



Dan Slater

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September 2, 2020

Via E-Mail and U.S. Mail

Viscount Mining Corp.
c/o Suite 409 – 221 W. Esplanade
North Vancouver, BC V7M 3J3
Attention: Jim Mackenzie

Via E-Mail and U.S. Mail

Barbara Peterson
437 S. Cherry Hill Ct.
Addison, IL 60101

Via E-Mail and U.S. Mail

Silver Cliff Development LLC
c/o Iva Lou Bailey
1617 Vine Street
Denver, CO 80206

Via E-Mail and U.S. Mail

Seifert Enterprises, LLC
198 Range View Loop
Westcliffe, CO 81252

RE: Town of Silver Cliff

To All of the Above Addressees:

By way of introduction, I am the Town Attorney for the Town of Silver Cliff. The Town Board has asked that I write to you regarding the status of the sand and gravel lease with Seifert Enterprises, LLC (“Seifert”).

As all of you should know, the Town entered into a renewal of its lease agreement with Seifert at the end of 2019. I understand that the remaining owners of the mineral rights for the Silver Cliff property have been similarly negotiating an agreement with Seifert, but none have entered into such an extension, except Ms. Peterson.

In conjunction with those negotiations, Viscount Mining Corp. (“Viscount”) provided a proposed multi-party “Sand and Gravel / Aggregate Mineral Lease Renewal” that would effectively alter the terms of the renewal that the Town had entered into with Seifert. As a result of its examination of the proposed Viscount agreement, the Town engaged in an in-depth review of the entire situation at the Silver Cliff property.

As a result of such review, it appears that the parties have been working under some incorrect assumptions as to the status of the law and the status of ownership of various interests as to the Silver Cliff property.

As I understand it, the Town owns 100% of the surface rights to the property. Similarly, the Town is a partial owner of the mineral rights on the property, along with Viscount, Ms. Peterson, and Ms. Bailey / SCDLLC. It appears that the parties have been working under the perception that the mineral rights owners control the rights to remove sand and gravel from the Silver Cliff property.

Upon review, that perception is incorrect.

Viscount Mining Corp.
Iva Lou Bailey
Barbara Peterson
Seifert Enterprises, LLC
RE: Silver Cliff Pit
September 2, 2020
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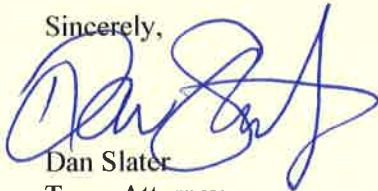
The original deed of the property to the Town in 1950 reserved only "patented mining claims¹." The deed did not reserve any rights to sand and gravel operations. Under Colorado law, the right to remove rocks such as sand and gravel are not "mineral rights," and must be specifically reserved to be severed from the surface rights to the property. *Keith v. Kinney*, 140 P.3d 141 (Colo.App. 2005). With the Silver Cliff property, since such reservation was not made, the rights to remove sand and gravel lie 100% with the Town, and not with the mineral rights holders.

I understand that this news may be particularly troubling to the remaining owners of the mineral rights. Please rest assured that the Town does not intend to seek reimbursement for past royalties that have been paid by Seifert to the other mineral rights owners for sand and gravel extraction. However, going forward, the Town must insist – for the benefit of the taxpayers served by the Town – that 100% of all royalties paid for sand and gravel extraction by Seifert be paid to the Town, and not to the mineral rights owners. Furthermore, the Town considers any leases or other agreements between the mineral rights owners and Seifert with respect to sand and gravel extraction to be null and void, as they purport to grant rights which are not owned by the mineral rights owners.

Finally, to the extent that Viscount wishes to alter its agreement for mineral extraction with its proposed new multi-party agreement, the Town respectfully declines to negotiate such changes at this time. Viscount and the other mineral rights owners have entered into agreements that are effective until 2027. If, as 2027 more closely approaches, the parties wish to discuss an additional extension to the mineral extraction agreement at that time, the Town Board may consider such discussions then.

Thank you for your attention to this matter. If you have any questions or concerns about the foregoing, please do not hesitate to contact me or have your legal counsel contact me. In addition, if you have any further questions regarding the property generally, please direct those questions to me and **not** to Town staff at Town Hall.

Sincerely,



Dan Slater
Town Attorney
Town of Silver Cliff

Cc: Town Clerk / Town Board, Town of Silver Cliff

¹ Please note that it appears that there are no "patented mining claims" on this property, as BLM records indicate that this was a homesteaded patent, and no part of this quarter-quarter section is apparently subject to any patented mining claim. The Town takes no position at this time as to the legal meaning of this attempted reservation / severance of mineral rights, other than that it clearly does not reserve the rights to remove sand and gravel and similar materials from the property.