 level on westward.

In November, 1961, by Presidential order, the U. S. Treasury discontinued its sales of "Free Silver" to domestic consumers. Immediately the price of silver advanced from 91.5c to $1.045 per ounce, then settled back to $1.015 per ounce. This represents approximately a 10% increase in price. With the world's consumption of silver greater than its production, it is anticipated that there will be a gradual increase in the price of silver. With a higher price for silver some of the unstoped ground in the Sun Con Area would become ore. Also with a brighter outlook for silver, more exploration work would be justified.

If you cannot attend the Annual Meeting, I would appreciate your returning the enclosed proxy.

FOR THE BOARD OF DIRECTORS,

W. M. YEAMAN, *President*

SUNSHINE CONSOLIDATED, INC.

Income Statement

Year Ended December 31, 1961

Income—		
Sale of concentrates	$ 33,448.80	
Interest income	4,101.26	
Other income	58.25	$ 37,608.31
Costs and other Expenses—		
Concentrates on hand at beginning of year	10,672.02	
Mining and milling	45,276.34	
Officers' salaries	4,800.00	
Office services and expenses	3,183.16	
Legal and auditing	1,695.00	
Taxes, other than on income	536.34	
Travel	352.49	
Insurance	322.32	
Bad debt (antimony sale)	239.61	
Depreciation of buildings and equipment	640.38	
	67,717.66	
Less concentrates on hand at end of year	746.22	66,971.44
Loss before depletion		29,363.13
Depletion of property (Note 2)		16,106.66
Net loss		$ 45,469.79

NOTES TO FINANCIAL STATEMENTS

NOTE 1: Big Creek Apex Mining Company is an Idaho corporation with authorized and outstanding capital of 2,000,000 shares having a par value of 5c per share. Its principal assets are mineral claims adjoining the claims of Sunshine Consolidated, Inc. If Sunshine Consolidated, Inc. desires to dispose of its Big Creek Apex Mining Company stock (it is the owner of 1,400,000 shares) it is obliged to give Sunshine Mining Company the first refusal thereof on terms as favorable as it may then be able to obtain elsewhere. Development costs within areas belonging to Big Creek Apex Mining Company paid for by Sunshine Consolidated, Inc. are to be recovered by the latter company out of the net proceeds of commercial ores (in the event any are discovered) taken from these areas.

NOTE 2: Mineral claims and development are stated at cost, less substantial write downs, and include $269,750 representing one-half of the par value of 2,158,000 shares of capital stock issued in connection with the claims. The provision for depletion has been computed by the units mined method at a rate sufficient in the amount to provide for the amortization of the net book value of the property on exhaustion of the estimated ore reserves.

SUNSHINE CONSOLIDATED, INC.

Report of Independent Public Accountants

To the Board of Directors
Sunshine Consolidated, Inc.:

We have examined the balance sheet of Sunshine Consolidated, Inc., as of December 31, 1961, and the related income statement for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and income statement, together with the notes thereto, present fairly the financial position of Sunshine Consolidated, Inc., at December 31, 1961, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Yakima, Washington
January 31, 1962

BOYD, OLOFSON & COMPANY
Certified Public Accountants

Notice of Annual Meeting of Shareholders

Notice is hereby given that the annual meeting of the shareholders of SUNSHINE CONSOLIDATED, INC. has been called and will be held at the office of the company in the Scott Building, Cedar Street, Wallace, Idaho on Tuesday, the 3rd day of April, 1962, at the hour of 1:30 p. m. (Mountain Standard Time) of said day, for the following purposes, to-wit:

1. To elect five directors to serve for the ensuing fiscal year, or until their respective successors are elected and qualified.
2. To receive reports of officers.
3. To transact such other business as may properly come before the meeting.

Dated at Wallace, Idaho, this 1st day of March, 1962.

By order of the Board of Directors.

RAY MORRISON, Secretary
Box 890, Wallace, Idaho

SUNSHINE CONSOLIDATED, INC.

Balance Sheet

December 31, 1961

ASSETS

Current Assets—			
Cash in bank			$ 31,749.08
Cash in bank, time deposits			91,848.75
Investment, corporate stock (market value $22,000)			24,000.00
Accrued interest receivable			1,029.94
Antimony concentrates on hand (at lower of cost or market)			746.22
Prepaid insurance			51.52
Total current assets			149,425.51
Other Assets—			
Stock of affiliate (Note 1)		$ 60,375.00	
Development on property of affiliate (Note 1)		43,267.34	103,642.34
Property, Plant and Equipment—			
Mining claims and development (Note 2)		428,021.86	
Less provision for depletion (Note 2)		247,612.47	
		180,409.39	
Buildings and equipment	$ 14,229.01		
Less provision for depreciation	13,738.92	490.09	180,899.48
Total assets			$433,967.33

LIABILITIES AND CAPITAL

Current Liabilities—			
Accounts payable, trade			$ 5,198.86
Capital—			
Capital stock, par value 25c per share, 3,000,000 shares authorized of which 2,922,744 shares are outstanding		$730,686.00	
Paid-in surplus		204,025.43	
Earned surplus (deficit),			
Balance December 31, 1960	$(460,473.17)		
Add 1961 net loss	(45,469.79)		
Balance December 31, 1961		(505,942.96)	428,768.47
Total liabilities and capital			$433,967.33

MME FORM 6 REFERENCE SLIP

REV. 2-59 OFFICE OF MINERALS EXPLORATION

TO:	DATE	INITIALS
1. Chief, Div. of Field Operations	7/16/62	
2.		
3.		
4.		
5. Margaret Yourt for		
FROM: D. R. MacLaren, Act. Fld. Offr.		

Region I

FOR: Check items for action desired

X Action ____ Reply for signature of ____

____ Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions ____ Your information

REMARKS: Application
Sunshine Consolidated, Inc.
Sun Con Area (Silver-Antimony)
Shoshone County, Idaho

INT.-DUP. SEC., WASH., D.C. M50943

MME Form 40
Dec. 1958

RECEIVED
JUL 16 1962
U. S. G. S.
SPOKANE, WASH.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

Budget Bureau No. 42-R1368
Approval expires Dec. 31, 1963

O.M.E.
JUL 18 1962

APPLICATION FOR FINANCIAL ASSISTANCE IN MINERALS EXPLORATION

Pursuant to Public Law 85–701 (72 Stat. 700; 30 U.S.C. 641)

NAME OF APPLICANT *(Full legal name and mailing address as they should appear on contract if one is executed.)*

Sunshine Consolidated, Inc.
c/o Norman M. Smith, General Manager
Sunshine Star Route
Kellogg, Idaho

APPLICANT DO NOT USE THIS BLOCK

DOCKET NUMBER: 6264

DATE RECEIVED: 7-18-62

REGION: I

DIVISION CODE:

BUSINESS ORGANIZATION *(Check one)*

INDIVIDUAL	
CORPORATION	X
PARTNERSHIP	
OTHER *(Specify)*	

STATE IN WHICH FIRM IS ORGANIZED:

LIST CORPORATE OFFICERS OR PARTNERS HERE, IF APPLICABLE

NAME	ADDRESS	TITLE
W. M. Yeaman,	Box 34, Yakima, Washington	Preisent
Norman M. Smith,	Sunshine Star Route Kellogg, Idaho	Vice President
Ray Morrison,	Box 890, Wallace, Idaho	Secretary-Treasurer

MINERAL(S) FOR WHICH YOU WISH TO EXPLORE: Silver, Antimony

ESTIMATED COST OF PROJECT: $ ~~267,275.00~~ $135,750.00

PROPERTY NAME	LOCATION COUNTY	STATE
Sun Con Area	Shoshone,	Idaho

GENERAL INSTRUCTIONS

Before filling out this application, please read the *OME Regulations for Obtaining Federal Assistance in Financing Explorations for Mineral Reserves* (30 CFR Chap. III). To assure prompt action, your application must provide all applicable material and information specified on the back of this application form. Avoid unnecessary correspondence and delays by submitting complete and accurate information. *Please submit four copies of this application and all accompanying papers* except as otherwise noted. Place your name and address on each sheet. Each item of information, maps, and reports required as a part of this application is described on the back of this form. Identify each attached statement by the item number to which it applies. If an item does not apply to your application, show the item number on your statement and after it write "not applicable." Maps or sketches should be used to supplement narrative descriptions of the property location and boundaries in item 2, existing mine workings and geology in item 3, and the proposed exploration work in item 5. When this information is not too complex, all of it may be shown on one map or sketch. All documents and other attachments submitted as a part of this application, except those in item 3(g) which you mark to be returned, become the property of the Government and will not be returned to the applicant. Send true copies, *not originals*, of leases, contracts, and other documents which are an essential part of your business records. *File this application with the Office of Minerals Exploration, Department of the Interior, Washington 25, D. C., or with the nearest OME Field Office.*

CERTIFICATION

The undersigned, whether as an individual, corporate officer, partner, or otherwise, both in his own behalf and acting for the applicant, certifies that the information set forth in this form and accompanying papers is correct and complete, to the best of his knowledge and belief, and that he would not ordinarily undertake the proposed exploration under current conditions and circumstances at his sole expense.

7/13/62
DATED

BY *(Signature)* Norman M. Smith
Vice President and General Manager
TITLE

A wilfully false statement or certification to any Department or Agency of the United States Government is a criminal offense. U. S. Code, Title 18, Sec. 1001.

INFORMATION REQUIRED WITH THIS APPLICATION

1. Financial Eligibility:

(a) Submit evidence of efforts made within 90 days preceding the filing of this application to obtain credit from your bank of account and at least one other banking institution or other private source of credit. Such evidence shall include true copies of correspondence which show: (1) date of loan request, (2) amount and terms requested, (3) proposed use of loan funds, and (4) the replies from credit sources. If the loan was offered under terms which you consider unreasonable, state why you consider them so.

(b) List names and addresses of affiliated, parent, or controlling companies or organizations and state extent and nature of their interest.

(c) State how you propose to furnish your share of the cost of the exploration work.

2. Applicant's Rights in Land:

(a) State your interest in the land and mineral rights, whether owner, lessee, purchaser under contract, or other. If you are not the owner, submit one true copy of the lease, contract, or other document (with address of owner) under which you control the property. Describe all liens, mortgages, or other encumbrances on the land and state book and page number and official place where recorded.

(b) State the legal description (section, township, and range; metes and bounds; patent number of claims) of the land upon which you wish to explore and all adjacent land which you own or control. Describe any part of the land or workings which should not be subject to Government royalty and liens. If the land consists of unpatented claims, state book and page number for each recorded location notice, including amended locations, and official place where recorded. State all the names by which you know the property.

(c) For all land or mineral rights encumbered or not owned, submit five copies of Lien and Subordination Agreements on MME Form 52. If the agreements cannot be obtained, state reasons and provide copies of letters of refusal.

3. Physical Description:

(a) Describe in detail and illustrate with maps or sketches all mining or exploration operations which you know have been or are being conducted upon the land. Include existing mine workings and all production facilities.

(b) State your interest, if any, in operations described in (a).

(c) State, if you know, the past and current production, supporting your statement with copies of settlement sheets, mine records, or published data if available.

(d) Describe known ore reserves, giving quantities and grades and sampling methods used. Support your statement with copies of assay certificates and assay maps if available.

(e) Describe by narrative and maps or sketches the geologic features of the property, including ore minerals, geologic formations if known, and type of deposit (vein, bedded, etc.).

(f) State your reasons for expecting to find ore, and if you have sampled the area you propose to explore, show where the samples were taken, describe sampling methods used, and provide copies of assay certificates.

(g) Send with your application at least *two* copies of all geologic or engineering reports, assay maps, or technologic information which you have, indicating whether you require their return.

4. Accessibility of Property:

(a) To aid the OME representative who may examine the property, state name and address of person who will meet him; give directions for reaching the property; and describe accessibility of property and of any mine workings.

(b) Name the shipping and supply points and state the distances to the property.

5. Exploration Work:

(a) Describe fully the proposed exploration work giving individual footages and sizes of openings *for each item of work.* Use narrative, maps, plans, and sections as necessary. Show location of the proposed work as related to geologic features such as veins, ore-bearing beds, contacts of rock formations, etc. Show also the relation of the proposed work to any existing mine workings and to *land boundaries* or to the closest identifiable corner.

(b) If an access road must be built, show the proposed location on the property map and state the length, type and construction methods proposed.

(c) If an OME contract is executed, state how soon thereafter work would be started and finished. State your anticipated average daily or monthly rate of progress for each type of work.

6. Experience:

State your operating experience and background to conduct this exploration work and also that of the person who will supervise the work.

7. Estimate of Costs:

Furnish detailed estimates of the necessary costs *for each item of the work proposed in 5(a)* under the headings listed below with a total for each heading and the estimated total cost of the work. Costs for any work to be performed by an independent contractor should be listed separately under category (a) below. Costs for any work that is not to be performed by an independent contractor should be listed under categories (b) through (g).

(a) Independent contracts. State the total cost of any proposed independent contract for all or any part of the work, and the number of units and the unit cost for each type of work, such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, or per cubic yard of material moved. Cost estimates should be supported by bids from three contractors if possible. (*Note*—If none of the work is to be contracted, write "none" after this item.)

(b) Personal services. The cost of supervision, engineering and geological services, outside consultants, and labor should be itemized by numbers and classes of employees; rates of wages, salaries or fees; and periods of employment. State whether these services are available.

(c) Operating materials and supplies. List items of material and supplies giving quantity and cost of each. Include under this heading power, water, and fuel, and units of equipment and tools costing less than $50 each.

(d) Operating equipment. List items of equipment and tools costing $50 or more per unit. Give specifications and indicate how each item is to be acquired—i.e., rented, purchased or provided by the applicant. If rented or purchased, state the estimated rental or purchase price. If furnished by the applicant, state condition and present fair market value.

(e) Initial rehabilitation and repairs. Describe the type and the cost of *initial* rehabilitation or repair of existing buildings, fixtures, installations (exclusive of mine workings), and movable operating equipment now owned by the applicant which will be used in the exploration work.

(f) New buildings, fixtures, installations. Describe each building, fixed improvement, and installation to be purchased, constructed, or installed for the exploration work, stating specifications and cost including labor, materials, and supervision.

(g) Miscellaneous. Describe the type and estimate the cost of repairs and maintenance of the operating equipment listed in 7(d). Do not repeat initial repairs listed in 7(e). Show also the costs of analytical work, accounting, workmen's compensation and employees' liability insurance, payroll taxes, and other required costs that do not fall within the previous categories. [*Note*—The Government will not contribute to costs incurred before the date of the contract, or to costs of or incident to: (1) acquiring, using, or possessing land and any existing improvements, facilities, buildings, installations, and appurtenances, or the depreciation and depletion thereof; (2) general overhead, corporate management, interest and taxes (other than payroll and sales taxes); (3) insurance (other than employees' liability insurance); and (4) damages to persons or property (other than authorized repair to or replacement of equipment or other property used in the work).]

INT.-DUP. SEC., WASH., D.C. 50399

APPLICATION
FOR
FINANCIAL ASSISTANCE
IN
MINERALS EXPLORATION
(Silver & Antimony)

By: Sunshine Consolidated, Inc.

1962

1. Financial Eligibility:

   (a) See copies of requested loans and rejections.

   (b) Sunshine Mining Company of Kellogg, Idaho is not an affiliate, parent, nor controlling company but has entered into a working agreement with Sunshine Consolidated, Inc. whereby Sunshine will operate through its deep shafts the properties of Sunshine Consolidated.

   (c) Subject to the Sunshine-SunCon agreement of September 8, 1943, Sunshine Mining Company will furnish the operator's portion of the exploration costs.

2. Applicant's Rights In Land:

   (a) Sunshine Consolidated owns the mineral land upon which the exploration project is proposed. The mineral rights are divided equally between Sunshine Consolidated, Inc. and Sunshine Mining Company. (See Agreement of September 8, 1943 between Sunshine and SunCon)

   (b) Sunshine Consolidated owns three contiguous groups of mineral claims having an area of approximately 1,500 acres and located in the Yreka Mining District, Shoshone County, Idaho in Sections 16, 17, 18, 19, 20, 21, 28, 29; T. 48N; R. 3E., B.M. The legal description of these groups are as follows:

   Mineral Properties (Claims shown on Property Plan Map No. 1)

   Rockford Group, Patented, Mineral Survey #2807, said Patent recorded in Book "65" of Deeds at Page 420, Records of Shoshone County, Idaho.

   List of eleven claims:

   Rockford
   Corona
   Corona No. 1, No. 2, No. 3
   Happy Day
   Excellsior
   Happy Jack
   Bay Horse
   Gem
   Grouse

   Area: 198 acres, more or less

2. (b) - continued

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "90" of Deeds at Page 30, Records of Shoshone County, Idaho.

List of 23 claims:

- Stevie Corcoran
- Oslo
- Mary E.
- Hilda
- Gullickson Fraction
- Baldur
- Baldur Fraction
- Contact Mountain
- Venus
- Bonanza Fraction
- Red Umbrella
- Red Umbrella Fraction
- Rex
- Rex Fraction
- Roberts
- Roberts Fraction
- Roberts No. 1
- Gail Fraction
- Hattie Anne
- S. C. I. No. 5
- S. C. I. No. 5 Fraction
- S. C. I. No. 6
- S. C. I. No. 10

Area: 293 Acres, more or less

S. C. I. Group, Unpatented, Mineral Survey #3291

Claim Name	Recorded Vol.	Recorded Page	Claim Name	Recorded Vol.	Recorded Page
Huckleberry	17	2	SCI No. 8	24	375
Huckleberry No. 1	24	560	SCI No. 9	24	376
Lone Pine	24	563	SCI No. 11	24	539
Lone Pine No. 1	20	115	SCI No. 12	24	564
Lone Pine No. 2	20	116	SCI No. 13	24	565
Humboldt	24	562	SCI No. 14	24	566
Humboldt No. 1	20	436	SCI No. 15	24	567
Humboldt No. 2	20	437	SCI No. 16	24	568
Humboldt No. 3	20	438	SCI No. 17	24	569
Hillside	21	89	SCI No. 18	24	570
Hillside No. 1	21	347	SCI No. 19	24	571
Hillside No. 2	21	348	Gem Knob No. 1	18	251
Hillside No. 3	24	561	Gem Knob No. 2	18	252
SCI No. 1	24	370	Giant No. 1	22	199
SCI No. 2	24	371	Giant No. 1 Fraction	24	556
SCI No. 3	24	372	Giant No. 2	22	200
SCI No. 4	24	373	Giant No. 3	22	201
SCI No. 7	24	374	Giant No. 4	22	202

2. (b) - continued

S.C.I. Group, Unpatented, Mineral Survey #3291 (cont.)

Claim Name	Recorded Vol.	Recorded Page	Claim Name	Recorded Vol.	Recorded Page
Giant No. 5	22	203	W 3	24	575
Giant No. 5 Fraction	24	557	W 4	24	576
Giant No. 6	22	204	W 5	24	577
Giant No. 7	22	205	Crescent	17	550
Giant No. 7 Fraction	24	558	Crescent No. 1	24	579
Giant No. 8	22	206	Crescent No. 2	19	193
Giant No. 8 Fraction	24	559	Crescent No. 3	20	243
Giant No. 9	22	207	Crescent No. 4	20	349
Giant No. 10	22	208	Crescent No. 5	20	350
Giant No. 11	22	209	Crescent No. 6	20	434
Giant No. 12	22	210	Crescent No. 7	20	435
W	24	572	Crescent No. 8	24	580
W 1	24	573	Cabin	24	578
W 2	24	574			

Area: 1,004 Acres, more or less

The property is known as "The Property of Sunshine Consolidated" or as the "Sun Con Area" or as the Sun Con Property.

The portion of the Sun Con property benefited by this proposed exploration project and subject to Government royalty and liens shall be limited to those claims east of the western end lines of the following claims: (Orange line Map No. 1) -

Giant No. 9	SCI No. 11
Giant No. 8	SCI No. 12
Giant No. 7	SCI No. 13
Giant No. 1	SCI No. 14
Lone Pine Lode	Hillside No. 1
Lone Pine No. 2	Hillside Number Two
Lone Pine No. 1	Hillside No. 3

All of the Sun Con property west of the west end lines of the immediate above-named claims shall not be subject to Government royalty and liens.

2. (c) The minerals within the areas described in 2(b) above are owned jointly on a 50 - 50 basis by Sunshine Consolidated, Inc. and Sunshine Mining Company. These ownerships are described in "Memorandum of Agreement" entered into on September 8, 1943 between parties. A copy is submitted.

The Bunker Hill's Crescent Mine lies north and adjacent to the Sun Con property. During recent exploratory work in the Crescent on the 3100 level, there arose the question of extra-lateral right in ores beneath Sun Con property. To avoid possible litigations an agreement was entered into on February 7, 1958 between Sunshine Consolidated and Bunker Hill and others whereby boundary planes were established between the properties of Bunker Hill and Sun Con. The intersection of these planes and the plan of Map #1 and #3 are indicated. A copy of the agreement of February 7, 1958 is submitted.

3. Physical Description:

(a) The total area of the property of Sunshine Consolidated is shown on the plan map drawn to a scale of 1 inch equals 300 feet (Map No. 1). The map shows some of the bordering properties. Properties not owned by the applicant are shown in blue.

The property has been partially explored and mined on its eastern end by 1700, 2700, 3100, 3400 and 3700 levels which connect to Sunshine's deep Jewell Shaft. These levels are shown on the above-described plan map. The 2700 level is approximately at sea level.

(b) Sunshine Consolidated owns the property, however, 50% of the minerals have been conveyed to Sunshine Mining Company (See copy of agreement dated September 8, 1943).

(c) There is no current production from the property. The past production began in 1941, was discontinued during the World War II years and resumed again in 1946. Total production through 1961 has been 176,454 tons of ore and 5,523,710 ounces of silver. Statistics to confirm these data are filed in the offices of Sunshine Mining Company and Sunshine Consolidated. They are voluminous but the statements made above may be substantiated rather easily from those statistics.

(d) Calculated ore reserves are shown on the accompanying longitudinal section of the eastern end of Sun Con Area (Map No. 2). Reserve calculations are based on cut sampling procedures. Channel samples are cut every drift round, at regular intervals in raises, and at regular intervals in all stopes or every round on each stope floor, whichever is the most convenient. Close calculated ore reserve tonnages and grade of ore are kept for each working place based on channel sampling methods.

(e) The outstanding geologic feature on the east end of the Sun-Con Area is the "Yankee Girl Vein". This vein, strikes generally East-West and dips steeply (57°-65°) to the South. It is a fissure vein occurring in a very persistent shear zone in the Precambrian St. Regis and Revett formations. The mineralization occurs as braided and reticulated veins and veinlets in a wide shear zone (often up to 100' wide). Parallel veinlets from 3" to 6" wide often contain enough silver to mine profitably. The vein, in some places where structural and chemical control offers ideal avenues for deposition, widens up to three (3) feet or more and contains high silver values which produces high grade stoping areas. Because of varying widths of the shear zone and the strike and dip irregularities of the vein, ore shoots occur in unpredictable locales along it. (See longitudinal section - Map No. 2). The ore mineral is tetrahedrite (Freibergite var.) in a siderite and quartz gangue.

3. Physical Description: (continued)

(f) The Yankee Girl vein is very persistent in strike and has not been limited either easterly or westerly along its strike. Ore shoots which occur at irregular intervals are relatively short, but are high grade. Distances between ore shoots necessitate long drifts, but where these shoots are found, the grade is high enough to make the drifting and stoping profitable. The shear zone which encloses the vein is one of the most persistent and continuous in the Coeur d'Alene Mining District. Ore shoots have been found and mined profitably along it and it is felt that the mineralized zone will offer similar shoots on further exploration planned westerly along its strike. Physical aspects, i.e., structure, mineralization, and host rock conditions offer opportunities for ore deposition. Ore minerals, in commercial quantities have been found for a distance of 1,000 feet down dip and at irregular intervals for approximately 17,000 feet along the strike.

(g) See Maps.

4. Accessibility:

(a) The exploration here proposed will all be reached through Sunshine's deep Jewell Shaft, which is located on Big Creek about two miles south of U. S. Highway No. 10.

Personnel of Sunshine's geology department will be available for OME representative guidance.

Address: Sunshine Mining Company
Geology Department
Box 1080
Kellogg, Idaho

(b) Shipping and supply points:

Kellogg, Idaho	-	6 miles
Wallace, Idaho	-	10 miles
Spokane, Washington	-	80 miles

5. Exploration Work:

(a) It is proposed to drive the 3100 level north westerly. The drifting will parallel the Yankee Girl Vein some 50 feet in the hanging wall. At intervals it is proposed to diamond drill the north wall of the newly run drift. This work is to be divided up into three (3) phases as follows:

Phase 1. Drive 3100 West drift 500 feet on a course of N 66°W. At completion of this drifting the north wall will be diamond drilled in two places, one at the face, the other 250 feet back of the face - each hole depth up to 250 feet. If the results of the drilling are encouraging then:

Phase 2. Drive 3100 west drift another 400 feet on a westerly course determined by the drilling of Phase 1. At completion of this latter drifting again the north wall will be diamond drilled by two holes, each up to 250 feet. If the results of the drilling are encouraging then:

Phase 3. Drive 3100 west drift 400 feet on a westerly course determined by the drilling of Phase 2. At completion of this latter drifting again the north wall will be diamond drilled by two holes, each up to 250 feet.

Size of drift headings are to be 7 feet wide and 9 feet high.

At the completion of the last phase above it is proposed to drill a 2000-foot diamond drill hole from the face of 3100 west drift in a south westerly direction to explore the downward projection of the SCI - 5 vein exposed at the surface by bulldozer trenching. Geology and sampling information on SCI - 5 exposure are available at geology department of Sunshine Mining Company.

Locations of proposed 3100 drift and diamond drill holes are shown on Maps No. 2 and 3.

(b) No surface work

(c) Schedule of Work:

Upon execution of an OME contract, work could be started within six months. Projected completion time for the 3100 level heading is as follows:

Because the program is to be phased in three increments, i.e., the first phase to drive 500 feet, stop, and diamond drill the north wall, the second phase to drive 400 feet and diamond drill, the third phase to drive 400 feet and diamond drill, extra time will be necessary to complete each phase. At the completion of each increment a drill will be set up at the face and the north wall will be drilled. Approximately 12 days will be required to drill a 250-foot hole. It is planned to drill two 250-foot diamond drill holes with each phase.

5. (c) Continued

3100 Level:

		1,300' drifting
	Six 250-foot holes =	1,500' diamond drilling

Drift Heading:	175 ft./Mo. - double shift =	7-1/2 months
Dia. Drilling:	3 - 250' holes @ 12 days/hole =	1-1/2 "
		9 months

2,000' horizontal diamond drill hole @ 10 ft./shift double shift =		5 "

Total time for Drifting & Diamond Drilling . . . 14 months

6. Sunshine Mining Company (operator) has been successful in mining for over 30 years.

7. Estimate of Costs:

(a) Cost accounting at the Sunshine Mine is divided into two categories. This procedure has a long history and is used in connection with various working agreements and is applicable to the SunCon Area. The two categories are Direct Costs and Indirect Costs.

Direct Cost consists of the cost of explosives, timber, rock-bolts, pipe, track and direct labor. Direct labor consists only of the man or men at the working face.

Indirect costs are the costs of all other labor and materials. It also includes supervision, haulage, power, ventilation and depreciation of equipment. In arriving at the indirect cost of a specific project, the total indirect costs of the mine are divided by the total number of direct shifts and that quotient is multiplied by the number of direct shifts on the specific project.

The cost of this proposed project is estimated as follows:

Drifting & Diamond Drilling:

3100 Level:	First Phase	500' Drifting
		500' Diamond Drilling

Direct Cost @ $29.00/ft. =	$ 14,500.00
Indirect Cost @ $36.00/ft. =	18,000.00
500' Dia. Drilling @ $7.50/ft. =	3,750.00
Total First Phase	$ 36,250.00

7. (a) Continued

Carried Forward		$ 36,250.00
Second Phase	400' Drifting 500' Diamond Drilling	
Direct Cost @ $29.00/ft. =	$ 11,600.00	
Indirect Cost @ $36.00/ft. =	14,400.00	
500' Dia. Drilling @ $7.50/ft. =	3,750.00	
Total Second Phase		$ 29,750.00
Third Phase	400' Drifting 500' Diamond Drilling	
Direct Cost @ $29.00/ft. =	$ 11,600.00	
Indirect Cost @ $36.00/ft. =	14,400.00	
500' Dia. Drilling @ $7.50/ft. =	3,750.00	
Total Third Phase		$ 29,750.00
2,000' horizontal Dia. Drill Hole - Sun Con Level @ $20.00/ft. =		$ 40,000.00
Total Drifting & Diamond Drilling		$135,750.00

Total Cost of Project:

Drifting:	1,300'	$ 84,500.00
Sun Con Dia. Drilling:	1,500'	11,250.00
~~Crescent~~ Dia. Drilling: SC1-5	2,000'	40,000.00
Total		$135,750.00

(b) All personnel services are available at the Sunshine Mining Company who will be the operator. A geological and engineering staff is maintained and general supervision is in continuous service to direct the mining operation. Costs to maintain this category and all other indirect costs are estimated at $36.00/ft. for drifting.

(c) Operating materials and supplies make up a small portion of the total cost of the operation and are included in the direct costs.

7. (d) All operating equipment to be used on this project will be furnished by Sunshine Mining Company from stock on hand or by new purchase. Proposed equipment for this job is detailed as follows:

2	Drilling machines	$ 2,300.00
1	Mucker	3,600.00
1	Motor locomotive & 2 batteries	10,000.00
18	Muck cars @ $1,000.00 each	18,000.00
1	Battery charger	1,500.00
1 Set	Transformers	1,800.00
3400'	Electric Cable	34,000.00
4	Air Fans @ $1,000.00 each	4,000.00
3400'	Fan line	20,000.00

Depreciation of this equipment is included in the indirect costs.

(e) Not applicable

(f) Not applicable

W. M. YEAMAN PRESIDENT
YAKIMA WASHINGTON

NORMAN M. SMITH
DIRECTING ENGINEER

SUNSHINE CONSOLIDATED, INC.

ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG, IDAHO

May 26, 1962

First National Bank
Wallace, Idaho

Attn.: Mr. E. M. Flohr

Dear Mr. Flohr:

The Sunshine Consolidated, Inc. owns a group of contiguous mining claims located in the heart of the Coeur d'Alene Mining Regions Silver Belt. These claims cover an area of approximately 1,500 acres.

The Sunshine Mining Company has a working agreement with the Sunshine Consolidated whereby one-half of the mineral values in these claims were conveyed to Sunshine in consideration that Sunshine would explore, develop and mine the property and would finance these undertakings. Under this agreement Sunshine explored, developed and exploited the eastern part of the property from which SunCon and Sunshine each gained some $600,000 in operating profit.

During the last 5 to 6 years, Sunshine has only exploited the ores developed previously. Sunshine Consolidated is desirous in having considerable more exploration work performed in its property in the expectation of finding more and extended [illegible]

Sunshine is reluctant to finance further exploration unless SunCon furnishes near 50% of the necessary funds.

