



UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

So. 157 Howard Street
Spokane 4, Washington

June 5, 1958

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: New Application (Lead-Zinc-Copper)
Day Mines, Inc.
Pilot Project #1
Shoshone County, Idaho

Dear Mr. Selfridge:

Enclosed are the original and two copies of an application from Day Mines, Inc. for DMEA aid to explore the Pilot Group of claims in the Hunter Mining District, Shoshone County, Idaho.

The applicant proposes a three-phase program to explore the Pilot vein at depth involving diamond drilling from the surface, crosscutting from the Gold Hunter 1200 level, and drifting on the Pilot vein from the crosscut. The applicant estimates the total cost of the project will be \$575,206.73.

From data available in our files, we will prepare an evaluation of this application.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I

Enclosures

cc: USBM (2)
Sample

DEFENSE MINERALS EXPLORATION ADMINISTRATION

APPLICATION FOR AID IN AN EXPLORATION PROJECT

PURSUANT TO DMEA ORDER I, UNDER THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED

NAME OF APPLICANT (Full legal name and mailing address as it should appear on contract if one is executed) DAY MINES, INC., P. O. Box 1010, Wallace, Idaho.	APPLICANT NOT TO USE THIS BLOCK Docket Number <p style="text-align: right;">DMEA-5050</p>
	Date Received <p style="text-align: right;">6-9-58</p>
	Government Participation %
	Region <p style="text-align: right;">I</p>
	Division Code <p style="text-align: right;">500</p>



BUSINESS ORGANIZATION (Check one) Individual <input type="checkbox"/> Corporation <input checked="" type="checkbox"/> Partnership <input type="checkbox"/> Other (Specify) <input type="checkbox"/>	LIST CORPORATE OFFICERS OR PARTNERS HERE, IF APPLICABLE		
	Name	Address	Title
State in which firm is organized Idaho	Henry L. Day Wray D. Farmin S. F. Heitfeld	P. O. Box 1010, Wallace, Idaho, 317 Paulsen Bldg., Spokane, Wn., P. O. Box 1010, Wallace, Idaho,	President Vice Pres. Secretary
Mineral(s) for which you wish to explore lead, zinc, copper		LOCATION OF PROPERTY Name Pilot -	
Estimated Cost of Project \$575,206.73		County Shoshone	
		State Idaho	
		Day Mines, Inc.	

GENERAL INSTRUCTIONS

Before filling out this application, please read DMEA Order-I, Revised, "Government Aid in Defense Exploration Projects." 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 1, existing mine workings and geology in item 2, and the proposed exploration project in item 4. 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 2(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 Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C., or with the nearest DMEA 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.

June 2, 1958
Dated

Henry L. Day
BY (Signature)
President
Title

INFORMATION REQUIRED WITH THIS APPLICATION

1. Applicant's Property Rights:

(a) 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 land adjacent to the proposed project area which you own or control. Describe any part of the project land or workings which should not be subject to Government lien for royalty payments. If the land consists of unpatented claims, state the book and page number for each recorded location notice, including amended locations, and the place where recorded (court-house, recorder's office, county, and state).

(b) State all the names by which you know the property.

(c) State your interest in the land, whether owner, lessee, purchaser under contract, or otherwise. If you are not the owner, submit with this application one exact copy of the lease, contract, or other document (with address of owner) under which you control the property.

(d) Describe all liens, mortgages, or other encumbrances on the property.

2. 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 lands, including existing mine workings. Describe all production facilities.

(b) State your interest, if any, in operations stated in 2(a).

(c) State, as far as 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 on the property giving quantities and grades and sampling methods used, supporting 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 may have, indicating on each whether you require its return to you.

3. Accessibility of Project:

(a) To aid DMEA representatives who may be required to examine the property, state the name and address of the person who will meet the DMEA representative; give directions for reaching the property; and describe accessibility of the property including the mine workings.

(b) Name the shipping and supply points and places where employees reside and state the distances between them and the property.

4. The Exploration Project:

(a) Describe fully the proposed exploration project giving individual footages and sizes of openings for each item of work. Use narrative, maps, plans, and longitudinal and cross sections as necessary. Show the 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 property boundaries or to the closest identifiable corner.

(b) If an access road to the project must be built, show the location on the property map and state the length, type, and construction methods proposed.

(c) In the event that an exploration contract with DMEA is executed, how soon will the work start and how many months will be

required to complete it? State your anticipated average daily or monthly rate of progress for each type of work.

5. Experience:

State your operating experience and background with relation to your ability to carry out this exploration project, and also that of the person or persons who will supervise the operations.

6. Estimate of Costs:

Furnish detailed estimates of the costs for each item of the work proposed in 4(a) under the headings listed below with a total for each heading and the estimated total cost of the project. Costs for any work to be performed by an independent contractor should be shown separately under category (a) below. Costs for any work that is not to be performed by an independent contractor should be given in detail under categories (b) through (g).

(a) Independent contracts. State the cost of any proposed independent contract for the performance of all or any part of the work, expressed in units of work, such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, 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. For necessary supervision, engineering and geological services, and labor, include an itemized schedule of numbers, classes, rates of wages, salaries or fees, and periods of employment. State whether these technicians and employees are available.

(c) Operating materials and supplies. List items of material and supplies with their cost. 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 operating equipment to be used giving specifications and indicating how each item is to be acquired - i.e., rented, purchased, or provided by the applicant. If it is rented or purchased, state the estimated rental or purchase price. If it is to be furnished by the applicant, give its present fair market value.

(e) Initial rehabilitation and repairs. Describe the type and the cost of necessary 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 on the exploration project.

(f) New buildings, fixtures, installations. Describe each building, fixed improvement, and installation to be purchased, constructed, or installed for the exploration project stating specifications and cost including labor, materials and supervision.

(g) Miscellaneous. For the operating equipment listed in 6(d), describe the type and estimate the cost of repairs and maintenance expected during project operations. Do not repeat initial repairs listed in 6(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 - No items of general overhead, corporate management, interest, taxes (other than payroll and sales taxes), or any other indirect costs, or work performed or costs incurred before the date of the contract, should be included in the estimate of costs.

7. (a) State whether you are prepared to furnish your share of the cost of the proposed project in accordance with the regulations on Government participation stated in Sec. 7 of DMEA Order-I, Revised.

(b) Explain to what extent you propose to furnish your share of the costs by providing money, by use of equipment owned by you, or otherwise.

* * * * *

RECEIVED JUL 9 1958

DATE	TIME	CODE

PILOT PROJECT No. 1 - DAY MINES, INC.

I.

A. Pilot Group property.

- (a) That attached herewith marked Exhibit "A" is a copy of the Abot Mining Company - Day Mines, Inc. lease which sets forth the legal description of the property involved. That all of the property described in said lease is subject to Government lien for royalty payment.
- (b) This property is known as the "PILOT GROUP."
- (c) Attached hereto and marked Exhibit "A" is a copy of the lease which has been executed by Pilot Silver-Lead Mines, Inc., and Day Mines, Inc., and by reference thereto is made a part hereof as though fully set forth herein. Under this lease Day Mines, Inc., controls the property for a 60-year period, commencing May 1, 1958.
- (d) There are no liens, mortgages, or encumbrances against any of the property under lease to Day Mines, Inc.

I.

B. Althog Fraction property.

- (a) Althog Fraction unpatented lode mining claim is located in the Hunter Mining District, Shoshone County, Idaho, in Section 23, T. 48 North, Range 5 E.B.M., and recorded in Book 31 of Quartz Locations at page 303.
- (b) This property is known as the ALTHOG FRACTION.
- (c) Day Mines, Inc. is the sole owner of the foregoing property.
- (d) There are no liens, mortgages or other encumbrances against any of the property involved in this lease.

That adjacent in a southerly direction to the foregoing described property is the Gold Hunter property. This property is under lease to Day Mines, Inc.,

and will be used in connection with this project. That a copy of the Gold Hunter Mining Company - Day Mines, Inc. lease is attached hereto enumerated Exhibit "B" and by reference thereto made a part hereof as though fully set forth herein, which sets forth the terms and conditions under which Day Mines, Inc., is in control of the Gold Hunter property. That the Gold Hunter property heretofore mentioned is presently being used in connection with another Defense Minerals Exploration application which has been classified as "Docket No. DMEA-5003." That none of this property will be subject to lien for royalty payments.

That the foregoing property in this application and its general relationship is shown on a plat which has been attached hereto enumerated Exhibit "C" and by reference thereto made a part hereof as though fully set forth herein. This plat is on a scale of 500 inches to the foot and shows the general location of the property in relationship to the Lucky Friday Mine which is approximately 2 miles east of the Village of Mullan, Shoshone County, Idaho. The Pilot property has been colored in blue and the property of Day Mines, Inc. has been colored in green. The proposed crosscut from the Gold Hunter property heretofore mentioned into the property involved in this application has been colored in red.

2. Physical Description.

- (a) Two adits were driven (see map, Exhibits "C" and "D") on the Pilot vein, the lower being completed in 1930 by the Hecla Mining Company. A narrow but relatively high grade lead-silver vein in short shoots was disclosed. In 1943 and 1944 the Hecla Mining Company re-entered the lower adit and extended three diamond drill holes to further explore the most westerly shoot on the vein. These workings are at 4200 ft. above sea level, reached by a narrow dirt road which climbs steeply up Deadman Gulch, 1.7 miles north from U. S. Highway 10 and the 3,350 ft. elevation of the main valley.

The Gold Hunter mine, at the east edge of the town of Mullan, Shoshone County, Idaho, is the site from which the Pilot crosscut is to be driven. The main entry is the No. 6 Adit, which reaches the main shaft 4,200 feet north of the portal (see Exhibit "E") and is connected by the Brennan Raise to the No. 5 Adit, some 600 feet higher, thereby providing a ventilation and escapeway circuit. (Exhibit "F"). The main shaft is vertical, of three compartments timbered by 10 x 10- and 12 x 12-inch timber, the upper 700 feet of which was completely retimbered by Day Mines, Inc. in 1953-1956. The shaft is serviced by an old double-drum, 150 H. P. Union Iron Works hoist of about 400 feet per minute speed which can hoist about $1\frac{1}{2}$ tons per skip from the 1200 level, (the bottom level of this shaft and the level where the contemplated crosscut is to be driven).

Unfortunately, the Main Shaft was sunk in the vein zone and subsequent stoping has narrowed the pillars to a point that leaves only a shell between the shaft and stopes on all sides, so that necessary re-modeling of the headroom, hoistroom and pockets calls for great care. (Exhibit "F").

Additional production facilities include trolley locomotive haulage through the main adit, an old concentrator, shops, change house, timber framing shed, fire protection system, waste dump, electric sub station, etc. Two old compressors are located near the concentrator but use of these is not desirable except for emergency service.

- (b) Day Mines, Inc. had no interest in the property when the Pilot work was done but now is leaseholder.

2. Physical Description (continued).

- (c) No ore has been produced from the Pilot property.
- (d) The property has no ore reserves. The vein exposed to date is too narrow to be commercial.
- (e) The Pilot vein is a filled fissure and/or replacement type of lead-zinc silver deposit of mesothermal type in the St. Regis quartzite and argillite rocks of the Belt Series sediments of Algonkian Age. A strong reverse-throw fault, the Standard-Lucky-Boy lies a few hundred feet to the south, elevating the south block so that the Revett quartzite probably will be traversed by the last 2,000 feet of crosscut from Gold Hunter 1200 level, see Exhibits "E" and "H." Ore minerals in the Pilot Vein are galena, sphalerite, tetrahedrite and chalcopyrite.
- (f) The Pilot vein is one of the deposits lying along the largest of the five recognized mineral belts of the district. The first lies just north of the Osburn fault, the second embraces the Gold Hunter, Morning, Star, etc., the third is the Pilot, Hecla, Tiger Poorman, Standard Mammoth, etc., shown in Exhibit "G." The several mineral belts are narrow, parallel strips of productive ground, separated by wide strips of wholly unproductive ground.

The Pilot vein has been developed along its strike for a distance of 1,000 feet in the lower adit and 200 feet in the upper adit. This work discloses two narrow oreshoots in the lower adit along a strong shear striking N. 70° West, and dipping 70° South. Samples cut across the vein from these oreshoots are tabulated below:

<u>Location</u>	<u>Width</u>	<u>Oz. Ag.</u>	<u>% Pb.</u>	<u>% Zn.</u>
Oreshoot near portal	4"	2.8	5.6	
Oreshoot near portal	3"	5.0	2.0	
Oreshoot near face	3"	5.8	23.4	3.2

Since the Pilot vein occurs along a major mineral belt and contains notable silver and lead, it presents a desirable target for exploration at moderate depth where it may increase in size, as did the Lucky Friday mine two miles south of the Pilot.

3. Accessibility of Project.

- (a) DMEA representatives wishing to examine the property should call at Day Mines, Inc.'s main office at Wallace, Idaho, where Rollin Farmin, Assistant Manager, or Garth M. Crosby, Chief Geologist, will conduct them to the mine.
- (b) Shipping and supply points are the Gold Hunter spur on the Northern Pacific Railroad at the edge of the town of Mullan, Shoshone County, Idaho, and Wallace, Idaho, 8 miles west. Both points are on U. S. Highway 10, which also adjoins the Gold Hunter plant area. Residential areas are Mullan, Wallace and adjoining suburbs all within walking or easy driving range.

4. The Exploration Project.

- (a) (Phase I) Item I. Diamond drill the Pilot vein from the surface to explore the vein at about 1,000 feet depth. (Exhibit "D"). The hole would be of "BX" size and would be drilled by wire-line coring technique until the vein is intersected. Two or more additional intersections would be obtained by backing up, wedging deflections and re-drilling the vein with "AX" bits. The drill location would require construction of a short length of bulldozer trail from the Pilot road to the drill site.

- (a) (Phase II) The second phase of the project will be to prepare the Gold Hunter surface and underground mine plant to undertake a major exploratory crosscut from the Gold Hunter 1200 level (1,200 feet vertically below the No. 6 Adit, see Exhibits "E" and "H"). This phase would involve the following items:

Item 2. Move the No. 6 trolley locomotive's motor-generator set from its present remote location to an efficient location near the portal of the adit; repair the track and ditch in certain portions of the adit; re-arrange dry-house facilities for a larger crew than is presently employed.

4. The Exploration Project (continued).

Item 3. Excavate an underground compressor-transformer-ventilation fan-room near the Main Shaft 12 ft. x 8 ft. x 30 ft. or 2,880 cu. ft. of excavation.

Item 4. Raise shaft-head and trim the rope raise to permit elevating head sheaves for the main hoist about 10 feet vertically to give safer dumping clearance.

Item 5. Install skips, cages, skip dumps and new hoisting cables for the main shaft. (At present only sinking buckets and work decks are installed).

Item 6. Install a 4500 ft. electric power cable (No. 2 lead covered) in No. 6 and two portable compressors; move the underground transformers to a new room; install a main ventilation fan.

Item 7. Place new ladders and landings in the manway compartment of the main shaft from 600 level to 1200 level (the old vertical ladders are unsafe, having been immersed for years in acid water, and they lack landings).

Item 8. Excavate a 5,000 cu. ft. sump and pump room near the 1200 station and install settler, pumps, fan, pocket facilities, battery locomotive chargers, telephones shaft signal system, etc.

Item 9. Install ventilation duct (24 inch diameter) from the No. 6 adit fan room to 1200 level station. (It does not appear practicable to rehabilitate old raises from the adit level to the 1200 level, to enhance the natural ventilation which now is insufficient).

The third phase of the project is the exploration drive from the 1200 level shaft station at Gold Hunter to the Pilot vein zone, followed by exploration of the Pilot zone by drifting and by diamond or percussion drilled bore holes. Items 10 - 14 are involved.

Item 10. Crosscut (8 ft. x 8 ft. x 5,300 ft.) to Pilot vein at the Gold Hunter 1200 level.

4. The Exploration Project (continued).

Item 11. Drift (8 ft. x 8 ft. x 1500 ft. long) along the Pilot vein zone.

Item 12. Excavate for and install car-transfer sidings on crosscuts and drifts at 250 ft. intervals to permit switching cars, mucking machines and drill jumbos. 25 will be needed.

Item 13. Rock bolting and timbering for ground support as needed. This work is unpredictable in amount.

Item 14. Diamond and/or percussion drilling to explore the Pilot vein zone. The diamond drilling will be holes over 100 feet in depth; shorter holes will be drilled by the drift crews with 2" diameter tungsten carbide bits and sectional drill steel at about half the cost for diamond core drilling.

4. Access Road:

- (b) A short access road (+ 500 feet long) will be needed to reach the surface diamond drill location (Exhibit "D"). Its cost, \$200.00, is included in Item 1.
- (c) If an exploration contract is executed work will start within 30 days.

Estimated time for the project is shown on the following schedule:

TIME TABLE, PILOT #1 PROJECT

<u>Item</u>	<u>Rates of Progress</u>	<u>Project Months</u>
1.	Surface drilling	0 - 3
2.	Plant re-arrangement and repair	0 - 3
3.	Excavate compressor room	1 - 2
4.	Raise head sheaves	2 - 3
5.	Skips, dumps, cables	4
6.	Install compressors, etc.	1 - 3
7.	New shaft ladderway	5
8.	Sump and 1200 Station facilities	5 - 6
9.	Ventilation duct to 1200	5 - 6
10.	1200 level Crosscut to Pilot 5, 300 feet) 2 shifts, 6 day week, average 10 feet) per day, 250 feet per month)	7 - 30
11.	Drifts on Pilot Vein I, 500 feet, 250 feet per month	30 - 36
12.	Sidings	7 - 36
13.	Rockbolting or timbering	7 - 36
14.	Underground diamond drilling or percussion drilling	<u>30 - 40</u>
Total time required		40 Months

5. Experience:

Day Mines, Inc. and its predecessor companies have been under a single management for many decades, developing and producing from many mines in the Coeur d' Alene district since 1900. The present supervisory staff has had charge of many similar exploration projects by Day Mines, Inc. during the past ten years, including two DMEA projects, the National Copper (DMEA 106-X) and the Hercules (#2719).

6. Estimate of Costs.

Item 1. The surface diamond drilling will be let after bids from independent contractors. It is estimated to cost \$200.00 for road bulldozing plus an average of \$12.00 per foot for a 1,000 foot hole (\$12,000.00) plus

6. Estimate of Costs (continued).

\$5,000.00 for deflection drilling to get multiple intercepts of the vein. The total surface dozing and drilling \$17,200.00

The following to be "maximum allowable" cost items:

Item 2. Move the trolley motor-generator from its present location in the old compressor house to a new location near the portal of the main No. 6 Adit. Repair the track and ditch in portions of the No. 6 Adit. Re-arrange dry house facilities for larger crew.
Estimated cost of above \$ 3,000.00

Item 3. Excavate an underground compressor-transformer-fan room in No. 6 Adit near the main shaft. 12 ft. x 8 ft. x 30 ft. = 2,880 cu. ft. at \$1.00 \$ 2,880.00

Item 4. Raise shaft head and trim rope raise to permit elevating head sheaves about 10 ft. to give skip dumping clearance.
Estimated cost \$10,000.00

Item 5. Install skip dumps, skips, cages, 2 new hoist cables (3,600 feet 1 1/8" cable at \$.81 per foot plus Crosby Clips at \$1.00 each)
Total cost \$ 8,000.00

Item 6: Install No. 2 lead covered power cable in No. 6 Adit and two 90B or 125M Ingersoll-Rand compressors, move transformers and install main ventilation blower (less cost of equipment). \$ 2,000.00

Item 7. Place new ladders and landings in shaft from 600 to 1250 level
Materials \$5.00/10 ft. ladders)
\$2.50/10 ft. landings) 75¢/ft.
Labor 1.00¢/ft.
650 feet at \$1.75/ft. \$ 1,137.50

Item 8. Excavate a sump and pumphouse at 1200 level station (\$5,000.00), install pocket facilities (\$1,000.00) and install pumps, ventilation fan and battery charger, signal panel and telephones, less cost of equipment (\$2,000.00).
Estimated cost of above \$ 8,000.00

6. Estimate of Costs (continued).

Item 9. Install ventilation duct from No. 6 Adit fan room to 1200 level station

\$5.05 per ft. + \$0.20 for hangers less 50% salvage,
\$2.73 per ft.
Labor, direct, 2 shaftmen place 75 ft.
per shift, \$1.00 per ft.
Indirect labor \$.50 per ft.
Total \$4.23 per ft.

1,350 ft. at \$4.23 per foot \$ 1,789.23

Item 10. Crosscut 8 ft. x 8 ft., 5,300 feet long:

5,300 feet at \$65.00 per foot \$ 344,500.00

Item 11. Drifts 8 ft. x 8 ft. x 1,500 feet on Pilot vein zone.

1,500 feet at \$65.00 per foot \$ 97,500.00

Item 12. Car transfer sidings on crosscut at 250 foot intervals,

5 ft. x 8 ft. x 10 ft. = 400 cu. ft. each at
2/3 cost of crosscut excavation;
\$65.00 x 2/3 = \$0.68/cu. ft.
64 cu. ft.

400 at \$.63/cu.ft. = \$272.00 each

25 needed: 25 x \$272.00 = \$ 6,800.00

Item 13. Rock bolting and timbering. Rockbolts to be allowed at \$4.00 each up to a local density of two per linear foot in crosscuts and to an average density of two per linear foot in the drifts. Timber where necessary at \$11.00 per linear foot.

Maximum cost \$ 54,400.00

Item 14. Diamond drilling on 1200 level to further explore the Pilot vein zone will be let to independent contractors after bids, 3,000 feet of AX core drilling, mostly short holes

Estimate of cost \$4.00 per ft. for contractor
\$2.00 per ft. for DMI expense

3,000 feet at \$6.00 per foot \$ 18,000.00

or supplemental percussion drilling at \$2.00 per foot.

ESTIMATE OF COSTS

SUMMARY

Item 1.	Surface diamond drilling and road	\$ 17,200.00
2.	Trolley, ditch, track repair	3,000.00
3.	Compressor room	2,880.00
4.	Raise shaft head sheaves	10,000.00
5.	Skips, dumps, cages, cables	8,000.00
6.	Install compressors, fan, electric cable	2,000.00
7.	Shaft ladders and landings	1,137.50
8.	Sump and pumphouse, etc., 1200 level	8,000.00
9.	Ventilation duct #6 to 1200	1,789.23
10.	Crosscut	344,500.00
11.	Drifts	97,500.00
12.	Sidings	6,800.00
13.	Rock bolts and timber	54,400.00
14.	Diamond drilling 1200 level	18,000.00
	Total	<u>\$575,206.73</u>

PILOT PROJECT No. 1 - DAY MINES, INC.

Estimated cost of drifting and crosscutting on the Gold Hunter 1200 level. Two shifts per day; 6 days per week; average advance per day 10 feet.

I. LABOR.

<u>Direct Labor</u>	<u>Crew</u>	<u>Day pay rate</u>	<u>Contract rate</u>	<u>Cost per ft.</u>
Heading crew	4	\$19.34 day shift \$19.94 nite "	\$10.50 per ft.	\$12.06 <u>(115%)</u>
Direct Labor				\$ 12.06
<u>Indirect Labor</u>				
Haulage and Caging main adit and shaft	2	\$18.76 day shift x 108 1/3 for 6 days		\$ 2.03
Haulage 1200 level	2	\$17.26/17.76 6 days	" "	\$ 1.89
Hoistmen	2	\$20.36/20.66 6 days	" "	\$ 2.21
Mechanic-Electrician	1	\$20.26		<u>\$ 1.01</u>
Indirect Labor				\$ 7.14
<u>Supervision, Engineering and Clerical</u>				
1. Mine Foreman at \$650.00 per month				\$ 1.30
Pusher Pay	1	(\$ 21.34 for cager)		\$ 1.16
Engineer, Geologist, Assaying		(1/2 of Gold Hunter Project)		\$.40
Superintendent and Assistant Manager	"	" "	" "	\$.43
Master Mechanic and Chief Electrician	"	" "	" "	\$.18
Clerical				<u>\$.70</u>
Supervision, Engineering and Clerical				\$ 4.17
				<u>\$ 23.37</u>
Non wage labor costs (18%)				4.21
Total Labor				<u>\$ 27.58</u>

II. <u>SUPPLIES</u>	<u>Cost per ft.</u>
Powder 22½ lb. per ft. at 22¢/lb.	\$ 4.95
Detonators and blasting wire 42 det. at 25¢ plus 10% for wire	\$ 2.31
Bits, steel and drill repair (Rainbow-Sterling Crosscut, 1953)	\$ 8.50
Miscellaneous supplies and repair (50% Gold Hunter 3000 level estimate)	\$ 1.37
Equipment Rent (see schedule Appendix 6(d))	<u>\$ 11.61</u>
	\$ 28.74
III <u>MATERIALS</u>	
4" air pipe (\$1.50 less 50% salvage)	\$ 0.75
2" water pipe (\$0.57 less 50% salvage)	\$ 0.29
20" ventilation duct \$4.35, hangers \$0.20, less 50% salvage	\$ 2.38
Track ties, spikes, etc., \$1.91 less \$.50 salvage	<u>\$ 1.41</u>
	\$ 4.83
IV <u>POWER</u>	
\$1,000 per month, 260 ft. advance	\$ 3.85
	<hr/>
Estimated total cost per foot	\$ 65.00

PILOT NO. 1 PROJECT - DAY MINES, INC.

Appendix 6 (d) Schedule of Operating Equipment and Proposed Use Allowance

	Approx. New Price	Total	Depreciation Life	Monthly Use Allowance	Months Needed	Total Proposed Rents	Month	Apportionment to Work Units	
								Preparation	Tunnelling
1. Hoist, installed 150 HP D. Drum value (used)	\$20,000.00	\$20,000.00	10 yrs.	\$ 167.00	40	\$ 6,680.00	6	\$ 1,002.00	\$ 5,678.00
Trolley Locomotive, 10 cars, tunnel and sur- face facilities value (used)	40,000.00	40,000.00	10 yrs.	333.00	40	13,320.00	8	1,998.00	11,322.00
Electrical substation	1,500.00	1,500.00	10 yrs.	12.00	40	480.00	6	72.00	408.00
2 I-R Compressors	10,500.00	21,000.00	5 yrs.	350.00	40	14,000.00	6	2,100.00	11,900.00
4 Pumps	1,200.00	4,800.00	5 yrs.	80.00	37	2,960.00	3	240.00	2,720.00
Ventilation fans	5,000.00	5,000.00	5 yrs.	83.00	36	2,988.00	2	166.00	2,822.00
2 Locomotives, Batteries and Charger	14,000.00	28,000.00	5 yrs.	444.00	36	15,984.00	2	888.00	15,096.00
20 Mine Cars	500.00	10,000.00	5 yrs.	167.00	30	5,010.00		.00	5,010.00
1 Jumbo	2,800.00	2,800.00	5 yrs.	46.50	36	1,674.00	2	93.00	1,581.00
1 Jumbo	2,800.00	2,800.00	5 yrs.	46.50	7	325.50		.00	325.50
4 Car Transfers	500.00	2,000.00	5 yrs.	33.00	29	957.00		.00	957.00
2 Drifter drills	1,250.00	2,500.00	3 yrs.	66.00	36	2,376.00	2	132.00	2,244.00
2 Drifter drills	1,250.00	2,500.00	3 yrs.	66.00	7	462.00		.00	462.00
1 Stoper drill	900.00	900.00	3 yrs.	25.00	36	900.00	2	50.00	850.00
1 Eimco #21 Loader	5,500.00	5,500.00	5 yrs.	91.50	36	3,294.00	2	183.00	3,111.00
1 Eimco #21 Loader	5,500.00	5,500.00	5 yrs.	91.50	7	640.50		.00	640.50
H. U. Tuggers (I-R)	1,125.00	2,250.00	5 yrs.	37.50	40	1,500.00	6	225.00	1,275.00
1 Porter Air Hoist	2,000.00	2,000.00	5 yrs.	33.00	4	132.00		.00	132.00
1 DuPont Blasting Switch	100.00	100.00	5 yrs.	1.50	30	45.00		.00	45.00
1 Air driven Impact Wrench	750.00	750.00	5 yrs.	12.50	30	375.00		.00	375.00
4500' #2 Lead covered 5000 V. cable (50% salvage)	2.30	10,350.00				5,125.00		.00	5,125.00
1300' #2 lead covered 5000 V. armored cable (50% salvage)	2.50	3,250.00				1,625.00		.00	1,625.00
6000' #2 3-cond. Portable cord, (50% salvage)	1.75	10,500.00				5,250.00		.00	5,250.00
		\$ 184,000.00				\$ 86,103.00		\$ 7,149.00	\$ 78,954.00
							6,800 per ft.	=	\$ 11.61

EXHIBIT "A"

THIS INDENTURE made and entered into this 1st day of May, 1958, by and between the ABCT MINING COMPANY, an Idaho corporation, PARTY OF THE FIRST PART, hereinafter called the LESSOR, and DAY MINES, INC., an Idaho corporation, PARTY OF THE SECOND PART, hereinafter called the LESSEE,

WITNESSETH:

I

PREAMBLE:

Lessor is the owner of patented and unpatented lode mining claims situated in Hunter Mining District, Shoshone County, Idaho. Lessor is desirous of having exploration and development work performed on its property, and mining operations conducted thereon if such exploration and development work is successful. Lessor lacks the financial means to carry on such exploration and development work, and the operating and technical staff necessary to conduct mining operations if such work should prove successful. Lessee, either on its own behalf or in conjunction with associated interests, has the financial ability and operating and technical staff necessary to conduct such exploration, development and mining operations. Both parties desire that Lessee, either on its own behalf or with assistance from others, conduct exploration and development work on the property of Lessor in an effort to discover a commercial ore body and mine the same if discovered.

II

DESCRIPTION OF PROPERTY:

The Lessor for and in consideration of the covenants hereinafter contained does hereby lease, demise and let unto the Lessee all the following described property situated in Hunter Mining District, Shoshone County, State of Idaho, to-wit:

<u>PATENTED CLAIMS:</u>	<u>M. S. No.</u>	<u>Book</u>	<u>Page</u>
Pilot	3229	G	428
Olive No. 1	3229	G	428
Olive No. 2	3229	G	428
Olive No. 3	3229	G	428
Olive No. 4	3229	G	428
Engineer	3229	G	428
Purser	3229	G	428
Captain	3229	G	428
Permit No. 2	2857	63	589
Switzerland	1927	47	637

All in the records in the Office of the Recorder of Shoshone County, Idaho;

UNPATENTED CLAIMS: Original Notice of Location:

	<u>Book</u>	<u>Page</u>	<u>Date</u>
Joan	27	602	2/ 8/46
Almira (Alvira)	27	600	2/ 8/46
Akron	26	480	6/10/38
Dayton	26	482	6/10/38
Cleveland	26	481	6/10/38
Irene	27	614	2/15/46
	31	145	8/23/51
Beatrice	27	612	2/15/46
	31	142	8/23/51
Glen (Glenn)	27	613	9/12/45
	31	144	8/23/51
Antony (Anthony)	27	599	2/ 8/46
Dorthy (Dorothy)	27	601	2/ 8/46
Eisenhower Fraction	31	212	7/ 3/52
Betty	27	615	2/15/46
	31	143	8/23/51

All in the records in the Office of the Recorder of Shoshone County, Idaho.

III

TERM OF LEASE:

TO HAVE AND TO HOLD unto said Lessee for the term of thirty (30) years from the date hereof, and for a further term of thirty (30) years at the option of the Lessee as hereinafter provided, unless sooner terminated by forfeiture, cancellation or surrender within said term or extended term as hereinafter provided. It is expressly understood and agreed that in the event the Lessee shall elect to exercise its option hereunder to extend said term it shall give written notice to Lessor on or before the 1st day of January, 1988.

IV

POSSESSION AND CONTROL OF PROPERTY:

The Lessor hereby gives and grants to the Lessee the right immediately to enter upon and take over the sole and exclusive possession and control of the property heretofore described and the whole and every part thereof, and during the effective term of this lease the Lessee shall remain in the sole and exclusive possession and control thereof. The Lessee is also granted the right to investigate, measure, sample, examine, test, explore, develop, work, mine, operate, use, manage and control said property, to erect, construct, use and maintain such building, structures, machinery and equipment as may be required by the Lessee for the conduct of its mining and milling operations and to mine, extract and remove from said property the ores and minerals contained therein, and to treat, mill, ship, sell, or otherwise dispose of the same and receive the full proceeds therefrom, subject to the terms and conditions hereinafter set forth.

V

ENTRY, MANNER OF WORK, POSTING NOTICES, AND CONFORMITY WITH LAWS:

The Lessee agrees to cause all exploration, development and mining work hereunder to be done in a careful and miner-like manner, and to conform in all respects to the mining laws and regulations of the State of Idaho and of the United States of America, as more specifically outlined hereunder.

