To GK Hennemeyer 3/6/97 JD

Piedras Verdes Exploitation Contract

FILE

CONTRACT FOR MINING EXPLORATION AND EXPLOITATION EXECUTED BY AND BETWEEN COMPAÑIA MINERA SERRANA, S.A. DE C.V. (HEREINAFTER REFERRED TO AS "SERRANA") REPRESENTED BY ITS GENERAL ATTORNEY-IN-FACT MR. RIGOBERTO REYNOSO RABAGO AND COBRE DEL MAYO, S.A. DE C.V. (HEREINAFTER REFERRED TO AS "MAYO") REPRESENTED BY ITS GENERAL ATTORNEY-IN-FACT MR. A. L. LAWRENCE, IN ACCORDANCE WITH THE FOLLOWING DECLARATIONS AND CLAUSES

DECLARATIONS

I. SERRANA declares that:

a) It is a mining company legally incorporated and existing in accordance with the laws of the United Mexican States, with the legal capacity to enter into this contract as evidenced in pubic deed No 38,518 dated the 8th of December of 1979, granted before Mr. Xavier Prieto Aguilera, Notary Pubic No. 40 of the Federal District, which was registered in the Public Registry of Property and Commerce of Hermosillo, Sonora, under No. 36,098 of Section V, Volume 110; and under No. 19, at page 24 front page and 25 front page of Volume XIX of the General Book of Corporations of the Public Registry of Mining.

b) Its representative has the necessary faculties to bind the company in the terms of this contract, as evidenced in public deed No. 18,452 dated the 19th of April of 1985, granted before Mr. Adrián R. Iturbide Galindo, Notary Pubic No. 139 of the Federal District, faculties which have not been revoked or limited in any manner.

c) It is the sole and legitimate owner of the exploration mining concessions that are indicated below (hereinafter referred to as the "Exploration Mining Concessions") on the mining lots shown below (the "Exploration Mining Lots") and of the exploitation mining concessions that also are indicated below (hereinafter referred to as the "Exploitation Mining Concessions") on the mining lots shown below (the "Exploitation Mining Lots"). The Exploration Mining Concessions and the Exploitation Mining Concessions shall be hereinafter jointly referred to as the "Mining Concessions," which term shall include any concessions that may be issued for any reason in substitution of any Mining Concessions and the Exploration Mining Lots and the Exploitation Mining Lots shall be hereinafter jointly referred to as the "Mining Lots," which are located in the Municipality of Alamos, Sonora.

Name of the Lot	Title	Hectares	Expiration Date
		Exploitation Mining Concessions	
Piedras Verdes Uno	196299	166.4014	July 15, 2043
Fortuna	194867	16.0	July 30, 2042

Exploration Mining Concessions

Piedras Verdes Dos (both fractions)	189019	395.6715	December 5, 1996 (two exploitation concessions requested on November 14, 1996)
Haydee	184605	47.8443	November 8, 1995 (exploitation concession requested on July 17, 1995)

d) The Mining Concessions are valid and all obligations in relation to the same that are established by the Mining Law and its Regulations and the Federal Law of Rights have been timely fulfilled and no application for exploitation concession has been rejected, and all requirements for the granting of such exploitation concessions have been met by SERRANA.

e) The Mining Concessions and the Mining Lots are free of all liens, encumbrances or claims.

f) It has not assigned, encumbered or promised to assign or encumber the title or the rights that derive from the Mining Concessions, and it has no obligation to any third party that impedes it from executing this contract.

II. MAYO declares that:

a) It is a mining company legally incorporated and existing in accordance with the laws of the United Mexican States, as evidenced in public deed No. 8,726 dated the 3rd of October of 1991, granted before Ms. Ana Patricia Bandala Tolentino, Notary Public No. 195 of the Federal District, which was registered in the Public Registry of Property and Commerce of Hermosillo, Sonora, under No. 6,063 of the Commerce Section, Volume 17,LI; and under No. 145, at page 122 back page and 123 front page, of Volume XXX of the General Book of Corporations of the Public Registry of Mining.

b) Its representative, in the terms of the public deed mentioned in the preceding subsection, has the necessary faculties to bind the corporation in the terms of this contract, which faculties have not been revoked or limited in any manner.

c) It is interested in acquiring the exploration and exploitation rights that are established in accordance with this contract in relation to the Mining Concessions.

Based on the foregoing declarations, the parties enter into this contract subject to the following:

CLAUSES

FIRST. GRANT OF RIGHTS. SERRANA grants to MAYO the exclusive right of exploration of the Exploration Mining Lots and of exploitation of the Exploitation Mining

Lots, which in the terms of the Mining Law in effect, gives to MAYO the free right and enjoyment of the products derived from the corresponding mineral extraction.

The right of exploitation includes the exploration for, the extraction and the benefit of the mineral substances on and in the Mining Lots.