An exploration program has recently been planned which will consist of driving the 3400 drift westward 1,900 feet, driving the 3100 drift westward 1,700 feet, raising from the 3400 to 3100 three hundred feet and diamond drilling 2,400 feet. The estimated cost of this work is $283,500. We wish to borrow $125,000 to support this program.

We would like to know if your institution would lend Sunshine Consolidated this amount and under what consideration.

Very truly yours,

Norman M. Smith
Vice President & General Manager

NMS/m

THE FIRST NATIONAL BANK
OF WALLACE

WALLACE, IDAHO
May 29, 196[illegible]

Mr. Norman M. Smith
Vice President & General Manager
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Dear Mr. Smith:

We have your letter of May 28th requesting a loan of $1[illegible],000.00 to finance development work on your property. We are unable to see how we can possibly secure ourself on such a loan and the repayment program as outlined in your letter. Accordingly, we are rejecting your application. We appreciate your offering us this business and are sorry we can not accommodate you.

Yours truly,

E. M. FLOHR
President

EMF/[illegible]

W. M. YEAMAN, PRESIDENT
YAKIMA WASHINGTON

NORMAN M. SMITH
DIRECTING ENGINEER

SUNSHINE CONSOLIDATED, INC.
ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG, IDAHO

May 26, 1962

Idaho First National Bank
Wallace, Idaho

Attn.: Mr. Leo Kraemer

Dear Mr. Kraemer:

The Sunshine Consolidated, Inc. owns a group of contiguous mining claims located in the heart of the Coeur d'Alene Mining Region's Silver Belt. These claims cover an area of approximately 1,500 acres.

The Sunshine Mining Company has a working agreement with the Sunshine Consolidated whereby one-half of the mineral values in these claims were conveyed to Sunshine in consideration that Sunshine would explore, develop and mine the property and would finance these undertakings. Under this agreement Sunshine explored, developed and exploited the eastern part of the property from which SunCon and Sunshine each gained some $600,000 in operating profit.

During the last 5 to 6 years, Sunshine has only exploited the ores developed previously. Sunshine Consolidated is desirous in having considerable more exploration work performed in its property in the expectation of finding more and extended orebodies.

Sunshine is reluctant to finance further exploration unless SunCon furnishes near 50% of the necessary funds.

An exploration program has recently been planned which will consist of driving the 3400 drift westward 1,900 feet, driving the 3100 drift westward 1,700 feet, raising from the 3400 to 3100 three hundred feet and diamond drilling 2,400 feet. The estimated cost of this work is $283,500. We wish to borrow $125,000 to support this program.

We would like to know if your institution would lend Sunshine Consolidated this amount and under what consideration.

Very truly yours,

Norman M. Smith
Vice President & General Manager

NMS/m

WALLACE OFFICE

The Idaho First National Bank

ESTABLISHED 1887

WALLACE, IDAHO

May 31st, 1962

Mr. Norman M. Smith,
Vice President & General Manager
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho.

Dear Mr. Smith:

We have your application of May 26th, 1962 for a loan in amount of $125,000.00 to be used for further exploration work by the Sunshine Consolidated, Inc.

It has not been the practice of The Idaho First National Bank to loan money for the purpose of exploration; and also as this is a sizeable sum, it is necessary for us to have it on a collateral basis. For these two reasons-- we are sorry but we will have to turn down your application.

Very truly yours,

Leo G. Kraemer,
Manager.

D

W. L. YEAMAN PRESIDENT
YAKIMA WASHINGTON

NORMAN M. SMITH
DIRECTING ENGINEER

SUNSHINE CONSOLIDATED, INC.

ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG, IDAHO

July 12, 1962

Mr. E. M. Flohr, President
The First National Bank
Wallace, Idaho

Dear Mr. Flohr:

On May 26, 1962 the Sunshine Consolidated, Inc. applied to you for a loan amounting to $125,000.00 for the purpose of supporting an exploration project in SunCon's mining property on Big Creek. The application was rejected by you because of its size and no collateral offered.

Since May SunCon has reconsidered the project and now plans to drive only the 3100 drift westward some 1,300 feet and diamond drill a maximum of 3,500 feet. The cost of this project is estimated at $135,750.00. We wish to obtain a loan of one-half the cost or $67,875.00 to support this project.

For collateral we offer a 5% royalty on all ores taken from the area explored by this project.

A reconsideration by your firm would be appreciated.

Very truly yours,

Norman M. Smith

Norman M. Smith

Vice President & General Manager

NMS
m

THE FIRST NATIONAL BANK

OF WALLACE

WALLACE, IDAHO

July 13, 1962

Mr. Norman M. Smith
Vice President & General Manager
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Dear Sir:

We have your application for a $67,875.00 loan to complete an exploration project in your property. This loan would exceed our limit of $50,000.00 and we do not think the collateral you offer is satisfactory to us.

For the above two reasons, we are forced to refuse this line of credit. Thank you for offering us this business.

Yours truly,

E M Flohr

E. M. FLOHR
President

EMF:cfh

N. M. YEAMAN, PRESIDENT
YAKIMA, WASHINGTON

NORMAN M. SMITH
DIRECTING ENGINEER

SUNSHINE CONSOLIDATED, INC.
ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG, IDAHO

July 12, 1962

Mr. Leo G. Kraemer, Manager
Idaho First National Bank
Wallace, Idaho

Dear Mr. Kraemer:

On May 26, 1962 the Sunshine Consolidated, Inc. applied to you for a loan amounting to $125,000.00 for the purpose of supporting an exploration project in SunCon's mining property on Big Creek. The application was rejected by you because of its size and no collateral offered.

Since May SunCon has reconsidered the project and now plans to drive only the 3100 drift westward some 1,300 feet and diamond drill a maximum of 3,500 feet. The cost of this project is estimated at $135,750.00. We wish to obtain a loan of one-half the cost or $67,875.00 to support this project.

For collateral we offer a 5% royalty on all ores taken from the area explored by this project.

A reconsideration by your firm would be appreciated.

Very truly yours,

Norman M. Smith
Vice President & General Manager

NMS
m

WALLACE OFFICE

The Idaho First National Bank

ESTABLISHED 1867

WALLACE, IDAHO

July 13, 1962

Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho.

Att'n: Norman H. Smith,
Vice President & General Manager.

Dear Mr. Smith:

We have your application for a loan in the amount of $67,875.00 to be used for an exploration project in your Mining Co. property on Big Creek.

We wish to advise you that our loan committee has turned down your application because we have not made it a policy to make loans to Mining Companies for this sizable amount on unsecured basis. We would be glad to furnish you with further information as to our refusal if you so desire.

Very truly yours,

Leo G. Kramer
Manager.

LGK:fg

SUNSHINE CONSOLIDATED, INC.

JUL 18 1962
O.M.E.

MEMORANDUM OF AGREEMENT

THIS AGREEMENT, made and entered into this 8th day of September, 1943, by and between SUNSHINE MINING COMPANY, a Washington corporation, qualified to transact business in the State of Idaho, party of the first part, and hereinafter referred to as "SUNSHINE", and SUNSHINE CONSOLIDATED, INC., an Idaho corporation, party of the second part, hereinafter referred to as "SUN CON".

RECITALS

Sunshine owns the Sunshine Mine, situated in Evolution Mining District, Shoshone County, Idaho, situated contiguous to and immediately east of Big Creek. The Sunshine Mine has been extensively developed to a depth of 3700 feet by an operating shaft, commonly known as the Jewell Shaft, and by crosscuts, drifts, and raises on the various levels and by inside shafts connecting these levels. It is fully equipped for large scale mining. It owns a complete surface plant located upon the property, including modern concentration units for the treatment of silver, copper, antimony and other ores, and the recovery of metallic antimony.

Sun Con owns a group of twelve patented and eighty-five unpatented lode mining claims, situated in Evolution and Yreka Mining Districts, Shoshone County, Idaho, adjoining Sunshine's property on the west, herein referred to as "Sun Con property", or Sun Con's property". Sun Con's property is unproven and undeveloped except for a limited amount of scattered surface development and certain development work projected from the 1700 foot and the 3100 foot level of Sunshine's property. If Sun Con's property is to be explored, developed and made ready for mining as a separate property it will require the expenditure of large sums of money and years of development. Sun Con and its shareholders are unable to finance such a program, whereas Sunshine, due to its

proximity to Sun Con, its deep shaft and workings, its strong financial position, is in a position to prospect and develop the Sun Con property at depth more economically and thoroughly and within less time than could Sun Con.

The development of Sun Con through Sunshine's workings will avoid unnecessary and uneconomical duplication of shafts and underground workings and will give Sun Con the benefit of Sunshine's geological knowledge of the country gained through the development of the Sunshine Mine.

April 28, 1934, Sun Con issued First Mortgage 7% Bonds in the aggregate principal sum of $75,000.00 secured by a first lien mortgage upon its property, recorded in Book "5" of Mortgages, at Page 319, Records of Shoshone County, Idaho. All of said bonds have now been paid and retired except bonds aggregating the principal sum of $48,900.00, which are now owned by Sunshine. The first lien mortgage executed to secure said bonds was assigned to Sunshine on the 20th day of June, 1939, by assignment recorded in Book "7" of Mortgages, at Page 631, Records of Shoshone County, Idaho.

September 7, 1937, Sun Con executed its promissory note in favor of Sunshine, for the principal sum of $50,000.00, bearing interest at the rate of five per cent (5%) per annum, and secured by a second mortgage upon its property, which mortgage is recorded in Book "6" of Mortgages, at Page 603, Records of Shoshone County, Idaho. This indebtedness is unpaid.

Sun Con owns seventy five per cent (75%) of the authorized capital stock of Big Creek Apex Mining Company which owns a group of undeveloped mining claims adjacent to Sunshine's and Sun Con's properties.

The parties have agreed upon a plan for the further prospecting, developing and mining of Sun Con's property and the concentration and marketing of any ores recovered from Sun Con's property in accordance with the terms and conditions herein set

forth.

Therefore, by virtue of the premises the parties agree with each other as follows:

PART I.

1. CONVEYANCE 50% INTEREST. Sun Con agrees to convey to Sunshine, immediately upon the ratification of this agreement by Sun Con shareholders, an undivided fifty per cent (50%) interest in and to all ore and mineral values in all of Sun Con's property, with unlimited right of ingress and egress, including a 50% undivided interest in any extralateral rights possessed by Sun Con.

2. CANCELLATION OF NOTE. In consideration of the foregoing conveyance, and immediately upon the delivery thereof, Sunshine agrees to cancel and surrender Sun Con's promissory note of September 7, 1937, principal and accrued interest, and agrees to satisfy of record the mortgage executed by Sun Con to secure said note now recorded in Book "6" of Mortgages, at Page 603, Records of Shoshone County, Idaho.

PART II.

In consideration of the mutual covenants and agreements herein set forth, and in consideration of the mutual benefits to accrue and expected to accrue to the parties hereto from this agreement, the parties further agree, each with the other, as follows:

1. SUNSHINE TO DEVELOP SUN CON PROPERTY. Sunshine agrees to prospect, develop and mine the Sun Con property through Sunshine's workings so long as, in Sunshine's judgment, such a program is warranted as a sound mining venture, and for such purpose is hereby given possession of such property. All work performed shall be in accordance with good mining practice, with the end in view of developing Sun Con's property into a workable and productive mine.

2. SUNSHINE TO CONCENTRATE. Sunshine further agrees to mill and concentrate all production from the Sun Con property, including silver, copper, antimony and all other values that can be profitably recovered, and to market the same to the best advantage of the parties hereto so long as Sunshine shall operate the property under this agreement. This obligation includes the recovery of metallic antimony in Sunshine's metallurgical plant designed for that purpose. Provided, however, that Sunshine shall not be obligated to mill any ore from the Sun Con property during any period that the Sunshine mill and metallurgical plant may be shut down, and provided also that Sunshine shall not be obligated to mill any ores which are unsuitable for treatment in its mill and metallurgical plant along with its regular production.

3. SUNSHINE IN COMPLETE CHARGE. Sunshine shall have complete charge of all exploration, development, mining and operation of the Sun Con property so long as it shall choose to finance the work under the terms of this agreement.

4. DIVISION OF INCOME. Sunshine, the co-tenant in possession, shall have the right to take for itself all ores extracted in the operation of the Sun Con property until by its recoveries from such ores it has fully repaid and reimbursed itself for all costs, (direct and indirect), expenses and liabilities incurred, and after such repayment and reimbursement Sunshine and Sun Con, the co-tenants, shall divide all net income from the Sun Con property equally.

NET INCOME. Net income shall be the difference between the Gross Income and the sum of the Direct and Indirect costs as hereinafter defined, it being agreed that such definitions of costs are not to be regarded as inflexible but may be altered from time to time by mutual agreement between the management of Sun Con and Sunshine.

GROSS INCOME. Gross Income is defined as the total of

all income derived from mining operations conducted on or in the Sun Con property.

5. DIRECT COSTS. The costs of the following shall be charged as "direct costs" to the Sun Con operation: "direct labor" which means all underground labor engaged in mining, mucking, timbering and timber repair work in the Sun Con operation, all material, explosives and timber consumed in the Sun Con operation including equipment installedwhich constitutes a permanent improvement to the Sun Con property, and all taxes or other government exactions arising from the Sun Con property or its operations specifically including any mine license tax or property taxes paid by Sunshine as a result of Sun Con operations. (This clause relates only to taxes arising out of the Sun Con operation which may be paid by Sunshine prior to any distribution of net income. Each Company shall pay the property tax, based on net profits, and the mines license tax attributable to its share of any income distributed between the co-tenants as provided in Paragraph 4 above).

DETERMINATION INDIRECT COSTS. The Sun Con operation shall also bear a proportion of the indirect cost of operating both properties determined in the following manner. For the purpose of this agreement such indirect cost is defined as the total expense incurred by Sunshine in the operation of both properties exclusive of the costs of the following: "direct labor" as defined in the preceding paragraph; all material, explosives and timber consumed; all other costs charged against the Sun Con operation as "direct costs"; all milling and metallurgical costs; and all income tax, and net profits tax on the operation of the Sunshine property. Such indirect cost for any period shall be divided by the total number of "direct labor" shifts performed in the operation of both properties and the quotient shall be multiplied by the number of "direct labor" shifts performed in the Sun Con operation and the product shall be the portion of the indirect cost to be charged to the Sun Con operation.

COMPENSATION FOR MILLING. In any month that ore is produced and milled from the Sun Con property by Sunshine, an additional charge shall be made for the crushing and milling and subsequent metallurgical treatment of concentrates produced from the ore and the cost of sale and transportation of the products. The cost of crushing and milling shall be the average per ton cost of the entire tonnage treated in Sunshine's crushing plant and mill during the month multiplied by the tonnage of ore treated from the Sun Con property, plus the sum of $1.00 for each ton of ore so treated, to reimburse Sunshine for the use of its facilities.

SUBSEQUENT METALLURGICAL TREATMENT. The cost for subsequent metallurgical treatment of the concentrates produced from ore mined from the Sun Con property shall be the average per ton cost of the entire tonnage of concentrates treated by Sunshine during the month multiplied by the tonnage of concentrates treated which were produced from ore mined from the Sun Con property.

6. RETIREMENT OF BONDED INDEBTEDNESS. Out of Sun Con's portion of the proceeds remaining after Sunshine has been reimbursed for all direct and indirect costs as aforesaid, Sun Con shall set up adequate reserves for payment of taxes of all kinds, expenses necessary to the maintenance of its corporate existence, and all other absolutely necessary expenses, including the cost of patenting its unpatented mining claims and the entire remainder shall be applied to the payment of Sun Con's indebtedness to Sunshine heretofore represented by the $48,900.00 of First Mortgage Bonds until the same shall be fully paid, both principal and interest.

BONDED INDEBTEDNESS PAYABLE OUT OF PRODUCTION. Sunshine agrees to accept payment of Sun Con's indebtedness, heretofore represented by said First Mortgage Bonds, principal and interest, solely out of Sun Con's portion of the net proceeds resulting from the Sun Con production and agrees, immediately upon the ratification

of this agreement, to release the first lien mortgage given to secure the payment of said bonds now recorded in Book "5" of Mortgages, at Page 319, Records of Shoshone County, Idaho. Sun Con shall not be obligated to pay said indebtedness in any other manner than out of its portion of said net profits.

7. SEPARATE OPERATION OF SUN CON. In the event Sunshine develops and operates any part of the Sun Con property as a separate mine and by means not involving the use of Sunshine's shaft and underground workings, the foregoing basis of determining costs shall not apply to such separate operations. In such case separate books of account will be set up for such separate operation and the costs will be the actual expenditures made and actual expenses incurred by Sunshine in its conduct of such separate operation.

8. TAXES. Sun Con shall pay, before delinquency, all taxes and other assessments validly assessed or levied against it or upon its interest in the Sun Con property and will pay all costs and expenses necessary to maintain its corporate existence. In the event that Sun Con fails so to do, Sunshine may at its option pay any such taxes or expenses, and Sun Con shall, upon demand, repay Sunshine in cash. Provided, however, that each co-tenant shall pay the property tax based on net profits and the mines license tax attributable to its share of net income distributed to the parties as provided in Paragraph 4. Each party shall be entitled to a benefit of fifty per cent (50%) of any allowable deduction for depletion of ore reserves in computing the mines license tax and State and Federal income taxes.

9. CROSSCUT 2700' LEVEL. Sunshine is crosscutting southerly on its 2700 feet level to intersect a vein, commonly known as the "Yankee Girl" vein and which vein apparently traverses both Sunshine and Sun Con property on its east-west strike. Upon intersecting the Yankee Girl vein on the 2700 foot level Sunshine intends to drift westerly upon the vein toward Sun Con's east end line so long as the vein shows sufficient promise to justify the exploration

If Sunshine shall suspend drifting west on said vein before reaching Sun Con's east end line because of the unpromising

character of the vein, then, if Sun Con so requests, Sunshine will continue such drift to Sun Con's east end line, in which event the costs of the exploration made at Sun Con's request, over the value of any ore recovered in drifting, will be borne fifty per cent (50%) by Sun Con until the drift reaches Sun Con's property. Sun Con's portion of such cost shall be repaid to Sunshine in the manner provided in Paragraphs 4 and 5 hereof.

10. YANKEE GIRL DRIFT 3100' LEVEL. Heretofore Sunshine has driven, at Sun Con's expense, a crosscut in the Sun Con property projected from Sunshine's 3100 foot level, which crosscut intersects the Yankee Girl vein in Sun Con's property, and certain drifting has been done in Sun Con's property, both easterly and westerly from the point of intersection.

Sunshine has also driven a crosscut southerly on its 3100 foot level in Sunshine's ground, which crosscut has intersected the Yankee Girl vein in Sunshine ground at a point approximately 1350 feet east of Sun Con's east end line. This is known as the 3105 crosscut.

Sunshine agrees, at its own expense, to drift westerly on the Yankee Girl vein on the 3100 foot level until a connection is effected between the Sun Con crosscut and Sunshine's 3105 crosscut to provide ventilation for the Sun Con property and to provide an alternate exit.

11. RATE OF PROGRESS. Sunshine agrees to proceed with the exploration and development of the Sun Con property under the terms of this agreement, in good faith and as diligently as existing conditions will permit without interfering with Sunshine's operations, but for the duration of the existing World War Sunshine shall not be obligated to perform any specific amount of work in the Sun Con property annually except that it shall perform ample work to satisfy the requirements with respect to performance of annual assessment work upon Sun Con's unpatented mining claims.

Following the termination of the existing World War, so

termination of the present labor shortage in the Coeur d'Alene Mining District, whichever occurs first, Sunshine agrees to perform not less than one thousand (1000) feet of development work per year in the Sun Con property until the property is brought into production, or until Sunshine elects to discontinue the venture.

12. SUNSHINE MAY DISCONTINUE. Sunshine may at any time after two years from date hereof, if it so elects, discontinue the exploration, development and mining of the Sun Con property. In such event Sun Con may undertake to finance and continue the operation through Sunshine's shaft and workings, but only at such times as the Sunshine Mine is operating and then in such a manner and to such extent as will not interfere with Sunshine's other operations. When Sun Con is financing the work it shall have the right to determine the nature and location of the work to be done on Sun Con ground. The actual work, however, shall be done by Sunshine and the cost of such work shall be determined in the same manner as set forth in Paragraph 5 above and Sun Con shall pay Sunshine once a month in cash for all work so done by Sunshine.

SUN CON TO BE REIMBURSED OUT OF PRODUCTION. Sun Con shall have the right to repay and reimburse itself out of the gross production from the Sun Con property in the same manner as Sunshine is to be repaid and reimbursed when it operates the property as provided in Paragraphs 4 and 5.

13. SUNSHINE TO MILL ORE PRODUCED BY SUN CON EXCEPT DURING SHUTDOWN. If Sun Con shall take over the operation as above provided, Sunshine agrees to concentrate all ore produced, including necessary subsequent metallurgical treatment, and sell the products along with Sunshine's own production, Sunshine shall credit Sun Con with the amount received from the sale of the products derived from ore produced from the Sun Con property. Sun Con will pay Sunshine for the cost of treatment, transportation and sales expense as defined in Paragraph 5 above.

UNSUITABLE ORE. Provided further that Sunshine shall not be obligated to mill or metallurgically treat any ore from the Sun Con property during any period that the Sunshine mill and metallurgical plant may be shut down, and provided also that Sunshine shall not be obligated to mill any ores which are unsuitable for treatment in its mill and metallurgical plant along with its regular production.

14. DIVISION OF PROCEEDS UNDER SUN CON'S OPERATION. Out of the gross proceeds from sale of products from ore from the Sun Con property, Sun Con will reimburse itself for amounts paid to Sunshine as costs under Paragraph 12 and for amounts paid to Sunshine for the cost of treatment, transportation and sales expense in Paragraph 13. The net proceeds remaining shall be divided fifty per cent (50%) to Sun Con and fifty per cent (50%) to Sunshine.

RESERVES AND PAYMENT OF BONDED INDEBTEDNESS. Out of Sun Con's portion of the net profits it may set up the reserves referred to in Paragraph 6 and the entire remainder shall be applied to the indebtedness referred to in Paragraph 6 until the same is fully paid.

15. SEPARATE OPERATION BY SUN CON. In the event Sun Con develops and operates any part of its property as a separate mine and by means not involving the use of Sunshine's shaft and underground workings, the basis for determining costs provided in Paragraphs 4, 5, 12 and 13, shall not apply except as to milling and metallurgical treatment of ore. In such case separate books of account will be set up for such separate operation and the costs will be the actual expenditures made and the actual expenses incurred by Sun Con in its conduct of such operation.

16. ANNUAL LABOR UNDER SUN CON'S OPERATION. If Sunshine shall discontinue the exploration, development and mining of the Sun Con property as provided in Paragraph 12 and Sun Con shall undertake to finance and continue the operation, then Sun Con shall perform ample work to satisfy the requirements with respect to the performance of annual assessment work upon Sun Con's unpatented

mining claims. If neither Sunshine nor Sun Con shall operate the property they agree to each contribute fifty per cent (50%) of the costs of the annual assessment work, and if either shall fail to contribute its one-half thereof its interest in said ore bodies shall be subject to forfeiture to the other after due notice as provided by Section 28, Title 30, U. S. Code Annotated.

17. MONTHLY REPORTS. While Sunshine is conducting the operation it shall furnish to Sun Con monthly a statement and report of the cost of the operation during the preceding month, and the amount, location and character of the work performed. When the property is in production the report shall include the amount of production, assays, mill results and smelter returns. On Sun Con's request the original supporting records shall be made available to its agents or accountants for the purpose of inspection.

If Sun Con shall take over the operation, as hereinbefore provided, it shall furnish to Sunshine similar monthly statements and reports.

18. RIGHT OF INSPECTION. Each party, through its duly authorized representatives shall be entitled to inspect the underground work being performed in the Sun Con property at any reasonable time, but the company actually conducting the operation shall have complete direction of the operation.

19. BIG CREEK APEX. If it shall appear desirable for Sunshine to undertake the exploration and development of the Big Creek Apex Mining Company on the same terms or basis as this agreement, Sun Con agrees as the controlling stockholder of the Big Creek Apex Mining Company, to vote its stock in favor of entering into such an agreement.

20. SALE BIG CREEK APEX STOCK. Sun Con further agrees that if it shall desire to dispose of its Big Creek Apex stock it will give Sunshine the first refusal thereof on terms as favorable as it may then be able to obtain elsewhere.

21. EXCESS WATER. In the event that underground water should be encountered in the Sun Con property in an amount disproportionate to the amount of mining performed in that property, Sun Con agrees to reimburse Sunshine for one-half the excess pumping costs. In the event that sufficient water be encountered to hamper the workings in the Sunshine mine, Sunshine reserves the right to stop the flow by sealing off such portions of the Sun Con workings as may be necessary to control the excessive flow.

22. ARBITRATION. The parties appreciate that unforseen contingencies in the operations contemplated by this contract and not specifically covered by its terms, and questions of construction and performance may arise. Each party covenants and agrees to approach such questions or differences in a spirit of fairness and cooperation.

In the event the parties are unable to agree upon any question of construction, performance, or other contingency not specifically covered by this contract, they agree to submit the differences to arbitration, each to select one arbitrator--those two to select the third; the expenses of such arbitration to be borne equally. Each party covenants and agrees not to resort to legal action over any question or difference arising out of this contract until the same has been submitted first to arbitration as above provided.

IN WITNESS WHEREOF the SUNSHINE MINING COMPANY has caused these presents to be executed by its duly authorized officers and has caused its corporate seal to be hereunto affixed this 10th day of September, 1943, and the SUNSHINE ~~CONSOLIDATED~~,

CONSOLIDATED, INC. has caused these presents to be executed by its duly authorized officers and its corporate seal to be hereunto affixed this 8th day of September, 1943.

SUNSHINE MINING COMPANY

By _____
President

Attest:

_____
Secretary

Party of the First Part

SUNSHINE CONSOLIDATED, INC.

By _____
President

Attest:

_____
Secretary

Party of the Second Part

SUNSHINE CONSOLIDATED, INC

JUL 18 1962
O.M.E.

AGREEMENT

THIS AGREEMENT, Made and executed the _____ of February, 1958, by and between SUNSHINE CONSOLIDATED, INC., an Idaho corporation, hereinafter called "Sun Con," and BIG CREEK APEX MINING COMPANY, an Idaho corporation, hereinafter called "Apex," and SUNSHINE MINING COMPANY, a Washington corporation, qualified to transact business in the State of Idaho, hereinafter called "Sunshine," the Parties of the First Part, and THE BUNKER HILL COMPANY, a Delaware corporation, qualified to transact business in the State of Idaho, hereinafter called "Bunker Hill," the Party of the Second Part,

RECITALS:

Sun Con owns a large group of patented and unpatented lode mining claims situated in Evolution and Yreka Mining Districts of Shoshone County, Idaho. Sun Con is also the majority stockholder of Apex, one of the parties to this agreement.

Apex owns a group of unpatented lode mining claims situated in Yreka Mining District, Shoshone County, Idaho.

Sunshine is an operating mining company which, by reason of an agreement made the 8th day of September, 1943, with Sun Con, acquired and now owns an undivided fifty per cent (50%) interest in and to all ore and mineral values in all of Sun Con's property, including a fifty per cent (50%) undivided interest in any extralateral rights possessed by Sun Con. Sunshine likewise, by reason of an agreement made the 1st day of December, 1945, with Apex, acquired and now owns an undivided fifty per cent (50%) economic interest in all ores and valuable mineral in place owned or which may, subsequent to December 1, 1945, be determined to belong to Apex. In addition to the economic interest in the ores and minerals of Sun Con

and Apex acquired by Sunshine in the above mentioned agreements, Sunshine was given the right to explore the respective properties of those companies and to mine any ores which might be developed in the course of such exploration.

Bunker Hill is an operating mining and smelting company and owns a large group of patented and unpatented lode mining claims situated in Evolution and Yreka Mining Districts, Shoshone County, Idaho; and a considerable portion of the South boundaries of Bunker Hill's holdings in what is commonly known as the "Big Creek" area are common boundaries with the group of mining claims owned by Sun Con, and a portion of the Southerly boundaries of Bunker Hill's holdings in that area are common boundaries with the mining claims of Apex.

Bunker Hill has for some time been carrying on an exploration program within its property in the Big Creek Area and particularly in the property which adjoins Sun Con's property lying immediately to the South and East. Sunshine has been and is carrying on an exploration and mining program within Sun Con's property under its agreement for the exploration and development of said property, and has likewise carried on an exploration program within the holdings of Apex under its agreement with that company.

All of the parties hereto recognize that vein structures in the Evolution and Yreka Mining Districts normally dip to the South so that a vein structure which might exist and have its apex within the exterior boundaries of Bunker Hill's property might, on its downward extension, pass through the South boundaries of Bunker Hill's property and into the property of Sun Con, or of Apex in a similar instance. Where exploration and development work is being carried on at considerable depths below the earth's surface in mining claims located under the U. S. mining laws, there exists

uncertainty and concern as to the possibility of conflicts arising with respect to ownership of deposits of minerals and mineralized vein and other geologic structures because of the extralateral rights involved, all of which circumstances tend to impede the exploration and development of adjoining mining properties.

The parties to this agreement recognizing these common problems and having a mutual desire to predetermine their rights and, thus, avoid possible future conflicts, have concluded that it is to their common mutual interests to relinquish and convey mineral rights from one to the other within certain defined areas, and to that end the parties have agreed to the arbitrary establishment of certain bounding planes which shall be fixed bounding planes between their contiguous properties, and within such bounding planes, as the same relate to their respective properties, to determine and fix finally and forever their respective ownership rights therein.

NOW, THEREFORE, in consideration of the mutual benefits to be derived by each of the parties hereto, and the mutual covenants and conveyances herein provided from one to the other, it is agreed between the parties as follows:

For the purpose of this agreement, there are hereafter described Areas I to VI, inclusive.

Area I, as projected beneath the earth surface, and Areas II and V, lie wholly within the surface boundaries of property owned by Sun Con and Apex. Area III, as projected beneath the earth surface, and Areas IV and VI, lie wholly within the surface boundaries of property owned by Bunker Hill. The vertical and inclined bounding planes hereafter described are hereby adopted and shall be and become fixed bounding planes for all times between the properties of the parties which adjoin the areas described herein as Areas I and III.