The Lessee shall post and keep posted written or printed notices in due form of law and in compliance with the requirements of the lien laws of the State of Idaho, showing that the property is being worked by the Lessee under lease only and that the Lessor will not be subject to any lien whatever, provided that the foregoing does not apply to any DMEA lien against said premises.

The Lessee shall observe and promptly comply with all local, county, state and federal laws, statutes, ordinances, rules, regulations,

orders and requirements and those of any departments and bureaus of the federal, state and local governments with reference to said property, buildings thereon, and any labor performed thereon, or to any operations thereunder; provided, however, that the Lessee shall have the right to contest the validity of any of the foregoing, taking all such steps as shall be reasonably required to protect the interests of the Lessor; and all expenses incurred or reserves established in complying therewith shall be capital expenditures to which the Lessee shall be entitled to reimbursement as hereinafter provided until the property is placed on a profitable operating basis and thereafter shall be charged to operations.

VI

WORK REQUIREMENTS:

The Lessee agrees to expend during the term of this lease or any extension thereof a minimum sum of ONE HUNDRED THOUSAND (\$100,000.00) DOLLARS in the exploration, development, maintenance or operation of the property of the Lessor.

The minimum annual expenditures required for this purpose shall be FIVE THOUSAND (\$5,000.00) DOLLARS. Excess expenditures in any one year may be applied against requirements of future years.

Work performed in or from adjoining properties, designed ultimately to explore the property of the Lessor, shall be applicable on the work requirements hereunder. However, if any ore body of commercial grade and quantity is discovered in such adjoining property as a result of such work, for the purpose of applying the capital reimbursement provisions of this lease the cost of such work shall be equitably apportioned between the parties hereto in proportion to the benefit derived by each from such work.

Geological work in, on, or about the area where the Lessor's claims are located, qualifies as expenditures under such work requirements.

The Lessee agrees to perform the annual assessment work upon the unpatented claims of the Lessor, if and when required. Any and all expenditures incurred in this connection shall likewise apply upon the work requirements herein.

When expenditures in the amount of ONE HUNDRED THOUSAND (\$100,000.00) DOLLARS, (after applying the excess expenditures of any one year to future work requirements), have been made, the Lessee shall have the right to hold the lease for its original and extended term so long as the Lessee is making a reasonable effort to discover ore bodies in the property of the Lessor.

The place and character of exploration and development work to be performed shall be at the sole discretion of the Lessee, and the amount expended shall be subject to the capital reimbursement provisions of this agreement.

The Lessee also agrees to commence work under this lease within six (6) months from the date of this instrument.

VII

TERMINATION BY LESSEE:

The Lessee reserves the right hereby expressly granted by the Lessor to terminate this lease and surrender the property to the Lessor during the term hereof or renewal thereof at any time when in the opinion of the Lessee the continuation of such work shall become economically unsound and impracticable, upon sixty (60) days' written notice to the Lessor of its intention to do so.

Upon such termination and surrender the Lessee shall be under no further obligation to the Lessor except for the making of expenditures or payments due at the date of termination. For this purpose the amount to be expended hereunder during the year in which termination occurs shall be on a pro rata basis to the termination date.

VIII

MINING OPERATIONS:

Upon completion of the exploration and development work required hereunder, unless this lease is sooner terminated as herein provided, and when profitable operations are conducted hereunder, the Lessee may continue with reasonable diligence the development of the property, placing thereon, or at other suitable location, within a reasonable time, all additional mining and milling facilities, including shafts, adits, crosscuts, raises, and other mine workings, equipment, buildings, etc., of the kind, type, character and quality deemed advisable in the Lessee's sole judgment, advancing all moneys required

for that purpose, including working capital, subject, however, to the right of the Lessee to be reimbursed therefore as hereinafter provided.

In the event the mine workings and facilities of the Lessor are used in carrying on profitable mining operations in the property of another owner, the capital expenditures made in the property of the Lessor which are subject to the reimbursement requirements herein, which benefit the profitable mining operations conducted in such other property or properties, shall be equitably apportioned between the parties deriving benefit from the use of such capital expenditures in proportion to the benefit derived by each. In the event the parties cannot agree upon the fair capital expenditure reimbursement apportionment, the matter shall be submitted to arbitration as herein provided. The apportionment of the reimbursement for capital expenditures under this paragraph shall not affect the Lessee's compliance with the work requirements of this lease.

In the event the mine workings and facilities of another property owner are used on conducting profitable mining operations in the property of the Lessor, the capital expenditures made in the property of such other owner which are subject to reimbursement under provisions similar to those in this lease, which benefit the profitable mining operations conducted in the property of the Lessor, shall be equitably apportioned between the parties deriving benefit from the use of such capital expenditures in proportion to the benefit derived by each. In the event the parties cannot agree upon the fair capital expenditure reimbursement apportionment, the matter shall be submitted to arbitration as herein provided.

In the event this lease is terminated as herein provided, and mining operations are being conducted by the Lessee in the property of another owner or owners, and the mine workings and facilities of the Lessor are being used to conduct such operations, the Lessor agrees that the Lessee shall have the joint use of such mine workings and facilities during the life of such operations by the Lessee in the property or properties of other owners, so long as such joint use does not unreasonably interfere with the operations of the Lessor.

IX

ADDITIONAL WORK:

Nothing herein shall be construed to prevent the Lessee, if it so desires, from advancing additional funds for the exploration and development of the property after the Lessee has expended the sum of ONE HUNDRED THOUSAND (\$100,000.00) DOLLARS for that purpose, either during the original term of this lease or the renewal thereof, subject to the right of reimbursement as hereinafter provided.

Nothing herein contained shall be construed to prevent the Lessee from conducting any and all such exploration, development or mining work on the property in addition to the minimum work requirements hereunder as may seem advisable to the Lessee in its sole judgment, advancing all moneys required in connection therewith, and subject to the right for reimbursement as hereinafter provided.

X

TREATMENT OF PRODUCT:

The Lessor and the Lessee shall each have the right to receive and market its own share of the ore won from the demised premises as provided in Paragraph XII of this instrument. In the event the Lessor does not instruct the Lessee to the contrary, the Lessee shall have the right as agent for Lessor to market the entire production. In the event the Lessor shall at a later time desire to market its share of said concentrates Lessor shall give the Lessee at least ninety (90) days written notice prior to the termination of any smelter contract previously entered into by the said Lessee. The Lessee shall have the right to enter into a smelter contract for the entire production for a maximum period of one year. In the event the Lessor shall market its share of the concentrates derived from said demised premises, it shall promptly deliver unto the Lessee a true copy of the settlement sheets. The Lessee shall then bill the Lessor for its proportionate share of the costs of the mining and milling of said ore and the said Lessor shall pay unto the Lessee within ten (10) days after its receipt of billing the full amount for which it shall have been billed. Adjustments shall be made quarterly between the Lessor and the Lessee in

order to equalize the amount of concentrates based upon weights and grade which shall during the preceding quarterly period have been marketed so that the Lessor and Lessee each shall receive its proportionate share of the metallic content contained in the ore mined.

XI

DMEA PARTICIPATION:

It is understood and agreed by and between the parties hereto, that the Lessee shall have the right to apply its Defense Minerals Exploration loan for the exploration and development of the mining claims heretofore set forth. It is further understood and agreed between the parties hereto that any and all royalties which shall become payable to said DMEA for production from the claims heretofore set forth, or from adjoining claims, shall be considered and treated as a part of the joint operating expense; that the Lessor will execute any and all DMEA contracts or instruments necessary to carry out provisions of this paragraph.

XII

APPLICATION OF ORES WON:

Any and all ore which shall be discovered in the demised premises during the term of this instrument shall, in place, belong 25% to the Lessor and 75% to the Lessee, provided, however, that all ore in place which may be so discovered in the demised premises shall belong unto the Lessee until it has been fully reimbursed for its costs for exploration and development of said demised premises and there is a working capital in the sum of \$200,000.00; said costs for exploration and development shall include insurance, property taxes, mine license tax, administration expense, social security taxes, rental plan, DMEA royalties, and all other expenses included directly or indirectly in the proration of said demised premises. These expenses outlined are only illustrative and are not to be construed in limiting the costs or expenses deductible.

In the event the expenses diminish the working capital to a sum less than \$200,000.00, then the ore in place shall again belong to the Lessee until the working capital shall have been reestablished.

XIII

RELATIONSHIP OF PARTIES:

It is agreed that the Lessor and Lessee elect to be excluded from the application of sub-Chapter "K" of Chapter I of sub title A of the Internal Revenue Code of 1954, or as such part thereof that may be permitted or authorized by the Treasury of the United States. The Lessee, is hereby authorized to file the election to be excluded from said sub-chapter "K" of Chapter I of sub title A, attached to the partnership return and a copy of this lease, as more specifically is provided in regulation Section I. 761 (IV) promulgated under Section 761 of the Internal Revenue Code, 1954.

It is specifically understood and agreed by the parties hereto that in the event the underground or surface workings and/or facilities of the owner of another property are jointly used for the conduct of operations in the property of the Lessor, the cost of using such workings and facilities in such joint operations shall, if possible, be equitably apportioned between the parties jointly using the same. Wherever feasible such equitable apportionment shall be on a tonnage basis.

XIV

ADDITIONAL ADVANCES: REPLACEMENT:

If at any time during the period of this lease, capital expenditures, in addition to those made before the property shall be placed on an operating basis shall be required in the Lessee's sole judgment for the benefit of the operations conducted hereunder, substitution or replacement of equipment, or machinery, or otherwise, or to continue operation when working capital has been exhausted, the parties hereto agree that reimbursement shall be made for such expenditures.

XV

MAPS AND SURVEYS:

The Lessee shall at all times have sufficient surveys and maps made and kept subject to inspection by the Lessor so that the Lessor may be fully informed of the nature and character of the mine workings and operations performed hereunder. The Lessee shall furnish the Lessor with quarterly operating reports, with accompanying progress map or maps, and with copies of the logs of all diamond drill holes which have been drilled by the Lessee within the property.

XVI

STATEMENT OF ACCOUNT:

As soon as conveniently possible after the termination of each quarterly period of each calendar year, the Lessee will render to the Lessor a statement of account in reasonable detail, which quarterly statement shall be accompanied by a payment of the net amount to be accounted for hereunder, if any; and the Lessor shall have sixty (60) days from the date of mailing the said statements within which to examine the same and object thereto in writing if any error is found therein, it being understood and agreed that failing such objection within said period the statement shall be considered as correct.

XVII

RECORDS:

The Lessee agrees that it will keep and maintain at the property or its office correct and complete books of account and records showing truthfully and accurately and in all reasonable detail the amount of all metals, minerals or ores mined or recovered and/or milled on the property, the weight and assay value of all products shipped therefrom, the names and addresses of the parties to whom shipments of product are made, any and all returns received therefrom, the gross proceeds thereof, the cost of mining operations and capital expenditures and working capital advances from time to time; and to enable the Lessor to be currently informed and assured as to the correctness of the statements of account to be rendered by the Lessee from time to time as herein provided, its accredited representatives at all reasonable time shall have full and free access to the property and to the plants on the property handling the ores at the sole risk and expense of the Lessor and also the right to inspect and audit all such records and books of account kept by the Lessee relating to any matters in this agreement referred to and to inspect, check and if deemed advisable or desirable make copies of any extracts from all reports, records, memoranda, books of account, assay or sampling, smelting, milling or concentrating returns, or other documents, vouchers or memoranda in any way relating to or referring to the matters in this agreement; provided, however, that such inspection, audit, checking and/or copying shall not unreasonably interfere with the business requirements of the Lessee.

XVIII

ENCUMBRANCE:

The Lessor agrees that during the period of this lease or extension thereof it will not mortgage, sell or otherwise encumber or dispose of the property subject to this lease without giving the Lessee previous written notice of its intention to do so, and further, that any such encumbrance or disposition of the property or any part thereof shall be made expressly subject to the rights of the Lessee hereunder in such manner as may be approved by the Lessee with advice of counsel.

XIX

PAYMENT OF TAXES:

The Lessee shall pay, or if the Lessor shall have paid, the Lessee shall reimburse the Lessor for all property taxes upon said property falling due during the term of this lease and while the same is in force and effect prorated from and after the date hereof, and shall also pay, when due and before delinquent, all taxes levied or assessed against any and all personal property, machinery and equipment placed upon said property by the Lessee during the term of this lease. The Lessee shall be liable for and undertakes to pay all sales taxes and other taxes of every kind, character and description levied or imposed during the term of this lease upon the ores, minerals, concentrates or products of ores produced, sold or otherwise disposed of by the Lessee, and all taxes levied against the Lessee as an employer of labor, all such taxes to be promptly paid when due and before delinquent; and the Lessee shall be entitled to reimbursement for all taxes paid hereunder as provided herein until the property shall be placed on a profitable operating basis when the same shall be added in determining joint expenses as herein provided. However, nothing herein contained shall be construed as obligating the Lessee to pay any taxes payable by the Lessor and which shall be for the Lessor's sole account.

XX

INSURANCE:

The Lessee, at all times during the term of this lease, shall:

- (1) Keep the leased property and all structures at any time thereon, or at any time being erected thereon, adequately insured against loss or damage by fire, and other risks against which insurance is usually carried by mining companies operating in the same vicinity, by a reputable insurance company or

companies in an amount equal to the insurable value thereof; any loss in respect of any property so insured to be made payable to the Lessor and Lessee, as their interests may appear, and any proceeds of insurance in excess of the amount necessary for the cost of repairs, restorations and replacements to the property shall be applied as provided in the provision herein governing the application of net profits, it being also agreed that if the proceeds of insurance shall be insufficient to provide the cost of repairs, restorations and replacements, the amount of the deficit shall be charged to operations or advanced by the Lessee if operations shall not have been commenced;

(2) Take out and pay the premiums upon general and public liability insurance policy or policies whereby the insurance company will agree to defend, indemnify and hold harmless the Lessor and/or Lessee against and from any and all claims for damage by reason of injuries to person or loss of life sustained from any cause whatsoever by anyone other than an employee in or about or in connection with the property or the property adjacent thereto; and,

(3) Carry Workmen's compensation and such other insurance as may be required by the laws and mining regulations of the State of Idaho.

Should the Lessee fail to effect or maintain insurance as provided in this agreement, the Lessor may, but shall not be required to, take out insurance or additional insurance; and for which the Lessor shall be entitled to receive reimbursement from the Lessee.

XXI

PROTECTION FROM LIENS AND DAMAGES:

The Lessee shall keep said property and the whole and every part thereof free and clear of liens for labor done or work performed upon such property or materials furnished to it for the development or operation thereof under this lease and while the same is in force and effect, and the Lessee will save and keep harmless the Lessor from all costs, loss or damage which may arise by reason of injury to any persons employed by the Lessee in or upon said property or any part thereof, or which may arise by reason of injury to any persons, live-stock or damage done to any other property as the result of any work or operations of the Lessee or of its possession and occupancy of the property.

XXII

ARBITRATION:

Any disputes arising under the application of this contract or the interpretation thereof upon which the parties cannot agree, shall be referred to arbitration. Each party shall select one arbitrator and the two thus chosen shall select a third arbitrator. If the two selected cannot agree upon the third arbitrator, such third arbitrator shall be selected by the American Arbitration Association under the rules of this latter organization. The decision rendered by the arbitrators in the event of a dispute shall be final and binding upon the parties to this agreement.

XXIII

FORCE MAJEURE:

If the Lessee shall be delayed at any time during the period of this lease in keeping or performing any agreement on its part to be kept or performed according to the terms and provisions hereof, except the payment of taxes, by any act or neglect of the Lessor, or by strikes, lockouts, fire, unusual delay in transportation, orders of the Government, or any duly constituted instrumentality thereof, unavoidable casualties, or any causes beyond the control of the Lessee, such delay shall not be deemed a breach of this lease or a default on the part of the Lessee constituting a cause for forfeiture and the Lessee agrees to use reasonable diligence to remove such causes of disability as may occur from time to time.

It is expressly understood and agreed that the Lessee will promptly notify the Lessor in writing of the commencement and termination of any such delays or suspensions of performance hereunder, and that the term of this lease shall be extended for a term equal to the period or periods thereof.

XXIV

FORFEITURE:

The failure of the Lessee to make or cause to be made any payment hereon provided for, or to keep or perform any agreement on its part to be kept and performed according to the terms and provisions of this lease shall, at the election of the Lessor, and upon giving notice thereof to the Lessee, constitute a forfeiture of this lease; provided, however, that in the event of a default on the part of the Lessee, and the election of the Lessor to terminate this lease on account thereof, the Lessor shall give the Lessee a written notice of its intention

to declare a forfeiture of this lease and to terminate the same on account thereof, specifying the particular default or defaults relied upon by it. The Lessee shall have ninety (90) days after the receipt of such notice in which to cure such default or defaults, and if such default or defaults are fully cured, there shall be no forfeiture of this lease with respect to such default or defaults. No waiver of and no failure or neglect on the part of the Lessor to give notice of a default or defaults shall effect any subsequent default or impair the Lessor's rights resulting therefrom.

XXV

SURRENDER OF PROPERTY:

Upon the termination of this lease either by limitation or as is otherwise provided herein, the Lessee shall evidence such termination by recordable document, surrender possession of the property and pay all bills or other obligations incurred by it in connection therewith and all payments due to the Lessor up to the date of such termination.

In the event that such termination shall occur before the property is placed upon a profitable operating basis but before the Lessee shall have been fully reimbursed for its expenditures hereunder, then any cash available in the working capital account shall be applied to so reimburse the Lessee, and the Lessee shall have the further right to remove from the property equipment, materials and supplies at a fair market value not exceeding the amount required for such reimbursement, subject, however, to the right of the Lessor to purchase any of such equipment, materials and supplies at the then fair market value.

If, however, the Lessee shall have been previously so fully reimbursed, or shall be so fully reimbursed through the application of working capital as hereinabove provided, then the amount of any remaining working capital shall be divided between the Lessor and Lessee in the same proportion that ore in place is shared hereunder, and for that purpose the equipment, materials and supplies remaining on the property shall be sold or otherwise disposed of on the basis of the best terms available.

Nothing herein contained shall be construed to permit the removal from the property of mine timbers, mine rail, ties and pipe lines in place or permanent surface structures on the property the title to which is hereby vested in the Lessor.

Upon termination of this lease either by limitation or otherwise the Lessee shall deliver up the property to the Lessor in good order and condition with all mine workings currently used by the Lessee in its mining operations in condition suitable for continued operations, to the end that the Lessor may operate the property if it so elects; provided, however, that unless the Lessor shall notify the Lessee that it intends to operate the property, the Lessee shall surrender the property only in such condition as good mining practice requires upon abandonment of operations.

XXVI

NOTICES:

Any notice provided for herein shall be sufficiently given if posted by registered mail addressed to the party entitled to receive the same as follows:

To: Abot Mining Company,
Day Building,
Wallace, Idaho.

To: Day Mines, Inc.,
Day Building,
Wallace, Idaho.

except as either party hereto shall otherwise instruct the other party by written notice to be appended to this lease.

XXVII

COSTS OF LITIGATION:

All costs of litigation, including counsel fees incurred by the Lessee, in and about the conduct of its operations hereunder shall be deemed a joint operating expense, and all such costs in defending the Lessee's right to proceed under this lease, unless the Lessee shall be in default hereunder, shall be for the Lessor's account and shall be deducted from that portion of the first settlement which the Lessor shall be hereafter entitled to receive hereunder; provided, however, that this paragraph shall not apply to any litigation brought by the Lessee against the Lessor under this agreement unless and until a final judgment shall have been rendered against the Lessor by a court of competent jurisdiction and the time to appeal therefrom has expired.

XXVIII

INUREMENT:

This lease and agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto, and the Lessee may assign

this lease only with the written consent of the Lessor first had and obtained, which consent shall not be unreasonably withheld. Provided, however that nothing herein contained shall be construed to require the consent of the Lessor to such participation as the Lessee may elect to grant to any other party, or parties, presently, or from time to time hereafter, but such participation shall not affect the obligations of the Lessee to the Lessor hereunder.

XXIX

CONSTRUCTION:

It is expressly understood and agreed that the titles to the paragraphs of this lease shall not be deemed a part thereof, having been used for convenience only.

IN WITNESS WHEREOF, the parties hereto have caused their corporate names to be hereunto subscribed, and their corporate seals to be hereunto affixed and attested by their duly authorized officers, in duplicate counterparts, as of the day and year first above written which shall be the effective date of this lease upon ratification by the shareholders.

ABOT MINING COMPANY

By HENRY L. DAY
President

(SEAL)

ATTEST:

R. W. ANNO

Secretary

LESSOR

DAY MINES, INC.

By HENRY L. DAY
President

(SEAL)

ATTEST:

S. F. HEITFELD

Secretary

STATE OF IDAHO)
County of Shoshone) ss.

On this 1st day of May, 1958, before me, the undersigned, a Notary Public in and for the State of Idaho, personally appeared HENRY L. DAY, personally known to me to be the President of the ABOT MINING COMPANY, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my notarial seal at my office in Wallace, Idaho, the day and year in this certificate first above written.

(SEAL)

KATHRYN A. EICHWALD
Notary Public in and for the State of Idaho, Residing at Wallace, Idaho.

STATE OF IDAHO)
County of Shoshone) ss.

On this 1st day of May, 1958, before me, the undersigned, a Notary Public in and for the State of Idaho, personally appeared HENRY L. DAY, personally known to me to be the President of DAY MINES, INC., and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my notarial seal at my office in Wallace, Idaho, the day and year in the certificate first above written.

(SEAL)

KATHRYN A. EICHWALD
Notary Public in and for the State of Idaho, Residing at Wallace, Idaho.

EXHIBIT "B"

OFFICIAL FILE COPY		
D M E A		
RECEIVED JUN 9 1958		
DATE	INITIALS	CODE

THIS INDENTURE, Made and entered into this 25th day of April, 1958, by and between THE GOLD HUNTER MINING COMPANY, an Idaho corporation, PARTY OF THE FIRST PART, hereinafter called LESSOR, and DAY MINES, INC., an Idaho corporation, PARTY OF THE SECOND PART, hereinafter called LESSEE,

WITNESSETH:

I

PREAMBLE:

Lessor is the owner of patented and unpatented lode mining claims situated in Hunter Mining District, Shoshone County, Idaho. Lessor is desirous of having exploration and development work performed on its property, and mining operations conducted thereon if such exploration and development work is successful. Lessor lacks the financial means to carry on such exploration and development work, and the operating and technical staff necessary to conduct mining operations if such work should prove successful. Lessee, both on its own behalf and in conjunction with associated interests, has the financial ability and operating and technical staff necessary to conduct such exploration, development, and mining operations. Both parties desire that Lessee, either on its own behalf or with assistance from others, conduct exploration and development work on the property of Lessor in an effort to discover a commercial ore body and mine the same if discovered.

II

DESCRIPTION OF PROPERTY:

The Lessor for and in consideration of the covenants hereinafter contained, does hereby lease, demise and let unto the Lessee all the following described property situated in Hunter Mining District, Shoshone County, State of Idaho, to-wit:

<u>NAME OF CLAIM</u>	<u>U. S. M. S. Number</u>
Gold Hunter	612
Yolande	719
Away Up	1245
Joe Dandy	1245
Jersey Minior	1459
Northern Light	1832
Spokane	1832
Jap	2563
Hennessy Fraction	2563
Ted	2563
Victor Fraction	2563
Ryan Millsite	MS 732
Thomas Brennan Millsite	MS 733
P. M. Hennessy Millsite	MS 734
P. T. Kavanagh Millsite	MS 735

ALSO the MOLLIE No. 3 unpatented lode mining claim, Notice of Location of which is recorded in Book 31 of Quartz Locations at page 78 thereof, in the Office of the Recorder of Shoshone County, Idaho;

ALSO an undivided one-quarter interest in and to all ores lying and being within the vertical boundaries of the ELM ORLU, ELM ORLU FRACTION, ELM ORLU No. 2 and ELM ORLU FRACTION No. 2 unpatented lode mining claims, Notices of Location of which are recorded in Book 27 of Quartz Locations at pages 651 to 654, inclusive, thereof, in the Office of the Recorder of Shoshone County, Idaho;

ALSO the surface rights to those premises commonly known as the Hunter Ranch particularly described as follows situate in said Section 35:

PARCEL No. 1

Beginning at the N $\frac{1}{4}$ Corner of Section 35, thence S. 0° 11' East 1,062.30 feet to intersection of line 6-7 Hunter Ranch; thence N. 89° 55' 30" West 347.32 feet to Corner No. 7 Hunter Ranch; thence N. 1° 55' East 819.94 feet to Corner No. 8 Hunter Ranch; thence N. 87° 51' 30" West 1,471.09 feet to Corner No. 9 Hunter Ranch; thence N. 3° 47' East 185.11 feet to intersection of North line Section 35; thence North 89° 55' 30" East 1,774.27 feet to place of beginning.

PARCEL No. 2

Beginning at Corner No. 1 from which the Northeast Corner of Section 34, T. 48 North, R. 5 E. B. M., bears N. 46° 44' West 533.93 feet; thence South 6° 00' West 697.10 feet to Corner No. 2; thence South 4° 31' East 717.21 feet to Corner No. 3 identical with Northwest corner, Mt. View Cemetery; thence South 76° 23' East 1,095.21 feet to Corner No. 4 identical with Northeast Corner of Mt. View Cemetery; thence South 89° 43' East 1,208.88 feet to intersection of East line of Northwest $\frac{1}{4}$ of Section 35, thence N. 0° 11' West 979.40 feet along East line of Northwest $\frac{1}{4}$ of Section 35 to intersection of line 6-7 Hunter Ranch; thence North 89° 53' 30" West 347.32 feet to Corner No. 7; thence North 1° 55' East 819.94 feet to Corner No. 8; thence North 87° 51' 30" West 1,471.09 feet to Corner No. 9; thence South 3° 47' West 317.12 feet to Corner No. 10; thence N. 73° 10' West 462.78 feet to place of beginning.

ALSO all that certain lot, piece or parcel of land 100 feet by 150 feet formerly containing a two story log building thereon commonly known as the "Hackett House" about one-half mile east of Mullan, Shoshone County, Idaho, and more particularly described in that certain deed executed by JOHN A. McDONELL and HENRIETTA McDONELL, his wife, to GOLD HUNTER MINING & SMELTING COMPANY, a corporation, dated December 23, 1901, and recorded January 4, 1902, in Book 20 of Deeds at page 232, in the Office of the Recorder of Shoshone County, Idaho;

ALSO all the surface rights to that certain tract of land near the Hunter Mill east of Mullan, Shoshone County, Idaho, commonly known as the CARNEY RANCH more particularly described in that certain deed executed by JAMES CARNEY to GOLD HUNTER MINING & SMELTING COMPANY, a corporation, dated November 1, 1919, and recorded November 5, 1919, in Book 54 of Deeds at page 67 in the Office of the Recorder of Shoshone County, Idaho;

ALSO that certain leasehold interest in premises demised for a term of 99 years by JAMES FEAR, FRED M. FRANKS, and JOHN HACKET, Lessors, to DENNIS RYAN, Lessee, on September 15, 1888, and recorded September 18, 1888 in Book "A" of Leases at page 92, in the Office of the Recorder of Shoshone County, Idaho;

ALSO all that certain tract or parcel of land situated in the Northwest Quarter of said Section 36 more particularly described in that certain deed executed by JOHN JUTILA and ANNA JUTILA, his wife, to GOLD HUNTER MINING & SMELTING COMPANY, a corporation, on August 30, 1918, and recorded November 5, 1919, in Book 54 of Deeds at page 68 in the Office of the Recorder of Shoshone County, Idaho;

ALSO an undivided one-half interest in and to Damsite and right-of-way for flume in Northwest Quarter of said Section 36, and more particularly described in that certain deed executed by JOHN JUTILA and ANNA JUTILA, his wife, to GOLD HUNTER MINING & SMELTING COMPANY, a corporation, on July 26, 1913, and recorded November 29, 1916, in Book 50 of Deeds at page 581 in the Office of the Recorder of Shoshone County, Idaho;

ALSO that certain dams site to be used with that certain water right theretofore located, said dams site being situate in the forks of Willow Creek and is more fully described in that certain notice recorded by T. M. BRENNAN, Agent, on October 2, 1913, in Book "R" of Miscellaneous at page 89 in the Office of the Recorder of Shoshone County, Idaho;

ALSO an undivided one-half interest in and to that certain water right to water of the South Fork of the Coeur d' Alene River, Hunter Mining District, Shoshone County, Idaho, appropriated by T. J. Kavanagh, Locator, on September 5, 1888, and recorded on September 8, 1888 in Book "A" of Quartz Locations at page 303 in Hunter Mining District Records, Shoshone County, Idaho, and also recorded on September 15, 1888, in Book "H" of Miscellaneous at page 603 in the records of the Recorder of Shoshone County, Idaho;

Reference is hereby had and made to the foregoing Mineral Survey Numbers, Location Notices, and records of Shoshone County, Idaho, for a more definite and specific description of all of the property herein conveyed,

ALSO, the Lessor's interest of, in and to all buildings, equipment, improvements and fixtures owned and used by the Party of the First Part, situate, lying and being on any of the above described premises and in particular situate, lying and being on those premises commonly known as the Hunter Ranch.

III

TERM OF LEASE:

TO HAVE AND TO HOLD unto said Lessee for the term of thirty (30) years from the date hereof, and for a further term of thirty (30) years at the option of the Lessee as hereinafter provided, unless sooner terminated by forfeiture, cancellation or surrender within said term or extended term as hereinafter provided. It is expressly understood and agreed that in the event the Lessee shall elect to exercise its option hereunder to extend said term it shall give written notice to Lessor on or before the 1st day of January, 1988.

IV

POSSESSION AND CONTROL OF PROPERTY:

The Lessor hereby gives and grants to the Lessee the right immediately to enter upon and take over the sole and exclusive possession and control of the property heretofore described and the whole and every part thereof, and during the effective term of this lease the Lessee shall remain in the sole and exclusive possession and control thereof. The Lessee is also granted the right to investigate, measure, sample, examine, test, explore, develop, work, mine, operate, use, manage and control said property, to erect, construct, use and maintain such building, structures, machinery and equipment as may be required by the Lessee for the conduct of its mining and milling operations and to mine, extract and remove from said property the ores and minerals contained therein, and to treat, mill, ship, sell, or otherwise dispose of the same and receive the full proceeds therefrom, subject to the terms and conditions hereinafter set forth.

V

ENTRY, MANNER OF WORK, POSTING NOTICES, AND CONFORMITY WITH LAWS:

The Lessee agrees to cause all exploration, development and mining work hereunder to be done in a careful and miner-like manner, and to conform in all respects to the mining laws and regulations of the State of Idaho and of the United States of America, as more specifically outlined hereunder.

The Lessee shall post and keep posted written or printed notices in due form of law and in compliance with the requirements of the lien laws of the State of Idaho, showing that the property is being worked by the Lessee under lease only and that the Lessor will not be subject to any lien whatever, provided that the foregoing does not apply to any DMEA lien against said premises.

The Lessee shall observe and promptly comply with all local, county, state and federal laws, statutes, ordinances, rules, regulations, orders and requirements and those of any departments and bureaus of the federal, state and local governments with reference to said property, buildings thereon, and any labor performed thereon, or to any operations thereunder; provided, however, that the Lessee shall have the right to contest the validity of any of the foregoing, taking all such steps as shall be reasonably required to protect the interests of the Lessor; and all expenses incurred or reserves established in complying therewith shall be capital expenditures to which the Lessee shall be entitled to reimbursement as hereinafter provided until the property is placed on a profitable operating basis and thereafter shall be charged to operations.

VI

WORK REQUIREMENTS:

The Lessee agrees to expend during the term of this lease or any extension thereof a minimum sum of THREE HUNDRED THOUSAND

(\$300,000.00) DOLLARS in the exploration, development, maintenance or operation of the property of the Lessor.

The minimum annual expenditures required for this purpose shall be FIFTEEN THOUSAND (\$15,000.00) DOLLARS.

Excess expenditures in any one year may be applied against requirements of future years.

Work performed in or from adjoining properties, designed ultimately to explore the property of the Lessor, shall be applicable on the work requirements hereunder. However, if an ore body of commercial grade and quantity is discovered in such adjoining property as a result of such work, for the purpose of applying the capital reimbursement provisions of this lease the cost of such work shall be equitably apportioned between the parties hereto in proportion to the benefit derived by each from such work.

Geological work in, on, or about the area where the Lessor's claims are located, qualifies as expenditures under such work requirements.

The Lessee agrees to perform the annual assessment work upon the unpatented claims of the Lessor, if and when required, and to prepare the claims for patent as soon as practical. Any and all expenditures incurred in this connection shall likewise apply upon the work requirements herein, including the cost of securing patents on such claims.