MAYO may use and employ such methods of mining as it may reasonably desire or find most profitable in accordance with generally accepted mining industry practices based on a feasibility study. MAYO shall have the exclusive right to direct and control all aspects of MAYO's exploring, developing, and mining the Mining Lots and processing, transporting and marketing minerals extracted from the Mining Lots.

This contract shall be in force for as long as one or more of the Mining Concessions is in force, unless earlier terminated according to clause eleventh below.

SECOND. NEW EXPLOITATION CONCESSIONS. As soon as the mining concessions for exploitation are issued on each one of the Exploration Mining Lots, they shall automatically be included in the definition of "Exploitation Mining Lots," and shall remain subject to the right of exploitation granted to MAYO in clause first above.

THIRD. OBLIGATIONS OF MAYO. During the term and as part of the present contract, MAYO has the responsibility of fulfilling the following obligations:

a) To perform the works of exploitation on the Exploitation Mining Lots and of exploration on the Exploration Mining Lots in accordance with generally accepted industry practices, substantially fulfilling all material obligations that the Mining and Environmental Legislation establishes in this respect, and in accordance with safe mining practices on the work sites at the mines.

b) To timely formulate and present reports to the appropriate government agency on verification of activities or works of exploitation corresponding to the Exploitation Mining Lots, and of exploration corresponding to the Exploration Mining Lots required by law to maintain the Mining Concessions.

c) To adopt the necessary measures to maintain the validity of the Mining Concessions and any and all rights related to the same, and to perform the acts that are required to ensure that the Mining Lots remain free of all encumbrances arising by or through MAYO. Nothing in this contract shall preclude MAYO from placing a lien on its rights arising under this contract to secure financing for the development of and production from the Exploitation Mining Lots.

d) To pay the amount of mining duties corresponding to the Mining Lots at the times established by the Federal Law of Rights or by any other applicable tax order to this effect.

e) If applicable, to provide the information and funds necessary for SERRANA to fulfill the obligations established in the Mining Legislation, for the purpose of maintaining the validity of the Mining Concessions.

f) To comply at all times with the federal, state and municipal laws and regulations that are applicable to MAYO's exploitation operations, including obligations arising under Environmental Legislation.

g) In the event of termination of this contract by MAYO, to turn over to SERRANA the following:

(i) Within 90 Business Days following the date of termination, a copy of the final report about the factual results obtained and costs incurred in connection with the exploration of the Mining Lots, including tests, geological maps, all types of technical information, as well as the leftover mineral samples (at the site where they may be stored), provided that MAYO shall not be responsible for the accuracy or completeness of such report and other data.

(ii) The documentation that evidences the performance of the obligations corresponding to the Mining Concessions in relation to the presentation of reports on verification of activities or works of exploitation or of exploration and payment of duties during the term of the present contract.

The parties agree that in the event MAYO terminates this contract pursuant to clause eleventh below, from the effective date of such termination any and all actions required to be taken in relation to the Mining Lots in order to maintain the Mining Concessions in accordance with the Mining Legislation and all other applicable laws, including without limitation presentation of any and all reports on verification of activities or works of exploitation or of exploration and payment of duties thereon, shall be the exclusive responsibility and at the cost of SERRANA, with MAYO remaining free of any such responsibility and cost subsequent to such termination of this contract.

For purposes of this contract, "Business Day" shall mean a day on which the federal government offices in the Federal District of Mexico are open for business.

FOURTH. OBLIGATIONS OF SERRANA. During the term of this contract, SERRANA shall satisfy the following obligations:

a) To provide MAYO at all times free access to the Mining Lots and the use of its mineral products, in the case of the Exploration Mining Lots, in order to conduct the corresponding investigative testing, and in the case of the Exploitation Mining Lots in order to, in an illustrative but not limitative manner, extract, produce and sell such mineral products.

b) To sign on time, if necessary, the reports on verification of activities or works of exploitation and of exploration required by law for the maintenance of the Mining Lots and the Mining Concessions or provide MAYO with a Power of Attorney authorizing MAYO to sign all documents required for such purposes.

c) Not to assign or promise to assign or otherwise grant to a third party the title or any rights or interests that are derived from the Mining Concessions or any of the rights or royalties that are derived from this contract, without the prior consent of MAYO which consent shall be granted in accordance with the following rules:

(1) MAYO shall have a right of first refusal to acquire any such title, rights, interests or royalties.

(2) If SERRANA desires to sell, assign, transfer or otherwise grant any such title, rights, interests or royalties, Serrana shall notify MAYO in writing of such desire, which written notice shall include (i) the identity of the third party bona fide offeror; (ii) the cash value being offered by such third party bona fide offeror; and (iii) all applicable terms and conditions for payment of the purchase price of such title, rights or royalties.