In general, there is hereby established a new boundary extending from the Bunker Hill American claim South and then to the West to a point on Bunker Hill's Jupiter claim and consisting of vertical and inclined planes called respectively "Easterly Bounding Plane", "Easterly portion of the Southerly Inclined Bounding Planes", "Middle Bounding Plane", "Westerly portion of the Southerly Inclined Bounding Planes", and "Westerly Bounding Plane". The vertical planes are expressed as lines of horizontal projections and the inclined planes are expressed as horizontal lines of intersection. The traces of the vertical and inclined planes are numbered at their intersection points along the following described line (hereafter called "New Plane Line"), viz.:

> Beginning at Bunker Hill survey coordinates N 132.36, E 14939.43 designated as Corner 1 on the "New Plane Line", a point from which Corner 4 of the American Claim, M. S. 3400, bears along its side line N 80° 36' E, 51.32 feet; thence S 17° 56' W, 2574.97 feet (along the horizontal projection of the northerly extension of the "Easterly Bounding Plane") to Corner 2, a point on the South side line of the Ruby Claim, M. S. 2129; thence continuing S 17° 56' W, 1700.20 feet (along the horizontal projection of the "Easterly Bounding Plane") to Corner 3; thence vertically downward to a point beneath said Corner 3 at an elevation of 390 feet below sea level (Bunker Hill Survey); thence due West 1394.51 feet at said elevation (along the horizontal line of intersection of the "Easterly portion of the Southerly Inclined Bounding Planes") to Corner 4; thence S 17° 56' W, 520.65 feet at said elevation (along the horizontal projection of the "Middle Bounding Plane") to Corner 5; thence due West a distance of 2847.96 feet, more or less, at said elevation (along the horizontal line of intersection of the "Westerly portion of the Southerly Inclined Bounding Planes") to Corner 6, a point vertically beneath the southerly side line of the Jupiter Claim, M. S. 2274, and intersection point for the northerly terminus of the "Westerly Bounding Plane."

Said "New Plane Line" is shown as a red line on Exhibit "A" attached hereto.

Description of Area I

It is specifically agreed that Area I is described and defined as follows:

(a) Commencing at Corner 2 of said "New Plane Line" and extending to and beyond Corner 3 thereof, construct a vertical plane (herein called "Easterly Bounding Plane") projected indefinitely in depth and projected to the South to its intersection with the vertical southerly boundary lines of Sun Con's most southerly claims or portions thereof. The northerly terminus of this plane is its vertical line of intersection with the vertical South side line of the Ruby claim (M. S. 2129) below the point of intersection of said vertical side line with the hereinafter described "Easterly portion of the Southerly Inclined Bounding Planes". The southerly terminus of this plane is an inclined line which, from a point beneath Corner 3 of said "New Plane Line" at 190 feet below sea level (Bunker Hill Survey), extends upward northerly at an angle of 70° from the horizontal to its intersection with the northerly terminus line of this plane and extends downward southerly, at an angle of 62-1/2° from the horizontal, to Sun Con's said most southerly vertical boundary line.

(b) Along the following horizontal line segment, to-wit, commencing at a point beneath Corner 3 of said "New Plane Line" 190 feet below sea level (Bunker Hill Survey) and thence due West to Corner 4 of said "New Plane Line", construct two intersecting inclined planes (herein called the "Easterly portion of the Southerly Inclined Bounding Planes"), one thereof

extending and inclining upward northerly at an angle of 70° from the horizontal until it intersects the hereafter described Bunker Hill vertical side line planes, and terminating on the East at its intersection with said "Easterly Bounding Plane", and terminating on the West at its intersection with the hereinafter described "Middle Bounding Plane"; the other thereof extending and inclining southerly downward at an angle of 62-1/2° from the horizontal to its intersection with Sun Con's said most southerly vertical boundary lines, and terminating on the East at its intersection with said "Easterly Bounding Plane" and terminating on the West at its intersection with the hereafter described "Middle Bounding Plane".

(c) Construct a vertical plane (herein called the "Middle Bounding Plane") through Corners 4-5 of said "New Plane Line", extending southerly to its intersection with Sun Con's said most southerly vertical boundary lines and extending northerly to its line of intersection with the hereafter described Bunker Hill vertical side line planes, which line of intersection is the northerly terminus of said "Middle Bounding Plane". The upper terminus of said plane northerly from Corner 5 is an inclined line extending from said corner northerly and upward at an angle of 70° from the horizontal to its intersection with the hereafter described Bunker Hill vertical side line planes; the upper terminus of said plane southerly from said corner is an inclined line extending from said corner southerly and downward at an angle of 62-1/2° from the horizontal to its intersection with Sun Con's said most southerly vertical boundary lines.

The lower terminus of said plane northerly from Corner 4 is an inclined line extending from said corner northerly and upward at an angle of 70° from the horizontal to its intersection with the hereafter described Bunker Hill vertical side line planes; the lower terminus of said plane southerly from said corner is an inclined line extending from said corner southerly and downward at an angle of 62-1/2° from the horizontal to its intersection with Sun Con's said most southerly vertical boundary lines.

(d) Along the following horizontal line segment, to-wit, commencing at Corner 5 of said "New Plane Line" 390 feet below sea level (Bunker Hill Survey) and thence due West to Corner 6 of said "New Plane Line", construct two intersecting inclined planes (herein called the "Westerly portion of the Southerly Inclined Bounding Planes"), one thereof extending and inclining upward northerly at an angle of 70° from the horizontal until it intersects northerly and westerly the hereafter described Bunker Hill vertical side line planes and terminating on the East at its intersection with said "Middle Bounding Plane", the other thereof extending and inclining southerly downward at an angle of 62-1/2° from the horizontal to its intersection with Sun Con's said most southerly vertical boundary lines and terminating on the East at its intersection with said "Middle Bounding Plane" and terminating on the West at its intersection with the hereafter described "Westerly Bounding Plane".

(e) Commencing at Corner 6 of said "New Plane Line", from which Corner 5 of said "New Plane Line" bears due East, construct

a vertical plane (herein called "Westerly Bounding Plane") southerly on a bearing S 17° 56' W to its intersection with Sun Con's said most southerly vertical boundary lines and projected indefinitely in depth. The northerly terminus of this plane is its vertical line of intersection with the vertical southerly side line plane of the Jupiter Claim, M. S. 2274, below said Corner 6. The southerly terminus of this plane is an inclined line which from said Corner 6 of said "New Plane Line" extends downward southerly at an angle of 62-1/2° from the horizontal to Sun Con's said most southerly vertical boundary lines.

(f) Construct along the following lines intersecting vertical planes (herein called Bunker Hill vertical side line planes) projected from the surface indefinitely in depth, viz.: Beginning at a point projected vertically upward from Corner 6 of said "New Plane Line", thence northeasterly along the southerly side line of said Jupiter claim to its intersection with the South side line of McArthur, M. S. 2264; thence southeasterly along the South side line of said McArthur to the southeast corner of said McArthur; thence northerly along the East end line of said McArthur to the northeast corner of said McArthur; thence westerly along the North side line of said McArthur to its intersection with the southerly side line of said Jupiter; thence northeasterly along the southerly side line of the said Jupiter to the southeast corner of said Jupiter; thence northerly along the East end line of said Jupiter to the southwest corner of Old Sol, M. S. 2274; thence northeasterly along the South side line of said Old Sol to the southeast corner of said Old Sol;

thence northerly along the East end line of said Old Sol to its intersection with the South side line of the Duke, M. S. 3217; thence easterly along the South side line of said Duke to its southeast corner; thence northerly along the East end line of said Duke to its northeast corner, which is a point on the South side line of Skyline, M. S. 2129; thence easterly along the South side line of said Skyline to its southeast corner; thence northerly along the East end line of said Skyline to its intersection with the South side line of Ruby, M. S. 2129; thence easterly along the South side line of said Ruby to Corner 2 of said "New Plane Line".

(g) Area I is that irregularly shaped, wedgelike block of ground lying below said easterly and westerly portions of said Southerly Inclined Bounding Planes and bounded from West to East, respectively, by said "Westerly Bounding Plane," said "Middle Bounding Plane", and said "Easterly Bounding Plane", and bounded on the North by said Bunker Hill Vertical Side Line Planes.

Said Area I and the vertical and inclined planes which bound it are illustrated on Exhibits "A" and "B" hereto attached and hereby incorporated in and made a part hereof.

Description of Area II

It is specifically agreed that Area II is described and defined as follows:

Area II is that irregular block of ground extending from the upper limits of Area I to the surface and bounded (1) on the North by said Bunker Hill Vertical Side Line

Planes and (2) on the South by the vertical southerly boundaries of Sun Con's most southerly claims and (3) on the East by a plane which is a projection to the surface of said "Easterly Bounding Plane" and (4) on the West by a plane which is a projection to the surface of said "Westerly Bounding Plane".

Said Area II is illustrated on Exhibit "A" hereto attached and which is incorporated herein and made a part hereof.

Description of Area III

It is specifically agreed that the Area III is described and defined as follows:

Area III is an irregularly shaped block of ground beneath the earth's surface, the upper limits of which are at an elevation of 2691 feet above sea level (Bunker Hill Survey) and which is bounded on its periphery by intersecting vertical planes, extending from that elevation indefinitely downward, constructed along the following lines, viz.: Beginning at Corner 1 of said "New Plane Line", thence southerly along the said "New Plane Line" to Corner 2, a point on the South side line of said Ruby claim; thence easterly along the South side line of said Ruby to its southeast corner; thence northerly along the East end line of said Ruby to the southwest corner of Rebel claim, M. S. 2129; thence easterly along the South side line of said Rebel to the southwest corner of the Hiawatha claim, M. S. 2129; thence easterly along the South side line of said Hiawatha to its southeast corner; thence northerly along the East end line of said Hiawatha to its

intersection with the East end line of the Diana claim, M. S. 3185; thence northerly along the East end line of said Diana to its intersection with the South side line of the Banner Hill claim, M. S. 2274; thence easterly along the South side line of said Banner Hill to its southeast corner; thence northerly along the East end line of said Banner Hill to its northeast corner; thence westerly along the North side line of said Banner Hill to its intersection with the West end line of the Prudential claim, M. S. 3318; thence northerly along the West end line of said Prudential to the South side line of the Surprise Fraction, M. S. 2274; thence easterly along the South side line of said Surprise Fraction to the southeast corner of the Surprise Fraction; thence northerly along the East end line of said Surprise Fraction to its northeast corner; thence westerly along the North side line of said Surprise Fraction to the southeast corner of the Artic claim, M. S. 2274; thence northerly along the East end line of said Artic to its northeast corner; thence westerly along the North side line of said Artic to its intersection with the East end line of the American, M. S. 3480; thence northerly along the East end line of said American to its northeast corner; thence westerly along the North side line of said American to Corner 1 of said "New Plane Line" and point of beginning.

Said Area III is illustrated by Exhibits "A" and "C" attached hereto, which are incorporated herein and made a part hereof.

Description of Area IV

It is specifically agreed that Area IV is described and defined as follows:

> Area IV is the irregular block of ground extending from the upper limits of said Area III to the surface and lying within the North-South and East-West boundaries, projected to the surface, of said Area III.

Said Area IV is illustrated on said attached Exhibit "C".

Description of Area V

It is specifically agreed that Area V is defined as follows:

> Area V is that irregular block of ground bounded (1) on the West by a plane which is a projection to the surface of said "Easterly Bounding Plane" and (2) on the South by the vertical southerly boundaries of Sun Con's most southerly claims or portions thereof between their intersections with said projected bounding plane on the West and their intersection on the East with Sunshine's most westerly claim boundaries, projected vertically, and (3) on the East by Sunshine's westerly claim boundaries, projected vertically indefinitely in depth, between their said intersection with Sun Con's boundaries and their intersection to the North with the southeast corner of Bunker's Hiawatha claim, M. S. 2129, and (4) on the North by the vertical South boundary planes of Areas III and IV.

Said Area V is illustrated on said attached Exhibits "A" and "C".

Description of Area VI

It is specifically agreed that Area VI is described and defined as follows:

> Area VI is that portion of Bunker Hill's property which lies northerly of the North boundary of Areas III and IV and also that portion which lies westerly of the westerly boundary of said Areas III and IV and northerly of said Bunker Hill vertical side line planes constituting the northerly boundary of said Area I and said Area II, respectively.

Said Area VI is illustrated on said attached Exhibits "A", "B" and "C".

Sun Con, Apex and Sunshine jointly and severally hereby quitclaim to The Bunker Hill Company all metals and minerals of whatsoever kind, nature or extent, and wheresoever the legally controlling apex thereof may be situated, contained in the above described Area I, together with the full right to mine and remove said metals and minerals by underground workings only, and the right to explore in and through said Area I by means of mine workings, drillings or otherwise for metals and mineral substances located therein or elsewhere, and the right to construct therein and use any mine workings, passageways and other openings desired by Bunker Hill for or in connection with its mining, removal and transportation of metals, minerals and other material located outside the granted premises. All of said area lies within Yreka and Evolution Mining Districts in the County of Shoshone, State of Idaho.

Bunker Hill hereby quitclaims to Sun Con, Apex and Sunshine, with respect to their individual properties and as their interests may appear, that portion of each and every vein, lode, ledge or mineral deposit appearing within Area I, Area III, Area IV, Area VI, or any of them which, on its

extension outside of said Areas, lies and is contained in Area II, Area III, Area V, or any of them.

Bunker Hill hereby quitclaims to Sun Con, Apex and Sunshine all metals and minerals of whatsoever kind, nature, or extent, and wheresoever the legally controlling apex thereof may be situated, contained in the above described Area III, together with the full right to mine and remove said metals and minerals by underground workings only, and the right to explore in and through said Area III by means of mine workings, drillings or otherwise for metals and mineral substances located therein, or elsewhere, and the right to construct therein and use any mine workings, passageways and other openings desired by said parties for or in connection with their mining, removal and transportation of metals, minerals and other materials located outside the granted premises. All of said area lies within Yreka Mining District in the County of Shoshone, State of Idaho.

Sun Con, Apex and Sunshine jointly and severally hereby quitclaim to Bunker Hill that portion of each and every vein, lode, ledge or mineral deposit apexing within Area I, Area II, Area III, Area V, or any of them, which, on its extension outside of said areas lies and is contained in Area I, Area IV, Area VI, or any of them.

This agreement and conveyance shall inure to the benefit of and be binding upon the successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed in quadruplicate counterparts in their respective names and under their respective corporate seals by their duly authorized officers

the day and year in this agreement first above written.

SUNSHINE CONSOLIDATED, INC.,
A Corporation,

By _____
President

ATTEST:

_____
Secretary

BIG CREEK APEX MINING COMPANY,
A Corporation,

By _____
President

ATTEST:

_____
Secretary

SUNSHINE MINING COMPANY,
A Corporation,

By _____
President

ATTEST:

_____
Assistant Secretary

THE BUNKER HILL COMPANY,
A Corporation,

By _____
Vice President

ATTEST:

_____
Assistant Secretary

STATE OF CALIFORNIA)
: ss.
County of San Francisco)

On this 12th day of February, 1958, before me, the undersigned, a Notary Public in and for the State of California, personally appeared W. M. YEAMAN, known to me to be the President of Sunshine Consolidated, Inc., the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

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

Elwin C. Atkinson
Notary Public for the State of California
Residing at San Francisco, Cal.

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

STATE OF CALIFORNIA)
: ss.
County of San Francisco)

On this 12th day of February, 1958, before me, the undersigned, a Notary Public in and for the State of California, personally appeared W. M. YEAMAN, known to me to be the President of Big Creek Apex Mining Company, the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

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

Elwin C. Atkinson
Notary Public for the State of California
Residing at San Francisco, Cal.

STATE OF WASHINGTON)
: ss.
County of Spokane)

On this 7th day of February, 1958, before me, the undersigned, a Notary Public in and for the State of Washington, personally appeared ROBERT M. HARDY, JR., known to me to be the President of Sunshine Mining Company, the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

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

Notary Public for the State of Washington
Residing at Spokane, Wash.

○ ○ ○ ○ ○ ○ ○ ○ ○ ○

STATE OF CALIFORNIA)
: ss.
County of San Francisco)

On this Sixth day of February, 1958, before me, the undersigned, a Notary Public in and for the State of California, personally appeared EMMETT G. SOLOMON, known to me to be the Vice President of The Bunker Hill Company, the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

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

Notary Public for the State of California
Residing at San Francisco, Cal.

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
7/17	Griswold	500
		800
	GCS	130
7/17	Johnson	110
"	Jensen	100
		210
		220

JUL 17 1963

Memorandum

To: Acting Field Officer, Region I

From: Chief, Division of Field Operations

Subject: GMK-6264 (Silver)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

We have received the copy of Mr. Norman H. Smith's letter of July 11, 1963, to you covering rejection of the proposed contract.

We, of course, never try to impose our viewpoint upon an applicant or to insist that it enter into an agreement which it does not consider equitable.

Accordingly, we are considering the application as withdrawn and placing it in our inactive file.

WRGriswold/gla
7-17-63
cc to: Director's Reading File
Review Committee
Docket

23263

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
7/17	Griswold	500
		800
		130
		110
		100
		210
		220

Memorandum

To: Acting Field Officer, Region I

From: Chief, Division of Field Operations

Subject: SMK-6264 (Silver)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

We have received the copy of Mr. Norman M. Smith's letter of July 11, 1963, to you covering rejection of the proposed contract. ~~It is typical of what we have long since learned to expect from these people.~~

Frankly, we are a bit relieved that the contract was not accepted; every project we have had in the past with the Sunshine company ended on an unhappy note.

Accordingly, we are considering the application as withdrawn and placing it in our inactive file.

WRGriswold/gla
7-17-63
cc to: Director's Reading File
Review Committee
Docket

23263

MME FORM [redacted] REFERENCE SLIP

REV. 2-59 OFFICE OF MINERALS [redacted]LORATION

TO:	DATE	INITIALS
1. Chief, Division of Field Operations	7/15/63	
2.		
3.		
4.		
5. DRMacLaren		

FROM: D. R. MacLaren, Acting Fld. Offr., Region I

FOR: Check items for action desired

____ Action ____ Reply for signature of ____

____ Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions X Your information

REMARKS:

OME-6264 (Silver)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Regarding the two major items to which Smith refers, see the last paragraph of my letter of May 27, 1963, transmitting the proposed contract.

SUNSHINE CONSOLIDATED, INC.
ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG, IDAHO

OFFICIAL FILE COPY
O. M. E
RECEIVED JUL 17 1963

DATE	INITIALS	CODE
7/17	[illegible]	500

July 11, 1963

Mr. D. R. MacLaren
Acting Field Officer, OME, Region 1
U. S. Department of Interior
S. 157 Howard Street
Spokane, 4, Washington

Re: OME 6264 (Silver-Antimony)
Proposed Contract 2168

Dear Mr. MacLaren:

After due consideration of the proposed OME No. 2168 Contract and the revisions outlined in your letter of June 24, 1963, the management of Sunshine Consolidated, Inc. declines accepting and signing of the contract.

We are disappointed and even somewhat anguished over the fact the government does not understand the current economics of mine exploration, particularly, costs. Most of the cost estimates made by the government would only fit the circumstances 20 years ago. We are certain the government's cost estimate will not provide 60% of one-half of the cost. The law under which OME exists calls for a 50% participation - that is what we had expected. Instead the government's participation would have been less than 30%.

The government also either ignored or rejected two major items in the proposed project. It rejected participation in the long drill hole to the south which is very essential to this project, and it ignored our request for funds for rehabilitation of the 3100 west drift leading to the main project.

Lastly, the government seems too bent on policing its subjects.

Very truly yours,

Norman M. Smith
Vice President

NMS/m

Mne. 1x

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUN 24 1963

DATE	INITIALS	CODE
6/25	Murphy	500
	Mitchell	

No. 157 Howard Street
Spokane 4, Washington
June 20, 1963

Mr. Norman M. Smith, Vice-President
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Re: OME-6064 (Silver)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. Smith:

This is in further reference to your letter of June 7 and our reply of June 14, 1963.

I have been advised by our Washington office that they will make the following changes and revisions if agreed to by you (itemized as in my June 14 letter):

1. In Exhibit A, page 1, second paragraph, provision that approval for starting Stage II work will be based on the results of Stage I could be added.

Under General Provisions . . . We can include EX core size at $5.50 per foot.

2. Page 2, first paragraph: This can be changed to state that sludges shall be retained until percentage of core recovered in the run is determined, and we can change the specification to combining the core and sludge in case of low recovery.

3. Third paragraph: We can change to "cores" as you request.

4. Fourth paragraph: We can change size of drifts to 7' x 8' at a reduced cost per foot, delete timbering and add rock bolting.

5. Fifth paragraph: These specifications are necessary, but we could change water line to 1".

6. Eighth paragraph: This could be changed to: "The Operator shall provide satisfactory supervisory and technical services."

Under Description of the Work: We could restate that "secondary drilling may be done at approximately but not less than a 60-foot interval between holes."

These are the only changes CMX will agree to. Please advise us whether they will be acceptable so that I may request that the proposed contract be rewritten accordingly.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, CMX
Region I

DRMacLaren:mlm
cc: CMX(2)
MacLaren
Reading copies to:
Nolan
McKelvey

MME-Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
6/17	on leave	500
6/17	Talbot	800
6/17	on leave	130
"	Johnson	110
"	Ford	100
6/17	Cal	220
		500

JUN 17 1963

AIRMAIL

Memorandum

To: Acting Field Officer, Region I

From: Acting Chief, Division of Field Operations

Subject: CME-6264 (Silver)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Your memorandum of June 12, 1963, and enclosures have been reviewed. Your letter to Norman M. Smith was mailed June 14, 1963, and the copies distributed.

We agree with the statements in your letter and will make the following changes and revisions if agreed to by the Applicant:

1. In Exhibit A, page 1, second paragraph, we could add that approval for starting Stage II work will be based on the results of Stage I.

Under General Provisions . . . We will include EX core size at $5.50/foot.

2. Page 2, first paragraph: We can change this to state that sludges shall be retained until percentage of core recovered in the run is determined. We will change the specification to combining the core and sludge in cases of low recovery.

3. Third paragraph: Will change to "cores" as you suggest.

4. Fourth paragraph: We will change size of drifts to 7' x 8' at a reduced cost, delete timbering and add rock bolting. Please give your estimate of number and cost for rock bolts.

5. Fifth paragraph: As you state these specifications are necessary; however, we could change water line to 1".

6. Eighth paragraph: We could change this to, "The Operator shall provide satisfactory supervisory and technical services."

43683

Under Description of the Work - We could restate that "secondary drilling may be done at approximately but not less than a 60-foot interval between holes."

Please advise the Applicant that the above are the only changes we will agree to, and ask its approval. Upon receipt of your recommendations in this matter we will rewrite the proposed contract.

s/F. M. Murphy

FMMurphy/mm
6/17/63
cc: Director's Reading file
Review Committee
Docket

big questions down west, Frank.

Summary:

(1) add, based upon the results of Stage I.

EX size & price OK.

(2) retain sludges until percentage of core recovery is determined. Put in language for combining core & sludge values etc.

3rd ¶ add Cover of

4¶ size OK, bolts OK - reduce cost of drift a little. calculate what number of bolts work out to.

5th ¶ ~~to~~ have to have. water line might be 1"

8th ¶ The Operator shall provide satisfactory supervisory and technical services.

Description of work

secondary drilling may be done at approximately but not less than a 60-foot spacing.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
June 12, 1963

FILE COPY
RE 1963
120
500

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: OME-6264 (Silver)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Enclosed are the original and four copies of proposed Contract 2168 which the applicant has returned unsigned and two Thermofax copies of a letter in which he proposes various changes.

Also enclosed is a letter I have written to Norman M. Smith, vice-president of the company, commenting upon his proposed changes. If it is satisfactory, kindly date and mail. Upon receipt of the Region I copy, I will distribute the Survey copies. Two OME copies are enclosed.

D. R. MacLaren

D. R. MacLaren

Enclosures

OME (2)

JUN 14 1963

Mr. Norman H. Smith, Vice-President
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Re: OMS-6864 (Silver)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. Smith:

The original and four copies of a proposed OMS contract which you returned unsigned and the accompanying letter in which you request certain changes have been sent to our Washington, D. C. office for consideration.

Although I cannot say at this time what decisions may be made in regard to your proposed changes, I will have offer a comment or so on each, as you have numbered them.

1. In Exhibit A, Page 1, Second Paragraph, etc.: Neither OMS contracts nor those of its predecessor BMSA have accepted the concept of unilateral termination by an Operator. However, by mutual agreement a contract can with reasonable justification be terminated at any time. Certainly, if Stage I did not offer some encouragement, the Government would not insist on starting Stage II. If the results of Stage I were encouraging, though not justifying a certification, the Government would probably not insist upon starting Stage II if the Operator did not wish to, but in that case a pseudo-certification could possibly be included in a Termination Agreement. I doubt if this request will be approved.

Under General Provisions, Exhibit A: <u>(1) Page 1, Third Paragraph, etc.</u>: Nowhere in the application or in the final cost estimate is any mention made of NX size holes. That these holes were to be NX or AX size was inferred because the company's cost estimate for the diamond drilling was commensurate with the bids that were based on NX and AX holes. I would think that this proposed change might be acceptable, but possibly bids for NX size holes may be requested.

2. Page 2, First Paragraph: The word "temporarily" is indefinite and could be considered as authorizing disposal of sludge samples by the time they reached the surface. However, as in the preceding paragraph, relative to cores, a statement that "With prior Government approval, the Operator may later dispose of such sludge" could probably be added.

3. Third Paragraph: There might be no objection to changing the sentence to read "Cores of all holes shall be logged, etc." However, where core is not recovered, changes in color and/or characteristic of sludge material should certainly be used to attempt to determine rock or structure change. Obviously, the company is desirous of gaining all the information possible from the drilling and would make such an attempt.

4. Fourth Paragraph: Standard size of drifts and crosscuts, etc.: There is no mention of drift size in the application, however, the last furnished costs for "Rehab. Timbering", Operating Materials and Supplies, include 9-foot posts and 9-foot caps. I raised the question of drift size when we discussed costs in Mr. Johnson's office and made a notation on the cost sheet for drifting 8' x 9'. There will probably be no problem in adjusting this specification to 7' x 8' as you request, but there will probably be a small reduction in the unit cost as that was based on the larger sized drift section.

The allowance for timbering could probably be deleted, but the total number of rock bolts which you propose in lieu of timber may be reduced.

5. Fifth Paragraph - Delete this paragraph altogether: This paragraph specified as a minimum the sizes of vent line (24"), air line (3"), water line (2") and mine rail (20-lb.). In the last cost estimate 24" vent line is shown on the "Rehab-Fan Pipe" sheet and on the "Drifting" sheet. The sheets for "Rehab-Air Line" and "Rehab-Water Line", respectively, specify the sizes mentioned above. During our cost discussion, I was told that rail would be 30-lb. Although this is decreased to a minimum of 20-lb. rail, your estimated costs per foot for 30-lb. rail, 24" vent line, 3" air line, and 2" water line were used in arriving at the Contract Cost per foot for drifting. Anything less than the specified sizes would require a reduction in the unit price and minimum specifications would still have to be included. If you wish to change the specifications, you should submit your estimated cost for each item of lesser size.

6. Eighth Paragraph: The operator shall provide supervisory and technical service. Delete remaining words: This is a more or less standard requirement of all unit cost projects, the unit cost including provision for these services. I doubt that this proposed change will be acceptable.

Description of the Work - Stage I, Second Paragraph. Change the word "shall" to "may", etc.: The purpose of secondary drilling at approximately 60-foot intervals if the primary drilling is encouraging is to reduce the possibility of missing an ore shoot that might occur between the wider spaced primary holes. I doubt that this requested change will be approved.

I wish to emphasize that the above remarks regarding the acceptability of your proposed changes are nothing more than a guess and should not in any way be considered as a pre-commitment to a decision that must be made elsewhere.

Sincerely yours,

S/

D. R. MacLaren
Acting Field Officer, OME
Region I

DRMacLaren:mls
cc: OME(2) w/cys incoming
Reading copies to:
Nelan
McKelvey

JUN 14 1963

Mr. Norman H. Smith, Vice-President
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Re: OMX-6264 (Silver)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. Smith:

The original and four copies of a proposed OMX contract which you returned unsigned and the accompanying letter in which you request certain changes have been sent to our Washington, D. C. office for consideration.

Although I cannot say at this time what decisions may be made in regard to your proposed changes, I will have offer a comment or so on each, as you have numbered them.

1. In Exhibit A, Page 1, Second Paragraph, etc.: Neither OMX contracts nor those of its predecessor DMEA have accepted the concept of unilateral termination by an Operator. However, by mutual agreement a contract can with reasonable justification be terminated at any time. Certainly, if Stage I did not offer some encouragement, the Government would not insist on starting Stage II. If the results of Stage I were encouraging, though not justifying a certification, the Government would probably not insist upon starting Stage II if the Operator did not wish to, but in that case a pseudo-certification could possibly be included in a Termination Agreement. I doubt if this request will be approved.

Under General Provisions, Exhibit A: (1) Page 1, Third Paragraph, etc.: Nowhere in the application or in the final cost estimate is any mention made of EX size holes. That these holes were to be EX or AX size was inferred because the company's cost estimate for the diamond drilling was commensurate with the bids that were based on EX and AX holes. I would think that this proposed change might be acceptable, but possibly bids for EX size holes may be requested.

2. Page 2, First Paragraph: The word "temporarily" is indefinite and could be considered as authorizing disposal of sludge samples by the time they reached the surface. However, as in the preceding paragraph, relative to core, a statement that "With prior Government approval, the Operator may later dispose of such sludge" could probably be added.

3. Third Paragraph: There might be no objection to changing the sentence to read "Cores of all holes shall be logged, etc." However, where core is not recovered, changes in color and/or characteristic of sludge material should certainly be used to attempt to determine rock or structure change. Obviously, the company is desirous of gaining all the information possible from the drilling and would make such an attempt.

4. Fourth Paragraph: Standard size of drifts and crosscuts, etc.: There is no mention of drift size in the application, however, the last furnished costs for "Rehab. Timbering", Operating Materials and Supplies, include 9-foot posts and 9-foot caps. I raised the question of drift size when we discussed costs in Mr. Johnson's office and made a notation on the cost sheet for drifting 8' x 9'. There will probably be no problem in adjusting this specification to 7' x 8' as you request, but there will probably be a small reduction in the unit cost as that was based on the larger sized drift section.

The allowance for timbering could probably be deleted, but the total number of rock bolts which you propose in lieu of timber may be reduced.

5. Fifth Paragraph - Delete this paragraph altogether: This paragraph specified as a minimum the sizes of vent line (24"), air line (3"), water line (2") and mine rail (20-lb.). In the last cost estimate 24" vent line is shown on the "Rehab-Fan Pipe" sheet and on the "Drifting" sheet. The sheets for "Rehab-Air Line" and "Rehab-Water Line", respectively, specify the sizes mentioned above. During our cost discussion, I was told that rail would be 30-lb. Although this is decreased to a minimum of 20-lb. rail, your estimated costs per foot for 30-lb. rail, 24" vent line, 3" air line, and 2" water line were used in arriving at the Contract Cost per foot for drifting. Anything less than the specified sizes would require a reduction in the unit price and minimum specifications would still have to be included. If you wish to change the specifications, you should submit your estimated cost for each item of lesser size.

6. Eighth Paragraph: The operator shall provide supervisory and technical service. Delete remaining words: This is a more or less standard requirement of all unit cost projects, the unit cost including provision for these services. I doubt that this proposed change will be acceptable.

Description of the Work - Stage I, Second Paragraph, Change the word "shall" to "may", etc.: The purpose of secondary drilling at approximately 60-foot intervals if the primary drilling is encouraging is to reduce the possibility of missing an ore shoot that might occur between the wider spaced primary holes. I doubt that this requested change will be approved.