When expenditures in the amount of THREE HUNDRED THOUSAND (\$300,000.00) DOLLARS, (after applying the excess expenditures of any one year to future work requirements), have been made, the Lessee shall have the right to hold the lease for its original and extended term so long as the Lessee is making a reasonable effort to discover ore bodies in the property of the Lessor.

For the purpose of defining "reasonable effort" to discover ore bodies, the Lessee shall not be obligated (1) to perform work deeper than 1,000 feet above approximate sea level, and (2) to expend more than TEN THOUSAND (\$10,000.00) DOLLARS in any one year for such purpose.

The place and character of exploration and development work to be performed shall be at the sole discretion of the Lessee, and the amount expended shall be subject to the capital reimbursement provisions of this agreement.

The Lessee also agrees to commence work under this lease within six (6) months after the date of this instrument.

VII

TERMINATION BY LESSEE:

The Lessee reserves the right hereby expressly granted by the Lessor to terminate this lease and surrender the property to the Lessor during the term hereof or renewal thereof at any time when in the opinion of the Lessee the continuation of such work shall become economically unsound and impracticable, upon sixty (60) days' written notice to the Lessor of its intention to do so.

Upon such termination and surrender the Lessee shall be under no further obligation to the Lessor except for the making of expenditures or payments due at the date of termination. For this purpose the amount to be expended hereunder during the year in which termination occurs shall be on a pro rata basis to the termination date.

VIII

MINING OPERATIONS:

Upon completion of the exploration and development work required hereunder, unless this lease is sooner terminated as herein provided, and when profitable operations are conducted hereunder, the Lessee may continue with reasonable diligence the development of the property, placing thereon, or at other suitable location, within a reasonable time, all additional mining and milling facilities, including shafts, adits, crosscuts, raises, and other mine workings, equipment, buildings, etc., of the kind, type, character and quality deemed advisable in the Lessee's sole judgment, advancing all moneys required for that purpose, including working capital, subject, however, to the right of the Lessee to be reimbursed therefore as hereinafter provided.

It is within the contemplation of the parties that the Lessee may enter into leases or working agreements with the owners of other properties in the vicinity of the property of the Lessor. The Lessor agrees that the Lessee shall have the right to use the mine workings and facilities of the Lessor to conduct exploration, development and mining operations in such other property or properties, so long as such operations do not unreasonably interfere with the operations of the Lessee in the property of the Lessor.

In the event the mine workings and facilities of the Lessor are used in carrying on profitable mining operations in the property of another owner, the capital expenditures made in the property of the Lessor which are subject to the reimbursement requirements herein, which benefit the profitable mining operations conducted in such other property or properties, shall be equitably apportioned between the parties deriving benefit from the use of such capital expenditures in proportion to the benefit derived by each. In the event the parties cannot agree upon the fair capital expenditure reimbursement apportionment, the matter shall be submitted to arbitration as herein provided. The apportionment of the reimbursement for capital expenditures under this paragraph shall not affect the Lessee's compliance with the work requirements of this lease.

In the event the mine workings and facilities of another property owner are used on conducting profitable mining operations in the property of the Lessor, the capital expenditures made in the property of such other owner which are subject to reimbursement under provisions similar to those in this lease, which benefit the profitable mining operations conducted in the property of the Lessor, shall be equitably apportioned between the parties deriving benefit from the use of such capital expenditures in proportion to the benefit derived by each. In the event the parties cannot agree upon the fair capital expenditure reimbursement apportionment, the matter shall be submitted to arbitration as herein provided.

In the event this lease is terminated as herein provided, and mining operations are being conducted by the Lessee in the property of another owner or owners, and the mine workings and facilities of the Lessor are being used to conduct such operations, the Lessor agrees that the Lessee shall have the joint use of such mine workings and facilities during the life of such operations by the Lessee in the property or properties of other owners, so long as such joint use does not unreasonably interfere with the operations of the Lessor.

IX

ADDITIONAL WORK:

Nothing herein shall be construed to prevent the Lessee, if it so desires, from advancing additional funds for the exploration and development of the property after the Lessee has expended the sum of THREE HUNDRED THOUSAND (\$300,000.00) DOLLARS, for that purpose, either during the original term of this lease or the renewal thereof, subject to the right of reimbursement as hereinafter provided.

Nothing herein contained shall be construed to prevent the Lessee from conducting any and all such exploration, development or mining work on the property in addition to the minimum work requirements hereunder as may seem advisable to the Lessee in its sole judgment, advancing all moneys required in connection therewith, and subject to the right for reimbursement as hereinafter provided.

X

TREATMENT OF PRODUCT:

The Lessor and the Lessee shall each have the right to receive and market its own share of the ore won from the demised premises as provided in Paragraph XII of this instrument. In the event the Lessor does not instruct the Lessee to the contrary, the Lessee shall have the right as agent for Lessor to market the entire production. In the event the Lessor shall at a later time desire to market its share of said concentrates

Lessor shall give the Lessee at least ninety (90) days written notice prior to the termination of any smelter contract previously entered into by the said Lessee. The Lessee shall have the right to enter into a smelter contract for the entire production for a maximum period of one year. In the event the Lessor shall market its share of the concentrates derived from said demised premises, it shall promptly deliver unto the Lessee a true copy of the settlement sheets. The Lessee shall then bill the Lessor for its proportionate share of the costs of the mining and milling of said ore and the said Lessor shall pay unto the Lessee within ten (10) days after its receipt of billing the full amount for which it shall have been billed. Adjustments shall be made quarterly between the Lessor and the Lessee in order to equalize the amount of concentrates based upon weights and grade which shall during the preceding quarterly period have been marketed so that the Lessor and Lessee each shall receive its proportionate share of the metallic content contained in the ore mined.

XI

DMEA PARTICIPATION:

It is understood and agreed by and between the parties hereto, that the Lessee shall have the right to apply its Defense Minerals Exploration loan for the exploration and development of the mining claims heretofore set forth. It is further understood and agreed between the parties hereto that any and all royalties which shall become payable to said DMEA for production from the claims heretofore set forth, or from adjoining claims, shall be considered and treated as a part of the joint operating expense; that the Lessor will execute any and all DMEA contracts or instruments necessary to carry out provisions of this paragraph.

XII

APPLICATION OF ORES WON:

Any and all ore which shall be discovered in the demised premises during the term of this instrument shall, in place, belong 25% to the Lessor

and 75% to the Lessee, provided, however, that all ore in place which may be so discovered in the demised premises shall belong unto the Lessee until it has been fully reimbursed for its costs for exploration and development of said demised premises and there is a working capital in the sum of \$200,000.00; said costs for exploration and development shall include insurance, property taxes, mine license tax, administration expenses, social security taxes, rental plan, DMEA royalties, and all other expenses included directly or indirectly in the proration of said demised premises. These expenses outlined are only illustrative and are not to be construed in limiting the costs or expenses deductible.

In the event the expenses diminish the working capital to a sum less than \$200,000.00, then the ore in place shall again belong to the Lessee until the working capital shall have been reestablished.

XIII

RELATIONSHIP OF PARTIES:

It is agreed that the Lessor and Lessee elect to be excluded from the application of sub-chapter "K" of Chapter I of sub title A of the Internal Revenue Code of 1954, or as such part thereof that may be permitted or authorized by the Treasury of the United States. The Lessee, is hereby authorized to file the election to be excluded from said sub-chapter "K" of Chapter I of sub title A, attached to the partnership return and a copy of this lease, as more specifically is provided in regulation Section 1.761 (IV) promulgated under Section 761 of the Internal Revenue Code, 1954.

It is specifically understood and agreed by the parties hereto that in the event the underground or surface workings and/or facilities of the owner of another property are jointly used for the conduct of operations in the property of the Lessor, the cost of using such workings and facilities in such joint operations shall, if possible, be equitably apportioned between the parties jointly using the same. Wherever feasible such equitable apportionment shall be on a tonnage basis.

XIV

ADDITIONAL ADVANCES: REPLACEMENTS:

If at any time during the period of this lease, capital expenditures, in addition to those made before the property shall be placed on an operating basis, shall be required in the Lessee's sole judgment for the benefit of the operations conducted hereunder, either for increased mill capacity, substitution or replacement of equipment, or machinery, or otherwise, or to continue operation when working capital has been exhausted, the parties hereto agree that reimbursement shall be made for such expenditures.

XV

MAPS AND SURVEYS:

The Lessee shall at all times have sufficient surveys and maps made and kept subject to inspection by the Lessor so that the Lessor may be fully informed of the nature and character of the mine workings and operations performed hereunder. The Lessee shall furnish the Lessor with quarterly operating reports, with accompanying progress map or maps, and with copies of the logs of all diamond drill holes which have been drilled by the Lessee within the property.

XVI

STATEMENT OF ACCOUNT:

As soon as conveniently possible after the termination of each quarterly period of each calendar year, the Lessee will render to the Lessor a statement of account in reasonable detail, which quarterly statement shall be accompanied by a payment of the net amount to be accounted for hereunder, if any; and the Lessor shall have sixty (60) days from the date of mailing the said statements within which to examine the same and object thereto in writing if any error is found therein, it being understood and agreed that failing such objection within said period the statement shall be considered as correct.

XVII

RECORDS:

The Lessee agrees that it will keep and maintain at the property or its office correct and complete books of account and records showing

truthfully and accurately and in all reasonable detail the amount of all metals, minerals or ores mined or recovered and/or milled on the property, the weight and assay value of all products shipped therefrom, the names and addresses of the parties to whom shipments of product are made, any and all returns received therefrom, the gross proceeds thereof, the cost of mining operations and capital expenditures and working capital advances from time to time; and to enable the Lessor to be currently informed and assured as to the correctness of the statements of account to be rendered by the Lessee from time to time as herein provided, its accredited representatives at all reasonable time shall have full and free access to the property and to the plants on the property handling the ores at the sole risk and expense of the Lessor and also the right to inspect and audit all such records and books of account kept by the Lessee relating to any matters in this agreement referred to and to inspect, check and if deemed advisable or desirable make copies of any extracts from all reports, records, memoranda, books of account, assay or sampling, smelting, milling or concentrating returns, or other documents, vouchers or memoranda in any way relating to or referring to the matters in this agreement; provided, however, that such inspection, audit, checking and/or copying shall not unreasonably interfere with the business requirements of the Lessee.

XVIII

ENCUMBRANCE:

The Lessor agrees that during the period of this lease or extension thereof it will not mortgage, sell or otherwise encumber or dispose of the property subject to this lease without giving the Lessee previous written notice of its intention to do so, and further, that any such encumbrance or disposition of the property or any part thereof shall be made expressly subject to the rights of the Lessee hereunder in such manner as may be approved by the Lessee with advice of counsel.

PAYMENT OF TAXES:

The Lessee shall pay, or if the Lessor shall have paid, the Lessee shall reimburse the Lessor for all property taxes upon said property falling due during the term of this lease and while the same is in force and effect prorated from and after the date hereof, and shall also pay, when due and before delinquent, all taxes levied or assessed against any and all personal property, machinery and equipment placed upon said property by the Lessee during the term of this lease. The Lessee shall be liable for and undertakes to pay all sales taxes and other taxes of every kind, character and description levied or imposed during the term of this lease upon the ores, minerals, concentrates or products of ores produced, sold or otherwise disposed of by the Lessee, and all taxes levied against the Lessee as an employer of labor, all such taxes to be promptly paid when due and before delinquent; and the Lessee shall be entitled to reimbursement for all taxes paid hereunder as provided herein until the property shall be placed on a profitable operating basis when the same shall be added in determining joint expenses as herein provided. However, nothing herein contained shall be construed as obligating the Lessee to pay any taxes payable by the Lessor and which shall be for the Lessor's sole account.

INSURANCE:

The Lessee, at all times during the term of this lease, shall:

- (1) Keep the leased property and all structures at any time thereon, or at any time being erected thereon, adequately insured against loss or damage by fire, and other risks against which insurance is usually carried by mining companies operating in the same vicinity, by a reputable insurance company or companies in an amount equal to the insurable value thereof; any loss in respect of any property so insured to be made payable to the Lessor and Lessee, as their interests may appear, and any proceeds of insurance in excess of the amount necessary for the cost of repairs,

restorations and replacements to the property shall be applied as provided in the provision herein governing the application of net profits, it being also agreed that if the proceeds of insurance shall be insufficient to provide the cost of repairs, restorations and replacements, the amount of the deficit shall be charged to operations or advanced by the Lessee if operations shall not have been commenced;

(2) Take out and pay the premiums upon general and public liability insurance policy or policies whereby the insurance company will agree to defend, indemnify and hold harmless the Lessor and/or Lessee against and from any and all claims for damage by reason of injuries to person or loss of life sustained from any cause whatsoever by anyone other than an employee in or about or in connection with the property or the property adjacent thereto; and,

(3) Carry Workmen's compensation and such other insurance as may be required by the laws and mining regulations of the State of Idaho.

Should the Lessee fail to effect or maintain insurance as provided in this agreement, the Lessor may, but shall not be required to, take out insurance or additional insurance; and for which the Lessor shall be entitled to receive reimbursement from the Lessee.

XXII

PROTECTION FROM LIENS AND DAMAGES:

The Lessee shall keep said property and the whole and every part thereof free and clear of liens for labor done or work performed upon such property or materials furnished to it for the development or operation thereof under this lease and while the same is in force and effect, and the Lessee will save and keep harmless the Lessor from all costs, loss or damage which may arise by reason of injury to any persons employed by the Lessee in or upon said property or any part thereof, or which may arise by reason of injury to any persons, livestock or damage done to any other property as the result of any work or operations of the Lessee or of its possession and occupancy of the property.

XXII

ARBITRATION:

Any disputes arising under the application of this contract or the interpretation thereof upon which the parties cannot agree, shall be referred to arbitration. Each party shall select one arbitrator and the two thus chosen shall select a third arbitrator. If the two selected cannot agree upon the third arbitrator, such third arbitrator shall be selected by the American Arbitration Association under the rules of this latter organization. The decision rendered by the arbitrators in the event of a dispute shall be final and binding upon the parties to this agreement.

XXIII

FORCE MAJEURE:

If the Lessee shall be delayed at any time during the period of this lease in keeping or performing any agreement on its part to be kept or performed according to the terms and provisions hereof, except the payment of taxes, by any act or neglect of the Lessor, or by strikes, lockouts, fire, unusual delay in transportation, orders of the Government, or any duly constituted instrumentality thereof, unavoidable casualties, or any causes beyond the control of the Lessee, such delay shall not be deemed a breach of this lease or a default on the part of the Lessee constituting a cause for forfeiture and the Lessee agrees to use reasonable diligence to remove such causes of disability as may occur from time to time. The Lessee shall not be required to mine, mill, or otherwise dispose of the products from said property during periods of financial crises or when the metals produced are saleable only at abnormally low prices.

It is expressly understood and agreed that the Lessee will promptly notify the Lessor in writing of the commencement and termination of any such delays or suspensions of performance hereunder, and that the term of this lease shall be extended for a term equal to the period or periods thereof.

XXIV

FORFEITURE:

The failure of the Lessee to make or cause to be made any payment herein provided for, or to keep or perform any agreement on its part to be kept and performed according to the terms and provisions of this lease shall, at the election of the Lessor, and upon giving notice thereof to the Lessee, constitute a forfeiture of this lease; provided, however, that in the event of a default on the part of the Lessee, and the election of the Lessor to terminate this lease on account thereof, the Lessor shall give the Lessee a written notice of its intention to declare a forfeiture of this lease and to terminate the same on account thereof, specifying the particular default or defaults relied upon by it. The Lessee shall have ninety (90) days after the receipt of such notice in which to cure such default or defaults, and if such default or defaults are fully cured, there shall be no forfeiture of this lease with respect to such default or defaults. No waiver of and no failure or neglect on the part of the Lessor to give notice of a default or defaults shall effect any subsequent default or impair the Lessor's rights resulting therefrom.

XXV

SURRENDER OF PROPERTY:

Upon the termination of this lease either by limitation or as is otherwise provided herein, the Lessee shall evidence such termination by recordable document, surrender possession of the property and pay all bills or other obligations incurred by it in connection therewith and all payments due to the Lessor up to the date of such termination.

In the event that such termination shall occur before the property is placed upon a profitable operating basis but before the Lessee shall have been fully reimbursed for its expenditures hereunder, then any cash available in the working capital account shall be applied to so reimburse the Lessee, and the Lessee shall have the further right to remove from the property equipment, materials and supplies at a fair

market value not exceeding the amount required for such reimbursement, subject, however, to the right of the Lessor to purchase any of such equipment, materials and supplies at the then fair market value.

If, however, the Lessee shall have been previously so fully reimbursed, or shall be so fully reimbursed through the application of working capital as hereinabove provided, then the amount of any remaining working capital shall be divided between the Lessor and Lessee in the same proportion that ore in place is shared hereunder, and for that purpose the equipment, materials and supplies remaining on the property shall be sold or otherwise disposed of on the basis of the best terms available.

Nothing herein contained shall be construed to permit the removal from the property of mine timbers, mine rail, ties and pipe lines in place or permanent surface structures on the property the title to which is hereby vested in the Lessor.

Upon termination of this lease either by limitation or otherwise the Lessee shall deliver up the property to the Lessor in good order and condition with all mine workings currently used by the Lessee in its mining operations in condition suitable for continued operations, to the end that the Lessor may operate the property if it so elects; provided, however, that unless the Lessor shall notify the Lessee that it intends to operate the property, the Lessee shall surrender the property only in such condition as good mining practice requires upon abandonment of operations.

XXVI

NOTICES:

Any notice provided for herein shall be sufficiently given if posted by registered mail addressed to the party entitled to receive the same as follows:

To: Gold Hunter Mining Company
Day Building
Wallace, Idaho

To: Day Mines, Inc.
Day Building
Wallace, Idaho

except as either party hereto shall otherwise instruct the other party by written notice to be appended to this lease.

XXVII

COSTS OF LITIGATION:

All costs of litigation, including counsel fees incurred by the Lessee, in and about the conduct of its operations hereunder shall be deemed a joint operating expense, and all such costs in defending the Lessee's right to proceed under this lease, unless the Lessee shall be in default hereunder, shall be for the Lessor's account and shall be deducted from that portion of the first settlement which the Lessor shall be hereafter entitled to receive hereunder; provided, however, that this paragraph shall not apply to any litigation brought by the Lessee against the Lessor under this agreement unless and until a final judgment shall have been rendered against the Lessor by a court of competent jurisdiction and the time to appeal therefrom has expired.

XXVIII

INUREMENT:

This lease and agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto, and the Lessee may assign this lease only with the written consent of the Lessor first had and obtained, which consent shall not be unreasonably withheld. Provided, however, that nothing herein contained shall be construed to require the consent of the Lessor to such participation as the Lessee may elect to grant to any other party, or parties, presently, or from time to time hereafter, but such participation shall not affect the obligations of the Lessee to the Lessor hereunder.

XXIX

CONSTRUCTION:

It is expressly understood and agreed that the titles to the paragraphs of this lease shall not be deemed a part thereof, having been used for convenience only.

IN WITNESS WHEREOF, the parties hereto have caused their corporate names to be hereunto subscribed, and their corporate seals to be hereunto affixed and attested by their duly authorized officers, in duplicate counterparts, as of the day and year first above written which shall be the effective date of this lease upon ratification by the shareholders.

GOLD HUNTER MINING COMPANY

(SEAL)
ATTEST:

By WRAY D. FARMIN
Vice President

R. W. ANNO
Secretary

LESSOR

DAY MINES, INC.

(SEAL)
ATTEST:

By WRAY D. FARMIN
Vice President

S. F. HEITFELD
Secretary

LESSEE

OFFICIAL FILE COPY		
D M E A		
RECEIVED JUN 9 1958		
DATE	INITIALS	CODE

STATE OF IDAHO)
) ss.
 County of Shoshone)

On this 25th day of April, 1958, before me, the undersigned, a Notary Public in and for the State of Idaho, personally appeared WRAY D. FARMIN, personally known to me to be the Vice President of the GOLD HUNTER MINING COMPANY, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my notarial seal at my office in Wallace, Idaho, the day and year in this certificate first above written.

KATHRYN A. EICHWALD
 Notary Public in and for the State of Idaho, residing at Wallace.

(SEAL)

STATE OF IDAHO)
) ss.
 County of Shoshone)

On this 25th day of April, 1958, before me, the undersigned, a Notary Public in and for the State of Idaho, personally appeared WRAY D. FARMIN, personally known to me to be the Vice President of DAY MINES, INC., and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my notarial seal at my office in Wallace, Idaho, the day and year in this certificate first above written.

KATHRYN A. EICHWALD
 Notary Public in and for the State of Idaho, residing at Wallace.

(SEAL)

NON-PRIVILEGED DOCUMENT
TO BE PHOTOCOPIED AND PRODUCED
DO NOT CODE

BATES NO. _____

0448

NAME OR TITLE OF PERSON, DEPARTMENT, ADDRESS, AND ROOM

NAME OR TITLE OF PERSON, DEPARTMENT, ADDRESS, AND ROOM

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Send surplus envelopes to supply room for reissue.

Use other side

Use RUN and STOP only when messenger service between Government buildings in Washington is required. Your mail room has RUN and STOP information.

DAY MINES, INC.

WALLACE, IDAHO

September 3, 1958

HENRY L. DAY
PRESIDENT

P.

OFFICIAL FREE COPY DMEA		
RECEIVED SEP 2 1958		
DATE	INITIALS	AMOUNT
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	Yris	500
		225

Mr. C. O. Mittendorf, Administrator,
Defense Minerals Exploration Administration,
Department of the Interior,
Washington 25, D. C.

Re: Docket No. DMEA-5050.

Dear Mr. Mittendorf:

The above docket number refers to an exploration project made June 2, 1958, to open up the Pilot Vein at depth, involving a total expenditure of \$575,206.73. Sometime ago you advised us that this application was not submitted in time to qualify for consideration under the DMEA project which was terminating June 30, 1958, and suggesting that it be laid aside until such time as Congress might approve new pertinent legislation.

I am now informed that one portion of the Administration's long-range minerals program recently became effective when the President signed S. 3817. While I do not have available the exact terms of the new Act, yet I believe government participation in any one contract is limited to \$250,000 and that there are several other material changes from the old DMEA program.

At the earliest possible moment we would like to reform or rephrase the application of June 2, 1958, if such changes are desirable or necessary to qualify for the new program to be administered by a new Office of Minerals Exploration.

My personal belief in the merits of this project is concurred in by several economic geologists thoroughly familiar with the factors making substantial exploration expenditures worth taking in the Coeur d' Alene Mining District.

Yours very truly,

HLD:KAE
Air Mail



OFFICIAL FILE COPY

D M E A

RECEIVED AUG 5 1958

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

WASHINGTON 25, D. C.

DATE	INITIALS	CODE
8/5	W. R.	225
	W. R.	500

Memorandum

To: W. R. Griswold, DMEA

From: O. M. Bishop, USBM

Subject: Review of application dated June 2 and received Washington June 9, 1958

August 4, 1958

Re: DMEA 5050; Lead-Copper-Zinc
\$575,000
Day Mines, Inc.
Pilot Project #1
Shoshone County, Idaho

Day Mines requests DMEA assistance to explore the Pilot vein by crosscut from the Gold Hunter shaft on the 1200-level. Specifically the proposal provides for one \$17,200 preliminary surface core drill hole with deflections to test the vein at about 1,000 feet below the surface and about 700 feet below the existing Lower Adit on the Pilot vein; rehabilitation and preparation of Gold Hunter mine at cost of about \$37,000; and a 5300-foot crosscut from the 1200-level of the Gold Hunter mine to intersect the Pilot vein almost 2,200 feet below the existing Pilot Lower Adit and about 1,200 to 1,300 feet below the drill intersections. The crosscut with 1,500 feet of drifting and 3,000 feet of drilling is estimated to cost about \$520,000.

The position of the Pilot vein on a favored ore trend, the known mineralization encountered in the two adits driven along the strike of the vein, and the favorable qualities of the St. Regis and Revett members of the Belt series for mineralization are offered in justification of the project.

In reviewing the proposal there appear to be several negative features that should also be considered:

(1) All known controls indicate optimum conditions for ore deposition were present in the vein cut in the upper and lower adits, yet no ore is now present nor has been mined from the vein. This suggests that some additional compelling evidence is necessary to warrant the more than a half million dollar project for exploration at depth.

(2) The proposed project is based on structural projections that seem unwarranted by the complexity of the area. The projection of a 3- to 4-inch structure 2,200 feet down dip is extremely hazardous for the structure more than likely dies out, is deflected, is unrecognizable or unmineralized at depth.

More specific geologic data are needed to judge the value of the projections so that the degree of risk will bear a realistic relationship to the expense of the project.

With this thought in mind H. M. Callaway and I are in agreement that Stage 1 (Operators item 4a (Phase I)) be tripled to permit 9 intersections and that all other work be contingent upon development of further favorable factors and the joint approval of DMEA and the operator.

O. M. Bishop
O. M. Bishop

cc: Division of Minerals
Mr. Killsgaard
Mr. Lamb
Mr. Callaway
F I L E S



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

August 1, 1958

Re: DMEA 5050

Day Mines, Inc.

Pilot Project #1

Shoshone County, Idaho

Appl. Est. \$575,206.73

Rec'd Est. \$573,440.00

Lead-Zinc-Copper

Memorandum

To: W. R. Griswold, Defense Minerals Exploration Administration

From: N. E. Nelson, U. S. Geological Survey

Subject: Review of application and field team report

The applicant requests assistance in exploring the Pilot vein by diamond drilling, crosscutting and drifting. The crosscutting and drifting would be done 2,500 feet on dip below the outcrop and 2,100 feet below the lowest workings in the vein.

The Pilot vein as known from some 1,200 feet of exploratory work done for the most part by the Hecla Mining Company is a weak filled fissure and/or replacement type vein in, as now correlated, the upper St. Regis quartzite and argillite of the Belt Series. Two short ore shoots, 3-4 inches in width were found in the lower adit which follows the vein structure for about 1,000 feet, 400 feet below the outcrop.

The vein resembles many others in the general area on which much work has been and is being done, in several cases with DMEA assistance. Justification of the proposed deep work appears to rest on the assumption that the vein may extend to and be ore bearing at the elevation of the new work. The assumption stems from the favorable results attending successively deeper work in the Lucky Friday vein in the more or less immediate area (two miles to the south) and several discoveries of blind veins in the 'dry ore' belt 10 to 15 miles to the west.

As taken, the Pilot vein is in a 1,000-foot northwest-southwest trending belt within which at one end are several large old-time mines, including the Tamarack, Standard Mammoth, Tiger

8/5 J.L.G. 225-
W.R.G. 500

Poorman and the Hecla. The nearest mine on the northwest is the relatively small East Hecla, 2 miles distant and the Snowstorm mine (copper) is 2 miles to the south of east. Upwards of a dozen mapped prospect adits, including the Pilot, are in the 4-mile unproductive part of the belt. Except that they are at the ends of a postulated belt, the mines and prospects have little in common. As a matter of fact, with two or three possible exceptions, there are no lead-zinc mines of consequence east of the steep O'Neill Gulch reverse fault. Possible exceptions are the Gold Hunter and Lucky Friday mines which, as noted later, may be west of a possible equivalent of the O'Neill fault. The O'Neill fault as mapped by Calkins has a large displacement but from Calkins' map it ends at the Sawmill Gulch fault and its extension southeastward has not been identified. By judicious bending it can be made (on paper) to "hook up" with any one of several faults shown on Hecla and Day mines maps and sections. If a branch of the Paymaster, a reverse fault with large vertical throw, is present it would tend to explain some of the open ends of the Calkins' map. The Copper Plate fault shown on the Day Mines Exhibit "H", if long enough, would come close to filling the requirements. The Hecla geologic map of the Pottsville Quadrangle probably shows the Copper Plate fault but it is not named. As such a fault would traverse only Wallace rocks in its assumed southeasterly extension, it might not be readily recognized.

At least 2 copper mines, the National and Snowstorm, are east of the O'Neill fault. The National was explored under DMA 106 without success and the assumed down-faulted part of the Snowstorm vein is a target of a long crosscut and drilling under DMEA 3406, the Silver Mountain project.

As noted above, the Pilot vein structure has been explored for about 1,000 feet. It occurs in rocks of the St. Regis formation in the westerly limb of a long arc-like syncline. The syncline is the major structural feature of the O'Neill overthrust block. Rocks of the Wallace formation occupy the central part of the syncline which plunges from north to south and southeast and is cut off by the Osborn fault. Subordinate folds and faulting complicate the major structure.

The Day Mines employs the Standard-Lucky-Boy and Imperial reverse faults to 'lift' the favorably regarded rocks of the Revett formation above the elevation of the proposed crosscut. Exhibit E, Vertical Section of proposed Pilot crosscut. The Standard-Lucky-Boy fault of Day Mines is probably the Deadman shear of Hecla and the Imperial fault of Day Mines, is probably the Sonora fault of Hecla.

The Day Mines section, the Hecla map, and Calkins' sections are not in agreement and it is difficult to judge the validity of the Day Mines section. There is a question as to whether the rocks of the Revett formation would be encountered in the proposed Pilot crosscut, as shown on the Day Mines section.

Inasmuch as the extensive work on the National project is in this area it might be well to follow the injunction of the Final Report (1953) on that project (DMA 106), "The so-called "National Project" was proposed by Day Mines, Inc., a mining company with years of experience in the Coeur d'Alene district with an established and competent geological department. It was recommended and endorsed by Shenon and Full, a reputable firm of consulting geologists, and was approved after careful review by Survey geologists who had spent several years studying the Coeur d'Alene district. It was recognized by all concerned that the project was boldly conceived exploration with no guarantee of success and therefore it is by no means surprising that the project failed to find a minable ore body. However, the fact that the project found almost nothing of interest except some weakly mineralized structures in the Copper King area indicates that despite a number of outstanding successes in deep exploration, there is much to be learned about Coeur d'Alene geology and about the criteria for selecting areas for exploration. It is hoped that work now being done in the district by the Geological Survey will contribute significantly to this end but this work is still some years from completion. Perhaps the most valid conclusion that can be made at this time is that structurally simple areas in the Coeur d'Alene district are not as favorable as the more structurally complicated ones. This was recognized by Hobbs in reviewing the application yet, as he pointed out, important ore bodies have been found in areas of relative structural simplicity.

Nothing has been found in the course of the project that would encourage any further work in this area with the possible exception of exploring at great depth -- 2,000 to 5,000 feet below the National 1000 level. This might be done by driving a long crosscut from the Gold Hunter workings. Such exploration will undoubtedly await discovery of deep ore in nearby properties."

The proposed Pilot crosscut is 1,800 feet below the National-Copper King work, and in that respect meets the above possible exception. Miles of expensive and outstandingly unrewarding work has been and is being done in the Wallace, St. Regis, and Revett rocks in the trough and flanks of the syncline. Evidently the criteria for selecting areas for exploration are not yet at hand.

I recommend that the application be denied.



N. E. Nelson

So. 157 Howard Street
Spokane 4, Washington

June 5, 1958

EXTRA COPY
D M E A

RECEIVED
CONF

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: New Application (Lead-Zinc-Copper)
Day Mines, Inc.
Pilot Project #1
Shoshone County, Idaho

Dear Mr. Selfridge:

Enclosed are the original and two copies of an application from Day Mines, Inc. for DMEA aid to explore the Pilot Group of claims in the Hunter Mining District, Shoshone County, Idaho.

The applicant proposes a three-phase program to explore the Pilot vein at depth involving diamond drilling from the surface, crosscutting from the Gold Hunter 1200 level, and drifting on the Pilot vein from the crosscut. The applicant estimates the total cost of the project will be \$575,206.73.

From data available in our files, we will prepare an evaluation of this application.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I

Enclosures

cc: USBM (2)
Sample

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D M E A
RECEIVED JUN 9 1958

DATA	CODE

PILOT PROJECT #1 - DAY MINES, INC.
DMEA DOCKET No. _____
June 2, 1958

DEFENSE MINERALS EXPLORATION ADMINISTRATION

APPLICATION FOR AID IN AN EXPLORATION PROJECT

PURSUANT TO DMEA ORDER I, UNDER THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED

NAME OF APPLICANT (Full legal name and mailing address as it should appear on contract if one is executed) DAY MINES, INC., P. O. Box 1010, Wallace, Idaho.	APPLICANT NOT TO USE THIS BLOCK Docket Number DMEA-5050
	Date Received 6-9-58
	Government Participation % Region I
	Division Code 500
	RECEIVED JUN 4 1958 U. S. G. S. SPOKANE, WASH.

BUSINESS ORGANIZATION (Check one) Individual <input type="checkbox"/> Corporation <input checked="" type="checkbox"/> Partnership <input type="checkbox"/> Other (Specify) <input type="checkbox"/>	LIST CORPORATE OFFICERS OR PARTNERS HERE, IF APPLICABLE		
	Name	Address	Title
State in which firm is organized Idaho	Henry L. Day	P. O. Box 1010, Wallace, Idaho,	President
	Wray D. Farmin	317 Paulsen Bldg., Spokane, Wn.,	Vice Pres.
	S. F. Heitfeld	P. O. Box 1010, Wallace, Idaho,	Secretary
Mineral(s) for which you wish to explore lead, zinc, copper	LOCATION OF PROPERTY		
Estimated Cost of Project \$575,206.73	Name Pilot -	County Shoshone	State Idaho
	Day Mines, Inc.		

