

2. Option. AMC hereby grants to PAYNE the exclusive right and option to extend the term of this Lease, after December 17, 1966, upon the terms and conditions described herein. Upon the exercise of the option, to extend the Exploration Lease into a Mining Lease, the lease shall continue with the same rights with respect to the use of the Premises and other properties as are granted in the Lease for the period from December 17, 1964 to December 17, 1966. *MB ECP*
Am.

The option to extend the Exploration Lease into a Mining Lease shall be exercisable by PAYNE at any time subsequent to the date hereof and prior to December 17, 1966 (provided the exploration period has been extended for one (1) year and the sum of Twenty-five Thousand Dollars (\$25,000.00) has been paid) by PAYNE's mailing written notice to AMC of the exercise of the option accompanied by a certified check in the amount of Seventy-five Thousand Dollars (\$75,000.00) made payable to the order of American Molybdenum Corporation, which notice shall be sent by registered or certified United States mail, postage prepaid, to AMC pursuant to paragraph numbered "13" of this agreement. Upon such exercise of the option by PAYNE, the terms and conditions set forth in paragraphs "3" and "4" of this Agreement with respect to the Premises shall immediately become effective, and the term of the Mining Lease as distinguished from the Exploration Lease shall commence. Said payment shall be the minimum royalty for the year to follow the date of payment.

3. Term of Mining Lease. Upon the exercise of the option as provided in paragraph "2" hereof, the term of the Mining Lease, as distinguished from the Exploration Lease, shall commence and run for a period of ninety-nine (99) years, and thereafter, until all minerals recoverable at a profit shall have been extracted from the Premises. PAYNE shall be the sole judge of what part of the Premises may be mined at a profit, and when profits are being made by it, and what method and machinery may best be used in extracting and concentrating the metals and minerals from that portion of the Premises that PAYNE desires to mine.