I wish to emphasize that the above remarks regarding the acceptability of your proposed changes are nothing more than a guess and should not in any way be considered as a pre-commitment to a decision that must be made elsewhere.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, GMB
Region I

DRMacLaren:mls
cc: GMB(2) w/cys incoming
Reading copies to:
Nolan
McKelvey

SUNSHINE CONSOLIDATED, INC.
ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG IDAHO

June 7, 1963

Mr. D. R. MacLaren, Acting Field Officer
Office of Minerals Exploration
S. 157 Howard Street
Spokane 4, Washington

Re: OME - 6264
Contract 2168

Dear Mr. MacLaren:

Enclosed are the original and four copies of OME proposed contract #2168 for an exploration project in the SunCon Area which are being returned unsigned. As the contract is now written, it is entirely unsatisfactory. If the government desires to participate in this project, it should be more realistic in its thinking on costs and condition of operations. We therefore propose the following suggestions, changes and insertions to make this contract desirable and tenable.

(1) In Exhibit A, Page 1, second paragraph: should be so worded that the operator may stop or proceed with Stage 11 as he sees fit.

In General Provisions, Exhibit A -

(1) Page 1, Third Paragraph

The diamond drilling may be done with EX size core bit - (cost @ $5.50 per foot). (The BX and AX sizes were to be used in the long 2000'-foot south hole which the government denied).

(2) Page 2, First Paragraph

Insert the word "temporarily" after "shall be" and before "retained" in line two, to read --- "drill sludges and such sludges shall be temporarily retained when drilling in -----".

(3) Third Paragraph

Add words "cores of" at the beginning of this paragraph to read "Cores of all holes shall be logged -----".

(4) Fourth Paragraph

Standard size of drifts and crosscuts are 7' x 8' in the clear, rock bolting will be used as support. The govenment will contribute to the cost of up to seven rock bolts per five feet of drifting or crosscutting. No timbering will be done.

(5) Fifth Paragraph

Delete this paragraph altogether. Such provisions are adequately covered in Article 3, page 2 of formal contract, without hamstringing the operator to such specifics.

(6) Eighth Paragraph

Changed to read "The operator shall provide supervisory and technical service." Delete remaining words.

Description of the Work

Stage I

Second paragraph. Change the word "shall" to "may" in fourth line to read, "secondary drilling may be done at approximately 60 -". It might be desirable to change the interval.

Estimate of Costs of the Project

Agreed Unit Costs:

Stage I

Drifting and Crosscutting		
700 feet @ $53.00		$37,100.00
980 Rock Bolts @ $5.00		4,900.00
Diamond Drilling		11,000.00
750 feet EX @ $5.50	$4,125.00	
1,250 feet EX @ $5.50 (Secondary)	6,875.00	
Assaying		
200 determinations @ $1.50 each		300.00
Total Estimate of Maximum Cost of Stage I		$53,300.00

Stage II

Agreed Unit Costs

Drifting and Crosscutting		
600 feet @ $53.00		$31,800.00
840 Rock Bolts @ $5.00		4,200.00
Diamond Drilling		9,900.00
750 EX @ $5.50	$4,125.00	
1,050 EX @ $5.50	5,775.00	
Assaying		
200 determinations @ $1.50 each		300.00
Total Estimate of Maximum Cost of Stage II		$46,200.00
Total Estimate of Maximum Costs, Both Stages		$99,500.00
Government Maximum Participation		$49,750.00

The above-estimated costs have been reduced slightly from the original estimates. The cost of drilling with the EX will be less, but we will need more support than indicated from the government's estimates. This support will be by rock bolts. We feel it reasonable for the government to participate at least in seven bolts per five feet of drift. If more are used, the operator will Necessarily have to pay for them. If less are used, the government will participate only in those used.

On the matter of the 6% interest, if Congress should revise the law reducing this rate, (we understand this issue is being kicked around in committee), we would like a provision in this contract whereby we would be benefitted by that reduction should it be made into law.

Sincerely yours,

Norman M. Smith
Vice President

NMS/m
Enclosures

OFFICIAL FILE COPY
O. M. E
RECEIVED MAY 28
DATE
5/29 800
Granted 500

So. 157 Howard Street
Spokane 4, Washington
May 27, 1963

Mr. Norman M. Smith, Vice-President
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Re: OME-6264 (Silver)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. Smith:

Enclosed are the original and four copies of a proposed contract for exploration in the Sun Con Area, signed by the Director of OME for the Government. The contract consists of MME Form 51 (Short Form), Annex I (three pages), one Lien or Subordination Agreement (one page), with Annex (three pages), Exhibit A (four pages), Exhibit B (one page), and one map.

If the contract is satisfactory, kindly insert the starting date in Article I. This date must not be prior to the date of the contract. Then sign all copies, keep the Operator's copy, and return the other copies to this office.

The 6 percent interest accrues from the dates on which the individual payments are made by the Government and, like the principal, is repayable from royalty on production.

If the contract is not satisfactory, please return all copies unsigned to this office with a statement of your proposed changes for consideration.

The Government cannot contribute to the cost of the proposed rehabilitation work, as it would be done on land not included in the contract. No provision has been made for drilling the 2,000-foot hole to the SCI vein, as there is no evidence on which such a hole could be classed as other than a major prospecting undertaking.

Sincerely yours,

Enclosures

D. R. MacLaren
Acting Field Officer, OME
Region I

DRMacLaren:ny
cc: OME
Sending copies to:
Helen
McKelvey

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
	Quinn	500
5/15	Talbot	800
	RCL	130
5/17	Johnson	110
	Perrault	100
5/20	Cole	220
		500

MAY 20 1963

Memorandum

To: Acting Field Officer, Region I

From: Chief, Division of Field Operations

Subject: OME-6264 (Silver)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

As recommended in your April 18 memorandum, we have prepared and are enclosing the original and four copies of a proposed contract for the referenced exploration project. The contract consists of MME Form 51 (Short Form), Annex I (three pages), one Lien or Subordination Agreement (one page) with Annex (three pages), Exhibit A (four pages), Exhibit B (one page), and one map. Also enclosed is an extra copy of the contract for Field Office use. All copies have been signed by the Director for the Government.

If the contract is satisfactory to you and the Applicant, kindly insert the starting date and have an authorized representative of the corporation sign the original and four copies. Thereafter, please distribute the copies in the usual manner.

Please advise the Applicant that the 6 percent interest accrues from the dates on which individual payments are made by the Government and like the principal is repayable from royalty on production.

If any part of the proposed contract does not have your approval or that of the Applicant and cannot be altered within your delegated authority, the original and all copies are to be returned to this office together with the proposed changes for consideration.

The allocated drifting costs follow your May 9 memorandum and are rounded to $53 per foot.

The costs of the rehabilitation work cannot be allowed inasmuch as such work would be done on land not included in the contract. The Applicant was so very insistent upon the eastern boundary line of the property pertaining to the project so we are left with no possibility of allowing the rehabilitation work required, which otherwise would have been allowed.

43683

You will note that we have not included the 2000-ft. diamond drill hole. Ordinarily, under conditions of some promise, we are not opposed to the probing of walls for unknown parallel structures. We did a great deal of this in the Polaris project and also in the nearby Crescent project of the Bunker Hill Company. However, a 2000-ft. drill hole is definitely a major undertaking in itself and, as intimated in your memorandum, there is nothing in this instance that appears to warrant such a substantial expenditure.

[illegible] C. Bellridge (gla)

Enclosures

WRGriswold/mm
5/14/63
cc: Director's Reading File
Review Committee
Docket

MAY 20 1963

5/20/63

I do not believe that any docket ever received a more careful scrutiny to be sure that everything was in order.

7/25/62 Shortly after the application was received I sent it to the Legal Division, asking whether or not we could execute a contract with SunCon, whether it should be made with Sunshine, or with both companies, etc.

9/7/63 After endless delay MacPhillamey finally replied that he thought a joint contract would be advisable.

9/12/63 Johnson wrote a letter to Selfridge (who was in the Field) saying that he had discussed the matter with MacPh. who now agreed that we can make a contract with SunCon if we get a L. or S. Agreement from Sunshine.

10/11/62 It is obvious that MacPh. endorsed Johnson's position inasmuch as he goes into detail as to why Sunshine should execute the usual L. or S. Agreement, instead of the special one they had requested. His memo was sent to the Field, who gave the gist of it to Sunshine.

2/25/63 File note by Mr Fumichsaying that O'Leary goes along.

In a dozen different ways, at a dozen different times, we have intimated to these people that a contract would be forthcoming, if title and cost matters could be ironed out; it would smell awfully bad if we renigged at this late date.

Concerning the inherent merits of the project, none of us are overwhelmed with a mad enthusiasm - quite likely we will find some ore but also, quite likely, it will not be any gigantic thing. Nevertheless the best of us can make bad guesses at times; the structure is strong, a wide shear up to a hundred feet in width, at times, and it could easily be that a truly worthwhile ore shoot lies ahead.

The undersigned sees no reason for a reversal of his position granting a contract.

WPG

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
May 9, 1963

OFFICIAL FILE COPY
O. M. E
RECEIVED MAY 13 1963

DATE	INITIALS	
		120
		500

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: Cost Estimate
OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

This is a continuation of my memorandum of April 18, 1963, in which is proposed a two-stage program. After completing the enclosed cost estimate, it appears that the total cost of the various items of rehabilitation and preliminary preparation will make up 27 percent of the total cost of proposed Stage I, 17 percent of the total cost of Stages I and II, and 14 percent of the total costs if drilling to the SCI vein is included. As most of the timber repair is below stopes which, under more favorable conditions, could possibly be reactivated, you might prefer to consider this item as mine maintenance, even though it is now necessary preparation for the proposed project.

A detailed appraisal and count of the timber sets that will need to be replaced was not made. Under the stoped ground at and west of the intersection of the 3100 crosscut with the main drift west and in the area below the end of the 2700 crosscut, many of the posts and more of the bridge caps are beginning to break and in the interest of safety must be replaced. Similarly, west of the timbered section there are several stretches of drift in which the walls show evidence of side pressure and are starting to spall. These can be made safe by setting rock bolts. Probably some mats will be required, but as the applicant has not included them in his list of materials neither have I. The pipe, vent line, and power cable installation included under rehabilitation is necessary to bring these items to the start of drifting.

In estimating the costs of these various items, I have not included supervision or cager. The applicant has omitted the latter, and, although some supervisory time is necessary to check the work progress, designate sets to be changed and areas to be rock bolted, etc., the amount of time actually required should not be much, and its distribution is difficult to appraise realistically. Possibly an extra percent or so added to the various unit costs will properly allow for supervision. Ten percent has been added in each case for the cost of compressed air, electric power, tools, repairs, etc.

The applicant's estimate that two men will install only 100 feet/day of air and water line seems very conservative. Zoldok has suggested that pipe comes in 100-foot lengths and that, even at 50-foot lengths, two men should be able to install 300 feet of air line and 500 feet of water line in a day. I have used these estimates.

COSTS

Rehabilitation--Replacing Timber

250 feet, or 50 sets, of timber; two men should replace one set/shift, two shifts/day, 10 feet/day, 21 days/month. At 210 feet/month, time required, 1.2 months, or 25.2, say 25, days.

1. Independent Contracts — None

2. Labor and Supervision (per shift):

1 timberman at $20.94/shift	$20.94
1 helper at $19.38/shift	19.38
1 hoistman, 1 hr., at $22.03/shift	2.75
1 trammer, 2 hrs., at $19.38/shift	4.84
	$47.91
FICA and other insurance at 11%	5.27
	$53.18

At 5 feet/shift — $10.636, say $10.64/ft.

3. Operating Materials and Supplies (per 5-foot set):

1 cap, 12"x12"x9'	108 b.f.
2 posts, 12"x12"x9'	216 b.f.
15 lagging, 3"x12"x5'	225 b.f.
	549 b.f.

At $65/M	$35.68
Plus 10 percent for blocks, wedges, etc.	3.57
	$39.25

At 5 feet/set — 7.85/ft.

4 through 7. — None

Total	$18.49/ft.
Plus 10 percent for tools, repair parts, compressor, power, etc.	1.85
Cost of replacing timber	$20.34/ft.

Cost of 250 feet of retimbering — $5,085.00

Rehabilitation--Rock Bolting

500 feet, not to exceed an average of 7 rock bolts per 5-foot section, or 700 rock bolts. Based on the applicant's estimate of 1,125 bolts set in 20 days, or 56.25, say 56, bolts/day, two men will each set 28 bolts/day. Time required to set 700 bolts, 12.5, say 13, days.

1. Independent Contracts — None

2. Labor and Supervision:

2 drift miners at $20.94/shift	$41.88	
1 hoistman, 1 hr., at $22.03/shift	2.75	
	$44.63	
FICA and other insurance at 11%	4.91	
	$49.54	
At 56 bolts	$ 0.884, say	$ .88/bolt

3. Operating Materials and Supplies:

700 rock bolts at $1.67 each — 1.67/bolt

4 through 7. — None

	Total	$ 2.55/bolt
Plus 10% for tools, parts, compressor, power, etc.		.25
Cost of rock bolting		$ 2.80/bolt
	or	$ 3.92/foot

Cost of setting rock bolts — $1,960.00

Rehabilitation--Air Line

1,000 feet of 3" air line at 300 feet/shift. Time required, 1 shift/day or 3.33, say 4, days.

1. Independent Contracts — None

2. Labor and Supervision:

2 miners at $19.90/shift	$39.80	
1 hoistman, 2 hrs., at $22.03/shift	5.50	
1 trammer, 2 hrs., at $19.38/shift	4.84	
	$50.14	
FICA and other insurance at 11%	5.52	
	$55.66	
At 300 feet/shift	$ 0.185, say	$ 0.19/ft.

3. Operating Materials and Supplies:

1,000 ft. 3" pipe and couplings	$976.00		
Less 50%--no salvage	$488.00	or	0.49/ft.

4 through 7. None

	Total	$ 0.68/ft.
Plus 10% for tools, parts, compressor, etc.		.07
Cost of installing air line		$ 0.75/ft.

Cost to install 1,000 feet of air line $750.00

Rehabilitation--Water Line

Install 700 feet of 2" water line at 500 feet/shift. Time required, 1 shift/day or 2.3, say 3, days.

1. Independent Contracts None

2. Labor and Supervision:

2 miners at $19.90/shift	$39.80	
1 hoistman, 2 hrs., at $22.03/shift	5.50	
1 trammer, 2 hrs., at $19.38/shift	4.84	
	$50.14	
FICA and other insurance at 11%	5.52	
	$55.66	
At 500 feet/shift	$ 0.111, say	$0.11/ft.

3. Operating Materials and Supplies:

700 ft. 2" pipe and couplings	$364.00	
Less 50%--no salvage	$182.00	$0.26/ft.

4 through 7. None

	Total	$0.37/ft.
Plus 10% for tools, parts, compressor, etc.		.04
Cost of installing water line		$0.41/ft.

Cost to install 700 feet of water line $287.00

Rehabilitation--Vent Line

Install 1,790 feet of 24" vent line at 90 feet/shift. Time required, 19.8, say 20, days.

1. Independent Contracts — None

2. Labor and Supervision:

2 miners at $19.90/shift	$39.80	
1 hoistman, 2 hrs., at $22.03/shift	5.50	
1 trammer, 2 hrs., at $19.38/shift	4.84	
	$50.14	
FICA and other insurance at 11%	5.52	
	$55.66	
At 90 feet/shift	$ 0.618, say	$ 0.62/ft.

3. Operating Materials and Supplies:

1,790 ft. 24" vent line and hangers	$10,310.40	
Less 50%--no salvage	$ 5,155.20, or	$ 2.88/ft.

4 through 7. — None

Total	$ 3.50/ft.
Plus 10% for tools, repair parts, compressor, power, etc.	.35
Cost of installing vent line	$ 3.85/ft.

Cost to install 1,790 feet of vent line $6,891.50

Rehabilitation--Power Cable

Install 2,850 feet of power cable and three transformers. Estimated time required, 3 days.

1. Independent Contracts — None

2. Labor and Supervision:

4 first class electricians, 3 days at $21.46/day	$257.52	
FICA and other insurance at 11%	28.33	
	$285.85	
At 2,850 feet of cable	$ 0.100	$ 0.10/ft.

3. Operating Materials and Supplies:

2,850 ft. of cable	$8,550.00	
Less 50%--no salvage	$4,275.00 or	$ 1.50/ft.

4 through 7. — None

Total	$ 1.60/ft.
Plus 10% for tools, repair parts, hoist, tramming,etc.	.16
Cost of installing cable	$ 1.76/ft.

Cost to install 2,850 feet of cable $5,016.00

Rehabilitation--Lower Track

100 feet at 15 feet/shift, time required, 7 days.

1. Independent Contracts — None

2. Labor and Supervision:

1 miner at $19.90/shift	$19.90
FICA and other insurance at 11%	2.19
	$22.09

At 15 feet/shift — $ 1.472, say $ 1.47/ft.

3 through 7. — None

Cost to lower track — $ 1.47/ft.

Cost to lower 100 feet of track — $147.00

Rehabilitation--Recapitulation

Replace up to 250 feet, or 25 sets, of timber at $20.34/foot	$5,085.00
Set not to exceed 700 rock bolts at $2.80/bolt	1,960.00
Install 1,000 feet of 3" air line at $0.75/foot	750.00
Install 700 feet of 2" water line at $0.41/foot	287.00
Install 1,790 feet of 24" vent line at $3.85/foot	6,891.50
Install 2,850 feet of power cable at $1.76/foot	5,016.00
Lower 100 feet of track at $1.47/foot	147.00
Total cost of rehabilitation	$20,136.50

Drifting

Drive 1,300 feet of lateral, 8 feet by 8 feet in rock section. Two shifts/day, 21 days/month. Estimated average rate of advance, including rock bolting, 6.8 feet/day, or 3.4 feet/shift. Time required, 9.1, say 9, months. It is estimated that about 900 feet may require some rock bolting--at an average of 7 bolts and 2 mats/5-foot section, 1,260 rock bolts and 360 mats will be required.

1. Independent Contracts — None

2. Labor and Supervision:

2 miners at $32.30/shift (contract including bonus)	$ 64.60
1 trammer, 5 hrs., at $19.38/shift	12.10
1 hoistman, 1 hr., at $22.03/shift	2.75
1 cager, 1 hr., at $20.43/shift	2.55
1 electrician, 1/4 hr., at $21.46/shift	.67
1 supervisor-engineer-geologist, ½ time, at $750.00/month	17.85
	$100.52
FICA and other insurance at 11%	10.00
Total	$110.52

At 3.4 feet — $ 32.505, say $32.50/ft.

3. Operating Materials and Supplies (per 5 feet):

70 lbs. powder at $0.307/lb.	$21.49	
28 caps, electric, at $0.05 ea.	1.40	
Rail, 30-lb., plus fish plates, spikes, bolts, etc., at $1.33/ft. (less 50%--no salvage)	6.65	
1,260 rock bolts at $1.67 ea.	8.10	
360 mats at $2.09 ea.	2.90	
1,250 ft. 24" vent line at $5.04/ft. (less 50%--no salvage)	12.12	
700 ft. power cable at $0.70/ft. (Less 50%--no salvage)	00.92	
1,200 ft. air line, 3", at $1.26/ft.	2.90	
1,200 ft. water line, 2", at $0.78/ft. (less 50%--no salvage)	1.80	
500 ft. hose, air and water, at $1.76/ft.	3.40	
Steel, 1 replaced/300 ft. at $16--140 ft./rnd.	7.47	
Bits, 300 ft./bit at $20--140 ft./rnd.	9.33	
Ties, 3-3/4 at $0.40	1.50	
Total per 5-ft. round	$79.98	$16.00/ft.

4 through 7. None

Total		$48.50/ft.
Plus 10% for tools, repair parts, air, power, etc.		4.85
Cost of drifting, rock bolting, etc.		$53.35/ft.
Total cost of drifting		$69,355.00

Diamond Drilling (Short Hole)

27 flat holes, bearing N. 24° E., 7 holes averaging 250 feet deep and 20 holes averaging 100 feet deep. Total drilling, 3,750 feet. At an average advance of 25 feet/two-shift day, including moving and setting up, time required, 150 days or 7 months. The applicant does not propose to make drill stations for this drilling, which will be done from the drift between and following each stage of drift advance.

1. Independent Contracts — None

2. Labor and Supervision (per day):

1 driller, 2 shifts, at $31.00/shift	$ 62.00	
1 helper, 2 shifts, at $19.00/shift	38.00	
1 geologist, ½ time, at $575.00/month	13.69	
	$113.69	
FICA and other insurance at 11%	12.51	
	$126.20	
At 25 feet/day	$ 5.048, say	$ 5.05/ft.

3. Operating Materials and Supplies:

Applicant's estimate reasonable	$ 2.31/ft.
4 through 6.	None
Total	$ 7.36/ft.
Plus 10% for repairs, air, power, etc.	.74
Total drilling cost	$ 8.10/ft.

7. Miscellaneous:

90 assay determinations for		
gold and silver at $2.50 ea.	$225.00	
lead at $1.50 ea.	135.00	$360.00

Diamond Drilling (Long Hole)

If it is decided that this hole to the SCI vein is justified, it is recommended that the applicant's costs, except for $4.12/foot for "Other Services," be accepted. The two miners are for drill station excavation at the end of the drift. "Operating Supplies" apparently include powder, caps, steel, and bits to be used in drill station excavation. The recommended costs are:

1. Independent Contracts	$ 9.39/ft.
2. Labor and Supervision	.68/ft.
3. Operating Supplies	.06/ft.
4 through 6.	None
Total	$10.13/ft.
Plus 10% for repairs, air, power, etc.	1.01/ft.
Total cost for long diamond drill hole	$11.14/ft.

7. Miscellaneous:

8 assays for gold and silver at $2.50 ea.	$20.00	
8 assays for lead at $1.50 ea.	12.00	$32.00

Recapitulation

Stage I:

Replace up to 250 feet, or 25 sets, of timber at $20.34/ft.	$5,085.00	
Set up to 700 rock bolts at $2.80 ea.	1,960.00	
Install 1,000 feet of 3" air line at $0.75/ft.	750.00	
Install 700 feet of 2" water line at $0.41/ft.	287.00	
Install 1,790 feet of 24" vent line at $3.85/ft.	6,891.50	
Install 2,850 feet of power cable at $1.76/ft.	5,016.00	
Lower 100 feet of track at $1.47/ft.	147.00	$20,136.50
700 feet of lateral drive, including rock bolting at $53.35/ft.		37,345.00
2,000 feet of diamond drilling at $8.10/ft.		16,200.00
Total Stage I		$73,681.50
Government's share at 50 percent		$36,840.75

Stage II:

600 feet of lateral drive, including rock bolting at $53.35/ft.	$32,010.00
1,750 feet of diamond drilling at $8.10/ft.	14,175.00
Total Stage II	$46,185.00
Government's share at 50 percent	$23,092.50
Total cost of Stages I and II	$119,866.50
Government's share at 50 percent	$ 59,933.25

If the long diamond drill hole to the SCI vein is to be included, add to the total cost of Stages I and II:

2,000 feet of BX size drill hole at $11.14/ft. (including drill station excavation)	$22,280.00
Government's share at 50 percent	$11,140.00

D. R. MacLaren

DRMacLaren:my
Distribution:
OME(3)
Docket
MacLaren

MME Form 51
Feb. 1959

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

EXPLORATION CONTRACT
(Short Form)

Docket No.	Commodity	Contract No.	County	State
OME -6264	Silver	14-23-090-	Shoshone	Idaho

It is agreed _____ (Date), between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and

Sunshine Consolidated, Inc., a Washington corporation

,

whose mailing address is Sunshine Star Route, Kellogg, Idaho, hereinafter called the "Operator," as follows:

ARTICLE I. Authority and scope.--(a) This contract, entered into under the authority of Public Law 701, 85th Cong., 2d sess. (72 Stat. 700; 30 U.S.C. § 641 - 646), consists of this form, the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed. The work is a search for new or unexplored deposits of the commodity designated above. The Operator shall begin the work on or before _____ (Date), and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within 18 months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the work is $ 131,380. The Government will contribute 50 percent of the total fixed unit costs of the work performed, not in excess of $ 65,690 in accordance with the provisions of Articles 4 and 5.

(c) Interest computation.--Simple interest computed annually at the rate of _____ percent shall accrue from the dates Federal funds are made available until the period specified for payment of royalty expires, or until the amount of Federal funds contributed is fully repaid with interest.

(d) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. Operator's rights in land.--(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's right of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances:

Memorandum of Agreement with Sunshine Mining Company, dated September 8, 1943 and Agreement dated February 7, 1958, with Bunker Hill Company

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Lien Agreement of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached as follows:

Lien or Subordination Agreement by Sunshine Mining Company, dated December 4, 1962

(c) The Operator shall preserve and maintain his right, title, or interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a royalty on production and liens for the payment thereof. Two true copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. Performance of the work.--(a) Operator's responsibility.--The work shall be performed diligently, efficiently, in a workmanlike manner in accordance with good mining standards, and in compliance with State laws governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work as specified in Article 1(a).

(b) Government may inspect.--The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract and production operations during the period that royalty is payable to the Government. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. Contribution by the Government.--The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5(b), but all payments by the Government are provisional only, subject to audit. Until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been received, the Government may withhold such sums as are necessary to protect its interests. To the extent that amounts in excess of fixed unit costs or in excess of the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such amounts for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. Reports, accounts, audits.--(a) Operator's records.--The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) Monthly reports.--The Operator shall provide the Government with five copies of monthly reports in three sections as follows:

(1) Operator's Monthly Voucher claiming costs for work performed;

(2) Operator's Progress Report showing the number of units of the various types of work performed; and

(3) a narrative report of the work performed during the reporting period, including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground.

(Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) Final report.--Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final monthly report). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) Report of sales.--The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's royalty relates, such as copies of smelter or concentrator settlement sheets and certified accounts of production and sale or other disposition of production.

(e) Compliance with requirements.--If the Government determines that any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the preparation or completion of same with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. Repayment by Operator.--(a) Certification.--If the Government considers that mineral or metal production from the land covered by the contract may be possible as a result of the exploration work, it shall so certify in writing to the Operator at any time not later than six months after a sufficient final report and final accounting (see Article 5) have been furnished.

(b) Royalty on production.--The Operator, whether or not the producer (for example, if the Operator either transfers or does not retain his interest in the land), shall pay to the Government a royalty on all minerals and metals mined or produced from the land as follows:

(1) irrespective of any certification of possible production--from the date of the contract until the lapse of the time within which the Government may issue such certification or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first; or

(2) if the Government issues a certification of possible production--for a period of ten years from the date of the contract or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first.

(c) Payment of royalty.--(1) The Government's royalty shall be five percent of the ~~Operator's~~ gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrate, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business and shown as deductions on the buyer's settlement sheets (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable by the buyer to a carrier (not the Operator)), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. No costs of the Operator are deductible in arriving at the "gross proceeds" as that term is here used.

The term "treatment processes" means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

(2) The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be.

(d) Unsold production.--If any production (ore, concentrate, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrate, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(e) Lien for payment.--To secure the payment of royalty (see Article 6(b)), the Operator hereby grants to the Government a lien upon his interest in the land and upon any production of minerals and metals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(f) Notice to purchasers.--The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Government, and this estimate shall be final and binding upon the Operator.

(g) No obligation to produce.--Nothing in this contract shall be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(h) Government not obligated to buy.--Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals and metals mined or produced from the land.

ARTICLE 7. Termination of the Government's Obligations.--(a) If the Government determines that operations at any time have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and thereupon:

(1) the Government shall be free of all obligation to pay on account of units of work not then performed; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

(b) If the Government determines that the Operator is in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon:

(1) the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to royalty and liens to secure the payment thereof, and such rights shall be fully preserved.

(d) The determinations of the Government are subject to appeal under Article 11.

ARTICLE 8. Notices to be given by the Government may be delivered to the Operator or may be sent by certified mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. Officials not to benefit.--No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

(See Article 14)

ARTICLE 10. Nondiscrimination.--In connection with the performance of work under this contract, the Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Government setting forth the provisions of the nondiscrimination clause.

The Operator further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

ARTICLE 11. Disputes.--Any dispute arising under this contract which is not disposed of by agreement shall be decided by the Director, Office of Minerals Exploration, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Operator. The decision of the Director, Office of Minerals Exploration, shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Operator mails or otherwise furnishes to the Director, Office of Minerals Exploration, a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

The term "Director, Office of Minerals Exploration," as used herein includes his duly authorized representative.

ARTICLE 12. Eight-Hour Law of 1912--Overtime compensation.--This contract, to the extent that it is of a character specified in the Eight-Hour Law of 1912, as amended (40 U. S. Code 324—326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35—45), is subject to the following provisions and exceptions of said Eight-Hour Law of 1912, as amended, and to all other provisions and exceptions of said Law:

No laborer or mechanic doing any part of the work contemplated by this contract, in the employ of the Operator or any independent contractor contracting for any part of said work contemplated, shall be required or permitted to work more than eight hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every laborer and mechanic employed by the Operator or any independent contractor engaged in the performance of this contract shall be computed on a basic day rate of eight hours per day; and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this clause a penalty of five dollars shall be imposed for each laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this clause, and all penalties thus imposed shall be withheld for the use and benefit of the Government.

ARTICLE 13. Copeland (Anti-Kickback) Act--Nonrebate of wages.--The regulations of the Secretary of Labor applicable to contractors and subcontractors (29 CFR, Part 3), made pursuant to the Copeland Act, as amended (40 U. S. C. 276c) and to aid in the enforcement of the Anti-Kickback Act (18 U. S. C. 874) are made a part of this contract by reference. The Operator will comply with these regulations and any amendments or modifications thereof and will be responsible for the submission of affidavits required of independent contractors thereunder. The foregoing shall apply except as the Secretary of Labor may specifically provide for reasonable limitations, variations, tolerances, and exemptions.

ARTICLE 14. Changes and other provisions.--

1. Article 10 is revised to read as follows:

Article 10. "Nondiscrimination. The provisions governing performance of work under Government contracts, as set out in Section 301 of the Executive Order 10925, dated March 6, 1961 (a copy of which is attached hereto as Exhibit B and by reference hereby incorporated and made a part of this contract), shall be applicable to this contract.

"In compliance with the Rules and Regulations (41 CFR, Section 60-1.3(a) issued under Executive Order 10925 of March 6, 1961, the Operator is hereby bound and agrees to include in each subcontract which it shall make with a subcontractor or supplier paragraphs (1) through (7) of Section 301 of said Executive Order, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity.

"The Operator shall require each of its subcontractors (first tier) to include in every subcontract with each of the subcontractors (second tier) the following clause: The [illegible] identify the second-tier subcontractor by name) shall incorporate by reference in each subcontract or purchase order with a subcontractor or supplier paragraphs (1) through (6) of Section [illegible] of Executive Order 10925 of March 6, 1961, unless exempted pursuant to the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity."