GENERAL INSTRUCTIONS

Before filling out this application, please read DMEA Order-I, Revised, "Government Aid in Defense Exploration Projects." 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 1, existing mine workings and geology in item 2, and the proposed exploration project in item 4. 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 2(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 Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C., or with the nearest DMEA 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.

information set forth in this form and accompanying papers is correct and complete, to the best of his knowledge and belief.

June 2, 1958
 Dated

Henry L. Day
 BY (Signature)
 President

Title

PILOT PROJECT No. 1 - DAY MINES, INC.

1.

A. Pilot Group property.

- (a) That attached herewith marked Exhibit "A" is a copy of the Abot Mining Company - Day Mines, Inc. lease which sets forth the legal description of the property involved. That all of the property described in said lease is subject to Government lien for royalty payment.
- (b) This property is known as the "PILOT GROUP."
- (c) Attached hereto and marked Exhibit "A" is a copy of the lease which has been executed by Pilot Silver-Lead Mines, Inc., and Day Mines, Inc., and by reference thereto is made a part hereof as though fully set forth herein. Under this lease Day Mines, Inc., controls the property for a 60-year period, commencing May 1, 1958.
- (d) There are no liens, mortgages, or encumbrances against any of the property under lease to Day Mines, Inc.

1.

B. Althog Fraction property.

- (a) Althog Fraction unpatented lode mining claim is located in the Hunter Mining District, Shoshone County, Idaho, in Section 23, T. 48 North, Range 5 E.B.M., and recorded in Book 31 of Quartz Locations at page 303.
- (b) This property is known as the ALTHOG FRACTION.
- (c) Day Mines, Inc. is the sole owner of the foregoing property.
- (d) There are no liens, mortgages or other encumbrances against any of the property involved in this lease.

That adjacent in a southerly direction to the foregoing described property is the Gold Hunter property. This property is under lease to Day Mines, Inc.,

and will be used in connection with this project. That a copy of the Gold Hunter Mining Company - Day Mines, Inc. lease is attached hereto enumerated Exhibit "B" and by reference thereto made a part hereof as though fully set forth herein, which sets forth the terms and conditions under which Day Mines, Inc., is in control of the Gold Hunter property. That the Gold Hunter property heretofore mentioned is presently being used in connection with another Defense Minerals Exploration application which has been classified as "Docket No. DMEA-5003." That none of this property will be subject to lien for royalty payments.

That the foregoing property in this application and its general relationship is shown on a plat which has been attached hereto enumerated Exhibit "C" and by reference thereto made a part hereof as though fully set forth herein. This plat is on a scale of 500 inches to the foot and shows the general location of the property in relationship to the Lucky Friday Mine which is approximately 2 miles east of the Village of Mullan, Shoshone County, Idaho. The Pilot property has been colored in blue and the property of Day Mines, Inc. has been colored in green. The proposed crosscut from the Gold Hunter property heretofore mentioned into the property involved in this application has been colored in red.

2. Physical Description.

- (a) Two adits were driven (see map, Exhibits "C" and "D") on the Pilot vein, the lower being completed in 1930 by the Hecla Mining Company. A narrow but relatively high grade lead-silver vein in short shoots was disclosed. In 1943 and 1944 the Hecla Mining Company re-entered the lower adit and extended three diamond drill holes to further explore the most westerly shoot on the vein. These workings are at 4200 ft. above sea level, reached by a narrow dirt road which climbs steeply up Deadman Gulch, 1.7 miles north from U. S. Highway 10 and the 3,350 ft. elevation of the main valley.

The Gold Hunter mine, at the east edge of the town of Mullan, Shoshone County, Idaho, is the site from which the Pilot crosscut is to be driven. The main entry is the No. 6 Adit, which reaches the main shaft 4,200 feet north of the portal (see Exhibit "E") and is connected by the Brennan Raise to the No. 5 Adit, some 600 feet higher, thereby providing a ventilation and escapeway circuit. (Exhibit "F"). The main shaft is vertical, of three compartments timbered by 10 x 10- and 12 x 12-inch timber, the upper 700 feet of which was completely retimbered by Day Mines, Inc. in 1953-1956. The shaft is serviced by an old double-drum, 150 H. P. Union Iron Works hoist of about 400 feet per minute speed which can hoist about 1½ tons per skip from the 1200 level, (the bottom level of this shaft and the level where the contemplated crosscut is to be driven).

Unfortunately, the Main Shaft was sunk in the vein zone and subsequent stoping has narrowed the pillars to a point that leaves only a shell between the shaft and stopes on all sides, so that necessary re-modeling of the headroom, hoistroom and pockets calls for great care. (Exhibit "F").

Additional production facilities include trolley locomotive haulage through the main adit, an old concentrator, shops, change house, timber framing shed, fire protection system, waste dump, electric sub station, etc. Two old compressors are located near the concentrator but use of these is not desirable except for emergency service.

- (b) Day Mines, Inc. had no interest in the property when the Pilot work was done but now is leaseholder.

2. Physical Description (continued).

- (c) No ore has been produced from the Pilot property.
- (d) The property has no ore reserves. The vein exposed to date is too narrow to be commercial.
- (e) The Pilot vein is a filled fissure and/or replacement type of lead-zinc silver deposit of mesothermal type in the St. Regis quartzite and argillite rocks of the Belt Series sediments of Algonkian Age. A strong reverse-throw fault, the Standard-Lucky-Boy lies a few hundred feet to the south, elevating the south block so that the Revett quartzite probably will be traversed by the last 2,000 feet of crosscut from Gold Hunter 1200 level, see Exhibits "E" and "H." Ore minerals in the Pilot Vein are galena, sphalerite, tetrahedrite and chalcopyrite.
- (f) The Pilot vein is one of the deposits lying along the largest of the five recognized mineral belts of the district. The first lies just north of the Osburn fault, the second embraces the Gold Hunter, Morning, Star, etc., the third is the Pilot, Hecla, Tiger Poorman, Standard Mammoth, etc., shown in Exhibit "G." The several mineral belts are narrow, parallel strips of productive ground, separated by wide strips of wholly unproductive ground.

The Pilot vein has been developed along its strike for a distance of 1,000 feet in the lower adit and 200 feet in the upper adit. This work discloses two narrow ore-shoots in the lower adit along a strong shear striking N. 70° West, and dipping 70° South. Samples cut across the vein from these oreshoots are tabulated below:

<u>Location</u>	<u>Width</u>	<u>Oz. Ag.</u>	<u>% Pb.</u>	<u>% Zn.</u>
Oreshoot near portal	4"	2.8	5.6	
Oreshoot near portal	3"	5.0	2.0	
Oreshoot near face	3"	5.8	23.4	3.2

Since the Pilot vein occurs along a major mineral belt and contains notable silver and lead, it presents a desirable target for exploration at moderate depth where it may increase in size, as did the Lucky Friday mine two miles south of the Pilot.

3. Accessibility of Project.

- (a) DMEA representatives wishing to examine the property should call at Day Mines, Inc.'s main office at Wallace, Idaho, where Rollin Farmin, Assistant Manager, or Garth M. Crosby, Chief Geologist, will conduct them to the mine.
- (b) Shipping and supply points are the Gold Hunter spur on the Northern Pacific Railroad at the edge of the town of Mullan, Shoshone County, Idaho, and Wallace, Idaho, 8 miles west. Both points are on U. S. Highway 10, which also adjoins the Gold Hunter plant area. Residential areas are Mullan, Wallace and adjoining suburbs all within walking or easy driving range.

4. The Exploration Project.

- (a) (Phase I) Item 1. Diamond drill the Pilot vein from the surface to explore the vein at about 1,000 feet depth. (Exhibit "D"). The hole would be of "BX" size and would be drilled by wire-line coring technique until the vein is intersected. Two or more additional intersections would be obtained by backing up, wedging deflections and redrilling the vein with "AX" bits. The drill location would require construction of a short length of bulldozer trail from the Pilot road to the drill site.
- (a) (Phase II) The second phase of the project will be to prepare the Gold Hunter surface and underground mine plant to undertake a major exploratory crosscut from the Gold Hunter 1200 level (1,200 feet vertically below the No. 6 Adit, see Exhibits "E" and "H"). This phase would involve the following items:
 - Item 2. Move the No. 6 trolley locomotive's motor-generator set from its present remote location to an efficient location near the portal of the adit; repair the track and ditch in certain portions of the adit; re-arrange dry-house facilities for a larger crew than is presently employed.

4. The Exploration Project (continued).

Item 3. Excavate an underground compressor-transformer-ventilation fan-room near the Main Shaft 12 ft. x 8 ft. x 30 ft. or 2,880 cu. ft. of excavation.

Item 4. Raise shaft-head and trim the rope raise to permit elevating head sheaves for the main hoist about 10 feet vertically to give safer dumping clearance.

Item 5. Install skips, cages, skip dumps and new hoisting cables for the main shaft. (At present only sinking buckets and work decks are installed).

Item 6. Install a 4500 ft. electric power cable (No. 2 lead covered) in No. 6 and two portable compressors; move the underground transformers to a new room; install a main ventilation fan.

Item 7. Place new ladders and landings in the manway compartment of the main shaft from 600 level to 1200 level (the old vertical ladders are unsafe, having been immersed for years in acid water, and they lack landings).

Item 8. Excavate a 5,000 cu. ft. sump and pump room near the 1200 station and install settler, pumps, fan, pocket facilities, battery locomotive chargers, telephones shaft signal system, etc.

Item 9. Install ventilation duct (24 inch diameter) from the No. 6 adit fan room to 1200 level station. (It does not appear practicable to rehabilitate old raises from the adit level to the 1200 level, to enhance the natural ventilation which now is insufficient).

The third phase of the project is the exploration drive from the 1200 level shaft station at Gold Hunter to the Pilot vein zone, followed by exploration of the Pilot zone by drifting and by diamond or percussion drilled bore holes. Items 10 - 14 are involved.

Item 10. Crosscut (8 ft. x 8 ft. x 5,300 ft.) to Pilot vein at the Gold Hunter 1200 level.

4. The Exploration Project (continued).

Item 11. Drift (8 ft. x 8 ft. x 1500 ft. long) along the Pilot vein zone.

Item 12. Excavate for and install car-transfer sidings on crosscuts and drifts at 250 ft. intervals to permit switching cars, mucking machines and drill jumbos. 25 will be needed.

Item 13. Rock bolting and timbering for ground support as needed. This work is unpredictable in amount.

Item 14. Diamond and/or percussion drilling to explore the Pilot vein zone. The diamond drilling will be holes over 100 feet in depth; shorter holes will be drilled by the drift crews with 2" diameter tungsten carbide bits and sectional drill steel at about half the cost for diamond core drilling.

4. Access Road.

(b) A short access road (500 feet long) will be needed to reach the surface diamond drill location (Exhibit "D"). Its cost, \$200.00, is included in Item 1.

(c) If an exploration contract is executed work will start within 30 days.

Estimated time for the project is shown on the following schedule:

TIME TABLE, PILOT #1 PROJECT

<u>Item</u>	<u>Rates of Progress</u>	<u>Project Months</u>
1.	Surface drilling	0 - 3
2.	Plant re-arrangement and repair	0 - 3
3.	Excavate compressor room	1 - 2
4.	Raise head sheaves	2 - 3
5.	Skips, dumps, cables	4
6.	Install compressors, etc.	1 - 3
7.	New shaft ladderway	5
8.	Sump and 1200 Station facilities	5 - 6
9.	Ventilation duct to 1200	5 - 6
10.	1200 level Crosscut to Pilot 5, 300 feet) 2 shifts, 6 day week, average 10 feet) per day, 250 feet per month)	7 - 30
11.	Drifts on Pilot Vein 1, 500 feet, 250 feet per month	30 - 36
12.	Sidings	7 - 36
13.	Rockbolting or timbering	7 - 36
14.	Underground diamond drilling or percussion drilling	30 - 40
Total time required		40 Months

5. Experience:

Day Mines, Inc. and its predecessor companies have been under a single management for many decades, developing and producing from many mines in the Coeur d'Alene district since 1900. The present supervisory staff has had charge of many similar exploration projects by Day Mines, Inc. during the past ten years, including two DMEA projects, the National Copper (DMEA 106-X) and the Hercules (#2719).

6. Estimate of Costs.

Item 1. The surface diamond drilling will be let after bids from independent contractors. It is estimated to cost \$200.00 for road bulldozing plus an average of \$12.00 per foot for a 1,000 foot hole (\$12,000.00) plus

6. Estimate of Costs (continued).

\$5,000.00 for deflection drilling to get multiple intercepts of the vein. The total surface dozing and drilling \$17,200.00

The following to be 'maximum allowable' cost items:

Item 2. Move the trolley motor-generator from its present location in the old compressor house to a new location near the portal of the main No. 6 Adit. Repair the track and ditch in portions of the No. 6 Adit. Re-arrange dry house facilities for larger crew.
Estimated cost of above \$ 3,000.00

Item 3. Excavate an underground compressor-transformer-fan room in No. 6 Adit near the main shaft. 12 ft. x 8 ft. x 30 ft. = 2,880 cu. ft. at \$1.00 \$ 2,880.00

Item 4. Raise shaft head and trim rope raise to permit elevating head sheaves about 10 ft. to give skip dumping clearance.
Estimated cost \$10,000.00

Item 5. Install skip dumps, skips, cages, 2 new hoist cables (3,600 feet 1 1/8" cable at \$.81 per foot plus Crosby Clips at \$1.00 each)
Total cost \$ 8,000.00

Item 6. Install No. 2 lead covered power cable in No. 6 Adit and two 90B or 125M Ingersoll-Rand compressors, move transformers and install main ventilation blower (less cost of equipment). \$ 2,000.00

Item 7. Place new ladders and landings in shaft from 600 to 1250 level
Materials \$5.00/10 ft. ladders)
\$2.50/10 ft. landings) 75¢/ft.
Labor 1.00¢/ft.
650 feet at \$1.75/ft. \$ 1,137.50

Item 8. Excavate a sump and pumphouse at 1200 level station (\$5,000.00), install pocket facilities (\$1,000.00) and install pumps, ventilation fan and battery charger, signal panel and telephones, less cost of equipment (\$2,000.00).
Estimated cost of above \$ 8,000.00

6. Estimate of Costs (continued).

Item 9. Install ventilation duct from No. 6 Adit fan room to 1200 level station

\$5.05 per ft. + \$0.20 for hangers less 50% salvage,
\$2.73 per ft.
Labor, direct, 2 shaftmen place 75 ft.
per shift, \$1.00 per ft.
Indirect labor \$.50 per ft.
Total \$4.23 per ft.

1,350 ft. at \$4.23 per foot \$ 1,789.23

Item 10. Crosscut 8 ft. x 8 ft., 5,300 feet long.

5,300 feet at \$65.00 per foot \$ 344,500.00

Item 11. Drifts 8 ft. x 8 ft. x 1,500 feet on Pilot vein zone.

1,500 feet at \$65.00 per foot \$ 97,500.00

Item 12. Car transfer sidings on crosscut at 250 foot intervals,

5 ft. x 8 ft. x 10 ft. = 400 cu. ft. each at
2/3 cost of crosscut excavation;
\$65.00 x 2/3 = \$0.68/cu. ft.
64 cu. ft.

400 at \$.63/cu. ft. = \$272.00 each

25 needed: 25 x \$272.00 = \$ 6,800.00

Item 13. Rock bolting and timbering. Rockbolts to be allowed at \$4.00 each up to a local density of two per linear foot in crosscuts and to an average density of two per linear foot in the drifts. Timber where necessary at \$11.00 per linear foot.

Maximum cost \$ 54,400.00

Item 14. Diamond drilling on 1200 level to further explore the Pilot vein zone will be let to independent contractors after bids, 3,000 feet of AX core drilling, mostly short holes

Estimate of cost \$4.00 per ft. for contractor
 \$2.00 per ft. for DMI expense

3,000 feet at \$6.00 per foot \$ 18,000.00

or supplemental percussion drilling at \$2.00 per foot.

ESTIMATE OF COSTS

SUMMARY

Item 1.	Surface diamond drilling and road	\$ 17,200.00
2.	Trolley, ditch, track repair	3,000.00
3.	Compressor room	2,880.00
4.	Raise shaft head sheaves	10,000.00
5.	Skips, dumps, cages, cables	8,000.00
6.	Install compressors, fan, electric cable	2,000.00
7.	Shaft ladders and landings	1,137.50
8.	Sump and pumphoom, etc., 1200 level	8,000.00
9.	Ventilation duct #6 to 1200	1,789.23
10.	Crosscut	344,500.00
11.	Drifts	97,500.00
12.	Sidings	6,800.00
13.	Rock bolts and timber	54,400.00
14.	Diamond Drilling 1200 level	18,000.00
	Total	\$575,206.73

36,807

5212

PILOT PROJECT No. 1 - DAY MINES, INC.

Estimated cost of drifting and crosscutting on the Gold Hunter 1200 level. Two shifts per day; 6 days per week; average advance per day 10 feet.

1. LABOR.

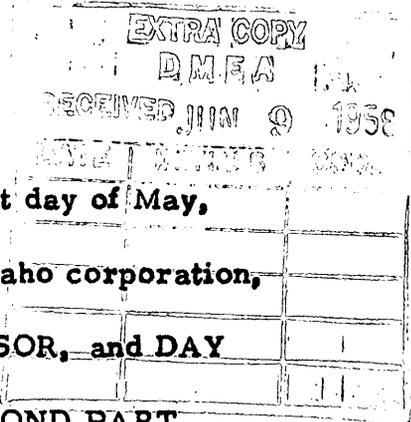
<u>Direct Labor</u>	<u>Crew</u>	<u>Day pay rate</u>	<u>Contract rate</u>	<u>Cost per ft.</u>
Heading crew	4	\$19.34 day shift \$19.94 nite	\$10.50 per ft.	\$12.06 <u>(115%)</u>
Direct Labor				\$ 12.06
<u>Indirect Labor</u>				
Haulage and Caging main adit and shaft	2	\$18.76 day shift x 108 1/3 for 6 days		\$ 2.03
Haulage 1200 level	2	\$17.26/17.76 6 days	" "	\$ 1.89
Hoistmen	2	\$20.36/20.66 6 days	" "	\$ 2.21
Mechanic-Electrician	1	\$20.26		<u>\$ 1.01</u>
Indirect Labor				\$ 7.14
<u>Supervision, Engineering and Clerical</u>				
1. Mine Foreman at \$650.00 per month				\$ 1.30
Pusher Pay	1	(\$21.34 for cager)		\$ 1.16
Engineer, Geologist, Assaying		(1/2 of Gold Hunter Project)		\$.40
Superintendent and Assistant Manager	"	" " " "		\$.43
Master Mechanic and Chief Electrician	"	" " " "		\$.18
Clerical				<u>\$.70</u>
Supervision, Engineering and Clerical				\$ 4.17
Non wage labor costs (18%)				\$ 23.37
Total Labor				<u>4.21</u> \$ 27.58

<u>II. SUPPLIES</u>	<u>Cost per ft.</u>
Powder 22½ lb. per ft. at 22¢/lb.	\$ 4.95
Detonators and blasting wire 42 det. at 25¢ plus 10% for wire	\$ 2.31
Bits, steel and drill repair (Rainbow-Sterling Crosscut, 1953)	\$ 8.50
Miscellaneous supplies and repair (50% Gold Hunter 3000 level estimate)	\$ 1.37
Equipment Rent (see schedule Appendix 6(d))	<u>\$ 11.61</u>
	\$ 28.74
<u>III MATERIALS</u>	
4" air pipe (\$1.50 less 50% salvage)	\$ 0.75
2" water pipe (\$.57 less 50% salvage)	\$ 0.29
20" ventilation duct \$4.35, hangers \$0.20, less 50% salvage	\$ 2.38
Track ties, spikes, etc., \$1.91 less \$.50 salvage	<u>\$ 1.41</u>
	\$ 4.83
<u>IV POWER</u>	
\$1,000 per month, 260 ft. advance	\$ 3.85
	<hr/>
Estimated total cost per foot	\$ 65.00

PILOT NO. 1 PROJECT - DAY MINES, INC.

Appendix 6 (d) Schedule of Operating Equipment and Proposed Use Allowance

	Approx. New Price	Total	Depreciation Life	Monthly Use Allowance	Months Needed	Total Proposed Rents	Month	Apportionment to Work Units	
								Preparation	Tunnelling
1. Hoist, installed 150 HP D. Drum value (used)	\$20,000.00	\$20,000.00	10 yrs.	\$ 167.00	40	\$ 6,680.00	6	\$ 1,002.00	\$ 5,678.00
Trolley Locomotive, 10 cars, tunnel and sur- face facilities value (used)	40,000.00	40,000.00	10 yrs.	333.00	40	13,320.00	8	1,998.00	11,322.00
1 Electrical substation	1,500.00	1,500.00	10 yrs.	12.00	40	480.00	6	72.00	408.00
2 I-R Compressors	10,500.00	21,000.00	5 yrs.	350.00	40	14,000.00	6	2,100.00	11,900.00
4 Pumps	1,200.00	4,800.00	5 yrs.	80.00	37	2,960.00	3	240.00	2,720.00
Ventilation fans	5,000.00	5,000.00	5 yrs.	83.00	36	2,988.00	2	166.00	2,822.00
2 Locomotives, Batteries and Charger	14,000.00	28,000.00	5 yrs.	444.00	36	15,984.00	2	888.00	15,096.00
20 Mine Cars	500.00	10,000.00	5 yrs.	167.00	30	5,010.00		.00	5,010.00
1 Jumbo	2,800.00	2,800.00	5 yrs.	46.50	36	1,674.00	2	93.00	1,581.00
1 Jumbo	2,800.00	2,800.00	5 yrs.	46.50	7	325.50		.00	325.50
4 Car Transfers	500.00	2,000.00	5 yrs.	33.00	29	957.00		.00	957.00
2 Drifter drills	1,250.00	2,500.00	3 yrs.	66.00	36	2,376.00	2	132.00	2,244.00
2 Drifter drills	1,250.00	2,500.00	3 yrs.	66.00	7	462.00		.00	462.00
1 Steper drill	900.00	900.00	3 yrs.	25.00	36	900.00	2	50.00	850.00
1 Eimco #21 Loader	5,500.00	5,500.00	5 yrs.	91.50	36	3,294.00	2	183.00	3,111.00
1 Eimco #21 Loader	5,500.00	5,500.00	5 yrs.	91.50	7	640.50		.00	640.50
H. U. Tuggers (I-R)	1,125.00	2,250.00	5 yrs.	37.50	40	1,500.00	6	225.00	1,275.00
1 Porter Air Hoist	2,000.00	2,000.00	5 yrs.	33.00	4	132.00		.00	132.00
1 DuPont Blasting Switch	100.00	100.00	5 yrs.	1.50	30	45.00		.00	45.00
1 Air driven Impact Wrench	750.00	750.00	5 yrs.	12.50	30	375.00		.00	375.00
4500' #2 Lead covered 5000 V. cable (50% salvage)	2.30	10,350.00				5,125.00		.00	5,125.00
1300' #2 lead covered 5000 V. armored cable (50% salvage)	2.50	3,250.00				1,625.00		.00	1,625.00
6000' #2 3-cond. Portable cord, (50% salvage)	1.75	10,500.00				5,250.00		.00	5,250.00
		\$ 184,000.00				\$ 86,103.00		\$ 7,149.00	\$ 78,954.00
							6,800 per ft.	=	\$ 11.61



THIS INDENTURE made and entered into this 1st day of May, 1958, by and between the ABCT MINING COMPANY, an Idaho corporation, PARTY OF THE FIRST PART, hereinafter called the LESSOR, and DAY MINES, INC., an Idaho corporation, PARTY OF THE SECOND PART, hereinafter called the LESSEE, WITNESSETH:

I

PREAMBLE:

Lessor is the owner of patented and unpatented lode mining claims situated in Hunter Mining District, Shoshone County, Idaho. Lessor is desirous of having exploration and development work performed on its property, and mining operations conducted thereon if such exploration and development work is successful. Lessor lacks the financial means to carry on such exploration and development work, and the operating and technical staff necessary to conduct mining operations if such work should prove successful. Lessee, either on its own behalf or in conjunction with associated interests, has the financial ability and operating and technical staff necessary to conduct such exploration, development and mining operations. Both parties desire that Lessee, either on its own behalf or with assistance from others, conduct exploration and development work on the property of Lessor in an effort to discover a commercial ore body and mine the same if discovered.

II

DESCRIPTION OF PROPERTY:

The Lessor for and in consideration of the covenants hereinafter contained does hereby lease, demise and let unto the Lessee all the following described property situated in Hunter Mining District, Shoshone County, State of Idaho, to-wit:

<u>PATENTED CLAIMS:</u>	<u>M. S. No.</u>	<u>Book</u>	<u>Page</u>
Pilot	3229	G	428
Olive No. 1	3229	G	428
Olive No. 2	3229	G	428
Olive No. 3	3229	G	428
Olive No. 4	3229	G	428
Engineer	3229	G	428
Purser	3229	G	428
Captain	3229	G	428
Permit No. 2	2857	63	589
Switzerland	1927	47	637

All in the records in the Office of the Recorder of Shoshone County, Idaho;

UNPATENTED CLAIMS: Original Notice of Location:

	<u>Book</u>	<u>Page</u>	<u>Date</u>
Joan	27	602	2/ 8/46
Almira (Alvira)	27	600	2/ 8/46
Akron	26	480	6/10/38
Dayton	26	482	6/10/38
Cleveland	26	481	6/10/38
Irene	27	614	2/15/46
	31	145	8/23/51
Beatrice	27	612	2/15/46
	31	142	8/23/51
Glen (Glenn)	27	613	9/12/45
	31	144	8/23/51
Antony (Anthony)	27	599	2/ 8/46
Dorothy (Dorothy)	27	601	2/ 8/46
Eisenhower Fraction	31	212	7/ 3/52
Betty	27	615	2/15/46
	31	143	8/23/51

All in the records in the Office of the Recorder of Shoshone County, Idaho.

III

TERM OF LEASE:

TO HAVE AND TO HOLD unto said Lessee for the term of thirty (30) years from the date hereof, and for a further term of thirty (30) years at the option of the Lessee as hereinafter provided, unless sooner terminated by forfeiture, cancellation or surrender within said term or extended term as hereinafter provided. It is expressly understood and agreed that in the event the Lessee shall elect to exercise its option hereunder to extend said term it shall give written notice to Lessor on or before the 1st day of January, 1988.

IV

POSSESSION AND CONTROL OF PROPERTY:

The Lessor hereby gives and grants to the Lessee the right immediately to enter upon and take over the sole and exclusive possession and control of the property heretofore described and the whole and every part thereof, and during the effective term of this lease the Lessee shall remain in the sole and exclusive possession and control thereof. The Lessee is also granted the right to investigate, measure, sample, examine, test, explore, develop, work, mine, operate, use, manage and control said property, to erect, construct, use and maintain such building, structures, machinery and equipment as may be required by the Lessee for the conduct of its mining and milling operations and to mine, extract and remove from said property the ores and minerals contained therein, and to treat, mill, ship, sell, or otherwise dispose of the same and receive the full proceeds therefrom, subject to the terms and conditions hereinafter set forth.

V

ENTRY, MANNER OF WORK, POSTING NOTICES, AND CONFORMITY WITH LAWS:

The Lessee agrees to cause all exploration, development and mining work hereunder to be done in a careful and miner-like manner, and to conform in all respects to the mining laws and regulations of the State of Idaho and of the United States of America, as more specifically outlined hereunder.

The Lessee shall post and keep posted written or printed notices in due form of law and in compliance with the requirements of the lien laws of the State of Idaho, showing that the property is being worked by the Lessee under lease only and that the Lessor will not be subject to any lien whatever, provided that the foregoing does not apply to any DMEA lien against said premises.

The Lessee shall observe and promptly comply with all local, county, state and federal laws, statutes, ordinances, rules, regulations,

orders and requirements and those of any departments and bureaus of the federal, state and local governments with reference to said property, buildings thereon, and any labor performed thereon, or to any operations thereunder; provided, however, that the Lessee shall have the right to contest the validity of any of the foregoing, taking all such steps as shall be reasonably required to protect the interests of the Lessor; and all expenses incurred or reserves established in complying therewith shall be capital expenditures to which the Lessee shall be entitled to reimbursement as hereinafter provided until the property is placed on a profitable operating basis and thereafter shall be charged to operations.

VI

WORK REQUIREMENTS:

The Lessee agrees to expend during the term of this lease or any extension thereof a minimum sum of ONE HUNDRED THOUSAND (\$100,000.00) DOLLARS in the exploration, development, maintenance or operation of the property of the Lessor.

The minimum annual expenditures required for this purpose shall be FIVE THOUSAND (\$5,000.00) DOLLARS. Excess expenditures in any one year may be applied against requirements of future years.

Work performed in or from adjoining properties, designed ultimately to explore the property of the Lessor, shall be applicable on the work requirements hereunder. However, if any ore body of commercial grade and quantity is discovered in such adjoining property as a result of such work, for the purpose of applying the capital reimbursement provisions of this lease the cost of such work shall be equitably apportioned between the parties hereto in proportion to the benefit derived by each from such work.

Geological work in, on, or about the area where the Lessor's claims are located, qualifies as expenditures under such work requirements.

The Lessee agrees to perform the annual assessment work upon the unpatented claims of the Lessor, if and when required. Any and all expenditures incurred in this connection shall likewise apply upon the work requirements herein.

When expenditures in the amount of ONE HUNDRED THOUSAND (\$100,000.00) DOLLARS, (after applying the excess expenditures of any one year to future work requirements), have been made, the Lessee shall have the right to hold the lease for its original and extended term so long as the Lessee is making a reasonable effort to discover ore bodies in the property of the Lessor.

The place and character of exploration and development work to be performed shall be at the sole discretion of the Lessee, and the amount expended shall be subject to the capital reimbursement provisions of this agreement.

The Lessee also agrees to commence work under this lease within six (6) months from the date of this instrument.

VII

TERMINATION BY LESSEE:

The Lessee reserves the right hereby expressly granted by the Lessor to terminate this lease and surrender the property to the Lessor during the term hereof or renewal thereof at any time when in the opinion of the Lessee the continuation of such work shall become economically unsound and impracticable, upon sixty (60) days' written notice to the Lessor of its intention to do so.

Upon such termination and surrender the Lessee shall be under no further obligation to the Lessor except for the making of expenditures or payments due at the date of termination. For this purpose the amount to be expended hereunder during the year in which termination occurs shall be on a pro rata basis to the termination date.

VIII

MINING OPERATIONS:

Upon completion of the exploration and development work required hereunder, unless this lease is sooner terminated as herein provided, and when profitable operations are conducted hereunder, the Lessee may continue with reasonable diligence the development of the property, placing thereon, or at other suitable location, within a reasonable time, all additional mining and milling facilities, including shafts, adits, crosscuts, raises, and other mine workings, equipment, buildings, etc., of the kind, type, character and quality deemed advisable in the Lessee's sole judgment, advancing all moneys required

for that purpose, including working capital, subject, however, to the right of the Lessee to be reimbursed therefore as hereinafter provided.

In the event the mine workings and facilities of the Lessor are used in carrying on profitable mining operations in the property of another owner, the capital expenditures made in the property of the Lessor which are subject to the reimbursement requirements herein, which benefit the profitable mining operations conducted in such other property or properties, shall be equitably apportioned between the parties deriving benefit from the use of such capital expenditures in proportion to the benefit derived by each. In the event the parties cannot agree upon the fair capital expenditure reimbursement apportionment, the matter shall be submitted to arbitration as herein provided. The apportionment of the reimbursement for capital expenditures under this paragraph shall not affect the Lessee's compliance with the work requirements of this lease.

In the event the mine workings and facilities of another property owner are used on conducting profitable mining operations in the property of the Lessor, the capital expenditures made in the property of such other owner which are subject to reimbursement under provisions similar to those in this lease, which benefit the profitable mining operations conducted in the property of the Lessor, shall be equitably apportioned between the parties deriving benefit from the use of such capital expenditures in proportion to the benefit derived by each. In the event the parties cannot agree upon the fair capital expenditure reimbursement apportionment, the matter shall be submitted to arbitration as herein provided.

In the event this lease is terminated as herein provided, and mining operations are being conducted by the Lessee in the property of another owner or owners, and the mine workings and facilities of the Lessor are being used to conduct such operations, the Lessor agrees that the Lessee shall have the joint use of such mine workings and facilities during the life of such operations by the Lessee in the property or properties of other owners, so long as such joint use does not unreasonably interfere with the operations of the Lessor.