(3) MAYO shall have 30 Business Days from the date on which it receives such notice from SERRANA to exercise the right of first refusal to acquire such title, rights, interests or royalties for the same cash price and upon the same terms and conditions as are offered by such third party bona fide offeror. Such right of first refusal shall be exercised, if at all, by MAYO giving SERRANA written notice of MAYO's election to so acquire such title, rights, interests or royalties. If MAYO timely gives such notice, the parties shall promptly complete such sale, assignment, transfer or other disposition by paying such cash price in accordance with such terms and conditions.

(4) If, at the end of the 30-day period referred to in paragraph (3) above, MAYO has not exercised its right of first refusal, then SERRANA shall be free to complete the desired sale, assignment, transfer or other grant to the third party bona fide offeror for a cash price and upon terms and conditions no less favorable to SERRANA than were set forth in the notice given to MAYO in accordance with paragraph (2) above, but such transaction must be completed within 45 Business Days after the expiration of the 30-day period referred to in paragraph (3). If SERRANA does not complete such transaction within such 45-day period, then SERRANA shall once again be bound to comply with all the provisions of this section (c).

d) Not to create any encumbrance on the Mining Lots or the Mining Concessions without the consent of MAYO which consent shall be granted in accordance with the rules stated in paragraph c) above.

e) Not to grant any right or interest in the Mining Lots or the Mining Concessions to third parties that could adversely affect or impede the exercise of the rights that are granted to MAYO in accordance with this contract.

f) To sign, and file, on time all documentation that in accordance with the Mining Law and its Regulations are required in order to obtain the mining exploitation concession titles in relation to the Exploration Mining Lots, and to obtain the renewal of the Exploitation Mining Concessions or provide MAYO with a Power of Attorney authorizing MAYO to sign all documents and take all measures required for such purposes.

g) To notify MAYO immediately of any claim, complaint or litigation of which it has knowledge and that could come to restrict or limit the rights granted to MAYO.

h) When the claim or complaint to which the previous subsection refers is the responsibility of SERRANA, the latter agrees to hold MAYO harmless of any liability arising from such claim or complaint.

i) To allow MAYO at all times to remove from the Mining Lots all facilities, machinery, and equipment that is the property of MAYO, except for the permanent ground stabilization structures and timbering, as these structures will remain for the benefit of SERRANA upon termination of the present contract.

FIFTH. PAYMENTS TO SERRANA; PRODUCTION ROYALTIES. MAYO shall pay to SERRANA:

a) From the date of execution of this contract before a notary public (the "Date of Execution"), US$10,000.00 (ten thousand 00/100 US dollars) monthly on the 15th day of every month, until MAYO initiates Commercial Production, as hereinafter defined. Such payments shall be made as long as the present contract is in force even in the case of force majeure affecting MAYO, until MAYO initiates Commercial Production or this contract is terminated in accordance with clause eleventh.

Commercial Production shall be deemed to exist when a beneficiation plant for the Mining Lots has been processing mineral from the Exploitation Mining Lots without interruption for ten calendar days at no less than 50% of the planned start-up production rate for the mine on the Mining Lots.

b) US$299,035 (two hundred ninety-nine thousand thirty-five US dollars) on the Date of Execution, which payment satisfies all payment obligations deriving from any previous agreements of any nature between MAYO and SERRANA, which previous agreements are hereby terminated and superseded by this contract.

c) US$299,035 (two hundred ninety-nine thousand thirty-five US dollars) on the first anniversary of the Date of Execution.

d) US$299,034 (two hundred ninety-nine thousand thirty-four US dollars) on the second anniversary of the Date of Execution.

e) Royalties equal to 3% (three percent) (hereinafter "Production Royalties") of the net value of the mineral that is mined and recovered from the Exploitation Mining Lots or from any mining lots acquired by MAYO or any of its affiliates within the outer perimeter of the four original Mining Lots as shown on the attached plat (the "Additional

Lots"). This percentage shall be applied to smelter settlement sheets for the sale of smelted or refined copper or to net return invoices for the sale of electrowon copper cathodes.

(1) For purposes of this section, the net value of mineral (other than electrowon copper cathodes) shall be the price at which mineral mined from the Exploitation Mining Lots is sold or deemed to have been sold by MAYO, less all costs, expenses and charges paid or accrued with respect to such mineral after such mineral leaves the beneficiation plant for the Exploitation Mining Lots. Such costs shall include the cost of transportation from such plant to the smelter, from the smelter to refinery and from refinery to market, costs for storage of and insurance on such minerals during transportation and storage, costs of smelting and refining (including metal losses, penalties for impurities, and assay and umpire services), costs of sale (including brokerage commissions), and taxes imposed upon or reasonably allocated to such mineral.