ARTICLE 14. Changes and added provisions.--

_____

_____

_____

_____

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

_____
(Operator)

By_____ By_____

Title_____

I,_____, certify that I am the
(Name)

_____secretary of the corporation named as Operator herein; that

_____, who signed this contract on behalf of the Operator, was then
(Name)

_____of said corporation; that said contract was duly signed for
(Title)

and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

_____

[CORPORATE SEAL]

INT.-DUP. SEC., WASH., D.C. 52375

DRAFT
WRGrieweld/mm
4/25/63

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
OMX-6264

ANNEX I

The land referred to in Article 2 of the contract consists of all or parts of 13 patented and 33 unpatented claims, with all rights pertaining thereto, and described as follows:

That portion of Mineral Surveys Nos. 3273 and 3291 of mining lode claims in Sections 16, 17, 20, 28 and 29, Township 48 North, Range 3 East of Boise Meridian, Shoshone County, Idaho, bounded on the west by the western end lines of Giant No. 9, Giant No. 8, ~~Giant Number~~, Giant No. 7, Giant No. 1, Lone Pine Lode, Lone Pine No. 2, Lone Pine No. 1, SCI No. 11, SCI No. 12, SCI No. 13, SCI No. 14; Hillside No. 1, Hillside Number Two, and Hillside No. 3; and bounded on the east by lines parallel to and 400 feet easterly from the western end lines of Crescent No. 1, Crescent, Crescent No. 2, Crescent No. 6, Roberts, Roberts No. 1, Rex, Red Umbrella, SCI No. 10, Contact Mountain and Baldur Fraction, the area subject to lien includes only the westerly four hundred (400) feet of the immediately above-named claims.

Portions or all of the following lode claims are included:

Sunshine Consolidated Group, Patented, Mineral Survey #3273, Patent recorded in Book "98" of Deeds at Page 30, Records of Shoshone County, Idaho.

Baldur	Bonanza Fraction	Roberts No. 1
Baldur Fraction	Red Umbrella	S.C. I No. 5
Contact Mountain	Rex	S.C. I No. 5 Fraction
Venus	Roberts	S.C. I No. 6
		S.C. I No. 10

S.C. I Group, Unpatented, Mineral Survey #3291

Claim	Recorded Vol.	Recorded Page	Claim	Recorded Vol.	Recorded Page
Lone Pine	24	563	SCI No. 14	24	566
Lone Pine #1	20	115	SCI No. 15	24	567
Lone Pine #2	20	116	SCI No. 16	24	568
Humboldt	24	562	SCI No. 17	24	569
Humboldt No. 1	20	436	Giant No. 1	22	199
Humboldt No. 2	20	437	Giant No. 5 Fraction	24	557
Humboldt No. 3	20	438	Giant No. 7	22	205
Hillside No. 1	21	347	Giant No. 8	22	206
Hillside Number Two	21	348	Giant No. 9	22	207
Hillside No. 3	24	561	Giant No. 10	22	208
SCI No. 7	24	374	Giant No. 11	22	209
SCI No. 8	24	375	Giant No. 12	22	210
SCI No. 9	24	376	Crescent	17	550
SCI No. 11	24	539	Crescent No. 1	24	579
SCI No. 12	24	564	Crescent No. 2	19	193
SCI No. 13	24	565	Crescent No. 6	20	434
			Cabin	24	578

The lands pertaining to this contract are owned by the Operator and are included in a Memorandum of Agreement between the Operator and the Sunshine Mining Company dated September 8, 1943. The equivalent Lien or Subordination Agreement by Sunshine Mining Company, dated December 4, 1962, is attached hereto.

Like wise certain of the claims are included in an Agreement dated February 7, 1958, between the Operator, Big Creek Apex Mining Company, and Sunshine Mining Company, parties of the first part, and the Bunker Hill Company, the party of the second part.

All claims pertaining to this contract are shown, with exterior property boundaries in blue outline on the attached Figure 1 entitled "Sun Con Claims."

EXPLORATION CONTRACT
SUNSHINE CONSOLIDATED, INC.
CME-6264

EXHIBIT A

The purpose of this project is to explore for silver-bearing ore bodies by drifting westerly on or parallel to the Yankee Girl vein on the 3100 level, with such auxiliary crosscutting as necessary; likewise by diamond core drilling.

The work shall be divided into two stages; Stage I work shall be done as outlined herein and as much of Stage II work shall be done as is approved in advance by the Government.

General Provisions

No work under this contract may be performed at distances less than 100 feet from exterior property boundaries. The location, direction, and extent of each work item shall be subject to prior Government approval.

The total combined footage of drifting, with auxiliary crosscutting, shall not exceed 1300 feet, and the total combined footage of diamond drilling shall not exceed 5800 feet. The Government will contribute to the cost of not to exceed 300 feet of timbering (or rock bolting) for drifts and crosscuts, in addition to rehabilitation work.

The diamond drilling shall be done by use of standard BX coring bits (core diameter approximately 1-5/8 inches). When necessary to complete a hole, standard AX size (core diameter approximately 1-1/8 inches) may be used.

Core from the diamond drilling shall be properly boxed, marked, and stored for later inspection by the Government. With prior Government approval, the Operator may later dispose of such core. Significantly mineralized core shall be split and sampled and the sample assayed. No sample shall represent a core length of greater than five feet.

Facilities shall be provided for the sampling of diamond drill sludges and such sludges shall be retained when drilling in significantly mineralized areas. Whenever the core recovery is found to have been less than 60 percent the corresponding retained sludges shall be sampled by quartering as necessary and the sample assayed, in addition to the sampling and assaying of such core segments as may have been recovered.

True copies of assay certificates of all samples shall be submitted with the Operator's monthly report which shall also include a map or sketch showing the work completed during the reporting period and showing the locations of all samples taken. The map or sketch should also show the general geological formations and structures traversed by the work performed.

All holes shall be logged geologically and copies of the logs of the completed holes shall likewise be furnished monthly, with the Operator's monthly report.

All drifts and crosscuts shall be of not less than 7' by 9' in the clear of timber and shall be timbered as necessary, using drift sets of not less than 8" by 8" timber, or equivalent round timber. When

considered advisable, steel rock bolts may be used in lieu of timber but the Government will not contribute to the costs of more than seven rock bolts in any 5-foot linear section.

Mine rails shall be of not less than 20 pound size, air lines of not less than 3-inch diameter and water lines of not less than 2-inch size. The drifts shall be ventilated, using not less than 24-inch diameter vent pipe.

All significantly mineralized areas traversed by the drifting shall be sampled normal to their trends at intervals of not more than ten feet. Likewise a representative bulk sample shall be taken of each round broken, in areas showing significant mineralization.

All samples from whatever source, before being sent for assay, shall be split and one split set aside and made available to the Government, properly marked as to source and location. Samples shall be assayed for silver and determinations may also be made for lead, zinc and copper, if considered desirable.

The Operator shall provide such supervisory and technical services as may be necessary to complete the project in a satisfactory manner.

Description of the Work

Stage I

The westerly drift on the Yankee Girl vein, 3100 level, shall be rehabilitated and placed in operative condition. Thereafter, the present westerly heading of the Yankee Girl lateral, 3100 level, shall be continued westerly for an approximate distance (including auxiliary crosscutting) of 700 feet. The

lateral shall be driven parallel to the vein, in the hanging wall area, at such distance from the vein as appears most desirable to escape heavy ground conditions.

Diamond drilling shall be done in a northerly direction from the lateral, at 175-foot intervals, to explore the Yankee Girl vein zone. In the event the vein proves to be mineralized (not necessarily of ore grade), secondary drilling shall be done at approximately 60-foot spacing.

Whenever the drilling shows significant results, crosscuts may be driven to further explore the vein and the vein may be drifted upon, if ground conditions warrant and it is considered desirable.

~~It is estimated that not to exceed 700 feet of drifting, including necessary crosscutting will be required in Stage I.~~ Not to exceed 2000 feet of diamond drilling may be done under Stage I.

Stage II

The Yankee Girl lateral (or drifting on the vein if considered feasible) shall be continued westerly for an additional distance of approximately 600 feet; including auxiliary crosscutting, ~~may be done~~ if desired. Northerly diamond drilling shall be done as ~~XXXX~~ delineated under Stage I.

Furthermore, from the end of the drift, a diamond drill hole shall be drilled southwesterly an estimated distance of 2000 feet to seek the projection of the SGI-5 vein, known to exist on the surface.

Estimated Costs of the Project

Agreed Unit Costs

Stage I

Rehabilitation of 3100 level West

Steel 250 ft timbering @ $12 per ft	$3,000.00
Rock bolts, complete @ $5 each	
Power cable installation	
2850 ft. @ $1.20	3,420.00
Vent line	
1790 ft @ $2	3,580.00
Air line	
1000 ft @ $0.60	600.00
Water line	
700 ft @ $0.40	280.00
	$ 10,880.00
Drifting and crosscutting	
700 ft @ $56	39,200.00
Timbering of drifts and crosscuts	
160 ft @ $12	1,920.00
Rock bolts @ $5 each, complete	
Diamond drilling	
[illegible]	[illegible]
AX @ $6.50 per ft.	
Assaying 200 determinations @ $1.50 each	300.00
TOTAL ESTIMATED COST, STAGE I	67,300.00

Stage II

Agreed Unit Costs

Drifting and crosscutting 600 ft. at $56	$33,600.00

Timbering of drifts and crosscuts	
140 ft. @ $12	$1,680.00
Rockbolts, complete, @ $5 each	
Diamond drilling	
BX 3800 ft. @ $7.50 AX @ $6.50 per ft.	28,500.00
Assaying 200 determinations at $1.50	300.00
TOTAL ESTIMATED COST STAGE II	64,080.00
TOTAL ESTIMATED COSTS, BOTH STAGES	$131,380.00
Government participation, 50%	xx~~65,690.00~~xx 65,690.00

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: Correction to our letter of April 18, 1963
Re: Cost Estimate
OME-6264 (Silver-Antimony
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

On the last page of the subject letter, line 2 of the second item under Stage II should read, ". . . totaling not more than 750" instead of "525" as written.

D. R. MacLaren

D. R. MacLaren

OFFICIAL FILE COPY
O. M. E
RECEIVED APR 22 1963

DATE		
4/22	Gulleson	130
	~~Grimwood~~	~~500~~
cy to	130	

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
April 18, 1963

OFFICIAL FILE COPY
O. M. E
RECEIVED APR 22 1963

DATE	INITIALS	CODE
4/22	[illegible]	120
	[illegible]	560
Ex to	130 memo only	

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: Cost Estimate
OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

This is in reference to your memorandum of March 5, 1963, our letter of March 8, 1963, to Norman M. Smith, general manager of the subject applicant-company, and the letter of March 12, 1963, from H. B. Johnson, manager of the Sunshine Mine, to Norman Smith.

On April 9, 1963, Mr. Smith telephoned the Spokane Field Office to advise that Sunshine had prepared a new breakdown of their estimated costs of the proposed project along the lines we had requested, and to arrange an interview. The next morning a conference was held at the Sunshine Mine office with Norman Smith, H. B. Johnson, and an accountant of Sunshine Mining Company.

Certain aspects of the cost "muddle" were discussed with Smith at his office before going to Sunshine for the conference. He said that, whether the enclosed estimate is acceptable or is trimmed, he would like to receive a contract with OME proposed costs and intimated that Sunshine would probably accept it. That this may be true was hinted during the conference when Johnson remarked that an agreement might eventually be made with Bunker Hill to connect the OME lateral with the Crescent. When it was explained that possibly a contract, if one were offered, might contain a clause providing for royalty on the proceeds of any ore transported through OME workings, Johnson said he would not accept such a condition. I still recommend that such a clause be included and that Johnson be given the chance to reconsider accepting it.

The enclosed Thermo-Fax copies of cost breakdown and summary sheets were given me. A summary of the discussion will be made under specific headings.

1. Difference between original and subsequent estimates.

When he prepared the application, Smith asked John Brandon, mine superintendent for Sunshine, what the cost of the drifting should be

and was given, more or less offhand, the direct and indirect cost figures as they are in the application. Under Sunshine's accounting system, only the actual costs at a heading are considered as direct costs; all others, including hoisting, timber framing, pumping, ventilation, compressed air, repairs, supervision, engineering, geology, etc., are considered as indirect costs. The costs shown on the enclosed sheets include all costs Sunshine estimates it will have to pay to carry out the project and include certain items which OME cannot consider. These will be discussed later.

2. Rehabilitation.

Although this item was overlooked during the preparation of the application*, it was evident when the examination was made that air, water, and vent lines would have to be extended to where the new work would start and that electric cable would have to be extended to the blower stations. It was also evident that some timber would have to be replaced, that either timber or rock bolts would have to be installed in parts of the existing drift, and that some of the track would have to be lowered. This was not mentioned in the examination report submitted January 14, 1963, but was discussed in a subsequently started cost estimate which was not completed and therefore not submitted before we received your memorandum of March 5, 1963.

3. Supervision, engineering, and geology.

In his letter of March 12, 1963, to Smith, Johnson maintains that ". . . an hour or so a week for supervision and engineering and geological work . . . is just not reasonable. Daily supervision of any heading is absolutely necessary no matter how competent the contract miners are. Since this heading is over a mile from the shaft at the start, any delays could cause missed rounds." During the conference, Johnson again insisted that a daily visit to the face by a shift boss was necessary to assure that equipment replacement, supplies, etc., were being delivered as needed, holding that if the miners had to assume this responsibility many work delays at the face would result. He also insisted that if an engineer did not come in and check line and grade daily, the drift would wanter too far off course. The desirability of mapping the geology to interpret changes in wall rock alteration and cross structures that might be encountered was also emphasized. As Johnson put it, "We have the staff which we have to pay anyhow, and it will benefit the project if we use it to best advantage," or words to that effect.

Smith was asked, in effect, "Suppose the mine were not active, that the equipment were moth-balled but could be put in service for the sole purpose of carrying out the proposed exploration, would you actually hire a shift boss, an engineer, and a geologist on a full-time basis?" After a pause he said he thought he would. However, I am sure he would not. I did not belabor the point, but the fact is that at Clayton Silver Mine the superintendent does the surveying, and I believe Smith does most of the geology; the mine foreman visited the face daily.

4. Location of the lateral.

Referring to map No. 3 which accompanied the application, the 3100 level drift west followed the vein, but in the last 100 feet or so the vein entered the area of the axis of the Big Creek anticline and the ground became too heavy to hold. Accordingly, a bypass was driven to the southwest through the anticlinal axis, and as soon as firmer ground was encountered the bypass drift was turned northwesterly, nearly parallelling the axis. At the start of the bypass, the ground is heavy over a width of at least 60 to 70 feet, of which at least 40 feet is south of the axis. There are stretches of the existing drift along the vein and up to 50 feet from the anticlinal axis where the ground had to be timbered and where much of the timber is now in bad condition.

The proposed lateral drive will start on a bearing that will converge on the axis of the anticline if the projected position of the latter is correct. There is no way to be sure that the projection of the anticlinal axis will not vary; it may swing toward or away from the proposed lateral. It apparently was located in two 120- to 130-foot diamond drill holes and the longer hole drilled northerly by the company. These may establish a trend sufficiently for the first stage.

5. Two stages or three and diamond drill hole spacing.

Johnson would prefer a three-stage contract so that results could be appraised and the work could be stopped if the northerly drill holes should indicate that the vein has died out. However, he would probably accept a two-stage contract if it is so presented. He is opposed to long-hole drilling for geologic information and vein sampling (see his letter to Smith cited above). He would probably accept spacing of the northerly diamond drill holes at lesser intervals, although he would prefer the proposed spacing with subsequent closer spaced holes if a mineralized vein, not necessarily of ore grade, were found to exist.

6. Company's cost estimates.

Comparing the enclosed estimate with the last one submitted, some of the individual components are higher, others are lower, and the total estimated cost has dropped from $195,705.32 to $195,614.86.

Under the heading, "Other Services," the cost of compressed air, power, pumping, ventilation, engineering and geological supplies, accounting, and personnel are over-all company costs prorated on the basis of each man at each working face. The sheets headed "Drifting," "Rehab Rock Repair," and "Rehab Timbering" include charges for shaft maintenance, tramming, tools, and repair parts which are similarly prorated from the over-all mine costs for these items.

If the work being done were limited entirely to exploration, some allowance would normally be made for most of these items with the exception of personnel (which involves hiring of labor, paying, etc.) and shaft maintenance; if a unit cost contract can be worked out, there would be little accounting necessary except to maintain records for tax purposes and preparation of vouchers. In any case, most of the costs for these various items are probably higher on a prorated basis than they would be on the basis of exploration costs alone.

It is suggested that provision be made for supervision, engineering, and geology on the following basis:

Proposed:

1 shift boss	20% of $650.00/mo.	$130.00
1 engineer	20% of $440.00/mo.	88.00
1 geologist	31% of $575.00/mo.	178.25
		$396.25

Recommended:

1 supervisor-engineer-geologist	½ time at $750.00/mo.	$375.00

This is a reasonable and fair allowance, and if Sunshine wishes to use three or more men to carry out this function they may do so.

Labor costs under "Rehab--Water, Air, and Fan Pipe" each provide for a drift miner at $20.94 and a miner at $19.90. I would think that two miners at $19.90 could do the respective jobs. Under the same category and items, a trammer ranging from 22% to 80% of his time is indicated, but no hoist man. The latter appears on the "Rehab--Rock Repair" list, but no trammer. Both appear under "Rehab--Timbering." However, I believe that the basic data is sufficient so that the fat can be pinpointed and eliminated and a reasonable cost estimate can be made.

The following two-stage program is recommended to explore the Yankee Girl vein:

Stage I:

Replace 250 feet of timber.
Rockbolt 500 feet of heavy ground. ?
Install 2,850 feet of power cable.
Install 1,790 feet of 24-inch vent line.
Install 1,000 feet of 3-inch air line.
Install 700 feet of 2-inch water line.
Drive 700 feet of lateral starting at an approximate bearing of N. 66° W.
Diamond drill 4 flat holes at N. 24° E. at 175-foot intervals, averaging 250 feet deep, totaling not more than 1,000 feet of drilling.
To explore the vein between the 250-foot holes, diamond drill, if warranted, up to 10 additional holes 55 to 60 feet

apart, averaging 100 feet deep, totaling not more than 1,000 feet of drilling. Provided Stage II is authorized, the drilling of these holes may be done after Stage II is completed.

Stage II:

Continue lateral drive 600 feet at an approximate bearing to be determined by the results of Stage I drilling.

Diamond drill 3 flat holes N. 24° E. at 175-foot intervals, averaging 250 feet deep, totaling not more than ~~525~~ 750' feet of drilling.

To explore the vein between the 250-foot holes, diamond drill, if warranted, up to 10 additional holes 55 to 60 feet apart, averaging 100 feet deep, totaling not more than 1,000 feet of drilling.

About all that is known of the SCI vein is that it is exposed in surface trenches where samples were found to contain small amounts of silver. Probably the best that could be expected from the long diamond drill hole southerly, which is proposed in the application, would be evidence that the vein is continuous to the 3,100 level. It would be an almost unbelievably lucky shot if it should cut an ore zone. Although it is not impossible, it is highly improbable, and I do not believe such a hole could be considered as anything but long chance, wild cat prospecting. Smith is understandably most interested in what such a hole might show, but there is really nothing but hope and a long chance to justify it. Whether OME should participate in such a long shot is left to you to decide.

I will start a cost estimate and will endeavor to have it completed by the end of the week. As I am leaving for the Montana area April 22, I am sending these comments and the latest Sunshine cost estimate now.

D. R. MacLaren

D. R. MacLaren

Enclosures

Sum[illegible] in E Estim[illegible]

	Rehabilitation											
	Power Trench	Tunnel Repair	Pump Repair	Air Line Repair	Water Line Repair	Install Air Pipe	Install Power Cable	Total Rehab	Drifting	Diamond Drilling	Long Hole + Station	Total
[illegible] Direct	13930	403700	104700	48840	78528	81680	75750	698690	2470000	300000	35000	3503690
[illegible] Indirect		59900	50625	4700	3000	31700		149525	1387100			1536625
[illegible]		51600	19500	7750	5400	15500		99750	2379000	78500	26625	3747875
[illegible]									418600	85500	77625	581725
[illegible]	13930	514700	174825	57290	37528	178380	75750	947425	4513600	464000	137250	5996875
[illegible]	1530	56015	19731	5800	4135	14777	7833	102777	1867000	45510	13338	6493555
[illegible]		270500	160000			75260		555760	3304600	346500	17250	4220910
[illegible]				96700	30400	605310	855000	1990430	1184300			3178300
[illegible]		270500	160000	96700	30400	1631040	855000	2546190	4488900	346500	17250	7399790
[illegible]												
[illegible]		11788	11788			11788		35364	1060000	35364	70625	2539500
[illegible]		—	—			—		—	2078000	675790	140625	4116835
[illegible]		44400	44400			44400		133380	400400	133380	288990	956150
[illegible]		479440	479440			479440		1438320	4316000	1438320	311625	10308500
[illegible]								—	208000	3000		211000
[illegible]								7718	16900	2700	2125	27543
[illegible]								17937	32300	6276	5625	65038
[illegible]		104188	104188			104188		338250	1406600	392130	82445	2961350
Independent Contract											1878000	1878000
Total Cost	15460	940005	560244	155297	78123	1777730	823585	3447103	10895300	1198170	2849253	18884826
[illegible] @50%				48350	8200	507990	47500	937040	54750			1589190
Net Cost	5460	940005	560244	106947	59923	1269740	776085	2509063	10840550	1198170	2849253	17295630
[illegible], Equipment - Purchase @50%								60750	1046000			1106750
- Leases								36800	110300	57300	18000	222400
- Rentals								156000	679500	276500	15100	936700
Total Charges to Project								3058213	12389550	1481970	2882353	19561486

Rotary -			
Power block	$ 154.00		
Pump repair	9460.00		
Press repair	5600.00		
Air line repair	1,075.00		
Water line repair	[illegible]		
Installed fan pipe	7765.00		[illegible]
Installed power cable	56000		33 703 [illegible]
Acct. - Personnel Services	750 57	29476.17	
Drifting		0303 50	[illegible]
Diamond drilling - 500		1,970.00	[illegible]
Long [illegible] & stab.		50 00	[illegible]
Total Cost (excl. equipment)		[illegible]	[illegible]
Add - Equipment - Purchased	[illegible]		
- Provided	[illegible]		
- Rented	9367 00	[illegible]	
Net Chargeable to Project		$ 195036.17	[illegible]

Rehab - Air Line

1,000 ft @ 100'/day = 2 men 10 days

			Cost per foot	
Labor				
Miner	1 @ 19.90 x 10 days	199 00	20	
Shift Miner	1 @ 20.94 x 10 days	209 40	21	
Supervisor	1 @ 650/mo x 25%	77 50	.08	
Trammer	1 @ 19.38 x 22%	42 00	.04	
		579 90	.53	
Payroll charge @ 11%		58 07	.06	.59
Operating Materials & Supplies				
3" pipe & couplings		967 00	.97	97*

Total cost per foot	1.56
Total Cost 1,000 ft @ 1.56	1560 00
* Less salvagable supplies 1,000 ft @ 97¢ x 50%	485 00
Net Cost	1075.00

Rehab - Haulage Track

100' @ 15'/shift - 7 shifts

		Cost per foot
Labor		
1 miner @ 19.90	$ 139.30	$ 1.39
Payroll charge @ 11%	15.33	.15
Total Cost per foot		$ 1.54
Total Cost 100 ft @ $1.54		$ 154 00

Rehab - Rock Repair

500' @ 20'/day = 2 men 25 days

		Cost per foot	
Labor			
Left miner 2 @ $20.94 x 25 shifts	$ 104700	$ 2.09	
Supervisor 1 @ 650/mo x 25%	19500	.39	
Foreman 1 @ 22.03 x 92%	506.25	1.01	
	174825	3.49	
Payroll charge @ 11%	19231	.38	
			3.87
Supplies & materials & Supplies			
Rock bolts 1,125 @ $1.67 ea	188000	3.76	
Shaft maintenance	16875	.34	
Tools		.25	
Repair parts - drills		.69	
- tramming		.10	
- fan		.10	
			5.24
Other Services			
Compressed Air (/mo)	11788	24	
Pumping "	44460	89	
Ventilation "	47940	96	209

Prorated over all mine cost

Total Cost per foot 11.20

Total Cost 500 ft @ $11.20 $ 5,600.00

Rehab - Timbering

		Cost per foot	
Timbering - 150 ft @ 2½ ft/shift = 105 ft/mo			
Labor (2.4 mo on 2 shift basis)			
Timbermen 1 @ $20.94/shift x 100	$ 2094.00	$ 8.38	
Miner 1 @ 19.38/shift x 100	1938.00	7.75	
Supervisor 1 @ $650/month x 33%	516.00	2.07	
Muckers 1 @ 22.03 x 11% x 2	253.00	1.01	
Drammer 1 @ 19.38 x 18% x 2	346.00	1.38	
	5,147.00	20.59	
Payroll charge at 11%	566.17	2.26	
			$ 22.85
Materials + Supplies			
2 caps + bridge 12 x 2-9'	216 BF		
2 posts 12 x 2-9'	216		
Blocking	48		
5 lagging 3 x 12-5'	225		
12 wedges	4		
Total per 5 ft. set	709 BF		
	@ $65./MBF		
	$ 46.09	922	
Shaft maintenance	8450	.34	
Tramming	11500	.46	
Tools + Repair parts	2000.00	.80	10.82
Prorated overall mine costs			
Mine Services			
Compressed Air (1 mo.)	1178.88	47	
Pumping	4460	1.78	
Ventilation	4790.40	1.92	4.17
Total Cost per foot			37.84
Total Timbering Cost	250 ft @ $ 37.84		$ 9,460.00

Rehab - Power Cable

2,850 ft + 3 transformers = 4 men 3 days

		Cost per foot	
Labor			
1st class Electrician 4 @ 2.46 x 3	2575	.09	
Payroll charge @ 11%	283	.01	
			.10
Operating Materials & Supplies			
Cable	8550.00	3.00	3.00*
Total cost per foot			3.10
Total Cost	2,850 ft @ $3.10		8835.00
*Less salvaged material	2,850 ft @ 3.00 x 50%		4275.00
Net Cost			4560.00

Additional Other Services - Rehab:

Accounting	77.18	
Personnel	179.39	256.57

Rehab - Fan Pipe

Starts at foot of raise from 3100 level below end of 2700 XC south.

1790' @ 90'/day = 20 man 20 days

			Cost per foot	
Labor				
drift miner	1 @ 20.94 x 20 days	4188 00	$ .23	
miner	1 @ 19.90 x 20 days	3980 00	.22	
supervisor	1 @ 650/mo	1550 00	.09	
trammer	1 @ 19.38 x 80%	3120 00	.18	
		12838 00	72	
Payroll charge @ 11%		1412 22	.08	
				.80
Operating Materials + Supplies				
24" fan pipe		10059 80	5.62*	
hangers		2506 00	.14	
				5.76
Other Services				
Compressed air	(1 mo)	1188	.07	
Pumping	✓	4446 00	.25	
Ventilation	✓	4794 00	.27	.59

Total Cost per foot		7.15
Total Cost	1,790 ft @ $7.15	$ 12,798.50
* Less salvagable material	1,790 ft @ $5.62 x 50%	5029.90
Net Cost		$ 7,768.60

Rehab - Water Line

700 ft @ 100/day = 7 men 7 days

			Cost per foot	
Labor				
Equip. Oper.	1 @ $20.94 x 7 days	1465.8	$ .21	
Miner	1 @ 19.90 x 7 days	1393.0	.20	
Supervisor	1 @ 650/mo. x 25%	54.00	.08	
Teamster	1 @ 19.38 x 26%	360.00	.05	
		375.88	.54	
Indirect charges @ 11%		41.35	.06	
				.60
Cost of materials + supplies				
2" pipe + couplings		364.00	.52*	.52*
Total cost per foot				1.12
Total Cost	700 ft @ $1.12			784.00
* Less salvageable material	700 ft @ .52 x 50%			182.00
Net Cost				602.00

1 Hatman
1 Oiler
2 engrs

Sun Con - O M & Estimate

Drifting - 1,300 ft

- shift basis

			Cost per foot	
Miners	2 @ $3.30/shift contract rate	× 2	13.00	
Drillman	1 @ 19.98 × 45%	× 2	3.72	
Hostman	1 @ 22.03 × 14%	× 2	.91	
Oiler	1 @ 19.90 × 14%	× 2	.83	
Engr	2 @ 20.45 × 16%	× 2	2.11	
(shift boss) Foreman	1 @ $650/mo × 20%	× 2	1.83	
Shaftman	2 @ $440/mo × 20%		1.60	
Engineer	1 @ $575/mo × 31%		1.62	
Mechanic	1 @ 20.94 × 39%		1.21	
Electrician	1 @ 21.46 × 60%		1.90	
		(US 136.00)	34.72	
Fringe charges at 11% (expl 4+4 @ 3.4%)			3.74	38.46
Material + supplies				
Powder 12 lbs @ 30.7¢/lb			4.30	
Primer, primer, etc			2.81	
Bolts + steel			5.25	
Grease			1.33 *	
Timber, wedges, etc			.26	
Roof bolts (incl plates + mats)	1.8 bolts/ft, 4 mats/10 ft.		3.76	
Air line 24"			5.04 *	
Power cable 700'			.70 *	
Water line (incl fittings) 3" - 1200 ft			1.26 *	
Drill line (incl fittings) 2" - 1200 ft			.78 *	
Hose + fittings Appl. est.: 1-1½" 2-1" 2-½" per 100' of drift !! all 50-foot lengths.			1.76	
Repair parts - drills			3.45	
- tramming			.68	
- fan			.30	
Shaft maintenance			1.60	
Miscellaneous (tools, etc)	Prorated overall mine costs		1.25	34.53
Services				
Compressed air			.82	
Power			1.56	
Pumping			3.08	
Ventilation			3.32	
Engineering + Geological Supplies			1.60	
Accounting	53 hrs/mo @ $515. + payroll charge		.13	
Personnel	129 hrs/mo @ $500. + - -		.31	10.84
				$83.81

Total drifting Cost	1,300 ft @ $83.81	$108,953.00
* Less salvagable supplies	1,300 ft @ $9.11 × 50%	5,921.50
Net drifting Cost (excluding equipment)		$103,031.50

Northerly DDH's

Diamond Drilling

No drill stations desired by Sunshine -

1,500 ft - 3 mo. - 120 shifts
25 ft/day = 60 days

		Cost per foot	
Labor			
1 driller @ $31.00/shift (contract basis)			
1 helper @ 19.00			
50.00 x 60	3000.00	200	
Supervisor	2850 00	19	
Engr + Geology	8550 00	57	
	41400 00	276	
Payroll charge @ 11%	4554 00	.30	
			306
Operating Material + Supplies	3465 00	231	231
Other Services			
Assaying	300 00		
Compressed air (3 mo)	3536 64		
Power	6759 00	Prorated	
Pumping	1333 80	overall	
Ventilation	1438 20	mine	
Accounting	2700	costs	
Personnel	6276		
	39213 00	261	261
Total Cost per foot			7.98
Total Cost	1,500 ft @ $7.98		$11,970.00

Southerly DDH

Long Hole Drilling

2,000' + station = 6.5 months

		Cost per foot	
Independent Contract 2,000 ft @ 9.39	18780.00	939	9.39
Labor –			
2 miners @ 35.00 for 7 at (base) x 5 days for drill station preparation	35000		
Supervisor	8625		
Geologist	77625		
	121250	.61	
Payroll charges @ 11%	3338	.07	
			.68
Operating Supplies for drill station	1250	.06	.06
Other Services			
Compressed air (6.5 mo)	766.22		
Power	1464.45		
Pumping	2889.90		
Ventilation	3116.10		
Accounting	225		
Personnel	523		
Prorated overall mine costs			
	8244.15	4.12	4.12
Total Cost per foot			$ 14.25
Total Cost	2,000 @ $14.25		$28,500.00

MME FORM 6 REFERENCE SLIP

REV. 2-59 OFFICE OF MINERALS EXPLORATION

TO:	DATE	INITIALS
1. Chief, Divn. of Field Operations	3/13/63	
2.		
3.		
4.		
5. DRMacLaren		
FROM: D. R. MacLaren, Act. Fld. Offr. Region I		

FOR: Check items for action desired

____ Action ____ Reply for signature of ____

____ Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions X Your information

REMARKS: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Attached copy of letter dated 3/12/63 from H. B. Johnson to Norman M. Smith pertains to my letter of 3/8/63 to Smith and your memo of 3/5/63 to me.

