

M2011-015

SAND AND GRAVEL LEASE

PARTIES:

The parties to this agreement are town of Silver Cliff (Lessor), owner of 20% of mineral rights interest and 100% owner of surface rights interest and Seifert Enterprises, LLC (Lessee) of Westcliffe, CO. This lease is integrated with the Sand and Gravel Lease executed by the owners of the remainder of the Mineral Rights.

PURPOSE:

The Lessor(s) are owner of certain mineral rights pertaining to real estate located in Custer County, Colorado, described as the Northeast Quarter (NE1/4) of the Northeast Quarter (NE1/4) of Section 17 Township 22 South, Range 72 West, 6th P.M., Custer County, Colorado (the Property). Lessor has agreed to lease to the Lessee for the purposes of removing, processing and selling rhyolite bedrock for landscape, and road and construction uses. The Lessee desires to lease the Property for such purpose on the terms and conditions set forth in this lease.

RIGHT TO REMOVE PRODUCTS:

In consideration of the payments hereinafter provided, the Lessor hereby leases unto Lessee the Property, for a term of TEN (10) years beginning the 1st day of January, 2020, until the 31st day of December, 2029. Lessee shall have the right to renew this lease for an additional period of TEN (10) years upon the following terms and conditions:

Lessee may give notice of the request to renew the Lease not later than May 1, 2029. Lessor shall communicate to Lessee not less than thirty (30) days from such notice whether the Lessor shall agree to renew the Lease for an additional TEN (10) year term and the terms and conditions of such renewal.

In the event that the parties cannot reach agreement to renewal prior to expiration of the lease, the Lessor agrees that the Lessee shall have the first right of refusal to meet any offer to lease for similar operations which Lessor deems acceptable. Lessor shall communicate the terms of such offer to Lessee by written notice and Lessee shall have ten (10) days within which to accept the same. Failure to accept in writing shall be deemed waiver of this right.

EQUIPMENT USED

Lessor further grants to Lessee the right to use all or any portion of the Property for the purpose of erecting any and all equipment and temporary structures that may be used by lessee in the production of product as authorized herein and the right to grade roads or rights of way to any and all points on the Property necessary or useful in the production and removal of product from the Property. This paragraph is subject to the separate "Right to Enter Agreement" entered into between the parties

to this agreement, and to the extent that there is a conflict between the terms of this paragraph and the Right to Enter Agreement, the Right to Enter Agreement shall prevail. Nothing herein shall give the Lessee any rights to improve, maintain, or construct roads not located on the Property, including (but not limited to) roads owned by the Lessor as a governmental entity.

PRODUCT:

Lessor grants unto Lessee the right to remove the following product only from the premises:

Rhyolite bedrock extracted via drilling and blasting and crushed to various top sizes. Oversize rock products will include boulders of bedrock to 3' diameter. Aggregate products will range from -3/4" aggregate to -3" aggregate.

All topsoil and planting media incurred on site will be retained on site and stockpiled for future reclamation.

Examination of core from 2016 and 2017 drilling has confirmed that the targeted silver ore body lies some distance (approximately 60' below present (and final) quarry floor elevation in the rhyolite bedrock to be extracted under the terms of this agreement. The silver bearing rock unit is a much harder silica rich rock that will likely reflect substantial difference in drilling speed as well as appearance. It is the stated intent of the Lessee to mine the rhyolite bedrock overlying the silver ore body. The mineralized nature of the rhyolite bedrock is inherent to the rock's color, texture, and value as a landscape product. This includes zones of broken or faulted rhyolite bedrock re-cemented within a matrix of hydrothermally deposited secondary manganese and iron oxide minerals as well as small amounts of base and precious metals content. To insure that no economically recoverable silver ore is mined and processed as aggregate product, one composite sample of each production round will be recovered and assayed. The composite sample will be taken from drill cuttings of each production drill hole. In the event that assay results show recoverable silver content of 10 oz/ton or greater, owners of minerals rights will be notified in writing by Lessee of said analytical results within seven working days. Mineral rights owners will have ten days from receipt of notification to respond to Lessee regarding disposition of mining. In the event that mineral rights owners elect to divert said material to precious metal recovery, mineral rights owners will negotiate with Lessee for the recovery of cost to drill, blast, and handle the material in question out of the aggregate pit in a timely manner so as not to prohibit or hinder aggregate mining operations. It is noted that the Lessee has a permit to mine aggregate for construction and landscape purposes and this type of construction permit does not allow for long term storage, milling, fine grinding, processing, or chemical digestion of metallic mineral ores on site. All such designated precious mineral ore materials must be removed from the aggregate site within 90 days to a location outside of the boundaries of the currently permitted mine area. In the event that the mineral rights owners are not able to move the material in question, the lessee may proceed with mining of the material as aggregate product. Unless specifically agreed upon by a majority of mineral rights owners, Lessee may not divert, isolate, or process any material for precious metal recovery.