(2) The net value of mineral sold in the form of electrowon copper cathode shall be the price at which such mineral is sold or deemed to have been sold by MAYO, less all costs of transportation from the beneficiation plant for the Exploitation Mining Lots to the place of sale, costs for storage of and insurance on such copper cathode during transportation and storage, costs of sale (including brokerage commissions), and taxes imposed upon or reasonably allocated to such copper cathode. If the cathode is not acceptable to the market as salable cathode, deductible costs shall include, in addition to the foregoing costs, costs of transportation to a refinery and from the refinery to the place of sale and refining charges (including metal losses, penalties for impurities, and assay and umpire services).

(3) Production Royalties shall be paid quarterly on or before 20 Business Days following the end of each calendar quarter for which Production Royalties are payable. SERRANA shall deliver to MAYO, at the time SERRANA receives each payment, a corresponding receipt that satisfies all requirements of applicable tax laws. Each payment of Production Royalties shall be accompanied by a copy of the smelter settlement sheet, net return invoice or other schedule from which the Production Royalties were calculated. SERRANA shall have 60 Business Days within which to object to the royalty payment or to the basis therefor or the calculation thereof. If SERRANA fails to provide to MAYO written notice of any objection to the royalty payment or to the basis therefor or the calculation thereof within said 60-day period, such royalty payment shall be deemed conclusively accurate and in full satisfaction of MAYO's obligation therefor, and SERRANA shall be deemed to have waived any and all objection thereto.

(4) Any smelter, refinery or other purchaser of mineral mined and recovered from the Exploitation Mining Lots, that is owned or controlled by MAYO or an affiliate of MAYO shall be deemed to be a custom smelter or refinery or independent purchaser for purposes of calculating Production Royalties, and the Production Royalties from the sale of mineral purchased by such smelter, refinery or other purchaser shall be computed and determined in accordance with usual custom

smelting, refining or other purchasing practices employed by MAYO or such affiliate the same as if sold to such smelter, refinery or other purchaser by a third party, but said Production Royalties shall not be less than would have been realized by MAYO if such minerals had been sold to any smelter, refinery or other purchaser that is not owned or controlled by MAYO or an affiliate of MAYO.

(5) Ores, concentrates, and derivatives mined or retrieved from the Exploitation Mining Lots may be commingled with ores, concentrates, or derivatives of similar composition mined or retrieved from other properties. All determinations required for calculation of Production Royalties, including without limitation the amount of the metals contained in ores, concentrates, or derivatives mined or retrieved from the Exploitation Mining Lots, and the amount of the metals contained in or recovered from commingled ores, solutions, concentrates or derivatives, shall be made by MAYO in accordance with generally accepted industry practices as applied by MAYO. All matters relative to the calculation of Production Royalties shall be subject to audit or review at SERRANA's expense at reasonable intervals and at reasonable times during business hours by certified public accountants and licensed or registered engineers employed by SERRANA, within the times provided by paragraph (3) above.

(6) If SERRANA's rights in the Exploitation Mining Lots are less than the full undivided rights of exploitation conferred by the Exploitation Mining Concessions, all payments of royalty to SERRANA shall be reduced to the same proportion thereof as the rights actually held by SERRANA bear to 100% of such rights. No royalty shall be payable to SERRANA on account of minerals produced from any lands included in the Exploitation Mining Lots in which SERRANA's rights have failed completely through no fault of MAYO.

(7) Any royalties that MAYO must pay to third parties in regard to mineral production from the Additional Lots shall be deducted (not to exceed a royalty to third parties of 3% of the net value of the mineral) from the Production Royalties payable to SERRANA.

(8) MAYO may but need not engage in forward sales, futures trading or commodity options trading, and other price hedging, price protection, and speculative arrangements ("Trading Activities") which may involve the delivery of mineral produced from the Exploitation Mining Lots. The parties acknowledge and agree that SERRANA shall not be entitled to participate in the proceeds or be obligated to share in any losses generated by MAYO's Trading Activities.

SIXTH. ADVANCE ROYALTIES. If Commercial Production has not started by the third anniversary of the Date of Execution, MAYO shall make the following advance royalty payments to SERRANA, which payments shall cease upon the start of Commercial Production or the termination of this contract in accordance with clause eleventh:

a)	On the third anniversary of the Date of Execution	US$1,000,000 (one million US dollars).
b)	On the fourth anniversary of the Date of Execution	US$1,000,000 (one million US dollars).
c)	On the fifth anniversary of the Date of Execution	US$1,000,000 (one million US dollars).
d)	On the sixth anniversary of the Date of Execution	US$1,500,000 (one million five hundred thousand US dollars).
e)	On the seventh anniversary of the Date of Execution	US$1,500,000 (one million five hundred thousand US dollars).
f)	On the eighth anniversary of the Date of Execution	US$1,500,000 (one million five hundred thousand US dollars).
g)	On the ninth anniversary of the Date of Execution	US$1,500,000 (one million five hundred thousand US dollars).
h)	On the tenth anniversary of the Date of Execution	US$1,500,000 (one million five hundred thousand US dollars).
i)	On the eleventh anniversary of the Date of Execution	US$1,500,000 (one million five hundred thousand US dollars).