INT.-DUP. SEC., WASH., D.C. M56300-59

[illegible] MINING CO.
Kellogg, Idaho

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 13 1963
DATE
Answered

March 12, 1963

Mr. Kenneth Smith, Vice-President
Sunshine Consolidated, Inc.
Kellogg Star Route
Kellogg, Idaho

Dear Mr. Smith:

I received a copy of Mr. Anderson's letter of March 6th to you concerning the Ore's CMC application, CMC-6864 (Silver-Antimony).

There were three questions which Mr. Anderson raised concerning the project, on which I would like to comment:

1) Would not a lateral 25 feet in the wall be more advantageous than one 50 feet? Perhaps 25 feet in the wall would be sufficient for the lateral, but in addition to paralleling the extension of the Tamboe Girl vein we would also be driving parallel to the axis of the Big Creek anticline, which can cause very heavy ground as seen at the extreme west end of the Tamboe Girl vein on 3100. If drilling shows solid ground at the end of Phase I we can alter the course of the heading for Phase II or Phase III.

2) Would not long hole drilling at 50-foot intervals be more informative than diamond drilling at 200-to 250-foot intervals? I believe the information to be obtained from diamond drill cores will be much more [illegible] in determining the geology of this complicated [illegible] Tamboe Girl vein. Long holing in the Sunshine Mine has never proved very satisfactory. Progress in the hard quartzites is slow and prolonging from drill cuttings and sludge samples is risky. Thin veins which may be of high grade are not readily identified as such and misinterpretations may result from the amalgamation of samples. Attempts at sludge samples have seldom agreed with assayed [illegible] Sunshine. In the [illegible], than the 300 - 350-foot [illegible] would [illegible] at this time. If the vein is [illegible] long holes at 50-foot intervals could be drilled [illegible] to that paralleling zones.

3) Lagging was assigned blocks of these for the project. I have [illegible] original three-stages at 300- and 400-foot intervals. With the [illegible] coincide with this drive, I feel that [illegible] drilling from the points in the lateral is necessary.

[illegible] the operating department [illegible]

OFFICE FILE COPY
RECEIVED 1963
DATE
Griswold 500

So. 157 Howard Street
Spokane 4, Washington
March 8, 1963

Mr. Norman M. Smith, General Manager
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Re: OMB-6264 ~~(Silver-Antimony)~~
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. Smith:

Upon their receipt, the revised estimate of costs, item 7, and a revised time schedule for item 5 in the above application, which accompanied Mr. H. B. Johnson's letter of February 12, 1963, were forwarded to our Washington, D. C., office. As many of the questions on which clarification is necessary involve the cost estimate, I am sending a copy of this letter to Mr. Johnson as requested in the final sentence of his letter just mentioned.

After inspecting the 3100 level, we can agree that a lateral paralleling the projected vein structure will be much less costly than drifting along the structure, due to lack of timbering required in the lateral compared to the 50 percent or so that would be required in the drift. However, we again question why the lateral should be as much as 50 feet from the vein structure. Would not the ground 25 feet from the vein stand as well? This is strongly indicated in the crosscut from the shaft to the 3100 drift, but admittedly the crosscut is a long way east of the proposed work area and it is possible that at 25 feet from the vein the ground might require too much timbering.

On the 3100 level the ore shoots occur at irregular intervals along the vein and are usually short in length, as you state in the application and as is shown by the stoped areas on the section. It would, therefore, appear that the proposed northerly diamond drill holes spaced at intervals of 200 to 250 feet would be just as apt to miss any ore shoots as to hit them, probably even more so. Would not longholes at 50-foot intervals from a lateral closer to the vein offer a greater chance of a successful project at less cost? It has also been suggested that two stages rather than three would make for a better program. Your comments on these points will be appreciated.

In your original application, your cost estimate for a lateral drive was:

Direct costs	$29.00	per foot
Indirect costs	36.00	per foot
Total	$65.00	per foot

The direct cost is certainly not out of line, but perhaps you will recall that over an hour on the afternoon of January 3 was spent discussing the question of costs. It was brought out that the indirect cost figure appeared to include some costs that were not allowable under the OME regulations. These could not be pin-pointed, but an attempt was made to secure specific information regarding numbers and classes of personnel and their daily or hourly wage or salary rates, a list of specific items of operating materials and supplies that would be needed, with the amount and unit cost of each, and so on, as required under item 7 of the application form. I even had a penciled data sheet partially prepared so I could fill in the required information. Mr. Brandon was not able to give me that information at the time and asked if he could keep the data sheet so he could get it together.

The revised estimate of costs which we received contained no indication of the requested information except for total costs under general headings, and apparently these still contain some of the costs that are not allowable under OME regulations, which call for "stripped costs" only. For example, it is proposed to drive a lateral 50 feet from the vein; given line plugs and a grade stick, what supervision, engineering, or geologic work is necessary other than an hour or so a week to check the line, grade, and advance, especially if the work is turned over to a crew of contract miners? Nothing can be seen from one round to the next. Should a major cross structure be encountered, a geologist could map it in a few hours at the most.

Under 7(b), Labor, there is a charge of $6,986.90 for rehabilitation and another charge of $3,631.00 for rehabilitation services. The latter apparently includes cost of supervision, hoisting and hauling of muck and supplies, as well as the cost of tools, parts and repairs. The first two items should be shown by including a helper-trammer operator and the actual estimated time a hoistman will be doing OME muck and supply hoisting under the labor breakdown. The actual estimated time that a supervisor, engineer, geologist, or bookkeeper-accountant will be necessary for the project should be included either under labor and supervision or under miscellaneous. Tools, parts, and a reasonable allowance for repairs should be shown under "Operating Materials and Supplies."

We realize that Sunshine is a thoroughly organized company with elaborate and complete mining, engineering, geologic, assaying, and accounting departments, but OME cannot be concerned with prorating their cost to the cost of an OME program. We are trying to emphasize

that in deriving OME costs only the proper OME project requirements can be considered. Our contracts provide for contribution by the Government to only necessary, reasonable, and direct costs and specifically prohibit contributions to general overhead and other indirect costs.

It was evident during my inspection that some rehabilitation might be justified, but with no statement as to how many sets of timber, how much track, and how much air and/or water line must be replaced, how much new timber, track, air and water lines must be installed, and how much general cleaning up is required, as well as how many men at what rates and for how long will be required, the figure of $33,202.30 appears high and, of itself, is not sufficiently informative.

Consider for the moment the estimated sums of:

$33,202.30 for rehabilitation
28,238.00 for diamond drilling
which total $61,440.30. Subtract this sum from the revised estimated total cost of $195,705.32, which leaves a total of $134,265.02 for lateral drive, or $103.28 per foot. This is extremely different from the original estimate (including indirect costs) of $65.00 per foot. If drill stations are included, their cost should be determined separately unless it is included in the 1300 feet of lateral drive, in which case the actual drive will be something less than 1300 feet.

Under (c), Operating Materials and Supplies, you show simply "Ventilation, $10,307.10." As fans are being furnished by the company on a depreciation basis, this would, according to a recent quotation in Spokane, provide some 8,000 feet of 12-inch ventube. Perhaps you are considering a larger size duct, but in any case there is no salvage value indicated for this item if vent line is to be purchased, or if it is furnished by the company its value should be amortized.

With the hope of clarifying the above and aiding you to secure the required information as it is indicated under item 7 on the application form, I am enclosing sample copies of the sort of data sheet I left with Mr. Brandon. I have filled out as much of the sheets as I can from the information sent us February 12, 1965. The remaining data have not been furnished us. With slight adaptation, the data sheets for drifting can be used to arrive at rehabilitation costs. Also, as these sheets are designed for use in the field to cover various types of cost situations, some of the items may not fit your specific project. Spaces have been left for the addition of items that might apply to only a few problems and can then be added.

Generally speaking, the cost of items of operating equipment that will be used in two or more types of work, such as an electric trammer and accessories, should be prorated on the basis of time used for each type job, divided by the total time used.

If you desire a conference to clear up further the questions posed in this letter, I will be glad to meet with you either in Spokane or Kellogg at your convenience.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OMM
Region I

Enclosures

DRMacLaren:my

cc: H. B. Johnson, Manager
Sunshine Mine
Sunshine Mining Company
P. O. Box 1080
Kellogg, Idaho

OMM
Reading copies to:
Nolan
McKelvey

3/4/63

Mr. Selfridge -

Revised cost estimate certainly needs some explanation.

Under an operation such as this only the additional cost of doing the new work should be allowed and not permit prorating of costs already being incurred for other work.

What rehabilitation and when? We should not participate. Operator should do at own expense as ~~We should not participate~~ originally proposed.

Revised costs are excessive.

We should know how many men will be employed on new work and what they will do. Also just what equipment, supplies, etc. will be used.

Are any other operations contemplated on company account?

Original proposal should have breakdown to support.

FEJohnson

Above note makes sense. SJL

Form 7
0-58)

OFFICIAL FILE COPY

Date	Surname	Code
2/19	Arnold	500
2/19	Talbot	800
	GCL	130
3/4	Johnson	110
4	Fund	100
3/5	Cole	220
		500

AIRMAIL

MAR 5 1963

Memorandum

To: Acting Field Officer, Region I

From: Chief, Division of Field Operations

Subject: CMX-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

We have your memorandum of February 15, with enclosures, concerning proposed project costs for the Sun Con area. The farther we get into this application the more confused it becomes; apparently the present contention is that the total cost would be $195,705.32. If we subtract the $18,780 allocated for diamond drilling, we have left $176,925 for the drifting, or $136 per foot. (We are speechless). Perhaps costs for diamond drill stations are included which had not been mentioned previously but which would be proper charges. We also note items of rehabilitation; we had heard nothing of this before.

In order to try to shake this affair down onto a common sense base, let's go to page 7 of the July 13, 1962, application. The stated direct cost of $29 per foot is not out of line, but the indirect cost of $36 per foot is absurd. Please note the statement, "The total indirect costs of the mine are divided by the total number of direct shifts and that quotient is multiplied by the number of direct shifts on the specific project." We have no quarrel with this statement. It is simple, routine cost accounting; in fact, it's about the only sensible way that total costs could be distributed.

But, when we deal with CMX costs, we want "stripped costs" only! For example, a concern might have a deluxe management staff but not one penny of their salaries and expenses must filter down to the CMX project level. Perhaps a concern may have a very elaborate and very expensive geological, engineering, and accounting staff; nevertheless, we are not interested. Let's be realistic. Here we have a little one-heading project, piddling along at half speed. It's being driven in the hanging wall, some 50 feet away from the Yankee Girl vein. So just what supervisory or professional service is actually required; nothing can be seen from one round to another,

43683

except wall rock? If you or I were doing this with our own money we would turn the job over to a small crew of contract miners, give them line plugs and a grade stick, and let them alone. We would probably stroll into the heading once a week for an hour to measure up and check on line and grade. What else can be done; what else could even the finest geological or engineering staff do?

We are trying to emphasize that in deriving project costs we are not the least bit interested as to an applicant's total disbursements. We are concerned only with the proper ONE project requirements. Our contracts provide for contribution by the Government to only necessary, reasonable, and direct costs, and specifically prohibit contributions to general overhead, corporate management, and other indirect costs.

There are a lot of things here that need clarification. Why is the lateral driven 50 feet from the vein--25 feet is a more usual distance. Obviously, if the rock is weak it may be that a 50-foot distance is necessary to get into better ground--we don't know.

We can't see much sense in the proposed northerly diamond drill holes at 250 and 200-foot spacing. The last 2,000 feet of drifting on this Yankee Girl vein has shown three short ore shoots, with an average length of 75 feet. The Applicant has stated that ore shoots are characteristically short, so just what good is a 250 or 200-foot spacing? Why not longhole drill, say at a 50-foot interval?

The total project is too small to split into three stages, a two-stage arrangement would be more sensible.

In your recommendations to us, please cover the question of rehabilitation, also give us your thoughts on diamond drilling, drill stations, longhole drilling, etc.

George C. Selfridge (gfa)

WRGriswold/mm
2/19/63
cc: Director's Reading File
Review Committee
Docket

P.S. We would not be inclined to participate in any rehabilitation work as this seems to be something added at the last moment.

Under an operation such as this, only the additional cost of doing the new work should be allowed with no prorating of costs already being incurred forother work. We should know how many men will be employed on new work and what they will do. Also just what equipment, supplies, etc. will be used.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
WASHINGTON 25, D. C.

February 25, 1963

Note to file:
I talked to Jack O'Leary today March 1, 1963 and his opinion is that Sunshine is not a large producer and we are not dealing with it anyway
BJB

Memorandum

To: Director, OME

From: Chief, Division of Field Operations

Subject: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

The property of the subject Applicant (Sunshine Consolidated or Sun Con) is known as the "Sun Con Area" or as the "Sun Con Property." It adjoins the property of the Sunshine Mining Company on the west and the property of The Bunker Hill Company on the east and south. In other words, it lies, in part, between the other two properties.

On September 7, 1937, Sun Con executed a promissory note in favor of the Sunshine Mining Company for the principal sum of $50,000. To satisfy the obligation incurred by the note, Sun Con, on September 8, 1943, in a Memorandum of Agreement conveyed to the Sunshine Mining Company an undivided 50 percent interest in and to all ore and mineral values in all of Sun Con's property, including a 50 percent undivided interest in any extralateral rights possessed by Sun Con.

Under the agreement Sunshine Mining Company agreed to prospect, develop, and mine the Sun Con property through its own workings as long as such a program was warranted, and for such purpose Sunshine was given possession of the property. Any profits were to be divided equally after Sunshine first recouped its costs. Over the years Sunshine Mining Company has explored, developed, and exploited the Sun Con property. Apparently, such activity has recently been limited because of low metal prices.

In July of 1962 Sun Con applied for exploration assistance in the amount of $135,750 (later amended to $195,705.32) to explore its Sun Con Area for silver. The exploration is to be done under the Memorandum of Agreement. Sunshine Mining Company will do the actual work and will furnish Sun Con's half of the exploration cost.

In summation, it might be considered that Sunshine Consolidated is the applicant and that Sunshine Mining Company, although holding a 50 percent interest in all minerals but not in the land, is acting as agent for Sun Con and is also furnishing Sun Con's share of the cost of the proposed exploration. In recent years the income of the Sunshine Mining Company has been relatively limited. However, it has a fair cash position.

Sunshine Mining Company could also be considered as a lessor as it has executed a Lien or Subordination Agreement to secure the payment of royalties to the Government on production from the Sun Con property.

George C. Selfridge

AEC Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
2/25	GCS	120
2/28	Johnson	110
2/	[illegible]	100
		500

February 25, 1963

Memorandum

To: Director, OME

From: Chief, Division of Field Operations

Subject: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

The property of the subject Applicant (Sunshine Consolidated or Sun Con) is known as the "Sun Con Area" or as the "Sun Con Property." It adjoins the property of the Sunshine Mining Company on the west and the property of The Bunker Hill Company on the east and south. In other words, it lies, in part, between the other two properties.

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In summation, it might be considered that Sunshine Consolidated is the applicant and that Sunshine Mining Company, although holding a 50 percent interest in all minerals but not in the land, is acting as agent for Sun Con and is also furnishing Sun Con's share of the cost of the proposed exploration. In recent years the income of the Sunshine Mining Company has been relatively limited. However, it has a fair cash position.

GCSelfridge/gla (2-25-63)
cc to: Director's Reading File
Docket OME-6264
Mr. Selfridge

8623

Sunshine Mining Company could also be considered as a lessor as it has executed a Lien or Subordination Agreement to secure the payment of royalties to the Government on production from the Sun Con property.

George C. Selfridge (gla)

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
February 15, 1963

OFFICIAL FILE COPY
O. M. E
RECEIVED FEB 18 1963

DATE	INITIALS	CODE
	Griswold	500

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Enclosed is a copy of a letter dated February 12, 1963, from the subject applicant and the accompanying breakdown of cost estimates.

I will attempt to make a cost estimate on this basis but am forwarding the copies now rather than hold them until I can unravel and digest their contents.

During the examination it was explained to the applicant that if the indirect costs included proration of certain general office costs, they could not be allowed. He was asked, bearing this fact in mind, to prepare a more detailed analysis of his cost estimate, which was then $135,750.00. He appears to have come up with an attempted justification for a total cost of $195,705.32.

In his memorandum of September 21, 1962, Mr. Griswold suggested using the costs of the Crescent project as a guide. The Crescent costs were originally estimated in late 1952. All labor and equipment costs have risen considerably since then. Amendment No. 5, dated December 29, 1955, allowed $50.00 per foot for untimbered and $62.00 per foot for timbered drift, so I do not believe the $65.00 per foot originally estimated by the applicant was far out of line. It will require some study and possibly clarification of some items of cost in the enclosed estimate to arrive at a realistic cost figure.

D R MacLaren

D. R. MacLaren

Enclosures

Sunshine Mining Company

P. O. BOX 1000 PHONE SU 4-1267

Kellogg, Idaho

February 12, 1963

D. R. MacLaren,
Acting Field Officer, OME, Region 1
U. S. Department of Interior
So. 157 Howard Street
Spokane 4, Washington

Re: OME 6264 (SILVER-ANTIMONY)
SUNSHINE CONSOLIDATED, INC.
Sun Con Area
Shoshone County, Idaho

Dear Mr. MacLaren:

Enclosed are two copies of the revised Estimate of Costs, Item 7, and a revised time schedule for Item 5 in the above application.

If an explanation of these items or further information is needed, please let us know.

Yours very truly,

R. B. [illegible]
[illegible]
[illegible]

RBJ
S

Enc.

cc: Mr. Norman M. Smith

RECEIVED
FEB 13 1963

TIME SCHEDULE

(OME 6264 - Sunshine Consolidated, Inc.)

		Original		Revised	
Rehabilitation		-			3.0 Months
Phase I Lateral		2.9 Months		3.4 Months	
Dia. Drill		.5 "		1.0 "	
			3.4 Months		4.4 Months
Phase II Lateral		2.3 "		2.8 "	
Dia. Drill		.5 "		1.0 "	
			2.8 Months		3.8 Months
Phase III Lateral		2.3 "		2.8 "	
Dia. Drill		.5 "		1.0 "	
			2.8 Months		3.8 Months
Long Hole Station					.2 Months
Dia. Drill			5.0 Months		6.3 Months
	Total -----		14.0 Months		21.5 Months

February 12, 1963

RECEIVED
FEB 13 1963
U.S.G.S.
SPOKANE, WASH.

Sun Con - O M & E Estimate

7. Estimate of Costs — Total

(a.) Independent contracts:
Diamond Drilling 2,000 ft @ $9.39/ft — $ 18,780.00

(b.) Personal services:
(available from staff of Sunshine Mining Co.)

Labor:	Shifts	Cost	
Rehabilitation	343	$ 4,986.90	
Lateral Drive	768	40,950.00	
Diamond Drilling	130	3,850.00	
Engineering & Geological		8,301.50	
Rehabilitation services		3,631.00	? 63,219.40

(c.) Operating materials and supplies:

	Expendable	Salvageable	
Compressed Air	$ 2,534.42		
Electrical Power	4,168.00		
Pumping	9,558.90		
Ventilation	10,307.10		
Rehabilitation	4,535.60	$ 19,940.80	
Lateral Drive	33,046.00	11,843.00	
Diamond Drilling	3,587.50	—	
	67,737.52	31,783.80	
Less Salvage @ 50%		15,891.90	
	67,737.52	15,891.90	83,[illegible]

(d.) Operating equipment: (see attached schedule d)

Total	$ 33,726.00	
Less 50% of Purchased	11,067.50	22,658.50

(e.) None

(f.) None

(g.) Miscellaneous:

Accounting	279.00	
Personnel	649.00	
Payroll expense	6,490.00	7,418.00

Total — $ 195,705.32

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Lum Con - OMT

Operating Equipment Cost Schedule d.

		Purchase	Provided by Smelter Cost	Per mo.	Rental Per Mo.
1	locomotive (5 ton)	11920			
2	batteries	7400			
1	battery box	600			
1	charger	1000			
4	rock drills		4600	76.67	
18	mine cars (40 cu ft)				6250.00
1	mucking machine				13000
3	jog fans (20 HP)		2760	46.00	
1	diamond drill machine		4122	68.70	
		20920		191.37	755.00

Cost breakdown:

	Months	Purchase	Provided	Total	Rental
Rehab (Rock Repair 1.2)	3.0		368.	122.67	756
Lateral - Phase I	3.4	20920	417	122.67	2567
II	2.8		343	122.67	2114
III	2.8		343	122.67	2114
Dia Drill - Phase I	1.0		191	191.37	755
II	1.0		191	191.37	755
III	1.0		191	191.37	755
Extended Phase					
Cut Section	.2		25	122.67	151
Long hole	6.3		155	46.00	—
	21.5	$20920	$2224		$9367

Total $32,511

+ 1,215 Transformers 1215

22,135 $33,726

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Cost for E Estimate

	Months to Complete	Labor Shifts	Labor Cost	Materials Supplies Expendable Salvageable	Equipment	Total
Rehabilitation						
per movement to do what	3.0	3-3 @ 20.10	$6,986.90	$4,535.00	$19,700.80	$33,207.30
Lateral Drilling						
Phase IV 500' 147'/mo	3.4	296 (1.7'/shift)	15750.00	1270.00	4555.00	23,900.00
II 400 143'/mo	2.8	236 (1.7'/shift)	12600.00	1068.00	3644.00	17,457.00
III 400	2.8	236	12600.00	1068.00	3644.00	17,457.00
Diamond Drilling						
Phase IV 500'	1.0	40 (12.5'/shift)	10000.00	1155.00	946.00	3101.00
II 500	1.0	40	10000.00	1155.00	946.00	3101.00
III 500'	1.0	40	10000.00	1155.00	946.00	3101.00
Extended Phase						
~~Cost Cost~~			3500.00	1250	196.00	6486.50
Contract 400' @ $9.39	6.3			1878.00	155.00	1893.00
	21.5	1241	51286.90	39949.10	31783.80	33776.00	175745.10

Other Services

Geological	?2.39/ft × 1300'	3105.00
Engineering	?2.43/ft × 300'	3164.00
Accounting	.225/shift × 1241 = .54% of labor cost	279.00
Personnel	.523/shift × 1241 = 1.27% " "	649.00
Payroll charges	.523/shift × 1241 (excl. .75/shift H+H)	6490.00
Compressed Air	117.82/mo × 21.5	2534.42
Power	215.30/mo × 18.5	4168.00
Pumping	444.60/mo × 21.5	9558.90
Ventilation	479.[illegible]/mo × 21.5	10309.10
Air drill - Supervising [illegible]	.76/ft × 1500'	1140.00
- Casing		30.00
- Long Hole (Geological + Supervision)		862.50
Rehab Services (Supervision, [illegible] + Eq. [illegible], Tools, Parts + Repair)		3631.00
Total		227647.[illegible]
Less 50% of Salvagable Supplies ($31,783.80 @ 50%)		(15891.90)
Less 50% of Purchased Equipment ($21,135.00 @ 50%)		(10567.50)
Net Chargeable to Project		$145,705.32

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FEB 13 1963
U.S.G.S.
SPOKANE, WASH.

D. N. THOMPSON
MANAGER

PHONE
TE 4-1318 SPOKANE, WA
147-8475 BOISE, IDAHO

Bid No. 2

THOMPSON DRILLING Company

5201 EUGENE ST. — BOISE, IDAHO

January 25, 1963

REPLY TO:
5201 Eugene St.
Boise, Idaho

Sunshine Mining Co.
PO Box 1080
Dellogg, Idaho

Attention: Mr. J.B. Colson, Chief Geologist

Gentlemen:

Confirming our verbal quotation of January 22nd, and 24th, the following is our proposal for drilling a 2,000 foot horizontal hole at your mining property near Kellogg, Idaho.

Item No.	Description	Unit	Unit Price
1.	Mobilization	LS	$ 1,000.00
2.	Drilling EX size hole		
a.	0-500 ft. depth	lf	8.80
b.	500-1,000 ft. depth	lf	11.00
c.	1,000 - 1,500 ft. depth	lf	13.50
d.	1,500 - 2,000 ft. depth	lf	16.50
e.	Reaming and casing	lf	5.50
f.	Cementing and redrilling	hr	20.00
3.	Drilling AX size hole		
a.	0-500 ft. depth	lf	6.80
b.	500, 1,000 ft. depth	lf	8.90
c.	1,000 - 1,500 ft. depth	lf	11.00
d.	1,500 - 2,000 ft. depth	lf	13.50
e.	Reaming and casing	lf	4.00
f.	Cementing and redrilling	hr.	20.00
4.	Drilling EX size holes 0-250 depth	lf	5.50
5.	Standby time	hr	14.00

We hope that we may be able to be of service to you.

Very truly yours,

THOMPSON DRILLING COMPANY

D. N. Thompson

RECEIVED
FEB 13 1963
U.S.G.S.
SPOKANE, WASH.

PHONE
6401

Vivian Bros., Inc.

DIAMOND CORE DRILLING CONTRACTORS

OFFICE AND SHOP
209 WEST CAMERON
KELLOGG, IDAHO

MAILING ADDRESS
P. O. BOX 780
KELLOGG, IDAHO

[illegible], 1963

Bid No. 3

[illegible]

Dear Sir

The following is our estimate for drilling on the [illegible] foot level in the [illegible]

[illegible] hole [illegible] horizontally.

[illegible]	[illegible]	$ 6.60 per foot
[illegible] to [illegible]	[illegible]	7.[illegible]5 per foot
[illegible] to [illegible]	[illegible]	7.[illegible] per foot
[illegible] to [illegible]	[illegible]	8.40 per foot
[illegible] to [illegible]	[illegible]	[illegible].15 per foot
[illegible] to [illegible]	[illegible]	10.[illegible] per foot
[illegible] to [illegible]	[illegible]	11.45 per foot
[illegible] to [illegible]	[illegible]	12.50 per foot

Drilling [illegible]

[illegible] per foot [illegible] BX size
Reaming [illegible] size hole — 75% of BX coring price
[illegible] size hole — 60% of BX coring price
[illegible] size

[illegible]

[illegible] per foot

[illegible] and [illegible] the Vivian Company is to [illegible] prices [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

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FEB 13 1963
U. S. G. S.
SPOKANE, WASH.

RECEIVED

FEB 13 1963

U S G S.
SPOKANE, WASH.

Proposal

Page No. 1 of 1 Pages

NICHOLS DRILLING COMPANY, INC.
P. O. Box 2057
BOISE, IDAHO
Phone 344-7946

Bid No. 4

PROPOSAL SUBMITTED TO:	DATE: January 24, 1963	
NAME: SUNSHINE MINING COMPANY	JOB NAME:	
STREET:	STREET:	
CITY: Kellog, Idaho	CITY:	STATE:
STATE:	ARCHITECT:	DATE OF PLANS:

We hereby submit specifications and estimates for:

1. Drilling one each 2,000 ft. underground hole.
   a. Mobilization and demobilization Lump Sum $460.00
   b. Drilling:

	BX	AX
0-500 interval @	$7.55 LF	$7.15 LF
500 - 1000 interval @	8.50	8.00
1000 - 1500 interval @	9.50	9.20
1500 - 2000 interval @	10.35	10.10

   c. Reaming at 2.35 per LF.
   d. Cementing drill hole at 8.00 per hour.
   e. Standby time for delays or surveying at $8.00 per hour.
2. Drilling two each 250 ft. holes, BX size at $5.50 per L. F.

Sunshine Mining Company to furnish the following at no cost to Nichols Drilling Co.:
A. Adequate air, water, and ventilation at drill sites.
B. Transportation from collar of shaft to work area.
C. Core containers.
D. Dry house facilities for our personnel.

We hereby propose to furnish labor and materials — complete in accordance with the above specifications, for the sum of:

As quoted above dollars ($) with payment to be made as follows:

All material is guaranteed to be as specified. All work to be completed in a workmanlike manner according to standard practices. Any alteration or deviation from above specifications involving extra costs, will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents or delays beyond our control. Owner to carry fire, tornado and other necessary insurance. Our workers are fully covered by Workmen's Compensation Insurance.

NICHOLS DRILLING COMPANY, INC.

Authorized Signature Donald F. Nichols, Vice Pres.

NOTE: This proposal may be withdrawn by us if not accepted within 120 days.

Acceptance of Proposal

The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

Accepted:

Signature

Date

Signature

Form 118 — Copyright 1960 New England Business Service, Inc. Newmarket, New

OFFICE OF MINERALS EXPLORATION
DEPARTMENT OF THE INTERIOR
WASHINGTON 25, D. C.

MME Form
(10-58)

X
X

X

OFFICIAL FILE COPY

Date	Surname	Code
	Griswold	500
1/21	Talbutt	800
	GLS	120
1/21	Johnson	110
	Kinney	100
		220
		500

TO: ACTING FIELD OFFICER, REGION I
OFFICE OF MINERALS EXPLORATION
SOUTH 157 HOWARD STREET
SPOKANE 4, WASHINGTON

REURMEMO JANUARY 14 OME-6264 SUNSHINE CONSOLIDATED PLEASE

NOTE THAT WE HAVE NOT YET RECEIVED THE REQUIRED DIAMOND DRILL BIDS.

George C. Selfridge (gla)

GEORGE C. SELFRIDGE, CHIEF
DIVISION OF FIELD OPERATIONS

cc: Director's Reading File
Review Committee
Docket

W. R. Griswold, Chief, Division of Minerals

RE 7-1820 5424

1/21/63 12:45 p.m.