CONSIDERATION:

As consideration for this Lease, the Lessee shall pay the Lessors the sum equal to the percentage owned by each mineral holder's interest on \$1.00 per ton of product sold as total mineral royalty. If the average price of wholesale aggregate sold by Lessee is higher in 2024 than in 2020, the Lessor may request that the parties increase this amount to an amount that reflects such higher price; such request shall take place no later than November 1, 2024. If such a request to renegotiate the price is made, the parties shall work in good faith to establish a mineral royalty amount that reflects such an increase in the price of wholesale aggregate. Under no circumstance shall the total mineral royalty be decreased through this process. Lessee shall furnish Lessor with quarterly records of sales of material within five (5) days of the end of each quarter, beginning from date of State of Colorado mining permit approval. Lessors shall, at all times, have the right to examine the Property, review and audit the records of the Lessee and to verify any information by contacting Lessee account holders.

Lessor retains the right at all times to inspect material being mined and sold.

RIGHTS OF LESSOR:

Lessee shall have the right of ingress and egress to and from the above-described property to be used by Lessee. Lessee shall coordinate its use of the premises with Lessor and will not open pit sites on the leased premises without discussing and coordinating the same with Lessor of surface (Town of Silver Cliff) and arranging for construction and maintenance of fence around the site to prevent access to the same by cattle pastured upon the premises of the Lessor.

EXCLUSIVE AGREEMENT:

During the term of this agreement and any renewal hereof, the Lessor shall not lease any of the Property to any other party for similar sand and gravel operations.

PERMITS:

Lessee shall take all steps to arrange for permits for mining, crushing, washing, distributing and hauling its product upon and from the premises and shall pay all costs for the same and fully comply with all of the provisions, terms and conditions of all laws, whether federal, state or local and orders issued there under which may be in effect during the period of this Lease relating to the operations of the Lessee under this Lease and the marketing of any product thereof and any requirements for reclamation of the Property imposed by the State of Colorado or any federal, state or local entity. On termination of this Lease, the Lessee agrees to reclaim and restore the premises to the condition which meets the requirements of the State of Colorado and any bond required for the same shall be posted by Lessee at Lessee's sole cost and expense. All improvements and fences installed by the Lessee during the term of the lease shall be removed at its termination unless otherwise agreed between Lessee and Lessor.

LIABILITY:

Lessee shall indemnify Lessor against all liability and loss and against all claims and actions of any kind, including death, to persons or property caused by or sustained in connection with this lease by conditions created thereby or by any operations of the Lessee, Lessee's agents, employees, or subcontractors or based upon any violation of any statute, ordinance or regulation.

In that regards, Lessee shall maintain throughout the term of this agreement, a public liability insurance policy naming the Lessor, The Town of Silver Cliff, the minimum single limits of Two Million and 00/100 Dollars (\$2,000,000) per occurrence. Such policy shall require notice to Lessor of cancellation at least thirty (30) days prior to any cancellation date. Failure to maintain such insurance shall be deemed a default of the terms of the Lease. Nothing contained in this Agreement should be construed as a waiver of the rights of the Lessor as a governmental entity under the Colorado Governmental Immunity Act (CGIA), C.R.S. § 24-10-101 *et seq.*

INSPECTION:

The Lessor shall, at all reasonable times, have the right of full access to the premises for the purpose of inspection of the same, including the right to inspect all records, permits, and reports utilized in the operation of the same. In that regard, the parties understand and agree that Lessor may make such inspection in person or by any representative designated in writing by Lessor throughout the term of this Lease.

ATTORNEY FEES:

In the event that any action is filed in relation to this agreement, the unsuccessful party in the action shall pay to the successful party, in addition to all sums that either party may be called on to pay, all reasonable costs and expenses, including attorneys' fees and expenses and court costs.

WAIVER:

The failure of either party to this agreement to insist upon the performance of any of the terms and conditions of this agreement or the waiver of any breach of any of the terms and conditions of this agreement shall not be construed as thereafter waiving any such terms and conditions in the event of a subsequent breach, and the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred.

MODIFICATION OF AGREEMENT:

Any modification of this agreement of additional obligation assumed by either party in the connection with this agreement shall be binding only if evidence in writing, signed by each party or any authorized representative of each party.

AGREEMENT:

This agreement may not be assigned or transferred by Lessee nor may any interest in the leased premises by sublet, assigned, transferred, or hypothecated by Lessee without the consent of Lessor.

ENTIRE AGREEMENT:

This agreement shall constitute the entire agreement between the parties and any prior understanding or representation of any kind preceding the date of this agreement shall not be binding upon either party except to the extent incorporated in this agreement.

GOVERNING LAW:

It is agreed that this agreement shall be governed by, construed and enforced in accordance with the laws of the State of Colorado.

RECLAMATION:

Lessee shall perform all required reclamation at the end of this lease causing such to be completed, according to the state standards not later than six (6) months from and after the expiration date. The Lessee shall have access to the Property for the purpose of completing reclamation during this period.

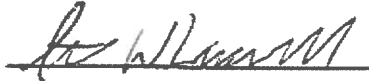
PARTIES BOUND:

This agreement shall be binding upon the parties hereto, their heirs, executors, administrators or assigns.

DATED this 3 day of DEC 2019.

For Lessor:

Town of Silver Cliff:



For Lessee:

Seifert Enterprises LLC



CEO