All advance royalty payments paid by MAYO to SERRANA until the start of Commercial Production shall be credited on an historical accounting basis (i.e., without consideration of interest or inflation) to the Production Royalties payable by MAYO to SERRANA~~,~~; provided, however, that MAYO shall apply to each payment of Production Royalties a maximum advance royalty deduction equivalent to 75% of such Production Royalties payable, until all advance royalty payments are recouped.

If MAYO is prevented from starting Commercial Production from the Mining Lots due to Force Majeure (as hereinafter defined), or, if the monthly average price of copper is below US$0.90 per pound for six consecutive monthly periods during the 12 months immediately preceding an anniversary of the Date of Execution, or, if the monthly average price of copper is below US$0.90 per pound for any eight monthly periods during the 12 months immediately preceding an anniversary of the Date of

Execution, the advance royalty payment becoming due during any such Force Majeure period or following any such 12-month period shall be reduced by 75%. The monthly average price of copper shall be determined by the price quoted as the London Metal Exchange, P.M. fixing, as published by *The Wall Street Journal*, Eastern Edition.

All payments, receipts and invoices issued by either party subject to this agreement shall comply with the Mexican Tax Laws including the Value Added Tax ("IVA").

SEVENTH. EQUIPMENT AND PERSONNEL. For the works subject to the terms of this contract, MAYO shall have the right freely to take to the Mining Lots, all machinery, equipment, tools, and materials that it considers necessary for such purpose.

MAYO shall contract all of the administrative, technical and any other kind of personnel, whether or not qualified, that is required to complete the works on the Mining Lots, and it shall be responsible for the payment of all benefits, legal as well as contractual, that the corresponding employees and workers should receive. Upon termination of the present contract for any reason, MAYO shall terminate the personnel that it has employed for the works of exploitation and exploration of the Mining Lots, assuming in a total and exclusive manner any other responsibility to such personnel, expressly releasing SERRANA of any responsibility that could arise on this subject.

EIGHTH. NO REDUCTION OF AREA. During the term of this contract, unless MAYO has requested otherwise, SERRANA is obligated not to perform any act that could give rise to the reduction of the surface area of the Mining Lots.

NINTH. LOSS OF TITLE. In the event any title to the Mining Concessions is lost or impaired through MAYO's gross negligence or willful failure reasonably to maintain the Mining Concessions in good standing prior to the termination of this contract according to clause eleventh and thereby MAYO loses the right to mine known minable ore reserves, MAYO shall guarantee the obligation to pay SERRANA the Production Royalties on such known minable ore reserves in a time and manner as if MAYO had not lost the right to mine such known minable ore reserves.

TENTH. AREA OF INTEREST. During the term of this contract, SERRANA shall not directly or indirectly acquire any mineral, surface or water right in any property lying within the exterior perimeter boundaries of the Mining Concessions or within five kilometers outside of such exterior perimeter boundaries. Any such interest in any such property acquired by SERRANA in violation of this clause shall be transferred by SERRANA to MAYO without cost and shall be considered to be included in this contract without cost to MAYO, except that Production Royalties will be payable to SERRANA on mineral production therefrom only if such production is from land within the outer perimeter of the four original Mining Lots shown on the attached plat.

ELEVENTH. TERMINATION. This contract may be terminated as follows:

a) At any time at MAYO's option, by written notice provided to SERRANA with at least 30 calendar days before the date on which the termination is to take effect. In this case, MAYO shall have no obligation to make any payments to SERRANA that are due after the effective date of such termination. In such case any payments previously made to SERRANA shall remain for the benefit of SERRANA.

b) If MAYO has not started Commercial Production by the twelfth anniversary of the Date of Execution, at SERRANA's option exercised at any time thereafter and before MAYO starts Commercial Production, by written notice provided to MAYO by SERRANA with at least 30 calendar days before the date on which the termination is to take effect. In such case any payments previously made to SERRANA shall remain for the benefit of SERRANA.

c) For nonfulfillment by any of the parties of any material obligation under this contract. In this case, the nondefaulting party shall give the defaulting party written notice of such breach in accordance with clause twelfth. If, within 30 Business Days following the delivery of such notice, the defaulting party has not cured the default or taken steps in good faith to cure such default, the nondefaulting party shall have the right to terminate this contract without prejudice to its right to claim the losses and damages caused by the breach of this contract. Such losses and damages shall be only those that occur prior to the effective date of the termination of this contract.