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
January 14, 1963

OFFICIAL FILE COPY
O. M. E
RECEIVED JAN 16 1963

DATE	INITIALS	CODE
		130

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: Examination
OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

The property was visited January 3 and 4 in connection with the subject application. All of January 3 was spent in the office discussing the project, reviewing the geologic maps, and explaining the various items of cost that would be required. Norman C. Smith, president of the applicant company, was present during the entire day. Jim Colson, geologist, and John Brandon, mine superintendent and foreman, were present at various times.

The Yankee Girl vein has been developed principally on two levels, the 2700 and the 3100, and to a lesser extent on the 3400 and 3700 levels. It has also been cut by a horizontal drill hole at about the 1700 level and by a surface drill hole at a depth of approximately 950 feet below the outcrop measured in the plane of the vein. The 1700 level and the Gullickson tunnel shown on map 1 accompanying the application are on structures north of the Yankee Girl vein and were not found in the 2700 or 3100 crosscuts. West of the end of the 3100 level, the Yankee Girl vein has not been definitely traced on the surface.

The vein is on the north limb of an overturned anticlinal fold, of which the axial plane dips southerly. It may be the same as the anticline on which the Alhambra fault has developed farther to the west on the Bunker Hill property. Sunshine geologists have not recognized the continuation of the Alhambra fault in a south to east direction, as suggested by Bunker Hill geologists. They believe it has died out along the anticlinal axis. Although they favor slightly the view that the western extension of the Yankee Girl vein may eventually enter the Alhambra fault zone, or at least stay on the north limb of the anticline, they also recognize a possibility that it may be offset by the fault or swing slightly to the west and turn out to be an eastern segment of the Crescent South vein. Not much is known about the SCI vein, which is exposed in surface trenches, two of which are shown on map No. 1 accompanying the application.

ON-SITE EXAM. REPORT

The Yankee Girl vein crops out in rocks of the St. Regis formation, but on the 2700 and lower levels it is in Revett quartzite. The position of the contact between the two formations is not exactly known but is believed to be about 200 feet above the 1700 level. Only the 3100 level was accessible, but geologic maps of all levels were available. These were given some attention, and the geology and vein characteristics were discussed in the office with Smith and Colson. Since preparing the OME application, Colson has added the average widths and grades of several potential ore zones to the tracing from which the long section accompanying the application was printed. I have copied these on the Spokane office copy of the long section and in order to save time have not had a tracing prepared. It is enclosed; please return it for our permanent file when it has served your needs.

The Yankee Girl vein is a zone of shearing ranging from a few feet to as much as 100 feet wide, striking in a general easterly-westerly direction, and dips from 55° to 70° southerly. The mineralization is in a persistent series of braided and reticulated veins from a fraction of an inch to a foot or more wide and is principally tetrahedrite in a gangue of siderite and quartz. Some sericitization and chloritization of the Revett quartzite has taken place for a considerable distance on each side of the shear zone, the alteration probably being older than the mineralization. Within the mineralized shear zone, the wall rock may be slightly more silicified, sericitized and/or chloritized, but even here alteration due to mineralization is not everywhere prominent. Near the west end of the 3100 level is a band of strong chloritization that may represent a dike; evidence of this dike was also found in holes drilled northerly at and near the west end of the 3100 level. Except for the almost total lack of clay-filled fissures parallelling the veins, the appearance of the Yankee Girl is similar to that of the Alhambra. At several places cross shearing has offset the veins from a fraction of an inch to about a foot, and at least two vein splits into the south or hanging wall have developed minable ore shoots.

Referring to the long section, total production from the stopes indicated is 176,454 tons yielding 5,523,710 ounces silver, as follows:

Stope	Tons ore	Ounces silver	Ounces silver/T
3100-94	19,273	674,555	35.00
3100-96	21,381	713,056	33.35
3100-98	10,863	455,920	41.97
All others	124,937	3,680,179	29.46

Ore shoots occur at irregular intervals along the vein and are usually of short length, ranging from 150 to 350 feet. Stopes are 3 to about 4.5 times as high as they are long.

Near the westerly end of the 3100 level, the ground was heavy and difficult to hold. A turn into the hanging wall was made, and a lateral was started about parallel to the drift. From the lateral three holes were diamond drilled northerly, one of which cut a 30-foot vein zone containing 40.9 ounces silver per ton.

The applicant proposes to explore the ground west of the 3100 level drift by continuing the lateral and diamond drilling to probe for and explore the continuation of the vein. It is proposed to do the drifting in three phases, 500 feet in the first phase and 400 feet each in the second and third phases. At the completion of each phase, it is proposed to explore the vein by diamond drilling two horizontal holes to depths of 250 feet or to a total depth of 500 feet. Phases two and three will depend upon the results of the preceding stage. When the total drifting, whether 500 feet or the entire 1300 feet, is completed, it is proposed to diamond drill one horizontal hole not more than 2000 feet southerly from the face of the lateral to explore the SCI vein.

There is a good chance of finding more ore shoots on the Yankee Girl vein west of the 3100 level face. The proposed method of exploration by driving a lateral and drilling to the vein is a normal and economically sound approach where the vein is in heavy ground. However, because of the relatively short lengths of the known ore shoots, the chance of a drill hole every 250 feet or so missing an ore shoot is just as good as the chance of hitting one. A drill hole-vein intersection might justify subsequent crosscutting and drifting on the vein but might not justify a certification of discovery by the Government. Similarly, the single long diamond drill hole to the SCI vein might induce the company to crosscut to and drift on the vein, ultimately resulting in a discovery to which OME would not be a party. Therefore, it is recommended that, if a contract is offered, a clause be included guaranteeing the Government's right to royalty on any ore extracted through the OME workings.

In the application cost estimates, based on the mine accounting office records of drifting elsewhere in the mine, are divided into direct and indirect costs. In the discussion of this subject with Smith and Brandon, it became clear that certain overhead charges which are not allowable OME cost items were included in the indirect costs. An attempt was made to get on-the-spot estimates of the various actual cost components used in making our cost estimate. Brandon wanted more time to check these items with suppliers from whom some of the operating equipment will be rented or purchased and with records in the accounting office. He was given a sample copy of our format to work with and promised to get right on it. His estimate was not received by this morning, and a telephone call to him elicited that he apparently is making inquiries by phone of several potential suppliers and has had difficulty locating some of the equipment. From talking with him, I believe he should furnish us with excellent up-to-date quotations which I have been able to secure only in part.

I am leaving Monday, January 14, 1963, to make the Congdon (OME-6277) examination and believe it is advisable to get in the mail what I have already prepared, sending the costs when Brandon's estimates are available. If you wish, I can teletype you the totals when they arrive so you can have a figure to use for an estimate of funds that may be required.

Margaret Yourt

Margaret Yourt for
D. R. MacLaren

Enclosures

Distribution:
OME(3)
Docket
MacLaren
SRO

U. S. Government Messenger Envelope

Standard Form No. 65 Rev. (1957)

Promulgated by Bureau of the Budget Circular A-33 (Rev.)

NAME (OR TITLE) OF ADDRESSEE, AGENCY, ORGANIZATIONAL UNIT, ADDRESS, AND ROOM		NAME (OR TITLE) OF ADDRESSEE, AGENCY, ORG ADDRESS, AND ROOM
Bureau of Land Management Department of Interior Washington 25, D. C.	STOP 43	
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Geo. Selfridge MME - R, 4459	STOP	
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OFFICIAL FILE COPY O. M. E RECEIVED DEC 26 1962		
DATE	INITIALS	CODE
		120
12/27	Received	500

So. 157 Howard Street
Spokane 4, Washington
December 21, 1962

Mr. Stanton B. Bennett, Secretary
Sunshine Mining Company
W. 300 Mission Avenue
Spokane 1, Washington

Re: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. Bennett:

This will acknowledge receipt of your letter of December 20, 1962, with which you enclosed the Lien or Subordination Agreements and attached annex.

In our letter of November 20, 1962, to Mr. Norman Smith, we advised him that OME also requires a letter from Sunshine Mining Company stating that it would not finance the entire cost of the proposed exploration at its sole expense under present conditions or circumstances. With the problem of preparing the annex to accompany the Lien or Subordination Agreements, the necessity for this letter has understandably been overlooked.

In the interest of saving time and effort, I am therefore requesting the letter from you directly rather than through the doubtlessly more proper and correct manner of reminding Mr. Smith of our prior request.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

DRMacLaren:my
cc: Norman M. Smith
OME
Reading copies to:
Nolan
McKelvey

OFFICIAL FILE COPY
O. M. E
RECEIVED DEC 21 1962

DATE		
12/27	Showed	500

So. 157 Howard Street
Spokane 4, Washington
December 19, 1962

Mr. Norman M. Smith, General Manager
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Re: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. Smith:

In accordance with your telephoned request of this morning, I will meet Mr. Coleson at eight o'clock on the morning of January 3, 1963, rather than on December 27, 1962, as tentatively set during our talk on December 18.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

DRMacLaren:my

cc: OME
Reading copies to:
Nolan
McKelvey

So. 157 Howard Street
Spokane 4, Washington
December 18, 1962

OFFICIAL FILE COPY
O. M. E
RECEIVED DEC 19 1962
DATE

~~Rept Received~~ ~~120~~ 2500

Mr. Norman M. Smith, General Manager
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Re: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. Smith:

This will confirm our telephone conversation of this morning. Unless I hear differently from you in the meantime, I will meet Jim Coleson at the Sunshine Geology Department at eight o'clock on the morning of December 27 to conduct an examination relative to your application for OME aid to explore the Sun Con area.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

DRMacLaren:my

cc: OME
Reading copies to:
Nolan
McKelvey

OFFICIAL FILE COPY
O. M. E
RECEIVED DEC 17 1962

DATE	INITIALS
	Journal 500

So. 157 Howard Street
Spokane 4, Washington
December 12, 1962

Mr. Stanton B. Bennett, Secretary
Sunshine Mining Company
W. 300 Mission Avenue
Spokane 1, Washington

Re: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. Bennett:

Our Washington, D. C., office has requested that the annex attached to the Lien or Subordination Agreements list the individual claims by name, patented and unpatented, as you have done. However, in the case of the claims near the east end of the property, they request that the list show the pertinent data with respect to the fraction of each claim involved, rather than using lines or planes to indicate the eastern limit of the property subordinated. A line to indicate fractional claim limits on the map supplied by Mr. Smith is, of course, satisfactory for illustrative purposes.

We are returning the Lien or Subordination Agreements so that the data pertinent to each fractional claim at the east end of the ground involved may be included in the annex. Also, you should sign the certification on the back of the forms and affix the corporate seal.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

Enclosures

DRMacLaren:my
cc: Norman M. Smith
Sunshine Consolidated, Inc.
OME
Reading copies to:
Nolan
McKelvey

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
	Griswold	500
		800
	GCS	130
12/7	Johnson	110
11	Fornal	100
12/7	eyl	220
		500

AIRMAIL DEC 7 1962

Memorandum

To: Acting Field Officer, Region I

From: Chief, Division of Field Operations

Subject: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

With reference to your November 29 memorandum, we will accept the amended land delineation as proposed in the Applicant's letter to you of November 28, if a contract is granted. This, of course, would be subject to your recommendation after you have examined the property.

Please tell Sunshine Mining to attach an annex to the Lien or Subordination Agreement, which lists the individual claims by name (patented and unpatented) and fractions thereof, with the pertinent data, and not to use the method of limiting lines or planes as per the Sun Con November 28 letter. Of course a line may be used to indicate fractional claim limits.

It would be a great help to us if Sunshine Mining would provide us with a north-south cross section showing the SCI No. 5 vein, more or less cut along the section line between sections 20 and 21.

George C. Selfridge (glw)

cc: Director's Reading File
Review Committee
Docket
WRGriswold/mm
12-7-62

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
November 29, 1962

CONTROL FILE COPY
O. M. E
RECEIVED DEC 3 1962
DATE | INITIALS | CODE
Received 500

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Enclosed are one copy each of two self-explanatory letters, one dated November 28, 1962, with a property map, from the subject applicant to OME, the other dated November 27, 1962, from Sunshine Mining Company to the applicant.

Sunshine Mining Company is willing to sign a Lien or Subordination Agreement covering only the area defined in the amendment to the application as proposed in the applicant's letter. Therefore, I will not arrange to examine the property until you advise me that the newly proposed area is acceptable and Sunshine Mining Company submits the requested documents.

D R MacLaren
D. R. MacLaren

Enclosures

SUNSHINE CONSOLIDATED, INC.

Office of Minerals Exploration
S. 157 Howard Street
Spokane 4, Washington

November 28, 1962

Re: Docket OME - 6264
Application MME Form 40
Received by OME 7/16/62

Gentlemen:

It is desired by the applicant (Sunshine Consolidated, Inc.) to amend the original application under part 2 b, page 3 of original application which describes the area subject to government royalty and liens. This amendment further limits government participation.

The amended application shall replace the last two paragraphs on page 3, part 2 b of the original application, and shall read as follows:

" The portion of the Sun Con property benefited by this proposed exploration project and subject to government royalty and liens shall be limited to that area east of the western end lines of the following claims (Orange line Map No. 1-A) -

Giant No. 9	Lone Pine No. 2	SCI No. 14
Giant No. 8	Lone Pine No. 1	Hillside No. 1
Giant No. 7	SCI No. 11	Hillside Number Two
Giant No. 1	SCI No. 12	Hillside No. 3
Lone Pine Lode	SCI No. 13	

and west of a north-south vertical plane which passes through the southeast Corner No. 1 of the Baldur claim, identical with the northeast Corner No. 1 of the Venus claim and having the coordinate 79,057.90 south and 71,027.69 east, Sunshine Surveys. (purple line Map 1-A).

All of the Sun Con property west of the west end lines of the above named claims and all of the Sun Con property east of the above described north-south vertical plane shall not be subject to government royalty and liens."

The applicant and Sunshine Mining Co. have already explored and developed large areas of the property to the east of the dividing plane. Sunshine who owns 50% of the minerals in this area have objected to subjecting ores in this area to royalty and/or liens. (see copy of enclosed letter)

Therefore the applicant request that the government participate in that area between the above described east and west limits and in which the project benefits.

SUNSHINE CONSOLIDATED, INC.

By Norman M. Smith
Norman M. Smith,
Vice President and General Manager

RECEIVED
NOV 29 1962
U. S. G. S.
SPOKANE, WASH.

Sunshine Mining Company

W. 300 MISSION AVE. - PHONE FA 8-3661
SPOKANE 1, WASHINGTON

November 27, 1962

Mr. Norman M. Smith, General Manager
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

RE: OME-6264 (Silver - Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Norman:

Confirming our recent conversations regarding your request that Sunshine execute MME Form 52, Lien or Subordination Agreement, we cannot agree that all of the Sun Con property east of the western end lines of the claims specified in your original application will be benefited by the proposed exploration project and should be subject to Government royalty. Sunshine, over the past 20 years, has explored, developed and mined within the eastern 3000 feet of the described area from the 2700 level to the 3700 level and may undertake further work, from time-to-time. None of the proposed work will benefit this already-explored portion and it should not, therefor, be subject to Government royalty or lien.

If Sun Con can amend its application by establishing an eastern boundary consisting of a vertical, north-south plane passing through the NE cor. of the Venus claim, Mineral Survey #3273, and eliminating the ground east of said boundary, Sunshine will execute MME Form 52 with respect to its interest in the remaining land within the project limits.

Yours very truly,

SUNSHINE MINING COMPANY

By John Edgar
John Edgar,
Vice President

JE:njd

RECEIVED
NOV 29 1962

OFFICIAL FILE COPY
O. M. E
RECEIVED NOV 23 1962

DATE	INITIALS
	Incoming 5 00

So. 157 Howard Street
Spokane 4, Washington
November 20, 1962

Mr. Norman M. Smith, General Manager
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Re: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. Smith:

In my letter of September 26, 1962, it was suggested that the simplest procedure to follow in order to meet the property rights requirement would be to have Sunshine Mining Company furnish a Lien or Subordination Agreement and a letter to OME stating that it would not finance the entire cost of the proposed exploration at its sole expense under present conditions or circumstances.

On October 3, 1962, Stanley Bennett telephoned the office to say that Sunshine Mining Company had no objection to following this procedure but that they were concerned about the wording of the MME Form 52. They asked if the word "land", where it occurs in the form, could be changed to "ore." The matter was referred to our Washington, D. C., office. On October 15, 1962, a reply was received from D. C. and was telephoned to Mr. Bennett the same day. The next day, for clarification and the record, a letter was written to Mr. Bennett, stating in part:

"The matter was referred to the OME legal department. It is their opinion that an undivided 50 percent of the ores and minerals in Sun Con land, which Sunshine Mining Company owns, in fact constitutes an interest in the land. MME Form 52, in Article 1(a), says that since Sunshine Mining Company owns some interest in the land, whether surface or minerals, and without specifically designating what the interest is, then that interest (in this case, minerals) is subordinated to the Government's claim. The legal department, therefore, sees no reason for revising the Form MME-52 as requested."

We have heard nothing further from you or Sunshine Mining Company. I am prepared to make an on-site examination as soon as the mine

workings are accessible, providing Sunshine Mining Company has no objection to furnishing the Lien or Subordination Agreement and the letter to OME referred to in the first paragraph of this letter.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

DRMacLaren:my

cc: OME
Reading copies to:
Nolan
McKelvey

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
11/16	GCS	120
	Dunn	500
11/16	Talbot	800
"	Johnson	110
11/16	Tomsyk	100
11/16	cyh	220
		500

AIRMAIL

NOV 1 6 1962

Memorandum

To: Acting Field Officer, Region I

From: Chief, Division of Field Operations

Subject: OME Applications

With regard to on-site reports, please give preference to those that will recommend contracts. We wish to write as many contracts as possible by the first of the year.

Please contact the Sunshine Mining Company, OME-6264, and inform them that you are ready to make an examination of the property as soon as it is accessible, that is if Sunshine has no objection to furnishing the information previously requested. If the property is examined, please secure all of the information that is possible concerning the veins involved from the surface to the last levels. This would include structure, mineralization, alteration, et cetera. Possibly a good comparison between the mineralization in the Crescent and that of the Yankee Girl vein can be obtained. You will recall that in the Crescent mine we saw an occurrence or two of cross fractures displacing the ore but not the gouge of the so-called Alhambra fault. Please check this matter should an examination be made.

It will be appreciated if your monthly report mentioning on-site reports being written will also mention whether a contract or denial will be recommended if you have decided by that time.

George C. Selfridge (gla)

GCSelfridge/gla (11-16-62)
cc to: Director's Reading File
Review Committee
Mr. Selfridge
Mails and Files
Docket OME-6264

43683

OFFICIAL FILE COPY
O. M. E
OCT 18 1962
Returned 500

So. 157 Howard Street
Spokane 4, Washington
October 16, 1962

Mr. Stanley Bennett, Secretary
Sunshine Mining Company
W. 300 Mission Avenue
Spokane 1, Washington

Re: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear Mr. Bennett:

This is in reference to your telephone call of October 3, 1962, regarding the wording of MME Form 52, Lien or Subordination Agreement. The matter was referred to the OME legal department. It is their opinion that an undivided 50 percent of the ores and minerals in Sun Con land which Sunshine Mining Company owns in fact constitutes an interest in the land. MME Form 52 in Article 1(a) says that since Sunshine Mining Company owns some interest in the land, whether surface or minerals, and without specifically designating what the interest is, then that interest (in this case minerals) is subordinated to the Government's claim. The legal department, therefore, sees no reason for revising the Form MME-52 as requested.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

DRMacLaren:my

cc: OME
Reading copies to:
Nolan
McKelvey

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
10/11	Griswold	500
10/11	Talbot	800
10/11	[illegible]	130
10/11	Johnson	110
10/11	Fenn	100
10/11	Cac	220
		500

OCT 1 1 1962

AIRMAIL

To: Acting Field Officer, Region I

From: Chief, Division of Field Operations

Subject: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

With reference to your memorandum of October 5 covering the referenced application, we are enclosing a copy of the opinion of our Acting Associate Solicitor, which is self-explanatory.

Essentially, it means that we take the usual Lien or Subordination Agreement, nothing else. The company secretary is in error in wanting the form changed, since their ore interest is actually a land interest.

George C. Selfridge

Enclosure

WRGriswold/gla
10-11-62
cc to: Director's Reading File
Review Committee
Docket

43683

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

October 11, 1962

Memorandum

To: Chief, Division of Minerals
Office of Minerals Exploration

From: Acting Associate Solicitor
Division of Mineral Resources

Subject: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
SunCon Area
Shoshone County, Idaho

If Sunshine Mining Company has "no interest in the land" there is no necessity for the Lien or Subordination Agreement.

However, I believe the Secretary of the Company is mistaken that their interest "is solely in a percentage of ore." As pointed out in my memorandum of September 7, 1962, Sunshine owns an undivided 50% of the ores and minerals. This is "an interest in the land."

What Article 1. (a) says is that since Sunshine owns some interest in the land, whether surface or minerals, and without specifically designating what the interest is, then it (that interest) is subordinate to the Government's claim.

I see no reason for revising the Form MME-52 as suggested.

Robert H. McPhillamey
Acting Associate Solicitor
Division of Mineral Resources

Enclosure

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
October 3, 1962

OFFICIAL FILE COPY
O. M. E.
RECEIVED OCT 5 1962

DATE	INITIALS	CC
		~~540~~
10/5	JKJ	110
		~~120~~
		500

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
SunCon Area
Shoshone County, Idaho

Stanley Bennett, Secretary, Sunshine Mining Company, telephoned the office to say that Sunshine has no objection to signing a Lien or Subordination Agreement. However, they are concerned about the wording of item 1 of the printed form, in that Sunshine has no interest in the land, which is owned by SunCon. Their interest, by virtue of an operating agreement with SunCon, is solely in a percentage of ore that is already known or that may be discovered.

If the word "land," where it occurs in the MME Form 52, can be changed to "ore," Sunshine Mining Company will, without delay, sign the agreement and submit a statement to the effect that it would not under present conditions or circumstances finance the entire cost of the proposed exploration at its sole expense.

D. R. MacLaren

D. R. MacLaren

SOLICITOR
OCT 10 1962
INTERIOR DEPT.

RECEIVED
OCT 10 1962
ASSOC. SOLICITOR
MINERAL RESOURCES

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 28 1962
DATE
9/28 Received 5.00

So. 157 Howard Street
Spokane 4, Washington
September 26, 1962

Mr. Norman M. Smith, General Manager
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Re: OME-6264 (Silver, Antimony)
Sunshine Consolidated, Inc.
SunCon Area
Shoshone County, Idaho

Dear Mr. Smith:

This is in further reference to my letter of September 18, 1962. It is the feeling of OME that a joint venture between SunCon and Sunshine Mining Company for the purpose of exploring the SunCon area would unnecessarily further complicate the situation, as it would, among other things, require the filing of a new application and the submission of bank correspondence with the joint applicants.

The simplest thing to do would be to have Sunshine Mining Company furnish a Lien or Subordination Agreement and a letter to OME stating that it would not finance the entire cost of the proposed exploration at its sole expense under present conditions or circumstances. For this purpose, there is enclosed a set of six OME Forms 32, five of which should be returned, the sixth copy being for the Sunshine Mining Company files.

If Sunshine Mining Company is willing to provide the Lien or Subordination Agreements and the letter, I will, as soon as possible after their receipt, arrange a time with you for an examination.

As requested in Frank E. Johnson's letter of September 21, 1962, you should provide us with a recent financial statement of SunCon.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

Enclosures

DRMacLaren:my
cc: OME
Reading copies to:
Nolan
McKelvey

W. M. YEAMAN, PRESIDENT
YAKIMA, WASHINGTON

NORMAN M. SMITH
(DIRECTING ENGINEER

OFFICIAL FILE
O. M. E.
RECEIVED OCT 2 1962

DATE	INITIALS	
10/2	FEJ	~~110~~ 120
10/3	[illegible]	500

SUNSHINE CONSOLIDATED, INC.

ENGINEERING OFFICE
SUNSHINE STAR ROUTE
KELLOGG, IDAHO

September 26, 1962

Mr. Frank E. Johnson, Director
Office of Minerals Exploration
Washington 25, D. C.

Re: OME 6264 (Silver-Antimony)

Dear Sir:

In response to your request for recent financial statements of Sunshine Consolidated, Inc., I am enclosing three (3) copies of the Annual Report for the year ending December 31, 1961. The statements are audited and the most up-to-date we have. in folder

During 1962 the company has had little or no income and has incurred operating and corporate expenses.

Sincerely yours,

SUNSHINE CONSOLIDATED, INC.

By Norman M. Smith

Norman M. Smith
General Manager

NMS/m

Enclosures

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
9/21	[illegible]	500
9/21	Talbot	800
"	On leave	130
		110
9/21	On leave	100
9/24	Cae	220
		500

SEP 21 1962

Sunshine Consolidated, Inc.
c/o Norman M. Smith, General Manager
Sunshine Star Route
Kellogg, Idaho

Re: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Gentlemen:

The application for assistance in exploring the subject property has been reviewed by the Division of Minerals of the Office of Minerals Exploration and referred to Mr. D. R. MacLaren, Acting Field Officer, Office of Minerals Exploration, Region I, South 157 Howard Street, Spokane 4, Washington.

Will you kindly provide us with a recent financial statement of your company.

Mr. MacLaren will keep in touch with you concerning your application.

Sincerely yours,

(signed) FRANK E. JOHNSON

ACTING Director

WRGriswold/gla
9-21-62
cc to: Director's Reading File
Region I (2)
Docket

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
9/21		500
9/21	Talbot	800
"	on leave	130
"	Johnson	110
9/21	on leave	100
		220
		500

SEP 21 1962

Memorandum

To: Acting Field Officer, OME, Region I

From : Acting Chief, Division of Field Operations

Subject: OME-6264 (Silver-Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

We have your letter of September 17, 1962, concerning the subject application and copy of your letter of same date to Mr. Norman M. Smith, General Manager, Sunshine Mining Company.

Without going into the financial eligibility of Sunshine Mining Company, we feel that having it enter into a joint venture for the purpose of exploring the Sun Con area as suggested would unnecessarily further complicate the situation. Such procedure would require the filing of a new application and submission of bank correspondence with the joint applicant. A simple solution of the problem would be that outlined in Mr. Johnson's letter of September 12, to Mr. Selfridge. This would entail the furnishing of a Lien Agreement by Sunshine Mining Company and a letter to us stating that Sunshine Mining Company would not finance the entire cost of the proposed exploration at its sole expense under present conditions or circumstances. We have not written to Sunshine Mining Company as we feel that the problem is a matter to be settled between the two companies. We do not want to pass judgment on the financial eligibility of a non-applicant as there are many factors to consider in addition to a financial statement.

If Sunshine Mining Company is willing to comply with above requirements, you may arrange for an on-site examination.

Sun Con should also furnish us with a recent financial statement.

The proposed costs of $65.00 per foot for drifting is out of all reason; costs of the Crescent project should serve as a guide. Diamond drilling must, of course, be covered by at least two independent bids.

W. R. Griswold (gla)

FEJohnson-WRGriswold/gla
9-21-62
cc to: Director's Reading File
Review Committee
Docket

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
September 18, 1962

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 20 1962

DATE	INITIALS	CODE
9/20	JEJ	110
		500

Mr. Frank E. Johnson, Acting Director
Office of Minerals Exploration
U. S. Department of the Interior
Washington 25, D. C.

Re: OME-6264 (Silver, Antimony)
Sunshine Consolidated, Inc.
SunCon Area
Shoshone County, Idaho

Dear Frank:

Your letter of September 12, 1962, addressed to George Selfridge arrived after he had gone on his way. We forwarded it to him, and today I received it with a note from George telling me to take over.

George sent you a memorandum dated September 13, 1962, in which he outlined our conversation with Mr. Johnson, the manager of Sunshine Mining Company. Enclosed is a copy of a letter I have written to Norman Smith, General Manager of SunCon, reviewing for him the situation.

Sunshine Mining Company would prefer to be a joint applicant with SunCon if they can meet the financial eligibility requirements. George told Johnson that he was concerned about their meeting the requirements since their financial statement, a copy of which he sent you, showed liquid assets somewhat larger than those in a similar situation that was decided only in the Secretary's office. Johnson said he would prefer to have a ruling on that possibility and that if Sunshine Mining did not qualify he would consider leasing back to SunCon Sunshine Mining's interest in the contract ground and the signing of a Lien and Subordination Agreement.

As you were not aware of this preference on the part of Sunshine Mining Company when you wrote to George, I feel that it would be better to present it to you for a ruling before taking up with the two companies the question of a lease and Lien and Subordination Agreement.

Should you present the final ruling to SunCon, a copy would be appreciated by H. Bradley Johnson, Manager, Sunshine Mine, Sunshine Mining Company, P. O. Box 1080, Kellogg, Idaho.

Sincerely yours,

Don

D. R. MacLaren
Acting Field Officer, Region I

cc: G. C. Selfridge, c/o Reg. III, Denver

So. 157 Howard Street
Spokane 4, Washington
September 18, 1962

Mr. Norman M. Smith, General Manager
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Re: OME-6264 (Silver, Antimony)
Sunshine Consolidated, Inc.
SunCon Area
Shoshone County, Idaho

Dear Mr. Smith:

This will summarize our telephone conversation of September 17 regarding a conference Mr. Selfridge, Chief, Division of Field Operations, OME, and I had with Mr. Johnson, Manager, Sunshine Mining Company, on September 12, 1962.

During the preliminary processing of the Sunshine Consolidated, Inc., application, the fact that Sunshine Mining Company owns 50 percent of the ore in the ground to be included in the SunCon project was found to present a problem. The day Mr. Selfridge left Washington he was advised that there might be two possible solutions, and it was decided that a preliminary discussion of each with you and a representative of Sunshine Mining Company would be more satisfactory than correspondence which could involve several letters of clarification. We are sorry we could not give you earlier notice of our visit, and more so that your prior commitments prevented your meeting with us. Under the circumstances, it seemed advisable to discuss the problem with Mr. Johnson.

Mr. Johnson was advised that one solution might be for Sunshine Mining Company to be a joint applicant with Sunshine Consolidated, Inc. However, in view of certain assets indicated in the last financial statement issued by Sunshine Mining Company, it is possible that the financial eligibility requirement would exclude that company from the program.

The other possible solution would be for Sunshine Mining Company to lease their 50 percent interest to SunCon and execute a Lien and Subordination Agreement. Thus SunCon, which would meet the financial eligibility requirements, would be the sole applicant and would have full control of the ground subject to the contract, including the mineral therein, and the Lien and Subordination Agreement would further protect the Government's right to royalty.

Mr. Johnson appeared to favor the first possibility but gave the impression, to me at least, that should Sunshine Mining not be financially eligible his company would consider the second possibility. The question of which of the possible courses will be acceptable will have to be decided in Washington by our legal department. It will probably be early October before we will be able to inform you of the decision as to the financial eligibility of Sunshine Mining Company. When this matter is settled, I will give you a week or ten days notice before coming over to make an examination.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

DRMacLaren:my
cc: E. Bradley Johnson, Manager
Sunshine Mine
Sunshine Mining Company
P. O. Box 1080
Kellogg, Idaho

OME
G. C. Selfridge
c/o Region III, Denver
Reading copies to:
Nolan
McKelvey

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

Sc. 157 Howard Street
Spokane 4, Washington
September 1[illegible], 1962

17 19[illegible]

Memorandum

To: Director

From: Chief, Division of Field Operations

Subject: [illegible] Lead-Zinc-Copper
The [illegible] Hill Company
[illegible]
Shoshone County, Idaho
Contract [illegible]

Under separate cover, I am mailing two maps which I secured while in Kellogg. The company was very nice, showing us underground again and giving us a great deal of information. The maps should not be folded. With them is also being sent a map for the Zontelli application.