IX

ADDITIONAL WORK:

Nothing herein shall be construed to prevent the Lessee, if it so desires, from advancing additional funds for the exploration and development of the property after the Lessee has expended the sum of ONE HUNDRED THOUSAND (\$100,000.00) DOLLARS for that purpose, either during the original term of this lease or the renewal thereof, subject to the right of reimbursement as hereinafter provided.

Nothing herein contained shall be construed to prevent the Lessee from conducting any and all such exploration, development or mining work on the property in addition to the minimum work requirements hereunder as may seem advisable to the Lessee in its sole judgment, advancing all moneys required in connection therewith, and subject to the right for reimbursement as hereinafter provided.

X

TREATMENT OF PRODUCT:

The Lessor and the Lessee shall each have the right to receive and market its own share of the ore won from the demised premises as provided in Paragraph XII of this instrument. In the event the Lessor does not instruct the Lessee to the contrary, the Lessee shall have the right as agent for Lessor to market the entire production. In the event the Lessor shall at a later time desire to market its share of said concentrates Lessor shall give the Lessee at least ninety (90) days written notice prior to the termination of any smelter contract previously entered into by the said Lessee. The Lessee shall have the right to enter into a smelter contract for the entire production for a maximum period of one year. In the event the Lessor shall market its share of the concentrates derived from said demised premises, it shall promptly deliver unto the Lessee a true copy of the settlement sheets. The Lessee shall then bill the Lessor for its proportionate share of the costs of the mining and milling of said ore and the said Lessor shall pay unto the Lessee within ten (10) days after its receipt of billing the full amount for which it shall have been billed. Adjustments shall be made quarterly between the Lessor and the Lessee in

order to equalize the amount of concentrates based upon weights and grade which shall during the preceding quarterly period have been marketed so that the Lessor and Lessee each shall receive its proportionate share of the metallic content contained in the ore mined.

XI

DMEA PARTICIPATION:

It is understood and agreed by and between the parties hereto, that the Lessee shall have the right to apply its Defense Minerals Exploration loan for the exploration and development of the mining claims heretofore set forth. It is further understood and agreed between the parties hereto that any and all royalties which shall become payable to said DMEA for production from the claims heretofore set forth, or from adjoining claims, shall be considered and treated as a part of the joint operating expense; that the Lessor will execute any and all DMEA contracts or instruments necessary to carry out provisions of this paragraph.

XII

APPLICATION OF ORES WON:

Any and all ore which shall be discovered in the demised premises during the term of this instrument shall, in place, belong 25% to the Lessor and 75% to the Lessee, provided, however, that all ore in place which may be so discovered in the demised premises shall belong unto the Lessee until it has been fully reimbursed for its costs for exploration and development of said demised premises and there is a working capital in the sum of \$200,000.00; said costs for exploration and development shall include insurance, property taxes, mine license tax, administration expense, social security taxes, rental plan, DMEA royalties, and all other expenses included directly or indirectly in the proration of said demised premises. These expenses outlined are only illustrative and are not to be construed in limiting the costs or expenses deductible.

In the event the expenses diminish the working capital to a sum less than \$200,000.00, then the ore in place shall again belong to the Lessee until the working capital shall have been reestablished.

XIII

RELATIONSHIP OF PARTIES:

It is agreed that the Lessor and Lessee elect to be excluded from the application of sub-Chapter "K" of Chapter I of sub title A of the Internal Revenue Code of 1954, or as such part thereof that may be permitted or authorized by the Treasury of the United States. The Lessee, is hereby authorized to file the election to be excluded from said sub-chapter "K" of Chapter I of sub title A, attached to the partnership return and a copy of this lease, as more specifically is provided in regulation Section I. 761 (IV) promulgated under Section 761 of the Internal Revenue Code, 1954.

It is specifically understood and agreed by the parties hereto that in the event the underground or surface workings and/or facilities of the owner of another property are jointly used for the conduct of operations in the property of the Lessor, the cost of using such workings and facilities in such joint operations shall, if possible, be equitably apportioned between the parties jointly using the same. Wherever feasible such equitable apportionment shall be on a tonnage basis.

XIV

ADDITIONAL ADVANCES: REPLACEMENT:

If at any time during the period of this lease, capital expenditures, in addition to those made before the property shall be placed on an operating basis shall be required in the Lessee's sole judgment for the benefit of the operations conducted hereunder, substitution or replacement of equipment, or machinery, or otherwise, or to continue operation when working capital has been exhausted, the parties hereto agree that reimbursement shall be made for such expenditures.

XV

MAPS AND SURVEYS:

The Lessee shall at all times have sufficient surveys and maps made and kept subject to inspection by the Lessor so that the Lessor may be fully informed of the nature and character of the mine workings and operations performed hereunder. The Lessee shall furnish the Lessor with quarterly operating reports, with accompanying progress map or maps, and with copies of the logs of all diamond drill holes which have been drilled by the Lessee within the property.

XVI

STATEMENT OF ACCOUNT:

As soon as conveniently possible after the termination of each quarterly period of each calendar year, the Lessee will render to the Lessor a statement of account in reasonable detail, which quarterly statement shall be accompanied by a payment of the net amount to be accounted for hereunder, if any; and the Lessor shall have sixty (60) days from the date of mailing the said statements within which to examine the same and object thereto in writing if any error is found therein, it being understood and agreed that failing such objection within said period the statement shall be considered as correct.

XVII

RECORDS:

The Lessee agrees that it will keep and maintain at the property or its office correct and complete books of account and records showing truthfully and accurately and in all reasonable detail the amount of all metals, minerals or ores mined or recovered and/or milled on the property, the weight and assay value of all products shipped therefrom, the names and addresses of the parties to whom shipments of product are made, any and all returns received therefrom, the gross proceeds thereof, the cost of mining operations and capital expenditures and working capital advances from time to time; and to enable the Lessor to be currently informed and assured as to the correctness of the statements of account to be rendered by the Lessee from time to time as herein provided, its accredited representatives at all reasonable time shall have full and free access to the property and to the plants on the property handling the ores at the sole risk and expense of the Lessor and also the right to inspect and audit all such records and books of account kept by the Lessee relating to any matters in this agreement referred to and to inspect, check and if deemed advisable or desirable make copies of any extracts from all reports, records, memoranda, books of account, assay or sampling, smelting, milling or concentrating returns, or other documents, vouchers or memoranda in any way relating to or referring to the matters in this agreement; provided, however, that such inspection, audit, checking and/or copying shall not unreasonably interfere with the business requirements of the Lessee.

XVIII

ENCUMBRANCE:

The Lessor agrees that during the period of this lease or extension thereof it will not mortgage, sell or otherwise encumber or dispose of the property subject to this lease without giving the Lessee previous written notice of its intention to do so, and further, that any such encumbrance or disposition of the property or any part thereof shall be made expressly subject to the rights of the Lessee hereunder in such manner as may be approved by the Lessee with advice of counsel.

XIX

PAYMENT OF TAXES:

The Lessee shall pay, or if the Lessor shall have paid, the Lessee shall reimburse the Lessor for all property taxes upon said property falling due during the term of this lease and while the same is in force and effect prorated from and after the date hereof, and shall also pay, when due and before delinquent, all taxes levied or assessed against any and all personal property, machinery and equipment placed upon said property by the Lessee during the term of this lease. The Lessee shall be liable for and undertakes to pay all sales taxes and other taxes of every kind, character and description levied or imposed during the term of this lease upon the ores, minerals, concentrates or products of ores produced, sold or otherwise disposed of by the Lessee, and all taxes levied against the Lessee as an employer of labor, all such taxes to be promptly paid when due and before delinquent; and the Lessee shall be entitled to reimbursement for all taxes paid hereunder as provided herein until the property shall be placed on a profitable operating basis when the same shall be added in determining joint expenses as herein provided. However, nothing herein contained shall be construed as obligating the Lessee to pay any taxes payable by the Lessor and which shall be for the Lessor's sole account.

XX

INSURANCE:

The Lessee, at all times during the term of this lease, shall:

(1) Keep the leased property and all structures at any time thereon, or at any time being erected thereon, adequately insured against loss or damage by fire, and other risks against which insurance is usually carried by mining companies operating in the same vicinity, by a reputable insurance company or

companies in an amount equal to the insurable value thereof; any loss in respect of any property so insured to be made payable to the Lessor and Lessee, as their interests may appear, and any proceeds of insurance in excess of the amount necessary for the cost of repairs, restorations and replacements to the property shall be applied as provided in the provision herein governing the application of net profits, it being also agreed that if the proceeds of insurance shall be insufficient to provide the cost of repairs, restorations and replacements, the amount of the deficit shall be charged to operations or advanced by the Lessee if operations shall not have been commenced;

(2) Take out and pay the premiums upon general and public liability insurance policy or policies whereby the insurance company will agree to defend, indemnify and hold harmless the Lessor and/or Lessee against and from any and all claims for damage by reason of injuries to person or loss of life sustained from any cause whatsoever by anyone other than an employee in or about or in connection with the property or the property adjacent thereto; and,

(3) Carry Workmen's compensation and such other insurance as may be required by the laws and mining regulations of the State of Idaho.

Should the Lessee fail to effect or maintain insurance as provided in this agreement, the Lessor may, but shall not be required to, take out insurance or additional insurance; and for which the Lessor shall be entitled to receive reimbursement from the Lessee.

XXI

PROTECTION FROM LIENS AND DAMAGES:

The Lessee shall keep said property and the whole and every part thereof free and clear of liens for labor done or work performed upon such property or materials furnished to it for the development or operation thereof under this lease and while the same is in force and effect, and the Lessee will save and keep harmless the Lessor from all costs, loss or damage which may arise by reason of injury to any persons employed by the Lessee in or upon said property or any part thereof, or which may arise by reason of injury to any persons, live-stock or damage done to any other property as the result of any work or operations of the Lessee or of its possession and occupancy of the property.

XXII

ARBITRATION:

Any disputes arising under the application of this contract or the interpretation thereof upon which the parties cannot agree, shall be referred to arbitration. Each party shall select one arbitrator and the two thus chosen shall select a third arbitrator. If the two selected cannot agree upon the third arbitrator, such third arbitrator shall be selected by the American Arbitration Association under the rules of this latter organization. The decision rendered by the arbitrators in the event of a dispute shall be final and binding upon the parties to this agreement.

XXIII

FORCE MAJEURE:

If the Lessee shall be delayed at any time during the period of this lease in keeping or performing any agreement on its part to be kept or performed according to the terms and provisions hereof, except the payment of taxes, by any act or neglect of the Lessor, or by strikes, lockouts, fire, unusual delay in transportation, orders of the Government, or any duly constituted instrumentality thereof, unavoidable casualties, or any causes beyond the control of the Lessee, such delay shall not be deemed a breach of this lease or a default on the part of the Lessee constituting a cause for forfeiture and the Lessee agrees to use reasonable diligence to remove such causes of disability as may occur from time to time.

It is expressly understood and agreed that the Lessee will promptly notify the Lessor in writing of the commencement and termination of any such delays or suspensions of performance hereunder, and that the term of this lease shall be extended for a term equal to the period or periods thereof.

XXIV

FORFEITURE:

The failure of the Lessee to make or cause to be made any payment hereon provided for, or to keep or perform any agreement on its part to be kept and performed according to the terms and provisions of this lease shall, at the election of the Lessor, and upon giving notice thereof to the Lessee, constitute a forfeiture of this lease; provided, however, that in the event of a default on the part of the Lessee, and the election of the Lessor to terminate this lease on account thereof, the Lessor shall give the Lessee a written notice of its intention

to declare a forfeiture of this lease and to terminate the same on account thereof, specifying the particular default or defaults relied upon by it. The Lessee shall have ninety (90) days after the receipt of such notice in which to cure such default or defaults, and if such default or defaults are fully cured, there shall be no forfeiture of this lease with respect to such default or defaults. No waiver of and no failure or neglect on the part of the Lessor to give notice of a default or defaults shall effect any subsequent default or impair the Lessor's rights resulting therefrom.

XXV

SURRENDER OF PROPERTY:

Upon the termination of this lease either by limitation or as is otherwise provided herein, the Lessee shall evidence such termination by recordable document, surrender possession of the property and pay all bills or other obligations incurred by it in connection therewith and all payments due to the Lessor up to the date of such termination.

In the event that such termination shall occur before the property is placed upon a profitable operating basis but before the Lessee shall have been fully reimbursed for its expenditures hereunder, then any cash available in the working capital account shall be applied to so reimburse the Lessee, and the Lessee shall have the further right to remove from the property equipment, materials and supplies at a fair market value not exceeding the amount required for such reimbursement, subject, however, to the right of the Lessor to purchase any of such equipment, materials and supplies at the then fair market value.

If, however, the Lessee shall have been previously so fully reimbursed, or shall be so fully reimbursed through the application of working capital as hereinabove provided, then the amount of any remaining working capital shall be divided between the Lessor and Lessee in the same proportion that ore in place is shared hereunder, and for that purpose the equipment, materials and supplies remaining on the property shall be sold or otherwise disposed of on the basis of the best terms available.

Nothing herein contained shall be construed to permit the removal from the property of mine timbers, mine rail, ties and pipe lines in place or permanent surface structures on the property the title to which is hereby vested in the Lessor.

Upon termination of this lease either by limitation or otherwise the Lessee shall deliver up the property to the Lessor in good order and condition with all mine workings currently used by the Lessee in its mining operations in condition suitable for continued operations, to the end that the Lessor may operate the property if it so elects; provided, however, that unless the Lessor shall notify the Lessee that it intends to operate the property, the Lessee shall surrender the property only in such condition as good mining practice requires upon abandonment of operations.

XXVI

NOTICES:

Any notice provided for herein shall be sufficiently given if posted by registered mail addressed to the party entitled to receive the same as follows:

To: Abot Mining Company,
Day Building,
Wallace, Idaho.

To: Day Mines, Inc.,
Day Building,
Wallace, Idaho.

except as either party hereto shall otherwise instruct the other party by written notice to be appended to this lease.

XXVII

COSTS OF LITIGATION:

All costs of litigation, including counsel fees incurred by the Lessee, in and about the conduct of its operations hereunder shall be deemed a joint operating expense, and all such costs in defending the Lessee's right to proceed under this lease, unless the Lessee shall be in default hereunder, shall be for the Lessor's account and shall be deducted from that portion of the first settlement which the Lessor shall be hereafter entitled to receive hereunder; provided, however, that this paragraph shall not apply to any litigation brought by the Lessee against the Lessor under this agreement unless and until a final judgment shall have been rendered against the Lessor by a court of competent jurisdiction and the time to appeal therefrom has expired.

XXVIII

INUREMENT:

This lease and agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto, and the Lessee may assign

this lease only with the written consent of the Lessor first had and obtained, which consent shall not be unreasonably withheld. Provided, however that nothing herein contained shall be construed to require the consent of the Lessor to such participation as the Lessee may elect to grant to any other party, or parties, presently, or from time to time hereafter, but such participation shall not affect the obligations of the Lessee to the Lessor hereunder.

XXIX

CONSTRUCTION:

It is expressly understood and agreed that the titles to the paragraphs of this lease shall not be deemed a part thereof, having been used for convenience only.

IN WITNESS WHEREOF, the parties hereto have caused their corporate names to be hereunto subscribed, and their corporate seals to be hereunto affixed and attested by their duly authorized officers, in duplicate counterparts, as of the day and year first above written which shall be the effective date of this lease upon ratification by the shareholders.

ABOT MINING COMPANY

(SEAL)

By HENRY L. DAY
President

ATTEST:

R. W. ANNO
Secretary

LESSOR

DAY MINES, INC.

(SEAL)

By HENRY L. DAY
President

ATTEST:

S. F. HEITFELD
Secretary

EXTRA		
DATE		

STATE OF IDAHO)
) ss.
 County of Shoshone)

On this 1st day of May, 1958, before me, the undersigned, a Notary Public in and for the State of Idaho, personally appeared HENRY L. DAY, personally known to me to be the President of the ABOT MINING COMPANY, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my notarial seal at my office in Wallace, Idaho, the day and year in this certificate first above written.

(SEAL)

KATHRYN A. EICHWALD
 Notary Public in and for the State of Idaho, Residing at Wallace, Idaho.

STATE OF IDAHO)
) ss.
 County of Shoshone)

On this 1st day of May, 1958, before me, the undersigned, a Notary Public in and for the State of Idaho, personally appeared HENRY L. DAY, personally known to me to be the President of DAY MINES, INC., and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my notarial seal at my office in Wallace, Idaho, the day and year in the certificate first above written.

(SEAL)

KATHRYN A. EICHWALD
 Notary Public in and for the State of Idaho, Residing at Wallace, Idaho.

EXHIBIT "D"

THIS INDENTURE, Made and entered into this 25th day of April, 1958, by and between THE GOLD HUNTER MINING COMPANY, an Idaho corporation, PARTY OF THE FIRST PART, hereinafter called LESSOR, and DAY MINES, INC., an Idaho corporation, PARTY OF THE SECOND PART, hereinafter called LESSEE,

WITNESSETH:

I

PREAMBLE:

Lessor is the owner of patented and unpatented lode mining claims situated in Hunter Mining District, Shoshone County, Idaho. Lessor is desirous of having exploration and development work performed on its property, and mining operations conducted thereon if such exploration and development work is successful. Lessor lacks the financial means to carry on such exploration and development work, and the operating and technical staff necessary to conduct mining operations if such work should prove successful. Lessee, both on its own behalf and in conjunction with associated interests, has the financial ability and operating and technical staff necessary to conduct such exploration, development and mining operations. Both parties desire that Lessee, either on its own behalf or with assistance from others, conduct exploration and development work on the property of Lessor in an effort to discover a commercial ore body and mine the same if discovered.

II

DESCRIPTION OF PROPERTY:

The Lessor for and in consideration of the covenants hereinafter contained, does hereby lease, demise and let unto the Lessee all the following described property situated in Hunter Mining District, Shoshone County, State of Idaho, to-wit:

<u>NAME OF CLAIM</u>	<u>U. S. M. S. Number</u>
Gold Hunter	612
Yolande	719
Away Up	1245
Joe Dandy	1245
Jersey Minior	1459
Northern Light	1832
Spokane	1832
Jap	2563
Hennessy Fraction	2563
Ted	2563
Victor Fraction	2563
Ryan Millsite	MS 732
Thomas Brennan Millsite	MS 733
P. M. Hennessy Millsite	MS 734
P. T. Kavanagh Millsite	MS 735

ALSO the MOLLIE No. 3 unpatented lode mining claim, Notice of Location of which is recorded in Book 31 of Quartz Locations at page 78 thereof, in the Office of the Recorder of Shoshone County, Idaho;

ALSO an undivided one-quarter interest in and to all ores lying and being within the vertical boundaries of the ELM ORLU, ELM ORLU FRACTION, ELM ORLU No. 2 and ELM ORLU FRACTION No. 2 unpatented lode mining claims, Notices of Location of which are recorded in Book 27 of Quartz Locations at pages 651 to 654, inclusive, thereof, in the Office of the Recorder of Shoshone County, Idaho;

ALSO the surface rights to those premises commonly known as the Hunter Ranch particularly described as follows situate in said Section 35:

PARCEL No. 1

Beginning at the N $\frac{1}{4}$ Corner of Section 35, thence S. 0° 11' East 1,062.30 feet to intersection of line 6-7 Hunter Ranch; thence N. 89° 55' 30" West 347.32 feet to Corner No. 7 Hunter Ranch; thence N. 1° 55' East 819.94 feet to Corner No. 8 Hunter Ranch; thence N. 87° 51' 30" West 1,471.09 feet to Corner No. 9 Hunter Ranch; thence N. 3° 47' East 185.11 feet to intersection of North line Section 35; thence North 89° 55' 30" East 1,774.27 feet to place of beginning.

PARCEL No. 2

Beginning at Corner No. 1 from which the Northeast Corner of Section 34, T. 48 North, R. 5 E.B.M., bears N. 46° 44' West 533.93 feet; thence South 6° 00' West 697.10 feet to Corner No. 2; thence South 4° 31' East 717.21 feet to Corner No. 3 identical with Northwest corner, Mt. View Cemetery; thence South 76° 23' East 1,095.21 feet to Corner No. 4 identical with Northeast Corner of Mt. View Cemetery; thence South 89° 43' East 1,208.88 feet to intersection of East line of Northwest $\frac{1}{4}$ of Section 35, thence N. 0° 11' West 979.40 feet along East line of Northwest $\frac{1}{4}$ of Section 35 to intersection of line 6-7 Hunter Ranch; thence North 89° 53' 30" West 347.32 feet to Corner No. 7; thence North 1° 55' East 819.94 feet to Corner No. 8; thence North 87° 51' 30" West 1,471.09 feet to Corner No. 9; thence South 3° 47' West 317.12 feet to Corner No. 10; thence N. 73° 10' West 462.78 feet to place of beginning.

ALSO all that certain lot, piece or parcel of land 100 feet by 150 feet formerly containing a two story log building thereon commonly known as the "Hackett House" about one-half mile east of Mullan, Shoshone County, Idaho, and more particularly described in that certain deed executed by JOHN A. McDONELL and HENRIETTA McDONELL, his wife, to GOLD HUNTER MINING & SMELTING COMPANY, a corporation, dated December 23, 1901, and recorded January 4, 1902, in Book 20 of Deeds at page 232, in the Office of the Recorder of Shoshone County, Idaho;

ALSO all the surface rights to that certain tract of land near the Hunter Mill east of Mullan, Shoshone County, Idaho, commonly known as the CARNEY RANCH more particularly described in that certain deed executed by JAMES CARNEY to GOLD HUNTER MINING & SMELTING COMPANY, a corporation, dated November 1, 1919, and recorded November 5, 1919, in Book 54 of Deeds at page 67 in the Office of the Recorder of Shoshone County, Idaho;

ALSO that certain leasehold interest in premises demised for a term of 99 years by JAMES FEAR, FRED M. FRANKS, and JOHN HACKETT, Lessors, to DENNIS RYAN, Lessee, on September 15, 1888, and recorded September 18, 1888 in Book "A" of Leases at page 92, in the Office of the Recorder of Shoshone County, Idaho;

ALSO all that certain tract or parcel of land situated in the Northwest Quarter of said Section 36 more particularly described in that certain deed executed by JOHN JUTILA and ANNA JUTILA, his wife, to GOLD HUNTER MINING & SMELTING COMPANY, a corporation, on August 30, 1918, and recorded November 5, 1919, in Book 54 of Deeds at page 68 in the Office of the Recorder of Shoshone County, Idaho;

ALSO an undivided one-half interest in and to Damsite and right-of-way for flume in Northwest Quarter of said Section 36, and more particularly described in that certain deed executed by JOHN JUTILA and ANNA JUTILA, his wife, to GOLD HUNTER MINING & SMELTING COMPANY, a corporation, on July 26, 1913, and recorded November 29, 1916, in Book 50 of Deeds at page 581 in the Office of the Recorder of Shoshone County, Idaho;

ALSO that certain damsite to be used with that certain water right theretofore located, said damsite being situate in the forks of Willow Creek and is more fully described in that certain notice recorded by T. M. BRENNAN, Agent, on October 2, 1913, in Book "R" of Miscellaneous at page 89 in the Office of the Recorder of Shoshone County, Idaho;

ALSO an undivided one-half interest in and to that certain water right to water of the South Fork of the Coeur d' Alene River, Hunter Mining District, Shoshone County, Idaho, appropriated by T. J. Kavanagh, Locator, on September 5, 1888, and recorded on September 8, 1888 in Book "A" of Quartz Locations at page 303 in Hunter Mining District Records, Shoshone County, Idaho, and also recorded on September 15, 1888, in Book "H" of Miscellaneous at page 603 in the records of the Recorder of Shoshone County, Idaho;

Reference is hereby had and made to the foregoing Mineral Survey Numbers, Location Notices, and records of Shoshone County, Idaho, for a more definite and specific description of all of the property herein conveyed.

ALSO, the Lessor's interest of, in and to all buildings, equipment, improvements and fixtures owned and used by the Party of the First Part, situate, lying and being on any of the above described premises and in particular situate, lying and being on those premises commonly known as the Hunter Ranch.

III

TERM OF LEASE:

TO HAVE AND TO HOLD unto said Lessee for the term of thirty (30) years from the date hereof, and for a further term of thirty (30) years at the option of the Lessee as hereinafter provided, unless sooner terminated by forfeiture, cancellation or surrender within said term or extended term as hereinafter provided. It is expressly understood and agreed that in the event the Lessee shall elect to exercise its option hereunder to extend said term it shall give written notice to Lessor on or before the 1st day of January, 1988.

IV

POSSESSION AND CONTROL OF PROPERTY:

The Lessor hereby gives and grants to the Lessee the right immediately to enter upon and take over the sole and exclusive possession and control of the property heretofore described and the whole and every part thereof, and during the effective term of this lease the Lessee shall remain in the sole and exclusive possession and control thereof. The Lessee is also granted the right to investigate, measure, sample, examine, test, explore, develop, work, mine, operate, use, manage and control said property, to erect, construct, use and maintain such building, structures, machinery and equipment as may be required by the Lessee for the conduct of its mining and milling operations and to mine, extract and remove from said property the ores and minerals contained therein, and to treat, mill, ship, sell, or otherwise dispose of the same and receive the full proceeds therefrom, subject to the terms and conditions hereinafter set forth.

V

ENTRY, MANNER OF WORK, POSTING NOTICES, AND CONFORMITY WITH LAWS:

The Lessee agrees to cause all exploration, development and mining work hereunder to be done in a careful and miner-like manner, and to conform in all respects to the mining laws and regulations of the State of Idaho and of the United States of America, as more specifically outlined hereunder.

The Lessee shall post and keep posted written or printed notices in due form of law and in compliance with the requirements of the lien laws of the State of Idaho, showing that the property is being worked by the Lessee under lease only and that the Lessor will not be subject to any lien whatever, provided that the foregoing does not apply to any DMEA lien against said premises.

The Lessee shall observe and promptly comply with all local, county, state and federal laws, statutes, ordinances, rules, regulations, orders and requirements and those of any departments and bureaus of the federal, state and local governments with reference to said property, buildings thereon, and any labor performed thereon, or to any operations thereunder; provided, however, that the Lessee shall have the right to contest the validity of any of the foregoing, taking all such steps as shall be reasonably required to protect the interests of the Lessor; and all expenses incurred or reserves established in complying therewith shall be capital expenditures to which the Lessee shall be entitled to reimbursement as hereinafter provided until the property is placed on a profitable operating basis and thereafter shall be charged to operations.

VI

WORK REQUIREMENTS:

The Lessee agrees to expend during the term of this lease or any extension thereof a minimum sum of THREE HUNDRED THOUSAND

(\$300,000.00) DOLLARS in the exploration, development, maintenance or operation of the property of the Lessor.

The minimum annual expenditures required for this purpose shall be FIFTEEN THOUSAND (\$15,000.00) DOLLARS.

Excess expenditures in any one year may be applied against requirements of future years.

Work performed in or from adjoining properties, designed ultimately to explore the property of the Lessor, shall be applicable on the work requirements hereunder. However, if an ore body of commercial grade and quantity is discovered in such adjoining property as a result of such work, for the purpose of applying the capital reimbursement provisions of this lease the cost of such work shall be equitably apportioned between the parties hereto in proportion to the benefit derived by each from such work.

Geological work in, on, or about the area where the Lessor's claims are located, qualifies as expenditures under such work requirements.

The Lessee agrees to perform the annual assessment work upon the unpatented claims of the Lessor, if and when required, and to prepare the claims for patent as soon as practical. Any and all expenditures incurred in this connection shall likewise apply upon the work requirements herein, including the cost of securing patents on such claims.

When expenditures in the amount of THREE HUNDRED THOUSAND (\$300,000.00) DOLLARS, (after applying the excess expenditures of any one year to future work requirements), have been made, the Lessee shall have the right to hold the lease for its original and extended term so long as the Lessee is making a reasonable effort to discover ore bodies in the property of the Lessor.

For the purpose of defining "reasonable effort" to discover ore bodies, the Lessee shall not be obligated (1) to perform work deeper than 1,000 feet above approximate sea level, and (2) to expend more than TEN THOUSAND (\$10,000.00) DOLLARS in any one year for such purpose.

The place and character of exploration and development work to be performed shall be at the sole discretion of the Lessee, and the amount expended shall be subject to the capital reimbursement provisions of this agreement.

The Lessee also agrees to commence work under this lease within six (6) months after the date of this instrument.

VII

TERMINATION BY LESSEE:

The Lessee reserves the right hereby expressly granted by the Lessor to terminate this lease and surrender the property to the Lessor during the term hereof or renewal thereof at any time when in the opinion of the Lessee the continuation of such work shall become economically unsound and impracticable, upon sixty (60) days' written notice to the Lessor of its intention to do so.

Upon such termination and surrender the Lessee shall be under no further obligation to the Lessor except for the making of expenditures or payments due at the date of termination. For this purpose the amount to be expended hereunder during the year in which termination occurs shall be on a pro rata basis to the termination date.

VIII

MINING OPERATIONS:

Upon completion of the exploration and development work required hereunder, unless this lease is sooner terminated as herein provided, and when profitable operations are conducted hereunder, the Lessee may continue with reasonable diligence the development of the property, placing thereon, or at other suitable location, within a reasonable time, all additional mining and milling facilities, including shafts, adits, crosscuts, raises, and other mine workings, equipment, buildings, etc., of the kind, type, character and quality deemed advisable in the Lessee's sole judgment, advancing all moneys required for that purpose, including working capital, subject, however, to the right of the Lessee to be reimbursed therefore as hereinafter provided.

It is within the contemplation of the parties that the Lessee may enter into leases or working agreements with the owners of other properties in the vicinity of the property of the Lessor. The Lessor agrees that the Lessee shall have the right to use the mine workings and facilities of the Lessor to conduct exploration, development and mining operations in such other property or properties, so long as such operations do not unreasonably interfere with the operations of the Lessee in the property of the Lessor.

In the event the mine workings and facilities of the Lessor are used in carrying on profitable mining operations in the property of another owner, the capital expenditures made in the property of the Lessor which are subject to the reimbursement requirements herein, which benefit the profitable mining operations conducted in such other property or properties, shall be equitably apportioned between the parties deriving benefit from the use of such capital expenditures in proportion to the benefit derived by each. In the event the parties cannot agree upon the fair capital expenditure reimbursement apportionment, the matter shall be submitted to arbitration as herein provided. The apportionment of the reimbursement for capital expenditures under this paragraph shall not affect the Lessee's compliance with the work requirements of this lease.

In the event the mine workings and facilities of another property owner are used on conducting profitable mining operations in the property of the Lessor, the capital expenditures made in the property of such other owner which are subject to reimbursement under provisions similar to those in this lease, which benefit the profitable mining operations conducted in the property of the Lessor, shall be equitably apportioned between the parties deriving benefit from the use of such capital expenditures in proportion to the benefit derived by each. In the event the parties cannot agree upon the fair capital expenditure reimbursement apportionment, the matter shall be submitted to arbitration as herein provided.

In the event this lease is terminated as herein provided, and mining operations are being conducted by the Lessee in the property of another owner or owners, and the mine workings and facilities of the Lessor are being used to conduct such operations, the Lessor agrees that the Lessee shall have the joint use of such mine workings and facilities during the life of such operations by the Lessee in the property or properties of other owners, so long as such joint use does not unreasonably interfere with the operations of the Lessor.

IX

ADDITIONAL WORK:

Nothing herein shall be construed to prevent the Lessee, if it so desires, from advancing additional funds for the exploration and development of the property after the Lessee has expended the sum of THREE HUNDRED THOUSAND (\$300,000.00) DOLLARS, for that purpose, either during the original term of this lease or the renewal thereof, subject to the right of reimbursement as hereinafter provided.

Nothing herein contained shall be construed to prevent the Lessee from conducting any and all such exploration, development or mining work on the property in addition to the minimum work requirements hereunder as may seem advisable to the Lessee in its sole judgment, advancing all moneys required in connection therewith, and subject to the right for reimbursement as hereinafter provided.

X

TREATMENT OF PRODUCT:

The Lessor and the Lessee shall each have the right to receive and market its own share of the ore won from the demised premises as provided in Paragraph XII of this instrument. In the event the Lessor does not instruct the Lessee to the contrary, the Lessee shall have the right as agent for Lessor to market the entire production. In the event the Lessor shall at a later time desire to market its share of said concentrates

Lessor shall give the Lessee at least ninety (90) days written notice prior to the termination of any smelter contract previously entered into by the said Lessee. The Lessee shall have the right to enter into a smelter contract for the entire production for a maximum period of one year. In the event the Lessor shall market its share of the concentrates derived from said demised premises, it shall promptly deliver unto the Lessee a true copy of the settlement sheets. The Lessee shall then bill the Lessor for its proportionate share of the costs of the mining and milling of said ore and the said Lessor shall pay unto the Lessee within ten (10) days after its receipt of billing the full amount for which it shall have been billed. Adjustments shall be made quarterly between the Lessor and the Lessee in order to equalize the amount of concentrates based upon weights and grade which shall during the preceding quarterly period have been marketed so that the Lessor and Lessee each shall receive its proportionate share of the metallic content contained in the ore mined.