TWELFTH. NOTICES AND NOTIFICATIONS. All notices and notifications that the parties must give in relation to this contract shall be done in writing. Such notices and notifications shall bind the contracting parties when they are personally delivered to the last domicile declared for purposes of this contract, which, until the date on which notice is given to the contrary, shall be understood to be the following:

SERRANA:

Cía Minera Serrana, S.A.
Blvd. Garcia Morales Km. 12
83260 Hermosillo, Sonora
México
Attention: Ing. Rigoberto Reynoso Rábago

MAYO:

Cobre del Mayo, S.A. de C.V.
Blvd. Luis Encinas No. 535
Entre Gustavo Munoz y Jose Obregon
Col. Choyal (ens. Del Miyako)
83220 Hermosillo, Sonora
México
Attention: Sr. Gary R. Heinemeyer

THIRTEENTH. ENTIRE AGREEMENT. This contract contains the entire agreement of the parties hereto, and supersedes all previous agreements between the parties regarding its subject matter.

FOURTEENTH. FORCE MAJEURE. Except for the obligation to make payment of money to SERRANA required by this contract, the obligations of MAYO shall be suspended and the time for performance thereof extended during the continuance of any event of Force Majeure that substantially hinders or delays MAYO's performance of such obligations and for a reasonable time after the removal or termination of such event of Force Majeure to allow performance of such obligation (the "Force Majeure period"); provided that no event of Force Majeure shall excuse MAYO from paying such duties or making such filings as are necessary to maintain in good standing the Mining Concessions. "Force Majeure" shall be any cause, whether foreseeable or unforeseeable, beyond the reasonable control of MAYO, including, without limitation, labor disputes (however arising or whether or not employee demands are reasonable or within the power of MAYO to grant), Acts of God; laws, regulations, proclamations, instructions, or requests of any government or governmental entity; judgments or orders of any court; inability to obtain on reasonably acceptable terms any public or private license, permit, approval or other authorization; curtailment or suspension of activities to remedy or avoid an actual or alleged, present or prospective violation of federal or local environmental standards; acts of war or conditions arising out of or attributable to war, whether declared or undeclared; riot, civil strife, insurrection or rebellion; fire, explosion, earthquake, storm, flood, sink holes, drought or other adverse weather condition; delay or failure by suppliers or transporters of materials, parts, supplies, services or equipment or by contractors' or subcontractors' shortage of, utilities or services; accidents, breakdown of equipment, machinery or facilities; or any other cause whether similar or dissimilar to the foregoing; provided, however, nothing herein shall require MAYO to test or refrain from testing any law, regulation, judgment or order.

FIFTEENTH. LAWS AND COURTS. The parties expressly agree to submit themselves to the applicable law and to the competent courts of general jurisdiction of the City of Hermosillo, Sonora, for purposes of applying and enforcing the arbitration provision hereof or any award in arbitration, renouncing all other forums to which they may be entitled by reason of present or future domiciles or by the location of their assets.