V226

-626 file

We were unable to see Mr. Smith of the Sundor Company, as he was out of town. However, we did stop at the Sunshine Mining Company office to discuss Sundor's recent demand concerning the application. Sunshine indicated that it would be satisfactory with them to have the application in the names of both companies if it were financially eligible. This matter was discussed, and I was able to secure a recent financial statement of the company, which is enclosed. We informed the Sunshine manager that it would probably be early October before we would be able to inform either Sundor or Sunshine regarding a decision as to the social eligibility. Mr. [illegible] will write a letter to Mr. Smith explaining the matters involved with regard to the Sundor application and discuss our visit with the Sunshine people. If we are to examine the area involved, Sunshine will have to have a week's notice at least to ventilate the area.

Enclosures

SUNSHINE MINING COMPANY

West 300 Mission Avenue

Spokane 1, Washington

ANNUAL REPORT 1961

DIRECTORS

Maurice G. Cleary

Joseph Drumheller

Robert M. Hardy, Jr.

C. M. Hull

Harper Joy

Drury A. Pifer

NOTICE

The annual meeting of shareholders of Sunshine Mining Company will be held at 11:00 o'clock A. M., May 1, 1962 in the offices of the company, West 300 Mission Avenue, Spokane, Washington. Formal notice, together with proxy material, will be mailed about March 30 to all shareholders of record at the close of business March 20, 1962.

Spokane, Washington

February 28, 1962

To the Shareholders of

Sunshine Mining Company:

The most significant happening to Sunshine Mining Company in 1961 was the Administration's decision on November 28 to discontinue sales of Treasury free silver to industry. Despite mounting evidence over the past several years, the Treasury had seemed unable to recognize the trend until there was less than a six month's supply of free silver for coinage requirements at the time sales were discontinued.

The immediate result of the President's announcement was to send the price of silver in New York soaring to $1.04¾ per ounce as some panic buying took place. Major consumers with an inventory on hand then withdrew from the market temporarily as speculators began selling and by late February the quotations had dropped to $1.01 per ounce. The world's consumption of silver still exceeds the supply and, although the market may react erratically while speculators are selling, the price should stabilize in time.

Welcome as this long-overdue action is, you are urged to view critically the balance of the President's program for silver, which is designed to gradually "phase-out" silver from our monetary system except for subsidiary coinage. To replace silver certificates with Federal Reserve notes when our dwindling gold reserves are already insufficient to pay off foreign holders of short-term credits without regard to the 25 per cent gold backing required of Federal Reserve notes, is an unwise and irresponsible move. The effect is readily seen as an additional burden against an already insufficient gold reserve. Your Congressional representatives should be urged to maintain the status quo at least until silver is stabilized and the future can be predicted with assurance. The Treasury Department's crystal ball has been rather cloudy the past several years.

The annual meeting of your company will be held at West 300 Mission Avenue, Spokane, on May 1st and it is hoped that the representation of shareholders will exceed the record of 1961.

Following the usual practice, Interim Reports are planned for issuance on or about May 15th, August 15th, and November 15th, and the Annual Report for 1962 will be mailed in March, 1963.

The remaining pages of this report are devoted to accounts of operations and financial matters to which your attention is invited. By careful study of the material presented year by year, a complete picture of your company may be realized.

For the Board of Directors

Robert M. Hardy, Jr., President

MINING OPERATIONS

SUNSHINE MINE

The following extract of statistics emphasizes the essential differences between 1960 and 1961:

	1961	1960
Tons Milled	188,923	232,342
Ounces Silver Per Ton	32.46	27.14
Antimony Sales	$ 536,271.57	$ 354,911.25
Gross	$6,198,000.29	$6,263,338.34

Direct comparison of 1961 production and cost statistics with those of prior years may be misleading owing to changes in operational methods. The sandfill system of stope filling has permitted "cleaner" mining and less dilution with the result that from fewer tons of ore of higher grade, nearly the same number of ounces of silver were produced in 1961 as in 1960. As reported last year, sandfilling is a method whereby the tailings from the mill are pumped back into the mine to fill the voids in stopes created by removal of the ore, heretofore filled with waste rock from exploration and development. As expected, the system has reduced timber requirements and provided better control of grade by the elimination of waste rock.

Costs in 1961 include the #10 shaft project expense in the Unit Area of $378,218.95 plus other mechanical improvements in the mine and in the mill, all of which amount to added costs of about $2.00 per ton. Operating costs per ounce of silver recovered in 1961 were slightly higher than in 1960, but without the additional costs of the sinking program, would have been slightly lower. In early December, steps were taken to further reduce operating costs by the elimination of the sawmill because of lower timber requirements and re-scheduling of the concentrator on a two-shift basis instead of three shifts per day. During the past year, a regrind circuit was added to the mill for improved metallurgy and increased economic recovery.

A strike during the first week of October halted operations at the mine, when agreement could not be reached after month-long negotiations of the wage reopener clause of the labor agreement with the United Steelworkers Union, bargaining agent of the employees. Full production resumed on October 9th, after a settlement was made providing for an across-the-board wage increase of 6 cents per hour, plus minor changes in the health and welfare program, essentially the company's last offer.

Drift development was limited to the Unit Area, primarily on the Chester fault-vein and on the "D" vein. The Chester fault was developed to the east a total of 2,425 feet on the 3700, 3850 and 4000 levels with 737 feet of new ore exposed. Drifting to the west on the "D" vein on 3400 and 3700 levels developed 460 feet of narrow high-grade ore. In addition to other minor vein development, 1634.4 feet of crosscutting and 660.7 feet of raising were done in conjunction with the new #10 shaft, which was sunk 262 feet below the 4000 level. Approximately 1350 feet in strike length on the Chester fault was added to the Unit Area for operation by Sunshine Mining Company under an agreement with neighboring companies to the east of the Sunshine Mine.

Ore reserves on December 31, 1961 were estimated to be 355,000 tons, which is 17,500 tons less than reported at the end of 1960. The ore reserve calculations reflect the change in mining method and though the tons of ore reserve are less, they represent an increase in recoverable ounces of silver. New ore reserves were developed principally on the Chester and "D" veins.

Sales of cathode antimony metal totaled 3,290,319 pounds of contained antimony in 1961 compared with production of 1,205,397 pounds. The stockpile was reduced by 2,084,922 pounds leaving an inventory of cathode metal at year end of 326,753 pounds.

GENERAL

Although examinations of prospects were made throughout many of the western states and British Columbia, no new mining exploration ventures were undertaken during 1961. Efforts to arrive at an equitable basis for maintaining the Bingham, New Mexico lead-barite-fluorspar property on a standby basis pending an improvement in metal and mineral prices failed and the property was abandoned.

Following are the essential operations statistics for 1961:

Distribution by Areas of the 1961 Ore Production

	Sunshine Interest %	Tons	Silver Ozs./Ton	Lead %	Total Gross Value	Sunshine Share
Unit	57.14	182,375	32.65	1.22	$5,504,560.02	$3,145,305.57
Sunshine	100.00	434	34.07		13,165.07	13,165.07
Rambo	50.00	763	12.54	.59	8,334.24	4,167.13
Suncon	50.00	1,604	31.78		45,165.61	22,582.81
Yankee Girl	84.00	3,747	27.52		90,503.78	76,023.19
Total		188,923	32.46	1.18	5,661,728.72	3,261,243.77
Antimony Sales: 1961 Production			$196,339.88			
Inventory			339,931.69		536,271.57	306,841.83
Total					$6,198,000.29	$3,568,085.60

Tons of Ore Milled — Quantities of Metals Produced

	Dry Tons	Ozs. Silver	Lbs. Lead	Lbs. Copper	Lbs. Antimony
Tons Milled	188,923	5,962,188	4,334,677	1,961,988	1,652,672
Less Other Interests	79,949	2,526,542	1,858,459	827,285	699,861
Net Sunshine	108,974	3,435,646	2,476,218	1,134,703	952,811

Average Per Ton Operating Costs

Mining	$16.72
Milling and Leaching	2.60
Other Expense	5.42
Fixed Charges (Depreciation, Insurance, Property Taxes)	.37
Total Exclusive of Income and Production Taxes	$25.11

Exploration and Development Footage

	Drifting	Raising	Cross-Cutting	Sinking	Total
Ore	2,131.8	1,870.4			4,002.2
Waste	3,785.0	1,925.4	1,634.4	262.0	7,606.8
Total	5,916.8	3,795.8	1,634.4	262.0	11,609.0

Diamond Drilling consisted of 70 holes totaling 11,444.5 feet

Distribution of Reserve Tonnage by Areas

	Reserve Tonnage		Sunshine's Share	
	Dec. 31, 1961	Dec. 31, 1960	Dec. 31, 1961	Dec. 31, 1960
Unit	347,685	350,475	198,667	200,261
Rambo	5,260	12,150	2,630	6,075
Suncon	2,260	4,900	1,130	2,450
Yankee Girl	------	5,135	------	4,313
Total	355,205	372,660	202,427	213,099

PETROLEUM OPERATIONS

CANADA

Your company's Canadian oil revenue for 1961 was 6½ per cent higher than for 1960 due to a reduction in penalty on the Ross Lease as the gas-oil ratio is reduced by water injection.

Elsewhere in Alberta, Sunshine participated in the drilling of a Mississippian test on the eastern border of its Pembina acreage. The Mississippian formation was non-productive but the well was plugged back to 5000 feet and completed as a Cardium producer.

Your company also participated to the extent of approximately 1.4 per cent in the construction of a gas processing plant and gathering system for the Minnehik gas field. The plant was placed in operation in December and will add to the company's Canadian petroleum income for many years.

Devonian reef production was recently obtained by others from a well offsetting a Crown lease in which Sunshine has a 5 per cent interest and on which the Raven well was drilled and abandoned in 1952. Results of this recent drilling indicate the probability of several locations on the Raven block.

Since the first of the year, your company has agreed to participate with others in drilling a 6000-foot test on a lease in which Sunshine owns 2.2 per cent interest. This well will not only test the presently held acreage but may also furnish data for possible acquisitions.

A growing demand for Canadian gas and oil, after some three years of reduced activity, has aroused new interest in exploration on the part of both the majors and independents. Your company is investigating opportunities to participate in exploration programs in this area.

WESTERN WASHINGTON

In May, Sunshine entered into an agreement with Humble Oil and Refining Company for further exploration and development of Sunshine's oil and gas properties in Grays Harbor County, Washington. Humble drilled two holes in the northern group of leases which were taken over from Sunshine, the outcome of which was disappointing and resulted in plugging and abandoning not only the two wells Humble drilled, but the Rayonier well also. Humble has returned the leases comprising the northern block to Sunshine, and is confining its studies and activies to the southern block in the vicinity of Ocean City.

Current indications are that the drilling emphasis this year in the vicinity of Ocean City will be directed toward the offshore area offsetting acreage acquired by Sunshine and included in the Humble agreement.

The following tabulations are a departure from the manner in which these statistics have previously been reported. Canadian oil and gas reserves have been recalculated on the basis of the most recent information and in a manner consistent with accepted engineering principles. Western Washington oil and gas reserves have been removed from the tabulation until additional producing wells are drilled. Previously reported reserves were based on tests of single wells with reservoir dimensions unknown.

PRODUCTION

	1961		1960	
	Sunshine Net Barrels	Operating Income	Sunshine Net Barrels	Operating Income
Pembina, Alberta:				
5-way Properties	166,436	$259,826	167,277	$263,068
Ross Lease	34,578	63,078	26,342	40,240
Total	201,014	$322,904	193,619	$303,308

DEVELOPED OIL RESERVES

	Gross Barrels	Sunshine Net Barrels
Pembina, Alberta:		
5-way Properties	74,334,831	4,419,343
Ross Lease	1,849,791	1,849,791
Other	323,810	16,175
Total	76,508,432	6,285,309

GAS RESERVES

	Gross	Sunshine Net
	(Billions of cubic feet)	
Minnehik, Alberta:		
Developed	30.0	5.7
Probable	136.0	23.8
Other	6.3	.5
	172.3	30.0

ACREAGE

	Sunshine Net Acres
Canada	6,668
U. S.	31,091
Total	37,759

CONSOLIDATED BALANCE SHEET – DECEMBER 31

ASSETS

CURRENT ASSETS		1961	1960
Cash		$ 983,664	$1,103,726
U. S. Government bonds (Market value $2,495,807)		2,478,699	1,901,679
Corporate stocks (Market value $126,454)		140,454	178,535
Due on ore and oil production		686,777	494,579
Other receivables (Note 1)		186,781	291,793
Inventories of production		32,664	231,610
Inventories of supplies		512,174	414,354
Other current assets		16,187	14,735
Total		5,037,400	4,631,011
INVESTMENTS			
U. S. Government bonds (Note 2)		99,391	97,525
Corporate stocks – cost		49,321	50,070
Total		148,712	147,595
FIXED ASSETS			
Lands		31,000	31,000
Non-producing mineral interests		157,862	292,160
Producing mineral interests	$ 935,350		
less depletion reserve	263,239	672,111	695,350
Buildings and equipment	2,943,626		
less depreciation reserve	1,859,118	1,084,508	1,194,880
Intangible drilling of production wells (Note 3)	1,050,952		
less amortization	1,050,952		
Total		1,945,481	2,213,390
OTHER ASSETS		30,806	28,763
TOTAL ASSETS (Note 8)		$7,162,399	$7,020,759

Earned 1st 6 months 1962 - 11¢ p. share

SUNSHINE MINING COMPANY

LIABILITIES

	1961	1960
CURRENT LIABILITIES		
Accounts payable	$ 484,335	$ 259,844
Accrued liabilities	258,683	295,278
Accrued income taxes (Note 6)	109,779	61,787
Total	852,797	616,909
OTHER LIABILITIES	148,000	139,000
PENSION RESERVE (Note 7)	380,927	342,193
Total Liabilities (Note 8)	$1,381,724	$1,098,102

CAPITAL

CAPITAL STOCK – Authorized 3,000,000 shares		
Common – par value 10c	300,000	300,000
less unissued	145,718	145,718
Balance outstanding (Note 9)	154,282	154,282
SURPLUS RESERVES		
Compensation insurance reserve	114,628	114,628
Contingency reserve	200,000	200,000
Retirement reserve	300,000	300,000
Total	614,628	614,628
EARNED SURPLUS		
Balance at beginning of year	4,737,514	4,749,123
Net income for year	166,552	296,909
less cash dividends	308,534	308,518
Balance at end of year	4,595,532	4,737,514
PAID-IN SURPLUS	416,233	416,233
Total Capital	5,780,675	5,922,657
TOTAL LIABILITIES AND CAPITAL	$7,162,399	$7,020,759

Shares – 1,543,000
Dividends – 20¢ per share
Earned – 11¢ " "

SUNSHINE MINING COMPANY

Consolidated Statement of Income

	1961	1960
PRODUCTION OPERATIONS REVENUE		
Sales of ores and metals	$3,538,255	$3,579,920
Sales of crude oil and gas	420,325	424,122
Other production income	24,160	21,924
Total	3,982,740	4,025,966
PRODUCTION OPERATIONS COSTS		
Direct costs of ores and metals (Note 4)	2,562,679	2,446,451
Direct costs of crude oil and gas	92,960	119,062
Indirect costs	382,957	377,318
Depreciation and depletion	118,215	116,019
Total	3,156,811	3,058,850
Production Operations Income	825,929	967,116
GROWTH OPERATIONS COSTS		
General expense	172,815	179,792
Examination and exploration of prospects	68,870	106,331
Development of properties	46,693	165,312
Abandonments and amortization	193,493	81,337
Total	481,871	532,772
MANAGEMENT AND ADMINISTRATIVE COSTS	139,975	160,533
Net Income from Operations (Note 8)	204,083	273,811
OTHER INCOME OR INCOME DEDUCTIONS		
Dividends and interest	83,379	66,242
Gain on sale of properties and securities	50,040	5,462
Miscellaneous	6,145	10,078
Less other expense (Notes 5 and 8)	86,969	14,457
Total Other Income	52,595	67,325
Net Income before Income Taxes	256,678	341,136
Add income tax adjustments for prior years	2,092	------
Deduct current income taxes (Note 6)	92,218	44,227
NET INCOME	$ 166,552	$ 296,909
Net Income Per Share Outstanding	10.7c	19.2c

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Included in Other Receivables is a provision for Federal income tax refunds of $93,000 and $23,000 at the close of 1960 and 1961, respectively. In 1961 a final determination was made of 1954 through 1957 Federal income taxes and claims were partially allowed resulting in a $70,000 refund. One additional claim of a subsequent year remains to be audited.

2. There is on deposit $100,000 face value of U. S. bonds to secure the company's self-insurance status with the State of Idaho.

3. The company has consistently followed the practice of charging to current operations intangible drilling costs of productive oil and gas wells. The balance sheet reflects a cumulative total of these costs for 1961 and prior years of $1,050,000 and a similar amount of amortization.

4. During 1961 substantial development costs were incurred at the Sunshine Mine in sinking the #10 deep level shaft. The company's share of this cost is $217,000 and has been charged against 1961 operations consistent with prior accounting treatment of underground development costs.

5. In January 1961 the Fairview Placers dredge failed to float and was covered with water when a heavy runoff rapidly filled part of the Trinity Dam reservoir. The resulting loss of $58,000 is included in other expense on the 1961 income statement.

6. The company's first Canadian income tax liability was incurred in 1961 amounting to $58,000.

7. Provision is being made for two retirement plans of which one is a formal pension plan covering hourly paid employees at the Sunshine Mine. Costs based on past services are charged to current and future years. In January 1962 a contribution of $36,700 was made to the pension plan trustee. The second retirement plan is for staff employees and although no formal plan has been adopted to this date, retired employees are being paid on an individual basis. For some years, operations and other participating companies have been charged with 5 per cent of staff payroll and this amount has been credited to the staff retirement reserve on the company records.

8. Canadian assets, liabilities and operating income are reflected in the statements in terms of American funds using generally accepted methods of conversion. The 1961 and 1960 exchange losses were $27,000 and $12,000, respectively.

9. The company's stock option plan with key employees has options outstanding of 50,000 shares. This is a decrease of 20,000 shares which option expired in 1961.

AUDITOR'S OPINION

To the Board of Directors and Shareholders
Sunshine Mining Company

We have examined the consolidated balance sheet of Sunshine Mining Company as of December 31, 1961 and the related consolidated income statement for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated income statement present fairly the financial position of Sunshine Mining Company at December 31, 1961 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

BOYD, OLOFSON & COMPANY
Certified Public Accountants

Yakima, Washington
February 5, 1962

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
		110
		220
9/12	CAL	500

September 12, 1962

AIRMAIL

Mr. George C. Selfridge
Chief, Division of Field Operations
Office of Minerals Exploration
South 157 Howard Street
Spokane 4, Washington

Re: OME-6264 (Silver, Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Dear George:

I have discussed the application of the Sunshine Consolidated, Inc. with Mr. McPhillamey, and also his memorandum of September 7, 1962, to Mr. Griswold on this application.

Mr. McPhillamey agreed with me that we could consider Sunshine Consolidated, Inc. as the applicant and enter into a contract with this company, provided we obtained a Lien or Subordination Agreement from Sunshine Mining Company.

Mr. McPhillamey's main concern was that we might not obtain rights to royalty on all the production from the property. He now believes with the Lien Agreement the Government would be adequately protected.

I believe we could now proceed along these lines if Sunshine Mining Company is willing to furnish a Lien or Subordination Agreement. If you agree, you may pass this information on to Mr. MacLaren so that he can take the matter up with the applicant and Sunshine Mining Company.

It might also be well to have the applicant furnish us a letter from the Sunshine Mining Company stating that it would not finance the entire cost of the proposed exploration at its sole expense under present conditions and circumstances.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

FEJohnson/bih
cc to: Files
Dir. reading file
500

43683

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

SEP 7 1962

Memorandum

To: W. R. Griswold, Chief
Division of Minerals
Office of Minerals Exploration

From: Acting Associate Solicitor
Division of Mineral Resources

Subject: OME-6264 (Silver, Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

Your memorandum of July 25, 1962, has submitted for review an application by the Sunshine Consolidated, Inc. Included in the documents submitted is an agreement dated September 8, 1943 between the Sunshine Mining Company (hereinafter referred to as "Sunshine") and Sunshine Consolidated, Inc. (referred to as "Sun Con").

It appears from the various documents that prior to the Agreement of September 8, 1943, Sun Con owned a group of twelve patented and eighty-five unpatented lode mining claims which were unproven and undeveloped.

Sunshine owns the Sunshine Mine adjoining the Sun Con properties. This mine has an operating mine with deep shafts from which its own property and Sun Con property is developed.

In April, 1934 Sun Con issued First Mortgage 7% Bonds in the aggregate of $75,000 secured by a mortgage upon its property. At the time of the Sunshine - Sun Con Agreement of September 8, 1943, the bonds had been paid and retired except for $48,900.

In addition thereto, on September 7, 1937, Sun Con had issued a promissory note in favor of Sunshine for $50,000, secured by a second mortgage upon Sun Con property.

The pertinent and notable feature of the September 8, 1943, Agreement is that contained in Part I thereof, so far as OME purposes are concerned.

Part I of the Agreement provides:

> "1. CONVEYANCE 50% INTEREST. Sun Con agrees to convey to Sunshine, immediately upon the ratification of this agreement by Sun Con shareholders, an undivided fifty per cent (50%) interest in and to all ore and mineral values in all of Sun Con's property, with unlimited right of ingress and egress, including a 50% undivided interest in any extralateral rights possessed by Sun Con.
>
> "2. CANCELLATION OF NOTE. In consideration of the foregoing conveyance, and immediately upon the delivery thereof, Sunshine agrees to cancel and surrender Sun Con's promissory note of September 7, 1937, principal and accrued interest, and agrees to satisfy of record the mortgage executed by Sun Con to secure said note now recorded in Book '6' of Mortgages, at Page 603, Records of Shoshone County, Idaho."

By these provisions Sun Con conveyed to Sunshine "an undivided fifty per cent (50%) interest in and to all ore and mineral values in all of Sun Con's property . . ." The consideration for this conveyance was the cancellation of the September 7, 1937, promissory note and mortgage of $50,000. I do not find anywhere in the Agreement anything that makes this conveyance contingent upon, or subject to, the later "operating" features of the Agreement contained in Part II. It is assumed that the executory provisions of Part I have been consummated and executed, that is, that the conveyance has been made and the note and mortgage cancelled. If such be the case it appears that Sunshine is as much an "owner" of the "ore and mineral values" as Sun Con.

The provisions contained in Part II are directed to the operation and mining of the properties, and are what you refer to as the "farm-out" features. However, I believe there is an important distinction here, as compared with the ordinary "farm-out", and that is that Sunshine is not doing the developing, operating, and mining, of some other person's property for 50% of the profits ("ore or mineral values"), but that this is an agreement where one of the co-tenants operates the mine and after the deduction of costs and expenses receives 50% of the profits, which are in effect the 50% of the "ores and mineral values" to which it is already entitled and which already belong to it. This seems to be the effect and intention of Part II, Article 4. "Division of Income", which is as follows:

"4. DIVISION OF INCOME. Sunshine, the co-tenant in possession, shall have the right to take for itself all ores extracted in the operation of the Sun Con property until by its recoveries from such ores it has fully repaid and reimbursed itself for all costs, (direct and indirect), expenses and liabilities incurred, and after such repayment and reimbursement Sunshine and Sun Con, the co-tenants, shall divide all net income from the Sun Con property equally."

This position and conclusion is substantiated because Sunshine and Sun Con, in the September 8, 1943, Agreement refer to themselves as "co-tenants", or refer to Sunshine as "the co-tenant in possession."

Another feature of the "operating" provisions of Part II is that whereby Sun Con agrees to retire its Bond indebtedness to Sunshine out of its 50% share of the division of income. Other provisions of the Agreement which need not be detailed in this memorandum lead me to the conclusion that Sunshine is an equal owner with Sun Con. For example, the provisions which come into play in the event Sun Con operates and develops the mine, or where the mine on the Sun Con property is opened and operated but not through the shafts of the Sunshine Mine, or division of proceeds under Sun Con's operation.

The Agreement of February 7, 1958, between Sunshine, Big Creek Apex, Sun Con and Bunker Hill also states that:

"Sunshine is an operating mining company which, by reason of an agreement made the 8th day of September, 1943, with Sun Con, acquired and now owns an undivided fifty per cent (50%) interest in and to all ore and mineral values in all of Sun Con's property, including a fifty per cent (50%) undivided interest in any extralateral rights possessed by Sun Con. . . . In addition, to the economic interest in the ores and minerals of Sun Con . . ., Sunshine was given the right to explore the respective properties . . ." (Emphasis added).

This agreement seems to also construe the September 8, 1943 Agreement as accomplishing two things -- (1) a conveyance of 50% of the ore and mineral values by Sun Con to Sunshine, and (2) an agreement as to the operation of the property.

Further support for our position is found in the statements made in the application of Sun Con --

"1. Financial Eligibility

* * *

(b) Sunshine Mining Company of Kellogg, Idaho is not an affiliate, parent, nor controlling company but has entered into a working agreement with Sunshine Consolidated, Inc. whereby Sunshine will operate through its deep shafts the properties of Sunshine Consolidated.

* * *

"2. Applicant's Rights in Land.

(a) Sunshine Consolidated owns the mineral land upon which the exploration project is proposed. The mineral rights are divided equally between Sunshine Consolidated, Inc. and Sunshine Mining Company. (See Agreement of September 8, 1943 between Sunshine and Sun Con).

* * *

(c) The minerals within the areas described in 2(b) above are owned jointly on a 50-50 basis by Sunshine Consolidated, Inc. and Sunshine Mining Company. These ownerships are described in "Memorandum of Agreement" entered into on September 8, 1943 between parties. A copy is submitted.

* * *

"3. Physical Description

* * *

(b) Sunshine Consolidated owns the property, however, 50% of the minerals have been conveyed to Sunshine Mining Company. (See copy of agreement dated September 8, 1943)."

* * *

In light of the foregoing discussion your three questionsare answered as follows:

(1) What is the status of the land? Sunshine and Sun Con are joint owners of the ores and mineral values, each one owning an undivided 50% interest.

(2) Under these circumstances, could we make a deal with Sun Con or would we have to deal direct with Sunshine Mining? You will have to deal also with Sunshine Mining. See question 3.

(3) Would it be necessary for us to make a contract with both concerns, showing them as joint venturers for the purpose of the contract? We believe that it is necessary to make a contract with both Sun Con and Sunshine Mining. However, they are something more than "joint venturers", they are joint owners. It would seem that Sunshine Mining's 50% interest in the "ore and mineral values" should be as subject to payment of royalty as Sun Con. If it were otherwise, and the contract were made with Sun Con only it might be that only its 50% interest would be subject to royalty, but this should be avoided for Sunshine will benefit from this contract as much as Sun Con.

We will be pleased to discuss the matter further, if you desire, and at your convenience.

Robert H. McPhillamey

Robert H. McPhillamey
Acting Associate Solicitor
Division of Mineral Resources

Enclosure

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
7/25		500
		140

July 25, 1962

Memorandum

To: Associate Solicitor
Division of Mineral Resources

From: W. R. Griswold, Chief
Division of Minerals

Subject: OME-6264 (Silver, Antimony)
Sunshine Consolidated, Inc.
Sun Con Area
Shoshone County, Idaho

We have recently received the subject application from the Sunshine Consolidated Company, commonly known as Sun Con. Before we start to process the application, there are certain points which we would like to have you clarify for us.

1. What is the status of the land? It is owned by Sun Con who has conveyed 50 percent of the mineral rights to Sunshine Mining in a deal which the petroleum industry would call a "farm-out." This has been going on for a period of years. Sunshine Mining is an operating concern, having deep mine shafts. From the lower levels of such shafts it is possible and convenient for them not only to mine their own property but also the properties of various of their neighbors. Profits are split fifty-fifty after deduction of operating expenses.

In this particular instance covered by the application, Sunshine Mining would, as usual, actually do the work and finance the Operator's share of the project cost.

2. Under these circumstances, could we make a contract with Sun Con or would we have to deal direct with Sunshine Mining? If possible, we would prefer to deal with Sun Con since they are small fry and there would be no problem of financial eligibility.

3. Would it be necessary for us to make a contract with both concerns, showing them as joint venturers for the purpose of the contract?

We believe all necessary documentation for your requirements is in the docket.

W. R. Griswold (gla)

WRGriswold/gla
7-25-62
cc to: Docket

43683

OMF 6264 Sun Con

3 Stages of 500, 400 and 400 feet are too many. In an area of short ore shoots it would be unwise to only drill from the lateral to the vein every 250 feet. Also, instead of diamond drilling, why not long hole drill from the lateral to intersect the vein every 40 feet or so.

Cost of $65 for drifting is too high — we should not exceed the 50 Bunker Hill figure. Of course the $65 figure seems to include timbering. Diamond drill costs bad — bids needed.

By the terms of the Agreement of Sept. 8, 1943 Sun Con conveyed a 50% interest in the mineral rights to Sunshine; in return for which Sunshine cancelled a $50,000 note and 2nd mortgage securing the note. Practically, Sunshine paid $50,000 for 50% of the mineral rights.

The suggested 2000 ft holes are quite an undertaking for

horizontal holes underground.
A big drill would be needed - 3
holes would seem to be too many.

July 18, 1962

Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Subject: OME-6264

Dear Mr. Smith:

Your application for exploration assistance, dated July 13, 1962 submitted to our office at Spokane, Washington has been assigned Docket Number OME-6264.

Please identify all future correspondence relating to your application by this docket number.

Sincerely yours,

Allen S. Dakan, Chief
Division of Administrative
Management

Copy to: Region I

So. 157 Howard Street
Spokane 4, Washington
July 16, 1962

OFFICIAL FILE COPY
O. M. E
RECEIVED JUL 18 1962
DATE | INITIALS

Mr. Norman N. Smith, General Manager
Sunshine Consolidated, Inc.
Sunshine Star Route
Kellogg, Idaho

Re: OME application
Sunshine Consolidated, Inc.
SunCon Area
Shoshone County, Idaho

Dear Mr. Smith:

Your application for OME assistance for Sunshine Consolidated, Inc., SunCon Area, was received this morning. Since Mr. MacLaren is away from Spokane on a field trip and will not return until July 23, the application is being forwarded today to our Washington, D. C., office.

Sincerely yours,

Margaret Yourt for
D. R. MacLaren
Acting Field Officer, OME
Region I

MYourt:my
cc: OME w/ appl.
Reading copies to:
Nolan
McKelvey