XI

DMEA PARTICIPATION:

It is understood and agreed by and between the parties hereto, that the Lessee shall have the right to apply its Defense Minerals Exploration loan for the exploration and development of the mining claims heretofore set forth. It is further understood and agreed between the parties hereto that any and all royalties which shall become payable to said DMEA for production from the claims heretofore set forth, or from adjoining claims, shall be considered and treated as a part of the joint operating expense; that the Lessor will execute any and all DMEA contracts or instruments necessary to carry out provisions of this paragraph.

XII

APPLICATION OF ORES WON:

Any and all ore which shall be discovered in the demised premises during the term of this instrument shall, in place, belong 25% to the Lessor

and 75% to the Lessee, provided, however, that all ore in place which may be so discovered in the demised premises shall belong unto the Lessee until it has been fully reimbursed for its costs for exploration and development of said demised premises and there is a working capital in the sum of \$200,000.00; said costs for exploration and development shall include insurance, property taxes, mine license tax, administration expenses, social security taxes, rental plan, DMEA royalties, and all other expenses included directly or indirectly in the proration of said demised premises. These expenses outlined are only illustrative and are not to be construed in limiting the costs or expenses deductible.

In the event the expenses diminish the working capital to a sum less than \$200,000.00, then the ore in place shall again belong to the Lessee until the working capital shall have been reestablished.

XIII

RELATIONSHIP OF PARTIES:

It is agreed that the Lessor and Lessee elect to be excluded from the application of sub-chapter "K" of Chapter I of sub title A of the Internal Revenue Code of 1954, or as such part thereof that may be permitted or authorized by the Treasury of the United States. The Lessee, is hereby authorized to file the election to be excluded from said sub-chapter "K" of Chapter I of sub title A, attached to the partnership return and a copy of this lease, as more specifically is provided in regulation Section 1.761 (IV) promulgated under Section 761 of the Internal Revenue Code, 1954.

It is specifically understood and agreed by the parties hereto that in the event the underground or surface workings and/or facilities of the owner of another property are jointly used for the conduct of operations in the property of the Lessor, the cost of using such workings and facilities in such joint operations shall, if possible, be equitably apportioned between the parties jointly using the same. Wherever feasible such equitable apportionment shall be on a tonnage basis.

XIV

ADDITIONAL ADVANCES: REPLACEMENTS:

If at any time during the period of this lease, capital expenditures, in addition to those made before the property shall be placed on an operating basis, shall be required in the Lessee's sole judgment for the benefit of the operations conducted hereunder, either for increased mill capacity, substitution or replacement of equipment, or machinery, or otherwise, or to continue operation when working capital has been exhausted, the parties hereto agree that reimbursement shall be made for such expenditures.

XV

MAPS AND SURVEYS:

The Lessee shall at all times have sufficient surveys and maps made and kept subject to inspection by the Lessor so that the Lessor may be fully informed of the nature and character of the mine workings and operations performed hereunder. The Lessee shall furnish the Lessor with quarterly operating reports, with accompanying progress map or maps, and with copies of the logs of all diamond drill holes which have been drilled by the Lessee within the property.

XVI

STATEMENT OF ACCOUNT:

As soon as conveniently possible after the termination of each quarterly period of each calendar year, the Lessee will render to the Lessor a statement of account in reasonable detail, which quarterly statement shall be accompanied by a payment of the net amount to be accounted for hereunder, if any; and the Lessor shall have sixty (60) days from the date of mailing the said statements within which to examine the same and object thereto in writing if any error is found therein, it being understood and agreed that failing such objection within said period the statement shall be considered as correct.

XVII

RECORDS:

The Lessee agrees that it will keep and maintain at the property or its office correct and complete books of account and records showing

truthfully and accurately and in all reasonable detail the amount of all metals, minerals or ores mined or recovered and/or milled on the property, the weight and assay value of all products shipped therefrom, the names and addresses of the parties to whom shipments of product are made, any and all returns received therefrom, the gross proceeds thereof, the cost of mining operations and capital expenditures and working capital advances from time to time; and to enable the Lessor to be currently informed and assured as to the correctness of the statements of account to be rendered by the Lessee from time to time as herein provided, its accredited representatives at all reasonable time shall have full and free access to the property and to the plants on the property handling the ores at the sole risk and expense of the Lessor and also the right to inspect and audit all such records and books of account kept by the Lessee relating to any matters in this agreement referred to and to inspect, check and if deemed advisable or desirable make copies of any extracts from all reports, records, memoranda, books of account, assay or sampling, smelting, milling or concentrating returns, or other documents, vouchers or memoranda in any way relating to or referring to the matters in this agreement; provided, however, that such inspection, audit, checking and/or copying shall not unreasonably interfere with the business requirements of the Lessee.

XVIII

ENCUMBRANCE:

The Lessor agrees that during the period of this lease or extension thereof it will not mortgage, sell or otherwise encumber or dispose of the property subject to this lease without giving the Lessee previous written notice of its intention to do so, and further, that any such encumbrance or disposition of the property or any part thereof shall be made expressly subject to the rights of the Lessee hereunder in such manner as may be approved by the Lessee with advice of counsel.

XIX

PAYMENT OF TAXES:

The Lessee shall pay, or if the Lessor shall have paid, the Lessee shall reimburse the Lessor for all property taxes upon said property falling due during the term of this lease and while the same is in force and effect prorated from and after the date hereof, and shall also pay, when due and before delinquent, all taxes levied or assessed against any and all personal property, machinery and equipment placed upon said property by the Lessee during the term of this lease. The Lessee shall be liable for and undertakes to pay all sales taxes and other taxes of every kind, character and description levied or imposed during the term of this lease upon the ores, minerals, concentrates or products of ores produced, sold or otherwise disposed of by the Lessee, and all taxes levied against the Lessee as an employer of labor, all such taxes to be promptly paid when due and before delinquent; and the Lessee shall be entitled to reimbursement for all taxes paid hereunder as provided herein until the property shall be placed on a profitable operating basis when the same shall be added in determining joint expenses as herein provided. However, nothing herein contained shall be construed as obligating the Lessee to pay any taxes payable by the Lessor and which shall be for the Lessor's sole account.

XX

INSURANCE:

The Lessee, at all times during the term of this lease, shall:

- (1) Keep the leased property and all structures at any time thereon, or at any time being erected thereon, adequately insured against loss or damage by fire, and other risks against which insurance is usually carried by mining companies operating in the same vicinity, by a reputable insurance company or companies in an amount equal to the insurable value thereof; any loss in respect of any property so insured to be made payable to the Lessor and Lessee, as their interests may appear, and any proceeds of insurance in excess of the amount necessary for the cost of repairs,

restorations and replacements to the property shall be applied as provided in the provision herein governing the application of net profits, it being also agreed that if the proceeds of insurance shall be insufficient to provide the cost of repairs, restorations and replacements, the amount of the deficit shall be charged to operations or advanced by the Lessee if operations shall not have been commenced;

(2) Take out and pay the premiums upon general and public liability insurance policy or policies whereby the insurance company will agree to defend, indemnify and hold harmless the Lessor and/or Lessee against and from any and all claims for damage by reason of injuries to person or loss of life sustained from any cause whatsoever by anyone other than an employee in or about or in connection with the property or the property adjacent thereto; and,

(3) Carry Workmen's compensation and such other insurance as may be required by the laws and mining regulations of the State of Idaho.

Should the Lessee fail to effect or maintain insurance as provided in this agreement, the Lessor may, but shall not be required to, take out insurance or additional insurance; and for which the Lessor shall be entitled to receive reimbursement from the Lessee.

XXII

PROTECTION FROM LIENS AND DAMAGES:

The Lessee shall keep said property and the whole and every part thereof free and clear of liens for labor done or work performed upon such property or materials furnished to it for the development or operation thereof under this lease and while the same is in force and effect, and the Lessee will save and keep harmless the Lessor from all costs, loss or damage which may arise by reason of injury to any persons employed by the Lessee in or upon said property or any part thereof, or which may arise by reason of injury to any persons, livestock or damage done to any other property as the result of any work or operations of the Lessee or of its possession and occupancy of the property.

XXII

ARBITRATION:

Any disputes arising under the application of this contract or the interpretation thereof upon which the parties cannot agree, shall be referred to arbitration. Each party shall select one arbitrator and the two thus chosen shall select a third arbitrator. If the two selected cannot agree upon the third arbitrator, such third arbitrator shall be selected by the American Arbitration Association under the rules of this latter organization. The decision rendered by the arbitrators in the event of a dispute shall be final and binding upon the parties to this agreement.

XXIII

FORCE MAJEURE:

If the Lessee shall be delayed at any time during the period of this lease in keeping or performing any agreement on its part to be kept or performed according to the terms and provisions hereof, except the payment of taxes, by any act or neglect of the Lessor, or by strikes, lockouts, fire, unusual delay in transportation, orders of the Government, or any duly constituted instrumentality thereof, unavoidable casualties, or any causes beyond the control of the Lessee, such delay shall not be deemed a breach of this lease or a default on the part of the Lessee constituting a cause for forfeiture and the Lessee agrees to use reasonable diligence to remove such causes of disability as may occur from time to time. The Lessee shall not be required to mine, mill, or otherwise dispose of the products from said property during periods of financial crises or when the metals produced are saleable only at abnormally low prices.

It is expressly understood and agreed that the Lessee will promptly notify the Lessor in writing of the commencement and termination of any such delays or suspensions of performance hereunder, and that the term of this lease shall be extended for a term equal to the period or periods thereof.

XXIV

FORFEITURE:

The failure of the Lessee to make or cause to be made any payment herein provided for, or to keep or perform any agreement on its part to be kept and performed according to the terms and provisions of this lease shall, at the election of the Lessor, and upon giving notice thereof to the Lessee, constitute a forfeiture of this lease; provided, however, that in the event of a default on the part of the Lessee, and the election of the Lessor to terminate this lease on account thereof, the Lessor shall give the Lessee a written notice of its intention to declare a forfeiture of this lease and to terminate the same on account thereof, specifying the particular default or defaults relied upon by it. The Lessee shall have ninety (90) days after the receipt of such notice in which to cure such default or defaults, and if such default or defaults are fully cured, there shall be no forfeiture of this lease with respect to such default or defaults. No waiver of and no failure or neglect on the part of the Lessor to give notice of a default or defaults shall effect any subsequent default or impair the Lessor's rights resulting therefrom.

XXV

SURRENDER OF PROPERTY:

Upon the termination of this lease either by limitation or as is otherwise provided herein, the Lessee shall evidence such termination by recordable document, surrender possession of the property and pay all bills or other obligations incurred by it in connection therewith and all payments due to the Lessor up to the date of such termination.

In the event that such termination shall occur before the property is placed upon a profitable operating basis but before the Lessee shall have been fully reimbursed for its expenditures hereunder, then any cash available in the working capital account shall be applied to so reimburse the Lessee, and the Lessee shall have the further right to remove from the property equipment, materials and supplies at a fair

market value not exceeding the amount required for such reimbursement, subject, however, to the right of the Lessor to purchase any of such equipment, materials and supplies at the then fair market value.

If, however, the Lessee shall have been previously so fully reimbursed, or shall be so fully reimbursed through the application of working capital as hereinabove provided, then the amount of any remaining working capital shall be divided between the Lessor and Lessee in the same proportion that ore in place is shared hereunder, and for that purpose the equipment, materials and supplies remaining on the property shall be sold or otherwise disposed of on the basis of the best terms available.

Nothing herein contained shall be construed to permit the removal from the property of mine timbers, mine rail, ties and pipe lines in place or permanent surface structures on the property the title to which is hereby vested in the Lessor.

Upon termination of this lease either by limitation or otherwise the Lessee shall deliver up the property to the Lessor in good order and condition with all mine workings currently used by the Lessee in its mining operations in condition suitable for continued operations, to the end that the Lessor may operate the property if it so elects; provided, however, that unless the Lessor shall notify the Lessee that it intends to operate the property, the Lessee shall surrender the property only in such condition as good mining practice requires upon abandonment of operations.

XXVI

NOTICES:

Any notice provided for herein shall be sufficiently given if posted by registered mail addressed to the party entitled to receive the same as follows:

To: Gold Hunter Mining Company
Day Building
Wallace, Idaho

To: Day Mines, Inc.
Day Building
Wallace, Idaho

except as either party hereto shall otherwise instruct the other party by written notice to be appended to this lease.

XXVII

COSTS OF LITIGATION:

All costs of litigation, including counsel fees incurred by the Lessee, in and about the conduct of its operations hereunder shall be deemed a joint operating expense, and all such costs in defending the Lessee's right to proceed under this lease, unless the Lessee shall be in default hereunder, shall be for the Lessor's account and shall be deducted from that portion of the first settlement which the Lessor shall be hereafter entitled to receive hereunder; provided, however, that this paragraph shall not apply to any litigation brought by the Lessee against the Lessor under this agreement unless and until a final judgment shall have been rendered against the Lessor by a court of competent jurisdiction and the time to appeal therefrom has expired.

XXVIII

INUREMENT:

This lease and agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto, and the Lessee may assign this lease only with the written consent of the Lessor first had and obtained, which consent shall not be unreasonably withheld. Provided, however, that nothing herein contained shall be construed to require the consent of the Lessor to such participation as the Lessee may elect to grant to any other party, or parties, presently, or from time to time hereafter, but such participation shall not affect the obligations of the Lessee to the Lessor hereunder.

CONSTRUCTION:

It is expressly understood and agreed that the titles to the paragraphs of this lease shall not be deemed a part thereof, having been used for convenience only.

IN WITNESS WHEREOF, the parties hereto have caused their corporate names to be hereunto subscribed, and their corporate seals to be hereunto affixed and attested by their duly authorized officers, in duplicate counterparts, as of the day and year first above written which shall be the effective date of this lease upon ratification by the shareholders.

GOLD HUNTER MINING COMPANY

(SEAL)
ATTEST:

By WRAY D. FARMIN
Vice President

R. W. ANNO
Secretary

LESSOR

DAY MINES, INC.

(SEAL)
ATTEST:

By WRAY D. FARMIN
Vice President

G. F. WHITEFIELD
Secretary

LESSEE

EXTRA COPY
D M E A
RECEIVED JUN 9 1951
DAY MINES CO. COE

STATE OF IDAHO)
) ss.
County of Shoshone)

On this 25th day of April, 1958, before me, the undersigned, a Notary Public in and for the State of Idaho, personally appeared WRAY D. FARMIN, personally known to me to be the Vice President of the GOLD HUNTER MINING COMPANY, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my notarial seal at my office in Wallace, Idaho, the day and year in this certificate first above written.

KATHRYN A. EICHWALD
Notary Public in and for the State of
Idaho, residing at Wallace.

(SEAL)

STATE OF IDAHO)
) ss.
County of Shoshone)

On this 25th day of April, 1958, before me, the undersigned, a Notary Public in and for the State of Idaho, personally appeared WRAY D. FARMIN, personally known to me to be the Vice President of DAY MINES, INC., and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my notarial seal at my office in Wallace, Idaho, the day and year in this certificate first above written.

KATHRYN A. EICHWALD
Notary Public in and for the State of
Idaho, residing at Wallace.

(SEAL)

GEOLOGICAL MAP
 PROPOSED PILOT CROSSCUT
 FROM
 GOLD HUNTER MINE
 1200 LEVEL
 DAY MINES, INC.
 1" = 500'
 MAY, 1958 G.M. CROSBY

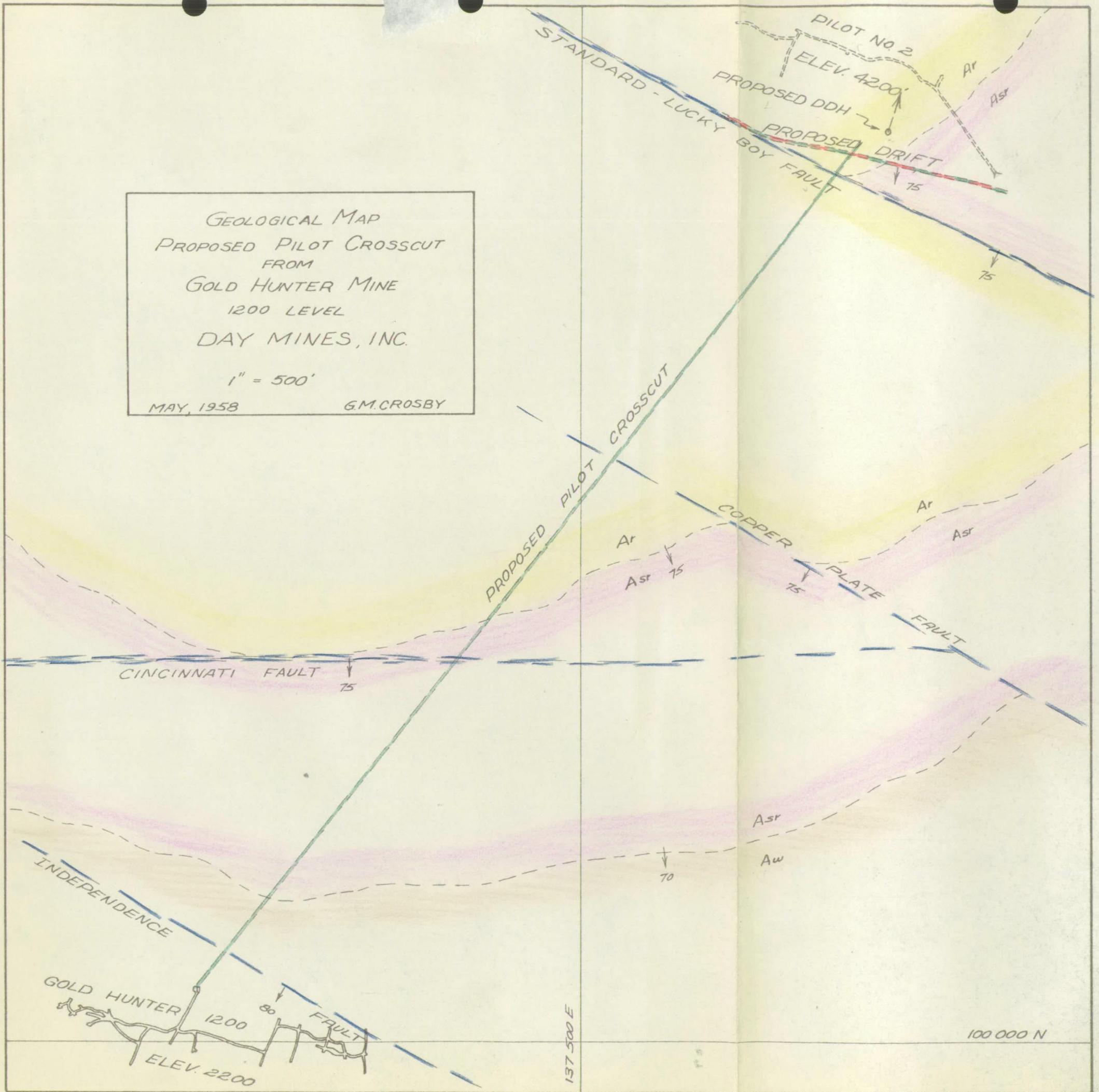
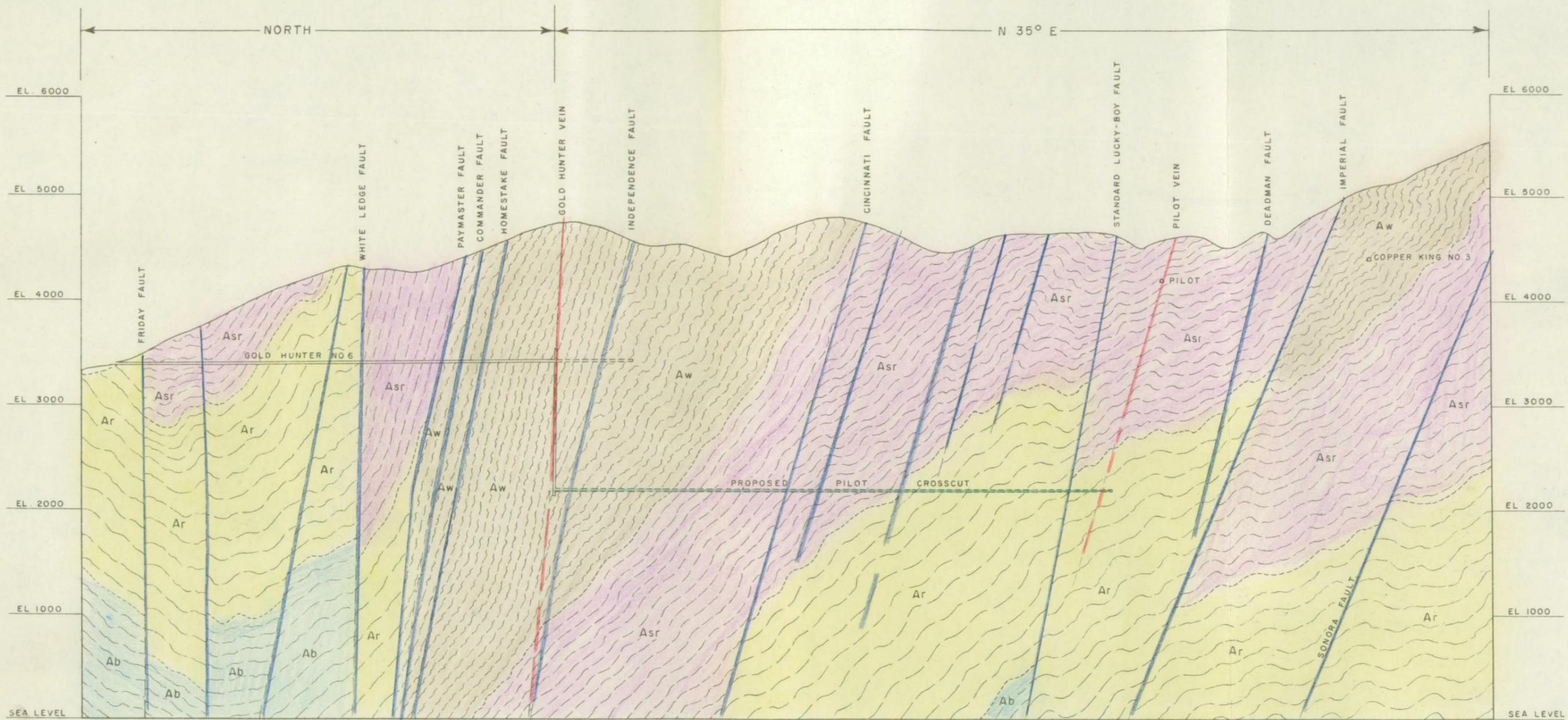


exhibit "H"

EXTRA COPY
DMEA

RECEIVED JUN 9 1958

DATE	INITIALS	CODE



VERTICAL SECTION
 Looking West Through
 GOLD HUNTER No. 6 TUNNEL
 And
 PROPOSED PILOT CROSSCUT
 Shoshone County, Idaho
 Scale: 1"=1000'

Exhibit "E"

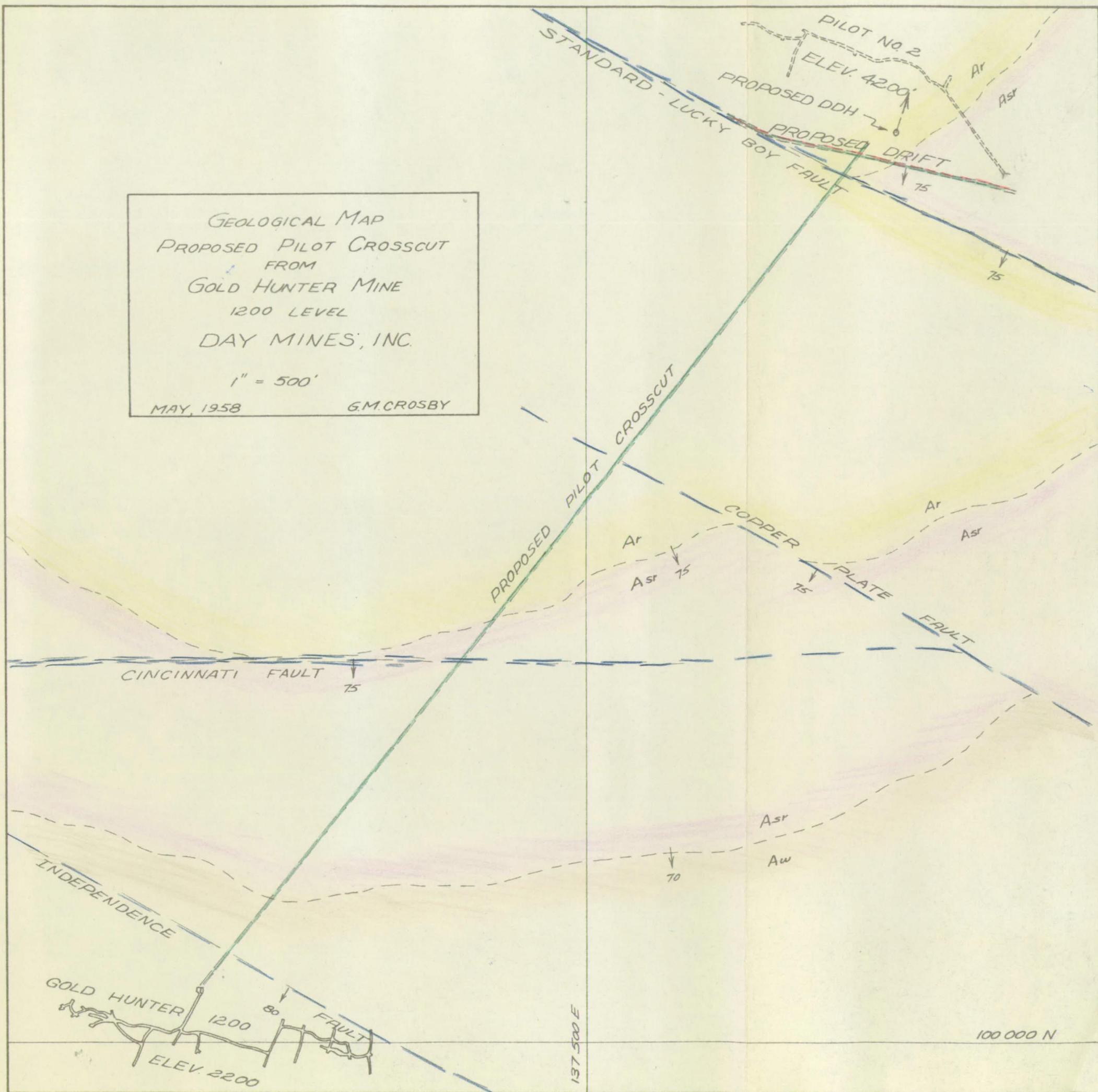


Exhibit "H"

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration

OFFICIAL DOCKET FILE

Idm-E NO. _____

DMEA NO. 5050

Application

Contract

- Denied
- Withdrawn

- 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
- 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 Semi-Annual 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
- On-site Exam Report (Tab)
- Settlement Sheets
- Drill Logs

Additional Folders:

Left Side

- Folders No. _____: Reports
- Analysis of Semi-Annual Inspection Reports
 - Project Summary (Interim) by DMEA Engineers

Right Side

- Field Team Semi-Annual Report for Certified Project
- Field Team Interim Reports
- Operator's Monthly Reports with transmittal, narrative and maps.

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

Folders No. _____: Settlement Sheets

Folders No. _____: Drill Logs

Folders No. _____: Royalty material

FROM
LEFT-HAND
SIDE

ANNUAL REPORT

DAY MINES, INC.

For the Year Ending December 31, 1958

Incorporated Under Laws of Idaho

GENERAL OFFICES

Wallace, Idaho

OFFICERS

HENRY L. DAY, President and Manager

WRAY D. FARMIN, Vice President

S. F. HEITFELD, Secretary

N. K. BUE, Asst. Secretary

R. W. ANNO, Treasurer

L. G. GAFFNEY, Asst. Treasurer

DIRECTORS

HENRY L. DAY, Wallace, Idaho

HENRY D. ELLIS, Wallace, Idaho

WRAY D. FARMIN, Spokane, Washington

S. F. HEITFELD, Wallace, Idaho

*H. C. PAULSEN, Spokane, Washington

F. W. ROTHROCK, Spokane, Washington

PHILIP J. SHENON, Salt Lake City, Utah

*Deceased March 4, 1959.

STOCK TRANSFER AGENTS

Registrar and Transfer Company
15 Exchange Place
Jersey City 2, New Jersey

Spokane and Eastern Branch
Seattle-First National Bank
Spokane 6, Wash.

REGISTRARS

Registrar and Transfer Company
15 Exchange Place
Jersey City 2, New Jersey

The Old National Bank
Spokane, Wash.

The shares of this corporation are dealt in on the American Stock Exchange,
New York, N. Y., and Spokane Stock Exchange, Spokane, Washington.

HIGHLIGHTS

Two Years in Brief

	1958	1957
CASH FLOW (Operating Income)	\$1,471,000	\$ 823,000
Per share of stock	51c	28c
Change in Working Capital	\$ 382,000 (decrease)	\$ 352,000 (increase)
Funds Available	\$1,853,000	\$ 471,000
DIVIDENDS (for tax status, see italics next page)	\$1,733,000	\$ 289,000
Per share of stock	60c	10c
Net Capital Expenditures	\$ 120,000	\$ 182,000
Working Capital at Year End	\$ 805,000	\$1,187,000
Shares of stock at Year End	2,887,575	2,887,575
Number of share owners at Year End	2,212	2,133
Number of Employees at Year End	88	110

Manager's Report

TO THE STOCKHOLDERS OF
DAY MINES, INC.:

Wallace, Idaho
March 18, 1959.

Submitted herewith is the annual report for 1958, including audited financial statements. Last year was one of continued prosperity for the Company due to substantial production of gold and silver ores of excellent grade. Nearly 79% of smelter payments were for these two metals.

EARNINGS: The operating income of Day Mines, Inc. was \$1,471,127 last year before the deduction of \$776,281 for depreciation, amortization and depletion. The net income was \$694,846 in 1958 as contrasted with \$221,632 in 1957.

DIVIDENDS: Two disbursements were made amounting to \$1,732,545. These bring total payments to stockholders to \$3,551,182 since your Company was incorporated on October 1, 1947.

No. 8	June 12, 1958	10c per share	\$ 288,757.50
No. 9	December 19, 1958	50c per share	1,443,787.50

The Company has been advised by tax counsel that the distributions to shareholders during 1958 aggregating 60 cents per share are not taxable to any extent as dividend income. In the opinion of counsel these distributions for income tax purposes were made from depletion reserves and should be applied in reduction of the adjusted tax basis of the shares with respect to which the distributions were made. If the distributions received in 1958 with respect to some shares exceeded the adjusted basis of those shares, the excess should be treated as capital gain income.

The foregoing opinion of tax counsel is based on information which has not been reviewed by the Internal Revenue Service, and is predicated in part on certain provisions of the Internal Revenue Code for which the Treasury has not yet promulgated Regulations. If any tax treatment different from that stated above is later determined to be applicable to the distributions made in 1958, you will be advised as quickly as possible.

PRODUCTION: Company ore production in 1958 was markedly reduced in volume but much improved in grade, as compared with 1957. The following tabulation gives tonnage and grade of Company ore milled in each of the last five years, including block-leasing ore from the Tamarack unit:

	Dry Tons	Silver Oz.	Lead	Tons Milled From Which Zinc Recovered	Recover- able Zinc
1954.....	97,630	2.6 oz.	4.4%	32,242	4.2%
1955.....	73,801	2.6	4.3	33,049	3.5
1956.....	84,889	2.7	4.1	35,922	4.0
1957.....	84,572	3.6	5.4	36,941	3.2
1958.....	29,092	6.1	7.4	11,498	2.0

ORE RESERVES: The Company's reserves embrace, by definition, estimated tonnages in its ore bodies that can be mined at a profit. Consequently, the lead-zinc ore reserves would have decreased in 1958 even though no ore were extracted nor new discoveries made, because marginal ore blocks would have been eliminated by increased wages, increased supply and material prices, and lessened smelter returns due to declining metal quotations. At the four principal mines of the Company in the Coeur d'Alene district—Dayrock, Hercules, Monitor, Tamarack—measured and indicated ore reserves of the lead-zinc type were estimated to total 172,590 tons, December 31, 1958, a decrease of more than one-third from the previous year's total. Ore reserves in the Galena mine lease (25% owned) were practically unchanged from the previous year, as were

those of the Gold Dollar ore body. Reserves at the Sunset Lease were nearly extinguished by the current low metal prices.