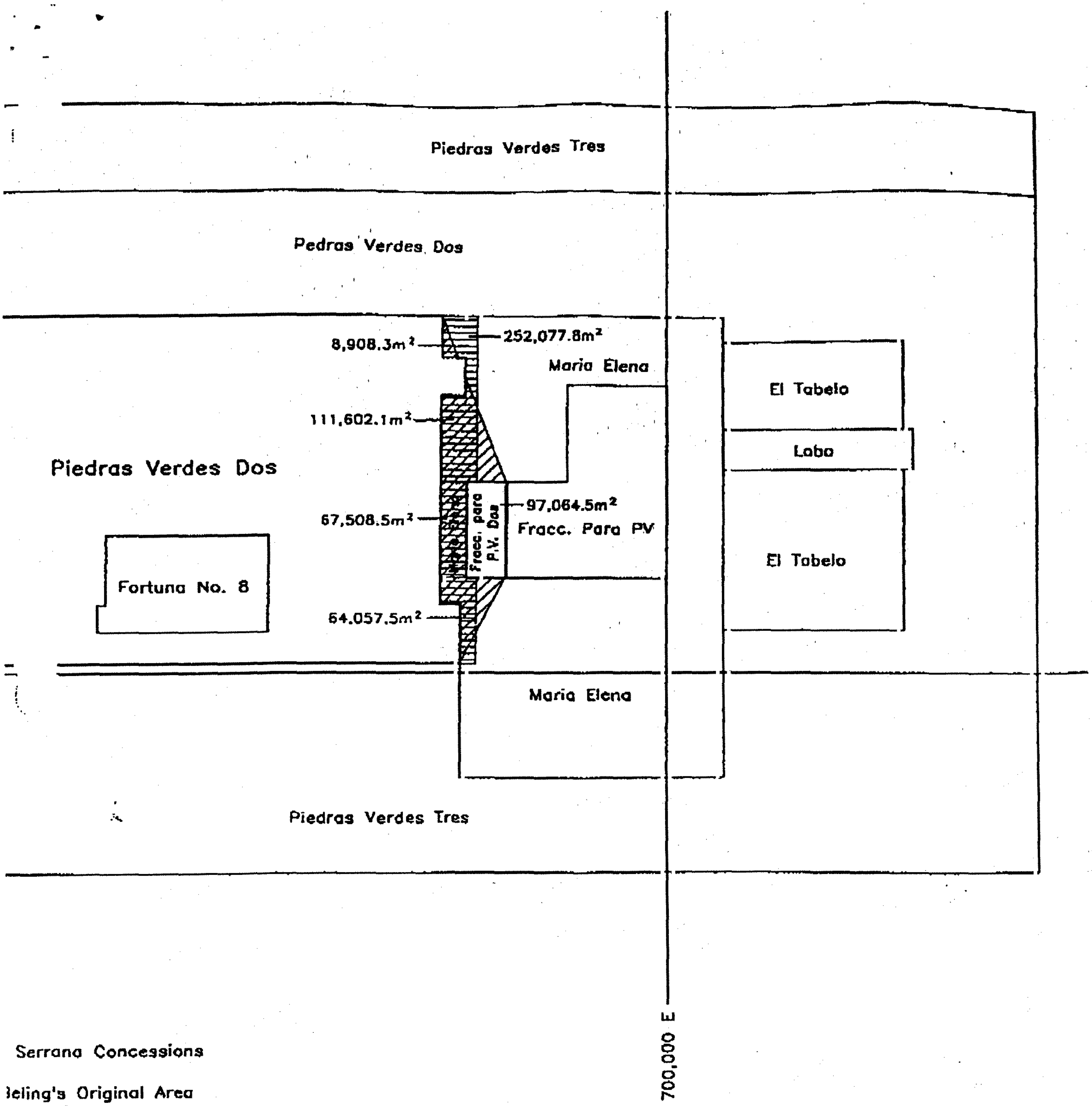
SIXTEENTH. CONFIDENTIALITY. SERRANA will keep confidential all information it receives as a result of or in connection with the calculation or payment of Production Royalties under this contract or with respect to MAYO's operations. SERRANA will not make any disclosure or give out any publicity or written material relating to such information or the terms of this contract without the prior written consent of MAYO, except to SERRANA's accountants, attorneys or advisors who have a legitimate business need to know and who have agreed to protect the information from further disclosure.

SEVENTEENTH. ARBITRATION. All disputes between SERRANA and MAYO arising in connection with the interpretation, performance, validity, breach or termination of this contract which the parties are unable to resolve within 20 Business Days may thereafter be submitted to binding arbitration by written demand of either party pursuant to the arbitration statutes of México, except as otherwise provided by this Agreement. To demand arbitration a party (the "demanding party") shall give written notice to the other party (the "responding party"). Such notice shall specify the nature of the issues in dispute, the amount involved, and the remedy requested. Within 20 Business Days of the receipt of the notice, the responding party shall answer the demand in writing, specifying the issues that the party disputes. If the parties agree on a single arbitrator, the issues shall be decided by the single arbitrator according to rules of law (en derecho) and his decision shall be final and binding on the parties. If, within 10 Business Days after responding party's answer, the parties are unable to agree on a single arbitrator, each party shall select one arbitrator and notify the other party of such selection within 20 Business Days after responding party's answer. Each of the arbitrators shall be a disinterested person qualified by experience to hear and determine the issues to be arbitrated. The arbitrators so chosen shall select a neutral arbitrator within 10 Business Days of their selection. If the named arbitrators cannot agree on a neutral arbitrator, the arbitrators shall make application to a court of competent jurisdiction provided for by clause fifteenth, with a copy to both parties, requesting that court to select and appoint the third arbitrator. The court's selection shall be final and binding on the parties. If the responding party fails to serve an answer on the demanding party within the time prescribed, the allegations of the demanding party's notice shall be taken to be admitted. If either party does not name an arbitrator, the arbitrator named by the other party shall serve as sole arbitrator. Immediately upon appointment of the third arbitrator, each party shall present in writing to the panel of three arbitrators (with a copy to the other party) their statement of the issues in dispute. Any questions of whether a dispute should be arbitrated under this clause shall be decided by the arbitrators. The arbitrators, as soon as possible, but not more than 30 Business Days after their appointment, shall meet in Paris, France, at a time and place reasonably convenient for the parties, after giving each party at least 10 Business Days notice. The failure of a party to appear at the hearing shall not operate as a default. Actions of the arbitrators shall be by majority vote. After hearing the parties in regard to the matter in dispute, taking such evidence and making such other investigation as justice requires and as the arbitrators deem necessary, they shall decide the issues submitted to them according to rules of law (en derecho) within 10 Business Days thereafter and serve a written and signed copy of the award upon each party. Such award shall be final and binding on the parties and confirmation thereof may be applied for in a court of competent jurisdiction by any party. If the parties settle the dispute in the course of arbitration, such settlement shall be approved by the arbitrators on request of either party and become the award.