EXPLORATION, DEVELOPMENT AND OPERATION: 1958 development at the Dayrock mine failed to find downward extension of the Bonanza ore body below the 550 level. Mining and milling at Dayrock have been held down to about one-quarter of capacity throughout 1958, awaiting better metal prices.

Four sets of lessees worked in the Monitor group of mines near Sunset Peak to produce 16,987 tons of zinc-lead-silver ore in 1958.

Hercules 1900 level exploration was disappointing. All mining equipment was removed and the new lower workings were allowed to fill with water to the 1600 level. Stopping continued between 1000 and 1600 levels throughout 1958.

Tamarack's block-leasing completed the mining of all known commercial ore below the Tamarack No. 7 adit. The equipment has been salvaged from the lower mine levels and they are filling with water.

Following is a summary of progress in Company exploration and development work in Shoshone County during the past five years. Excluded are footages from the Galena mine and from lessees' operations:

Year	Drifting	Crosscutting	Raising	Sinking	Diamond Drilling	Pockets & Stations
1954.....	3,895 ft.	2,505 ft.	2,556 ft.	— ft.	— ft.	— cu. ft.
1955.....	2,807	448	1,381	—	127	—
1956.....	4,088	—	2,238	—	1,295	—
1957.....	3,158	154	1,537	471	3,424	5,198
1958.....	1,168	230	281	—	1,389	—

OTHER PROJECTS: The Galena mine, held on a long term lease from Callahan Mining Corporation by Asarco (75% interest) and DMI (25% interest), produced 118,880 tons of silver-copper ore and 942 tons of lead-silver ore in 1958; the tonnage was slightly below that of 1957 but the metal content was higher. Mine development included opening a new 3200 level from the main shaft; the No. 2 (Callahan) service shaft was extended from 2400 to 2800 level; the exploratory inclined winze followed the Silver Vein from 3700 to 4000 level where 500 feet of drifting exposed discontinuous ore; the main shaft is being deepened and at the close of 1958 had passed the 3700 station.

The Gold Dollar ore body was mined actively by the lessee, Knob Hill Mines, Inc., with resultant production of 47,226 tons of gold-silver ore of excellent grade. Ore reserves above the 10th level now are well blocked out and are very satisfactory.

Sunset Lease (70% DMI ownership) produced only 2,010 tons of ore as compared to 10,532 tons in 1957.

METAL PRICES: The following tabulation shows the average E. & M. J. quotations during the past five years for the principal metals produced by Day Mines:

Year	Gold per oz.	Silver per oz.	Lead per lb.	Zinc per lb.	Copper per lb.
1954.....	\$34.9125	90.00c	14.05c	10.68c	29.69c
1955.....	34.9125	90.30	15.14	12.30	37.49
1956.....	34.9125	90.83	16.01	13.49	41.82
1957.....	34.9125	90.82	14.66	11.40	29.58
1958.....	34.9125	89.04	12.11	10.31	25.76

Lead and zinc markets were weak in the spring of 1958 and lead fell 2c per pound to 11c while zinc remained at 10c, both being the low quotations for the year. Despite recommendations

from the Department of the Interior, Congress failed to approve a subsidy plan for the two metals before adjourning in late August. Three weeks later President Eisenhower, through executive order, established import quotas on both lead and zinc at 80% of average annual shipments of foreign metal into the United States during the preceding five calendar years. The price effect was immediate, lead advancing 2c per pound and zinc, 1c, by mid-October; quotations continued firm until year end. Then both metals softened, probably due to legal quota evasion through increased imports of manufactured and semi-manufactured lead and zinc products. Loopholes of this nature had been anticipated by the industry. The 1958 production of U. S. lead mines is estimated to be 266,000 tons, down 21% from 1957, and the lowest tonnage of any year since 1899. The 1958 production of U. S. zinc mines is estimated to be 403,000 tons, down 24% from 1957, and the lowest tonnage of any year since 1933. Imports of lead in ore and as metal in 1958 were about 535,000 tons, up 3% from 1957; zinc imports were about 635,000 tons, down 19%. Such figures resulted in excessive stocks of the two metals in our country, and led to continued poor market conditions.

CAPITAL EXPENDITURES: Net additions to capital accounts in 1958 totalled \$120,000. The largest amounts were incurred in exploration at the Hercules mine, continued rehabilitation of the Gold Hunter workings, and in transactions in stocks of other mining companies.

GENERAL: The three-year labor agreement with the Mine-Mill Union expires July 1, 1959. Under its terms automatic wage increases of 6c per hour occurred on July 1, 1957 and 6c per hour additional on July 1, 1958. Costs of supplies and materials have also continued to rise; prices of lead and zinc have remained low. The result has been that producers were caught in a squeeze—in an effort to minimize expense your Company curtailed production of these metals severely to the lowest feasible rate.

DMI's tree farming program was expanded during 1958, especially in the State of Washington. Only patented land is involved; the principal objective is to increase the rate of growth through thinning and cutting of mature or diseased trees. Approximately 1,184,000 board feet were harvested last year, more than twice the 1957 total.

In 1958 gold became the metal of chief importance to the Company, followed by silver. Lead dropped from first to third place. Based on smelter payments, the relative contributions were:

Gold	49.7%
Silver	28.9
Lead	11.9
Zinc	5.3
Copper	4.2

Howard C. Paulsen, a DMI director since April 25, 1951, and a son of one of the original Hercules mine partners, passed away on March 4, 1959, in Honolulu following a heart attack. His sudden death leaves a distinct void.

OUTLOOK: 1958 operations were made successful by steady production of gold-silver ores from the Gold Dollar ore body, and by silver-copper ores from the 25% interest in the Galena mine lease. The lead-zinc climate was unfavorable and may well remain so for a year or more, until there is a sound basis for mining annually 350,000 tons of lead and 550,000 tons of zinc in the United States. Your Company is working with other domestic producers to achieve this result.

The year 1959 promises to be financially satisfactory for Day Mines.

This opportunity is taken to thank all those employees whose loyal and efficient services made last year's results possible.

Respectfully submitted,
HENRY L. DAY,
 President and Manager.

DAY MINES, INC.

Balance Sheet at December 31, 1958

ASSETS

CURRENT ASSETS:		
Cash in bank		\$ 410,165.89
Obligations of the United States - at cost (market value \$95,812.50)		95,166.80
Accounts and notes receivable:		
Royalties and smelter returns	\$ 182,270.32	
Other	27,864.34	
		210,134.66
Inventories:		
Concentrates on hand - at market value	50,183.46	
Operating supplies - at cost	142,155.58	
		192,339.04
Accrued interest receivable		93.75
Unexpired insurance premiums		16,836.44
		924,736.58
INVESTMENTS:		
Shares of wholly owned subsidiaries - at cost plus advances	783,351.76	
Shares in other corporations - at cost (note 1)	401,260.84	
Other investments - at cost	816,580.94	
		2,001,193.54
MINING PROPERTIES, PLANT AND EQUIPMENT:		
Operating mining properties:		
Mining claims, ore bodies and development (less reserves for depletion and amortization - \$3,874,165.27) (note 2)	850,843.61	
Buildings, machinery and equipment (less reserves for depreciation - \$995,595.42) ..	192,982.26	
		1,043,825.87
Non-operating mining properties, claims and development costs (note 3)	2,620,134.46	
Land and water rights	21,046.20	
		3,685,006.53
OTHER ASSETS		64,074.60
		<u>\$6,675,011.25</u>

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable		\$ 68,702.52
Wages and salaries payable		28,673.02
Provision for taxes		19,838.24
Contract installments payable in 1959		2,500.00
		119,713.78
LONG-TERM LIABILITY:		
Contract payable	\$ 5,000.00	
Less: Amount shown as current liability	2,500.00	
		2,500.00
CAPITAL:		
Capital stock - par value 10c per share:		
Authorized	5,000,000 shares	500,000.00
Unissued	2,065,000 shares	206,500.00
		2,935,000 shares
Less: Treasury stock	47,425 shares	4,742.50
		2,887,575 shares
Outstanding	2,887,575 shares	288,757.50
Capital in excess of par value		6,264,039.97
		6,552,797.47
		<u>\$6,675,011.25</u>

DAY MINES, INC.

Statement of Income and Retained Earnings For the Year Ended December 31, 1958

OPERATING REVENUES:	
Gross revenues from concentrates	\$1,443,570.52
Royalties from lease operations	1,338,514.72
Total	2,782,085.24
OPERATING EXPENSES:	
Mining	\$1,112,398.93
Milling	92,492.79
Office, administrative and general expenses:	
Salaries	\$59,838.19
Property taxes	27,551.30
Other expenses	54,146.23
	141,535.72
	1,346,427.44
OPERATING INCOME (Before depreciation, depletion and income tax)	1,435,657.80
OTHER INCOME LESS OTHER CHARGES	38,164.78
	1,473,822.58
INCOME BEFORE DEPRECIATION, DEPLETION AND INCOME TAX	1,473,822.58
LESS:	
Depreciation	73,308.59
Amortization of capitalized development	547,258.56
Provision for depletion (units mined basis)	155,714.30
	776,281.45
INCOME BEFORE INCOME TAX	697,541.13
PROVISION FOR INCOME TAX:	
State mine license tax	2,694.92
NET INCOME	694,846.21
RETAINED EARNINGS, JANUARY 1, 1958	195,971.34
	890,817.55
DISTRIBUTIONS MADE IN 1958	1,732,545.00
Less Distributions from Capital Surplus	841,727.45
	890,817.55
Distributions of Earnings	890,817.55
RETAINED EARNINGS, DECEMBER 31, 1958	\$ —0—

FOOTNOTES TO BALANCE SHEET, DECEMBER 31, 1958

NOTE 1: Shares in other corporations are stated at cost. Shares stated at cost in the sum of \$232,302.69 had a fair market value of \$250,596.73 at December 31, 1958. No market quotations were available in respect to shares having a stated cost of \$168,958.15.

NOTE 2: Properties included in the classification of "Operating Mining Properties" are producing mines or are in the advanced stage of development.

NOTE 3: Non-operating mining properties, claims and development costs represent the book value of properties held for possible future development and are stated at values carried upon the books of predecessor corporations plus costs of additions subsequent to acquisition. Included in the book value of non-operating properties is the sum of \$1,537,027.00 representing par value of shares of predecessor companies issued in exchange for property.

Accountants' Certificate

Symons Building
Spokane 4, Washington
February 20, 1959

DAY MINES, INC.:

We have examined the balance sheet of Day Mines, Inc., as of December 31, 1958, and the related statement of income and retained earnings 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 related statement of income and retained earnings, together with the notes thereon, present fairly the financial position of Day Mines, Inc., at December 31, 1958, 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.

LeMASTER & DANIELS,
Certified Public Accountants.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS RECLAMATION
Washington 25, D. C.

January 31, 1959

Memorandum for Docket

Subject: Withdrawal of Pending DREA Applications

Effective this date, this pending DREA application is considered withdrawn for statistical purposes.

If, at a later date, the applicant requests reconsideration under the CE program, all pertinent material in the DREA file should be transferred to the new CE docket.


Frank E. Johnson
Acting Director

FROM
RIGHT-HAND
SIDE

Date	Surname	Code
3/6	Trieman	500
3/6	Selfridge	120
		110
		100
3/10	C	220
		500

MAR 9 1959

MAR 9 1959

Mr. Henry L. Day, President
Day Mines, Inc.
Post Office Box 1010
Wallace, Idaho

Re: Docket No. DMEA-5050 (Lead-Zinc-Copper)
Day Mines, Inc.
Pilot Group
Shoshone County, Idaho

Dear Mr. Day:

Reference is made to our letter of February 3, 1959, regarding action required to make your DMEA application eligible for consideration under the OME regulations.

We wish to cooperate with you in allowing ample time to complete such action, but, if we do not hear from you within 30 days from the date of this letter, we will assume that you are no longer interested in proceeding with your application, and we will consider it as having been withdrawn.

Sincerely yours,

(signed) FRANK E. JOHNSON

(Handwritten signature)

Acting Director

WRGriswold/er 3/6/59
Copy to: Docket
Dire Read File
Region I (2)
Chron.

Date	Surname	Code
9/17	Inwards	500
		110
"	Down	100
		220

SEP 19 1958

Mr. Henry L. Day, President
Day Mines, Inc.
Post Office Box 1010
Wallace, Idaho

Re: Docket No. DMEA-5050 (Lead-Zinc-Copper)
Day Mines, Inc.
Pilot Group
Shoshone County, Idaho

Dear Mr. Day:

As you have an application for exploration aid pending in our office, perhaps you may wish to study the proposed OME regulations and comment on them before October 17 as provided in the first paragraph of the enclosed notice reprinted from the Federal Register of September 17.

Some time after October 17 when the final regulations become effective, we will send you the new application form so you may furnish any additional information necessary to process your application for aid under the new program.

Sincerely yours,

(Signature)

Director

Enclosure

WRGriswold/er 9/19/58
Copy to: Docket
Admr R File
Region I (2)
Chron.

OFFICIAL FILE COPY		
Date	Surname	Code
9-10	Trimmel	500
9/10	Sells	110
"	Johnson	110
"	Johnson	110
		220
		225

SEP 10 1958

Mr. Henry L. Day, President
Day Mines, Inc.
Post Office Box 1010
Wallace, Idaho

Re: Docket No. DMEA-5050 (Lead-Zinc-Copper)
Day Mines, Inc.
Pilot Group
Shoshone County, Idaho

Dear Mr. Day:

We have your letter of September 3, regarding your application for Government assistance in an exploration program on the cited property.

The Congress recently enacted legislation for the continuance of the assistance program but the regulations are still being considered and the forms pertaining thereto being prepared; it is probable that this will take a period of several weeks. Just as soon as we have anything definite we shall advise you, forwarding the necessary forms and instructions.

Sincerely yours,

C. C. Wittendorf (fw)

Administrator

WRGriswold/izm 9-9-58

cc: Admr.'s Reading File
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
DMEA FT Reg. I (2) w/2cc's of incoming letter

Date	Surname	Code
7/14	Murphy	500
7/14	Wasting	130
7/14	Lamb	130
7/14	B. Degeard	130
"	Shuman	110
"	Arthurson	100
7/5	C. O.	225

JUL 14 1958

Mr. Henry L. Day, President
Day Mines, Inc.
Post Office Box 1010
Wallace, Idaho

Re: Docket No. DMEA-5050 (Lead-Zinc-Copper)
Day Mines, Inc.
Pilot Group
Shoshone County, Idaho

Dear Mr. Day:

Early in June we sent you the Department of the Interior Information Service Release dated June 6, which announced that no new Defense Minerals Exploration Administration contracts could be executed after June 30th because of the ending of the present program for exploration assistance.

We regret to inform you that your application, identified above, could not be completely processed before June 30th because it was received too late.

However, we will be glad to hold your application until the Congress acts on pending legislation to continue exploration aid. If the aid is continued, we will then ask you to state whether you wish us to consider your application under regulations established for the new program.

Sincerely yours,

C. O. Mittendorf (for)

Administrator

WRGriswold/er 7/12/58
Copy to: Docket
Admr R File
Op. Committee
Mr. Bishop, USBM
Mr. Kilsgaard, USGS
Region I (2)
Chron.

Date	Surname	Code
2/2	Finwood	500
2/3	Selfridge	120
		110
		100
2/3	C	220
		500

FEB 3 1959

Mr. Henry L. Day, President
Day Mines, Inc.
Post Office Box 1010
Wallace, Idaho

Re: Docket No. DMEA-5050 (Lead-Zinc-Copper)
Day Mines, Inc.
Pilot Group
Shoshone County, Idaho

Dear Mr. Day:

Enclosed is a copy of the regulations for obtaining Federal assistance in financing mineral exploration under which the new Office of Minerals Exploration will operate.

If you wish that your partly processed DMEA application be considered under the OME regulations, please complete and return four of the copies of the attached application, MME Form 40.

There are several differences between the OME and DMEA program. Therefore, your attention is called particularly to the criteria in the OME regulations used in passing upon applications and also to the certification on the OME application forms, which when signed declares that you would not ordinarily undertake the proposed exploration under current conditions and circumstances at your sole expense, and to Item 1(a) - and 1(b) if applicable - which relates to information used to determine your financial eligibility under the new exploration program. In this respect you should furnish your latest detailed balance sheet and profit and loss statement. Similar financial statements should be furnished for other parties or companies holding any substantial interests in your company. Pertinent information that is included in your DMEA application need not be repeated in the OME application, but you should furnish any additional information required to support your OME application.

Also enclosed are six copies of the Lien and Subordination Agreements, M-E Form 52, referred to in Item 2(c) of the application. Early submittal of five completed copies of the form will save time in case you apply for exploration assistance under the OME program and a contract is granted.

If you do not wish to participate in the OME program, we shall appreciate being so informed.

Sincerely yours,

Frank E. Johnson *(Signature)*

Acting Director

Enclosures

WRGriswold/er (rewritten 2-2-59)
CC: Docket
Dir Read File
Mr. Bishop, USBM
Mr. Kiilsgaard, USGS
Region I (2)
Chron.

NON-PRIVILEGED DOCUMENT
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DO NOT CODE

BATES NO. _____

448

Date	Surname	Code
	<i>Answer</i>	500
<i>1/12</i>	<i>Selfridge</i>	120
		116
		100
		220

Withhold
this page

Mr. Henry L. Day, President
Day Mines, Inc.
Post Office Box 1010
Wallace, Idaho

Re: Docket No. DMEA-5050
(Lead-Zinc-Copper)
Day Mines, Inc.
Pilot Group
Shoshone County, Idaho

Dear Mr. Day:

Enclosed is a copy of the regulations for obtaining Federal assistance in financing mineral exploration under which the new Office of Minerals Exploration will operate.

If you wish that your partly processed DMEA application be considered under the OME regulations, please complete and return four of the copies of the attached application, MME Form 40.

Insert A
~~Your attention is called especially to the certification which when signed declares that you would not ordinarily undertake the proposed exploration under current conditions and circumstances at your sole expense, and to Item 1(a) - and 1(b) if applicable - which relates to information used to determine your financial eligibility under the new exploration program. Information that is included in your DMEA application need not be repeated in the OME application, but you may choose to add this information if you so desire.~~

Insert B
Partnership
Also enclosed are six copies of the Lien and Subordination Agreements, MME Form 52, referred to in Item 2(c) of the application. Early submittal of five completed copies of the form will save time in case you apply for exploration assistance under the OME program and a contract is granted.

If you do not wish to participate in the OME program, we shall appreciate being so informed.

Sincerely yours,

Frank E. Johnson *(Signature)*

Acting Director

Enclosures

WRGriswold/fw-1/14/59

cc: Docket Mr. Bishop, USBM FT Reg. I (2)
Dir. Read. File Mr. Killsgaard, USGS Chron.

SPECIAL

Mr.

O. M. Bishop

Frank D. Lamb, Rm. 3608

College Park

For your information
and review.

So. 157 Howard Street
Spokane 4, Washington

June 26, 1958

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-5050 (Pb-Cu-Zn)
Day Mines, Inc.
Pilot Project No. 1
Shoshone County, Idaho

Dear Mr. Selfridge:

Enclosed are three copies each of memoranda on the reference application by A. E. Weissenborn, U. S. Geological Survey, and John D. Bardill, U. S. Bureau of Mines. Weissenborn presents a geologic justification for recommending a project and Bardill presents a cost analysis. Should a contract be made for this project, a more thorough and detailed cost analysis will be made if it is desired.

We concur with Weissenborn's conclusions that this would be a worthwhile project, and with Bardill's estimate of costs.

By Field Team Region I

Wing G. Agnew, Acting Exec. Officer
U. S. Bureau of Mines

Donald R. MacLaren, Acting Member
U. S. Geological Survey

Enclosures

cc: USBM (2)
USGS(SRO)

Reviewed by
DMEA OPERATING COMMITTEE

(dms)

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TO BE PHOTOCOPIED AND PRODUCED
DO NOT CODE

BATES NO. _____

448

Withhold
This page
and all
following
pages

So. 157 Howard Street
Spokane 4, Washington

June 24, 1958

EXTRA COPY
D M E A

RECEIVED JUN 30 1958

DATE	INITIALS	CODE

Memorandum

To: DMEA Field Team, Region I

From: A. E. Weissenborn, Geological Survey

Subject: Application evaluation report, Docket No. DMEA-5050 (Pb-Zn-Cu)
Day Mines, Inc., Pilot Project No. 1, Shoshone County, Idaho

Day Mines, Inc., has submitted a proposal for the exploration of the Pilot structure. The proposed exploration involves preliminary testing for the structure by diamond drilling. If this is successful, the drilling will be followed by the driving of a crosscut approximately a mile long from the 1200 level of the Gold Hunter shaft. The target area will be explored by drifting from this crosscut and by drilling from underground workings. A lesser objective will be the exploration of the Cincinnati and associated structures in the favorable St. Regis formation. The total cost is estimated by the applicant as slightly over a half million dollars.

The target area lies in the northernmost of the seven mineralized belts or zones within which all the important producing mines of the Coeur d'Alene district have been found. These zones have been described in previous memorandums to which the reader is referred, the most recent one being the memorandum which discusses the proposed Gold Hunter project (Docket DMEA-5003). The mineralized belt within which the exploration will be performed has been very productive and includes the Tamarack, Standard-Mammoth, Tiger-Poorman and Hecla ore bodies, as well as a number of lesser ore bodies. These are all base-metal mines. (See Exhibit "G" of the Day Mines application.) The proposed project is a long shot but the discovery of an ore body comparable to any of those listed above would richly repay the cost of exploration. It should be emphasized that not just the Pilot vein but a zone nearly 1,000 feet wide is the object of the exploration.

The project has the disadvantage of requiring a long and expensive crosscut to reach the target area and once the commitment is made to start this crosscut it will have to be carried through until the target area is reached. Except possibly in the vicinity

Reviewed by
DMEA OPERATING DIVISION

of Cincinnati fault there is little chance that the proposed crosscut will intercept any ore-bearing structures. Consideration has been given to sinking a shaft near the Pilot structure. To reach the favorable horizon that would be explored by the Gold Hunter 1200 crosscut, a deep shaft would be required. As discussed by J. D. Bardill in a separate memorandum, the proposed crosscut seems to be the cheapest and most practicable method of exploration.

The project has two advantages over the proposed Gold Hunter project which may make it more attractive to DMEA :

- (a) The cost is much less so that \$250,000 would cover a substantial part of the cost of half of the project, an important consideration if Government participation is restricted to \$250,000.
- (b) The Gold Hunter 1200 level crosscut would intercept the target area in the lower St. Regis or upper part of the Revett, two of the most favorable host rocks for ore in the Coeur d'Alene district.

The proposal, although a long shot, is made by a company which has operated for many years in the Coeur d'Alene district and is aware of the risks. We understand that the Hecla Mining Company is seriously considering participating with Day Mines in the enterprise. It is the type of project which has found ore in the past in the district and it seems to be the type of long-range project in which it is appropriate for DMEA to participate. I recommend that it be approved.

The Day Mines proposal is that a deep diamond drill hole be drilled as Stage I of the project and that several intersections of the target area be made by wedging and deflecting the hole. The cost (Bardill's estimate) is in the neighborhood of \$15,500. I recommend drilling at least one additional hole which would also be deflected. So much depends on the results of this drilling that the expenditure of an additional \$15,000 is insignificant compared to the information that might be obtained and to the overall cost of the project.

Distribution:

DMEA (3)
USBM (2)
USGS(SRO)
Docket

1201 N. Division St.
Spokane 2, Washington

June 20, 1958

EXTRA COPY		
D M E A		
RECEIVED JUN 30 1958		
DATE	INITIALS	CONF.

MEMORANDUM

To: DMEA Field Team, Region I

From: John B. Bartill, Bureau of Mines

Subject: Cost analysis, Pocket No. DMEA-5050, Day Mines, Inc.,
Pilot Project No. 1, Shoshone County, Idaho

Day Mines, Inc. has submitted an application for DMEA assistance to explore the Pilot vein by a three-phase project requiring about 40 months to complete and at an estimated cost of \$575,286.73. Phase I would consist of a diamond drill hole to explore the vein at about 1,000 feet. Two or more intersections would be obtained by wedging and deflecting the hole. Phase II would consist of preparation of the surface and underground mine plants by rehabilitation of the adit level, installation of an underground compressor-transformer-ventilation plant and facilities, rehabilitating the shaft head, rehabilitation of parts of the shaft, and excavation of a sump and pump room and facilities at the 1200 level. Phase III would consist of approximately 5,300 feet of crosscut to the vein and about 1,500 feet of drift on the vein, plus 3,000 feet of diamond drilling from the 1200 level.

The present 1200-ft. Gold Hunter shaft with some rehabilitation and raising the shaft head a few feet will be adequate for this exploration project. We still feel that it would not be advisable to sink the shaft deeper as was suggested when the Gold Hunter application was being discussed. If a large commercial ore body is discovered in the Pilot vein, the company will probably raise from the 1200 level to surface or sink from surface to the level for a shaft adequate for production.

A vertical shaft from the surface to the Pilot vein to the same elevation as the 1200 level was considered as an alternate means of exploration. A shaft from surface to the 1200 level elevation would be about 2,900 feet deep. A surface plant and facilities would be required as well as an access road to the shaft. The elevation at the shaft site is about 4,500 feet, whereas the start of the access road in the valley floor is at an elevation of about 3,350 feet, a difference of 1,150 feet in 1.7 miles to the shaft site.

Approved by _____
DMEA OPERATIONS COMMITTEE

(date)

The shaft would be located in heavy snow country where snow removal would be a considerable expense and maintenance of the road would be high.

Roughly, the cost of the project would be:

2,500 feet shaft @ \$225/ft.	\$562,500.
1,500 feet drift @ \$ 65/ft.	97,500.
Surface plant after 50% salvage	25,000.
2500 level station, sump, pump room, 10,000 cu. ft. @ \$1/cu. ft.	10,000.
Access road, 1.7 miles	<u>15,000.</u>
	\$710,000.

The cost estimates were discussed with Mr. Rollin Farmin, assistant manager, Day Mines, Inc.

Phase I Costs

A bulldozer access road to the drill site is estimated to cost about \$200.

Independent diamond drilling contract work for the 1000-ft. surface hole is estimated at \$7.50 per foot and \$1.50 per foot for supplies, transportation, supervision, etc., or a total of \$9.00 per foot.

Three deflections not to exceed 200 feet are estimated to be drilled.

Wedging for the deflections will probably be done on an hourly basis. Boyles Bros. representative estimates hourly rate at \$9.60/hr. and estimates not to exceed 100 hours may be required.

Then,

1,000 ft. diamond drill hole	@ \$9.00/ft.	\$9,000.00
Not to exceed 600 ft. deflected hole	@ 9.00/ft.	5,400.00
Not to exceed 100 hrs. wedging	@ 9.60/hr.	960.00
		<u>\$13,360.00</u>
Access road		200.00
Estimated total cost of Phase I		<u>\$13,560.00</u>

Phase II Costs

All costs in this phase should be on a "maximum allowable cost" basis.

Applicant's Item 2

This item is difficult to estimate so the applicant's figure is tentatively accepted. \$3,000.00

Item 3

Excavation of 2,880 cu. ft. for transformer-compressor-fan room @ \$1.00/cu. ft. seems reasonable 2,880.00

Item 4

Mr. Farwin stated that since the ground had been stayed on all sides and above and below the No. 6 adit shaft station, he did not know how costly it will be to timber and raise the shaft head and trim the rope raise. Inasmuch as there is no specific basis to estimate the cost, the applicant's estimate is tentatively accepted. 10,000.00

Item 5

2 new hoist cables, 3600 ft. @ \$0.61/ft.
Assume no salvage value at end of project.
Roughly 2,908.00
2 skip dumps @ \$500 1,000.00
2 each skips and cages @ \$1,000 each, specially
designed and constructed.
Assume no salvage value 4,000.00

Item 6

Installation of 4,500 feet of power cable,
2 compressors, moving transformers and
installation of main ventilation blower 2,000.00

Item 7

650 feet of ladders and landings in shaft
@ \$1.75/ft., rounded to 1,100.00

Item 8

Excavate 5,000 cu. ft. @ \$1.00/cu. ft. for
sump and pump room at 1200 level 5,000.00
Install pocket facilities, pumps, ventilation fan,
battery charger, signal, telephone systems, etc. 3,000.00

Item 9

Installation of 1,350 feet 24" ventilation
duct in shaft @ \$5.25/ft. less 50% salvage
on \$2.73/ft. plus \$1.50/ft. direct and
indirect labor

1,350 feet @ \$4.23/ft. Roughly \$ 1,000.00

Item 10

Crosscut 8'x8' - 5,300 feet @ \$65/ft.

344,500.00

Conditions will be similar to the proposed
Gold Hunter project, i.e., a long tram
from the portal to the shaft, 1200 feet
between levels and eventually a long tram
through the crosscut and drifts.

See my estimated drifting and/or crosscutting
cost of \$64.59/ft. in my memorandum of
May 14, 1958 to the Field Team for Gold Hunter
mine application, Pocket No. DMEA-5003. Work
at 2 shifts per day, 6 days per week, 10 feet
advance/day.

Item 11

1,500 ft. 8'x8' drift on vein @ \$63/ft.
(Same rate as above)

97,500.00

Item 12

25 cur transfers, 5'x8'x10' at 250-ft. intervals
@ two-thirds of crosscut excavation cost
25 x \$272

6,800.00

Item 13

Since there is no means of predicting the amount
of ground support the crosscuts and drifts will
require, applicant has assumed that at a maximum
all will require either rock bolts or timber for
the 6,800 feet. A density of an average of
2 bolts per linear foot has been assumed @
\$4.00/bolt. Timber has been estimated @ \$11/ft.
Maximum of 6,800 feet @ 2 bolts/ft. @
\$4.00/bolt

34,400.00

Item 14

3,000 ft. of diamond drilling or percussion
long hole drilling on 1200 level to further
explore Pilot vein zone.

Estimated contractor's cost per foot for
diamond drilling @ \$4.00.

Estimated cost of \$2.00/ft. for power,
supervision, pumping, etc. A heavy flow
of water is anticipated in the Levett
quartzites on the 1200 level.

Applicant estimates percussion drilling
@ \$2.00/ft.

3,000 feet @ \$4.00/ft.

12,000.00

SUMMARY OF ESTIMATED COSTS

Phase I

Access road	\$ 200.00	
Surface diamond drilling	15,200.00	15,400.00

Phase II

Trolley, ditch and truck repair	3,000.00	
No. 6 adit level compressor room	2,800.00	
Raise shaft head sheaves	10,000.00	
Rops, dumps, cages, cables	7,900.00	
Installation of compressors, power cables, etc.	2,000.00	
Shaft ladders and landings	1,100.00	
1200 level sump and pump room	8,000.00	
Vent duct in shaft	1,800.00	36,600.00

Phase III

5,500 feet crosscut	344,500.00	
1,500 feet drift	97,500.00	
Sidings	6,000.00	
Rock bolts and timber	51,400.00	
1200 level diamond drilling - 3,000'	12,000.00	512,500.00

ESTIMATED COST OF PROPOSED PROJECT

857,440.00

Distribution:

SWRA (3)

SEGS (2)

Requet

N/S



UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

June 26, 1958

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

OFFICIAL FILE COPY
D M E A
RECEIVED JUN 30 1958

DATE	INITIALS	CODE
6/30	C	220
7/2	FB	130
7/3	C	220
7/3	WPS	500

Re: Docket No. DMEA-5050 (Pb-Cu-Zn)
Day Mines, Inc.
Pilot Project No. 1
Shoshone County, Idaho

Dear Mr. Selfridge:

Enclosed are three copies each of memoranda on the reference application by A. E. Weissenborn, U. S. Geological Survey and John D. Bardill, U. S. Bureau of Mines. Weissenborn presents a geologic justification for recommending a project and Bardill presents a cost analysis. Should a contract be made for this project, a more thorough and detailed cost analysis will be made if it is desired.

We concur with Weissenborn's conclusions that this would be a worthwhile project, and with Bardill's estimate of costs.

By Field Team Region I


Wing G. Agnew, Acting Exec. Officer
U. S. Bureau of Mines


Donald R. MacLaren, Acting Member
U. S. Geological Survey

Enclosures

cc: USBM (2)
USGS(SRO)

Reviewed by
DMEA OPERATING COMMITTEE
7-2-58
(2/10)

NON-PRIVILEGED DOCUMENT
TO BE PHOTOCOPIED AND PRODUCED
DO NOT CODE

BATES NO. _____

4218



UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

So. 157 Howard Street
Spokane 4, Washington

June 24, 1958

Withhold
This page
and all
following
pages

U.S. STATE
REPORT

Memorandum

To: DMEA Field Team, Region I

From: A. E. Weissenborn, Geological Survey

Subject: Application evaluation report, Docket No. DMEA-5050 (Pb-Zn-Cu)
Day Mines, Inc., Pilot Project No. 1, Shoshone County, Idaho

Day Mines, Inc., has submitted a proposal for the exploration of the Pilot structure. The proposed exploration involves preliminary testing for the structure by diamond drilling. If this is successful, the drilling will be followed by the driving of a crosscut approximately a mile long from the 1200 level of the Gold Hunter shaft. The target area will be explored by drifting from this crosscut and by drilling from underground workings. A lesser objective will be the exploration of the Cincinnati and associated structures in the favorable St. Regis formation. The total cost is estimated by the applicant as slightly over a half million dollars.

The target area lies in the northernmost of the seven mineralized belts or zones within which all the important producing mines of the Coeur d'Alene district have been found. These zones have been described in previous memorandums to which the reader is referred, the most recent one being the memorandum which discusses the proposed Gold Hunter project (Docket DMEA-5003). The mineralized belt within which the exploration will be performed has been very productive and includes the Tamarack, Standard-Mammoth, Tiger-Poorman and Hecla ore bodies, as well as a number of lesser ore bodies. These are all base-metal mines. (See Exhibit "G" of the Day Mines application.) The proposed project is a long shot but the discovery of an ore body comparable to any of those listed above would richly repay the cost of exploration. It should be emphasized that not just the Pilot vein but a zone nearly 1,000 feet wide is the object of the exploration.

The project has the disadvantage of requiring a long and expensive crosscut to reach the target area and once the commitment is made to start this crosscut it will have to be carried through until the target area is reached. Except possibly in the vicinity

Reviewed by
DMEA OPERATING COMMITTEE

7-2-58

(date)

of Cincinnati fault there is little chance that the proposed crosscut will intercept any ore-bearing structures. Consideration has been given to sinking a shaft near the Pilot structure. To reach the favorable horizon that would be explored by the Gold Hunter 1200 crosscut, a deep shaft would be required. As discussed by J. D. Bardill in a separate memorandum, the proposed crosscut seems to be the cheapest and most practicable method of exploration.

The project has two advantages over the proposed Gold Hunter project which may make it more attractive to DMEA :

- (a) The cost is much less so that \$250,000 would cover a substantial part of the cost of half of the project, an important consideration if Government participation is restricted to \$250,000.
- (b) The Gold Hunter 1200 level crosscut would intercept the target area in the lower St. Regis or upper part of the Revett, two of the most favorable host rocks for ore in the Coeur d'Alene district.

The proposal, although a long shot, is made by a company which has operated for many years in the Coeur d'Alene district and is aware of the risks. We understand that the Hecla Mining Company is seriously considering participating with Day Mines in the enterprise. It is the type of project which has found ore in the past in the district and it seems to be the type of long-range project in which it is appropriate for DMEA to participate. I recommend that it be approved.

The Day Mines proposal is that a deep diamond drill hole be drilled as Stage I of the project and that several intersections of the target area be made by wedging and deflecting the hole. The cost (Bardill's estimate) is in the neighborhood of \$15,500. I recommend drilling at least one additional hole which would also be deflected. So much depends on the results of this drilling that the expenditure of an additional \$15,000 is insignificant compared to the information that might be obtained and to the overall cost of the project.

Distribution:

DMEA (3)
USBM (2)
USGS(SRO)
Docket



UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

WASHINGTON 25, D. C.

1201 N. Division St.
Spokane 2, Washington

June 20, 1958

MEMORANDUM

To: DMEA Field Team, Region I

From: John D. Bardill, Bureau of Mines

Subject: Cost analysis, Docket No. DMEA-5050, Day Mines, Inc.,
Pilot Project No. 1, Shoshone County, Idaho

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DMEA
RECEIVED JUN 30 1958

DATE	INITIALS	CODE
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Day Mines, Inc. has submitted an application for DMEA assistance to explore the Pilot vein by a three-phase project requiring about 40 months to complete and at an estimated cost of \$575,206.73. Phase I would consist of a diamond drill hole to explore the vein at about 1,000 feet. Two or more intersections would be obtained by wedging and deflecting the hole. Phase II would consist of preparation of the surface and underground mine plants by rehabilitation of the adit level, installation of an underground compressor-transformer-ventilation plant and facilities, rehabilitating the shaft head, rehabilitation of parts of the shaft, and excavation of a sump and pump room and facilities at the 1200 level. Phase III would consist of approximately 5,300 feet of crosscut to the vein and about 1,500 feet of drift on the vein, plus 3,000 feet of diamond drilling from the 1200 level.

The present 1200-ft. Gold Hunter shaft with some rehabilitation and raising the shaft head a few feet will be adequate for this exploration project. We still feel that it would not be advisable to sink the shaft deeper as was suggested when the Gold Hunter application was being discussed. If a large commercial ore body is discovered in the Pilot vein, the company will probably raise from the 1200 level to surface or sink from surface to the level for a shaft adequate for production.

A vertical shaft from the surface to the Pilot vein to the same elevation as the 1200 level was considered as an alternate means of exploration. A shaft from surface to the 1200 level elevation would be about 2,500 feet deep. A surface plant and facilities would be required as well as an access road to the shaft. The elevation at the shaft site is about 4,500 feet, whereas the start of the access road in the valley floor is at an elevation of about 3,350 feet, a difference of 1,150 feet in 1.7 miles to the shaft site.

Reviewed by
DMEA OPERATING COMMITTEE
7-2-58
(date)

The shaft would be located in heavy snow country where snow removal would be a considerable expense and maintenance of the road would be high.

Roughly, the cost of the project would be:

2,500 feet shaft @ \$225/ft.	\$562,500.
1,500 feet drift @ \$ 65/ft.	97,500.
Surface plant after 50% salvage	25,000.
2500 level station, sump, pump room, 10,000 cu. ft. @ \$1/cu. ft.	10,000.
Access road, 1.7 miles	<u>15,000.</u>
	\$710,000.

The cost estimates were discussed with Mr. Rollin Farmin, assistant manager, Day Mines, Inc.

Phase I Costs

A bulldozer access road to the drill site is estimated to cost about \$200.

Independent diamond drilling contract work for the 1000-ft. surface hole is estimated at \$7.50 per foot and \$1.50 per foot for supplies, transportation, supervision, etc., or a total of \$9.00 per foot.

Three deflections not to exceed 200 feet are estimated to be drilled.

Wedging for the deflections will probably be done on an hourly basis. Boyles Bros. representative estimates hourly rate at \$9.60/hr. and estimates not to exceed 100 hours may be required.

Then,

1,000 ft. diamond drill hole	@ \$9.00/ft.	\$9,000.00
Not to exceed 600 ft. deflected hole	@ 9.00/ft.	5,400.00
Not to exceed 100 hrs. wedging	@ 9.60/hr.	<u>960.00</u>
		\$15,360.00
Access road		<u>200.00</u>
Estimated total cost of Phase I		\$15,560.00

Phase II Costs

All costs in this phase should be on a "maximum allowable cost" basis.

Applicant's Item 2

This item is difficult to estimate so the applicant's figure is tentatively accepted. \$3,000.00

Item 3

Excavation of 2,880 cu. ft. for transformer-compressor-fan room @ \$1.00/cu. ft. seems reasonable 2,880.00

Item 4

Mr. Farmin stated that since the ground had been stoped on all sides and above and below the No. 6 adit shaft station, he did not know how costly it will be to timber and raise the shaft head and trim the rope raise. Inasmuch as there is no specific basis to estimate the cost, the applicant's estimate is tentatively accepted. 10,000.00

Item 5

2 new hoist cables, 3600 ft. @ \$0.81/ft.
Assume no salvage value at end of project.
Roughly 2,900.00
2 skip dumps @ \$ 500 1,000.00
2 each skips and cages @ \$1,000 each, specially
designed and constructed.
Assume no salvage value 4,000.00

Item 6

Installation of 4,500 feet of power cable,
2 compressors, moving transformers and
installation of main ventilation blower 2,000.00

Item 7

650 feet of ladders and landings in shaft
@ \$1.75/ft., rounded to 1,100.00

Item 8

Excavate 5,000 cu. ft. @ \$1.00/cu. ft. for
sump and pump room at 1200 level 5,000.00
Install pocket facilities, pumps, ventilation fan,
battery charger, signal, telephone systems, etc. 3,000.00

Item 9

Installation of 1,350 feet 24" ventilation duct in shaft @ \$5.25/ft. less 50% salvage on \$2.73/ft. plus \$1.50/ft. direct and indirect labor

1,350 feet @ \$4.23/ft. Roughly \$ 1,800.00

Item 10

Crosscut 8'x8' - 5,300 feet @ \$65/ft. 344,500.00

Conditions will be similar to the proposed Gold Hunter project, i.e., a long tram from the portal to the shaft, 1200 feet between levels and eventually a long tram through the crosscut and drifts.

See my estimated drifting and/or crosscutting cost of \$64.59/ft. in my memorandum of May 14, 1958 to the Field Team for Gold Hunter mine application, Docket No. DMEA-5003. Work at 2 shifts per day, 6 days per week, 10 feet advance/day.

Item 11:

1,500 ft. 8'x8' drift on vein @ \$65/ft. 97,500.00
(Same rate as above)

Item 12

25 car transfers, 5'x8'x10' at 250-ft. intervals @ two-thirds of crosscut excavation cost
25 x \$272 6,800.00

Item 13

Since there is no means of predicting the amount of ground support the crosscuts and drifts will require, applicant has assumed that at a maximum all will require either rock bolts or timber for the 6,800 feet. A density of an average of 2 bolts per linear foot has been assumed @ \$4.00/bolt. Timber has been estimated @ \$11/ft.

Maximum of 6,800 feet @ 2 bolts/ft. @ \$4.00/bolt 54,400.00

Item 14

3,000 ft. of diamond drilling or percussion long hole drilling on 1200 level to further explore Pilot vein zone.

Estimated contractor's cost per foot for diamond drilling @ \$4.00.

Estimated cost of \$2.00/ft. for power, supervision, pumping, etc. A heavy flow of water is anticipated in the Revett quartzites on the 1200 level.

Applicant estimates percussion drilling @ \$2.00/ft.

3,000 feet @ \$6.00/ft. 18,000.00

SUMMARY OF ESTIMATED COSTS

Phase I

Access road	\$ 200.00	
Surface diamond drilling	<u>15,360.00</u>	15,560.00

Phase II

Trolley, ditch and track repair	3,000.00	
No. 6 adit level compressor room	2,880.00	
Raise shaft head sheaves	10,000.00	
Skips, dumps, cages, cables	7,900.00	
Installation of compressors, power cables, etc.	2,000.00	
Shaft ladders and landings	1,100.00	
1200 level sump and pump room	8,000.00	
Vent duct in shaft	<u>1,800.00</u>	36,680.00

Phase III

5,300 feet crosscut	344,500.00	
1,500 feet drift	97,500.00	
Sidings	6,800.00	
Rock bolts and timber	54,400.00	
1200 level diamond drilling - 3,000'	<u>18,000.00</u>	<u>521,200.00</u>

ESTIMATED COST OF PROPOSED PROJECT \$573,440.00

Distribution:

DMEA (3) ✓

USGS (2)

Docket

M/D



UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.
June 11, 1958

Day Mines, Inc.
P. O. Box 1010
Wallace, Idaho

Subject: DMEA-5050

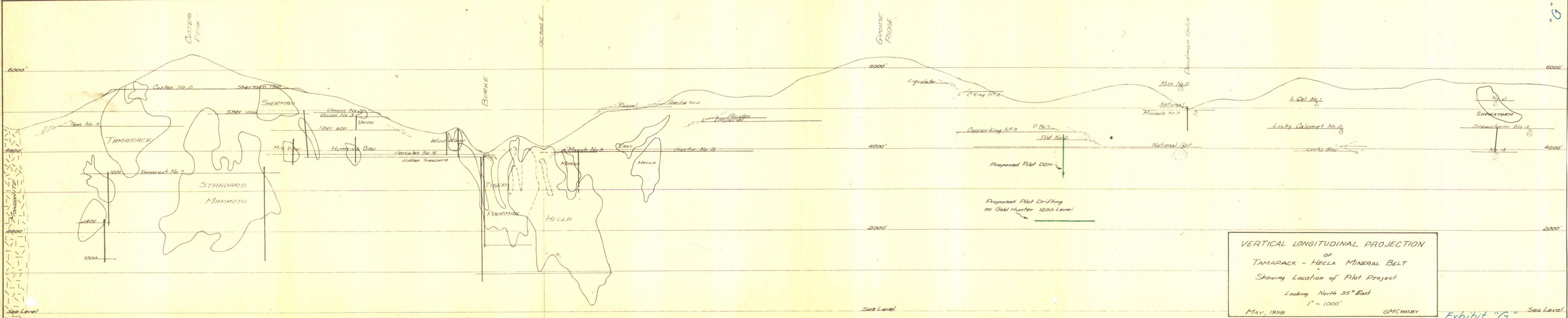
Gentlemen:

Your application for exploration assistance, dated June 2, 1958 submitted to our office at Spokane, Washington has been assigned Docket Number DMEA-5050 and referred to the Base Metals Division in the Washington office. Kindly identify all future correspondence relating to your application by this Docket Number.

Sincerely yours,

Allen S. Dakan, Director
Operations Control and
Statistics Division

Copy to: Region I.



VERTICAL LONGITUDINAL PROJECTION
 OF
 TAMARACK - HECLA MINERAL BELT
 Showing Location of Plot Project
 Looking North 35° East
 1" = 1000'
 MAY, 1958
 GMCROSBY

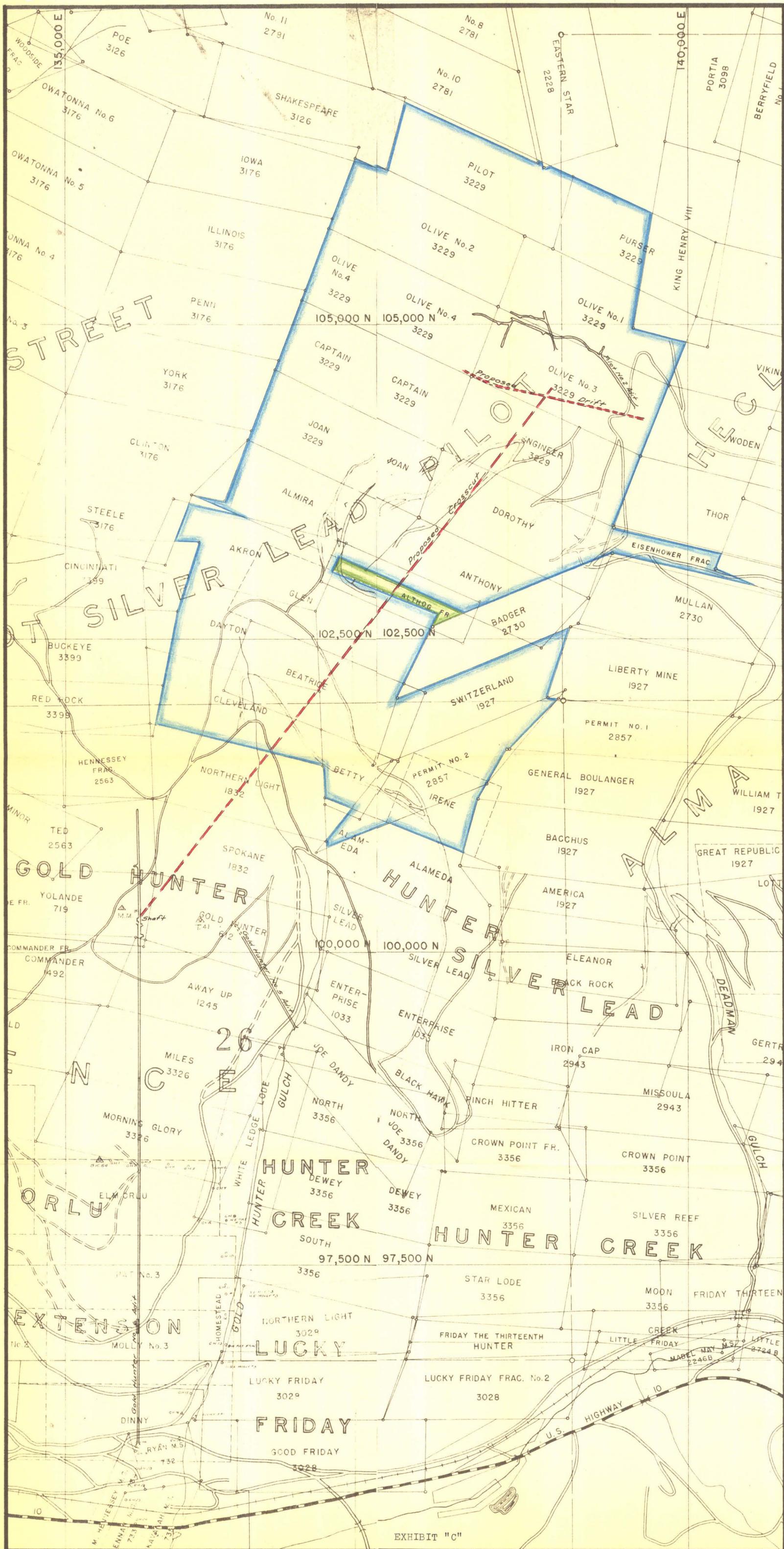


EXHIBIT "C"

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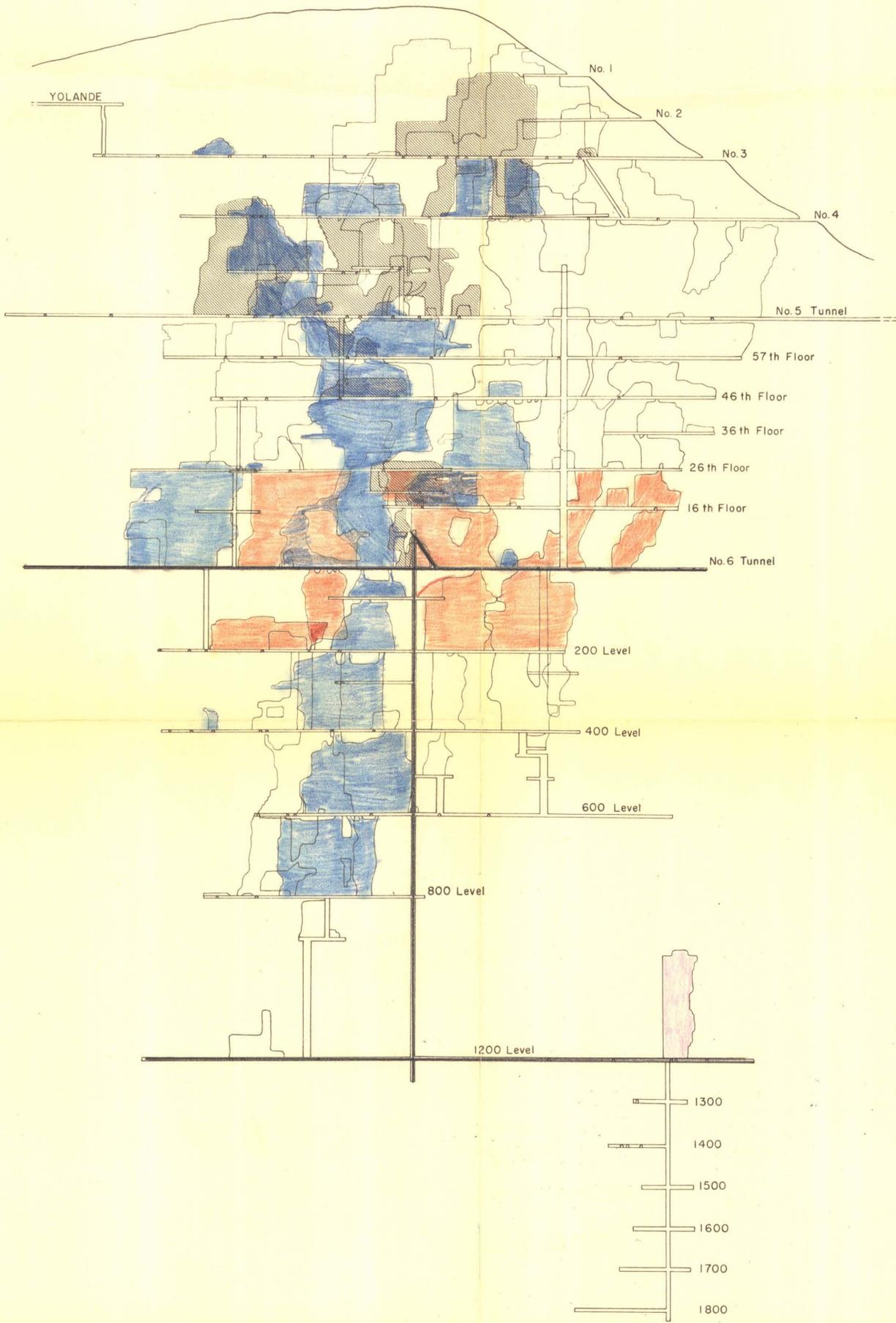
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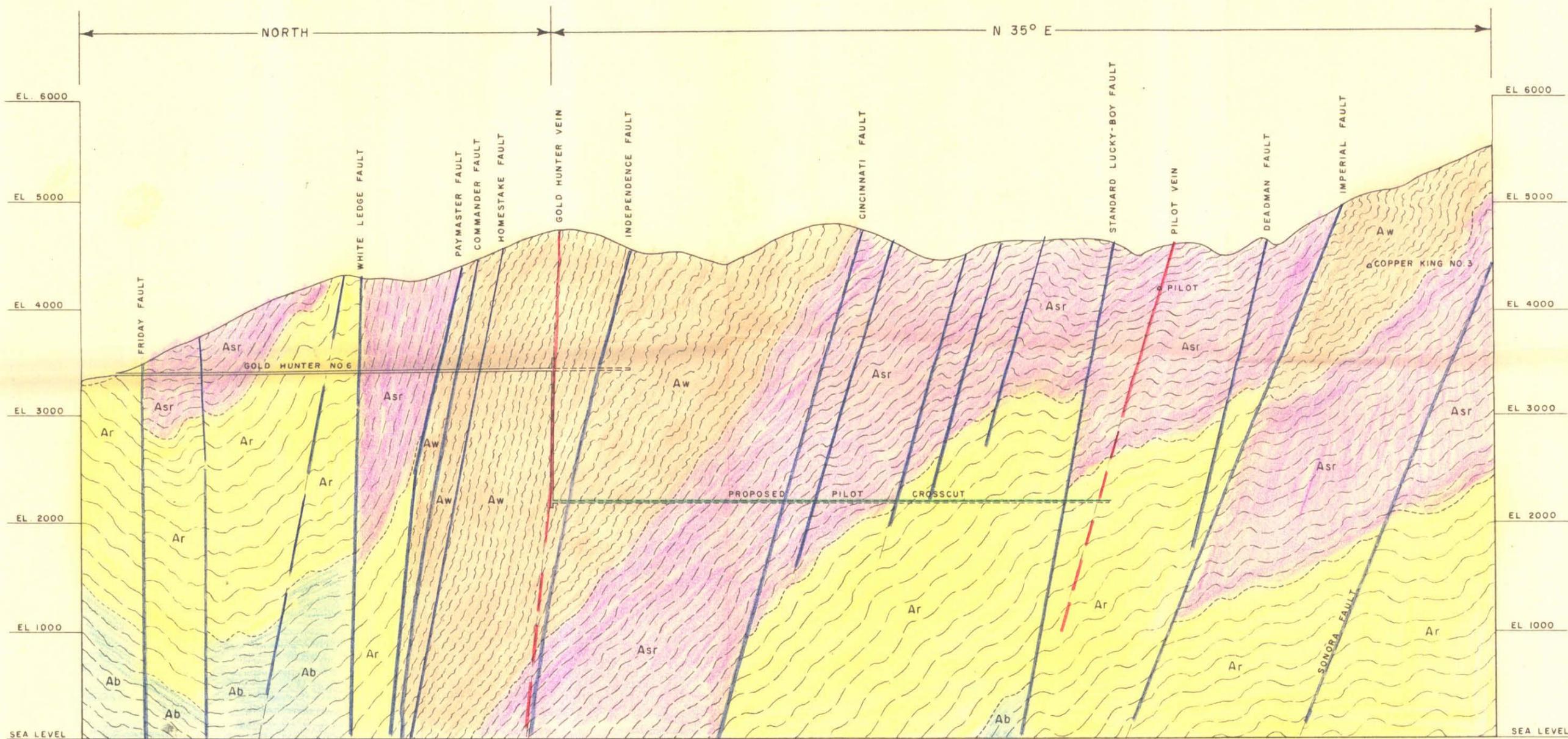
GOLD HUNTER MINE
VERTICAL LONGITUDINAL PROJECTION

EAST - WEST
 LOOKING NORTH

1" = 200'

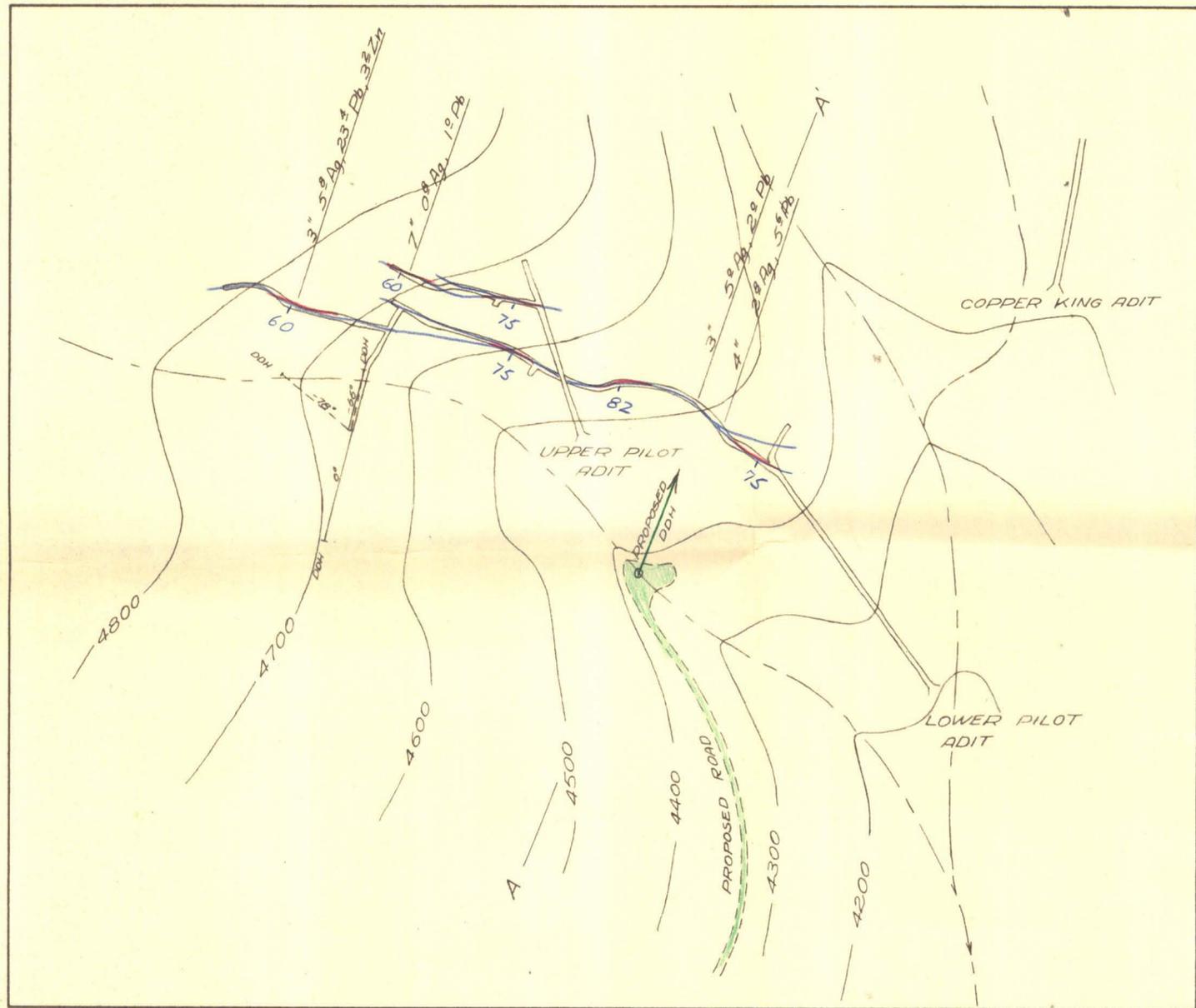
Above 26th floor & Below 200 Level
Between 26th floor & 200 Level

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- SOUTH STOPES SOUTH OF FAULT
- STOPES NORTH OF FAULT

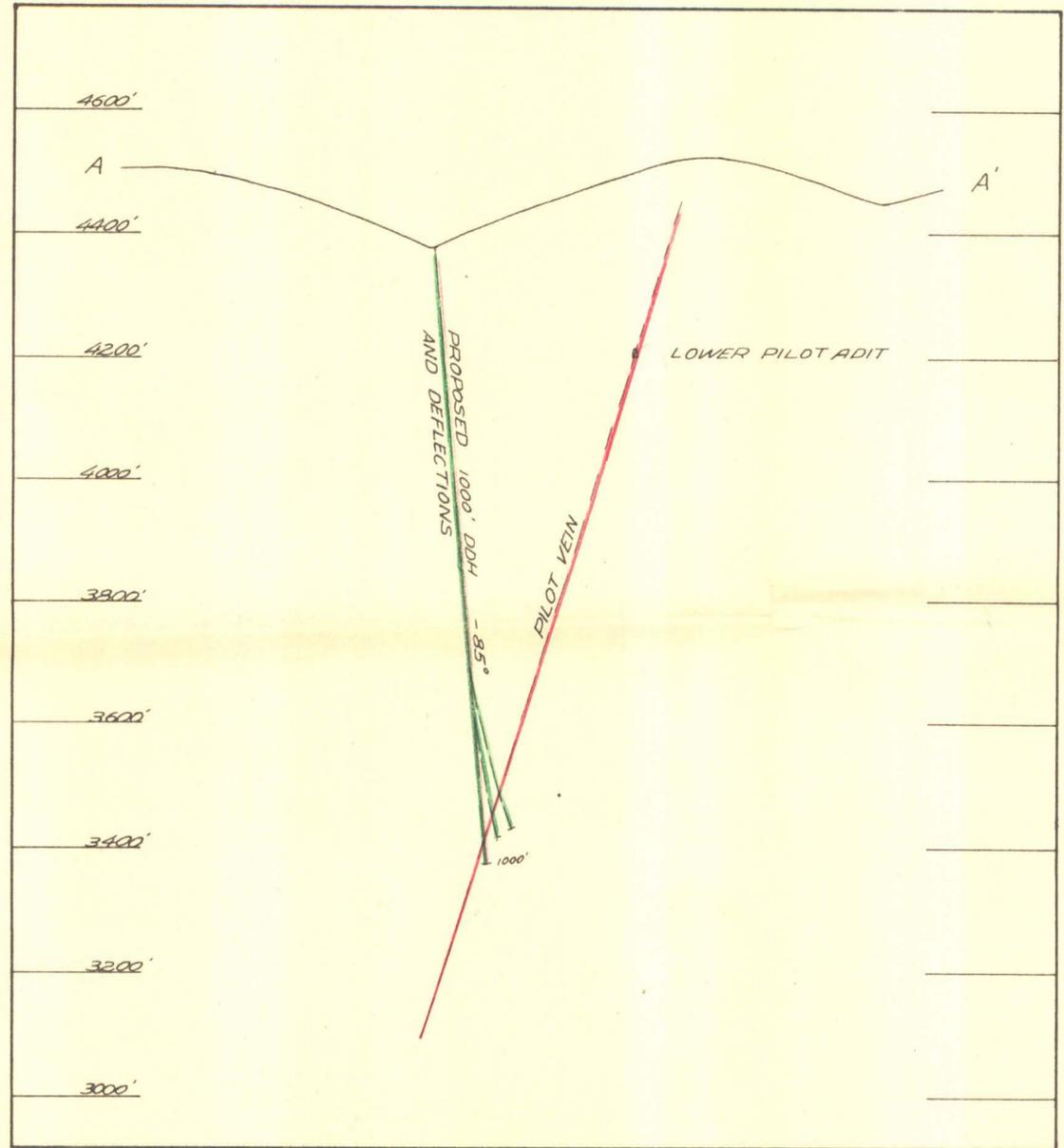


VERTICAL SECTION
 Looking West Through
 GOLD HUNTER No. 6 TUNNEL
 And
 PROPOSED PILOT CROSSCUT
 Shoshone County, Idaho
 Scale: 1"=1000'

Exhibit "E"



PLAN



CROSS SECTION

PILOT WORKINGS

1 INCH = 200 FEET

MAY 1958 G M CROSBY