EIGHTEENTH. ASSIGNMENT. This contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assignees.

Being in agreement with its contents, the parties grant and sign this contract in triplicate in the City of Phoenix, Arizona, this 4th day of March 1997, with a copy of this document remaining in the possession of each of the contracting parties who undertake to have a Spanish version of this document registered in Hermosillo, Sonora in due course. All anniversary dates will reflect the dates set out in this agreement.

SERRANA	MAYO
Cía. Minera Serrana, S.A. de C.V.	Cobre del Mayo, S.A. de C.V.
Ing. Rigoberto Reynoso Rábago General Attorney-in-Fact	A. J. Lawrence General Attorney-in-Fact



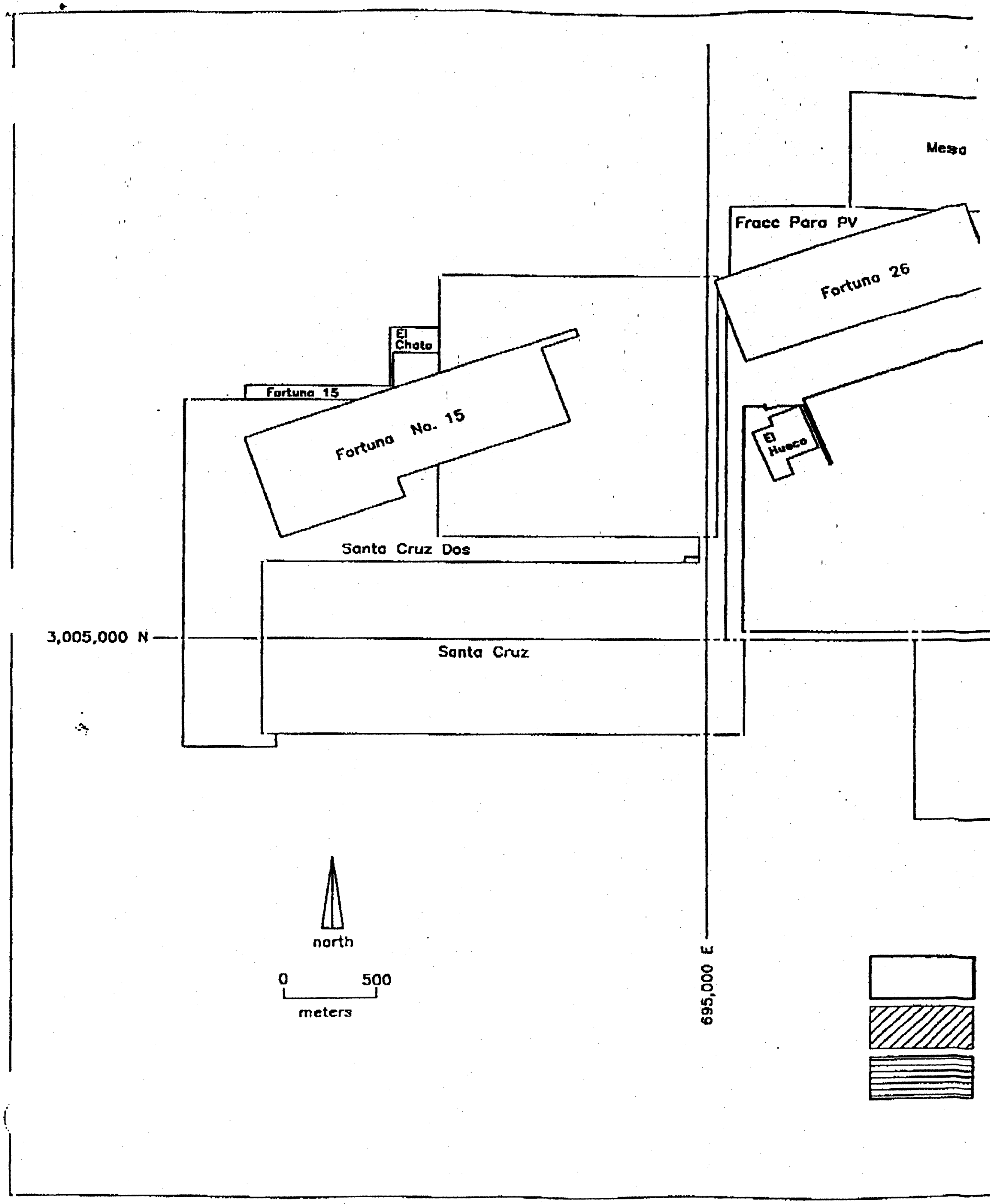
Serrana Concessions

3eling's Original Area
76.4m²

'C' Area
77.8m²

Piedras Verdes Project
Option C

February 18, 1997


Mesa
Fracc Para PV
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El Chato
Fortuna 15
Fortuna No. 15
El Hueco
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