



METALLIC MINERALS LEASE
STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
FOREST, MINERAL AND FIRE MANAGEMENT DIVISION

NO. M

By authority of Part 5, Section 502, Act 451, Public Acts of 1994

THIS AGREEMENT is entered into on _____, 20____ BETWEEN the DIRECTOR OF THE DEPARTMENT OF NATURAL RESOURCES for the STATE OF MICHIGAN, hereinafter called "Lessor," whose address is P.O. Box 30448, Lansing, Michigan, 48909-7948, and _____, whose address is _____, hereinafter called "Lessee."

The State of Michigan is the owner of rights to any minerals and/or mineral products lying on, in or under the lands described below, and has the authority to lease the lands for exploration, mining and taking away of the minerals and/or mineral products under authority of Part 5, Section 502, 1994 Public Acts 451, as amended.

NOW THEREFORE, the LESSOR for and in consideration of a cash bonus in hand paid, and of the covenants and agreements hereinafter contained on the part of the LESSEE to be paid, kept and performed, has granted, demised, leased and let, and by these presents does grant, demise lease and let without warranty, express or implied, unto the said LESSEE all of those certain tracts of land situated in the State of Michigan, and more particularly described below for the sole and only purpose of exploring, mining and producing minerals and/or mineral products therefrom, for selling the same and with the reasonable right to ingress and egress, the right to construct buildings, make excavations, stockpiles, impoundments, tailings, basins, roads, railroads, power lines and other improvements as may be necessary to produce, save and take care of such minerals and/or mineral products on or from the leased premises, subject to all highways, surface conveyances, leases, licenses or easements or public record, to wit:

COUNTY
TOWNSHIP
T, R
Section

Acres
Fee Mineral

Containing ____ acres, more or less.

A. GENERAL

1. Addresses

The address of the LESSOR is the Michigan Department of Natural Resources, Real Estate Division, Box 30448, Lansing, Michigan 48909-7948, and the address of the LESSEE is as shown on page one (1) of this lease, or other address designated in writing by either party. Periodical reports, statements and payments under this lease may be sent to the designated address by regular mail. Any formal notices required under this lease, including notices of surrender, cancellation, default or termination, shall be complete upon mailing by certified or registered mail, return receipt requested, addressed to the last designated address of the party being given such notice.

2. Insurance

- a. LESSEE shall obtain and maintain all worker's compensation insurance as required by state law in accordance with P.A. 317 1969 as amended, as well as liability insurance and policies of insurance against fire and other risks in amounts customarily obtained in similar mining operations and shall furnish LESSOR proof of insurance prior to the commencement of any operations.
- b. All insurance shall be maintained by LESSEE at its own expense. The companies issuing such policies shall also be required to furnish the LESSOR written notice thirty (30) days prior to cancellation, termination, or material change of any insurance.

3. Indemnification

- a. In connection with all of its operations under this lease, the LESSEE will save, protect and hold harmless the LESSOR against any and all claims, demands, or judgments for loss, damage, death or injury to persons or property arising out of the LESSEE's activities or operations on the leased premises, except with respect to claims of the LESSOR, its assigns, contractors, employees, successors or agents unless the claims arise as a result of negligence or other tortious conduct of the LESSEE or violations of the terms of this lease by LESSEE. This provision shall not be applicable to liability for damages arising out of bodily injury, death or damage to property of others not resulting from the negligence of the LESSEE, its officers, employees, agents or contractors.
- b. The LESSEE shall, at LESSEE's expense, during the term of the lease and any extensions thereof, obtain and maintain insurance which insures the premises for public liability in amounts not less than those set forth below naming the State of Michigan, its several departments, commissions, boards, officers and employees as an additional insured and protecting against all claims, demands, actions, suits or causes of action, and judgments, settlements or recoveries, for bodily injury, death or property damage arising out of LESSEE's use or occupancy of or operations conducted upon the leased premises. LESSEE agrees to maintain minimum policy limits in the amount of \$1,000,000.00 per occurrence for property damage and \$1,000,000.00 per occurrence for bodily injury or death, and to provide the State with a certificate of insurance, within thirty (30) days following final execution and delivery of this lease to LESSEE. The companies issuing such policies shall also be required to furnish the LESSOR written notice thirty (30) days prior to cancellation, termination, or material change of any such insurance. The LESSOR shall periodically review the level of the indemnification insurance and may require the amount of such insurance to be increased or decreased to reflect changes in risk exposure.

4. Assignments and Contracts

- a. No assignments of this lease, or any rights hereunder, shall be valid except upon written approval of the LESSOR, and upon payment of an administrative fee as established by the LESSOR in a published schedule. The LESSOR will approve or deny requested assignments with reasons stated within 90 days receipt of written request by LESSEE.
- b. Assignments by LESSEE of any portion of the leased premises shall be construed as creating a separate lease agreement as to the acreage or portions assigned. Development on the assigned acreage, after the assignment has been made, shall not affect the rate of rental or term of the lease on the unassigned acreage; and, conversely, development on the unassigned acreage, after the assignment has been made, shall not affect the rate of rental or term of the lease on the assigned acreage.

- c. If the LESSEE's interest or any part thereof is assigned, each and every clause and covenant hereof shall extend to the assignee, its or their heirs, executors, administrators, successors, or assigns.

5. Taxes

- a. LESSEE shall pay all taxes and assessments, whether general, special or specific, levied upon the leased premises, on any part thereof, on any minerals and/or mineral products, or any property or improvements on the leased premises.
- b. Upon the termination of this lease for any cause and with respect to any of the leased premises LESSEE shall pay the taxes and assessments whether general, special or specific assessed or levied on all of the leased premises for the entire calendar year.
- c. LESSEE shall have the right consistent with statutes in such cases made and provided to contest the validity of any tax and assessment whether general, special or specific and may seek its cancellation, reduction, readjustment or equalization.
- d. LESSEE shall not permit the leased premises, any part thereof, any minerals and/or mineral products, or any improvements or personal property thereon, to be sold at any time for any taxes or assessments whether general, special or specific.

6. Protection of Property, Fencing Safeguards

- a. LESSEE shall not alter, or authorize others to alter, the leased premises except as authorized by the lease.
- b. LESSEE shall maintain for the term of this lease, proper fences or other protective barriers around any open pits, shafts or other openings on the leased premises created by LESSEE. LESSEE shall further employ all reasonable and practical safeguards for the protection of all persons entering in or upon such leased premises used or occupied by LESSEE in conjunction with operations under this lease.
- c. At the termination of this lease, in whole or in part, for whatever reason, LESSEE shall surrender the leased premises to LESSOR in a safe condition. All caves, openings, stopes, shafts, underground openings and other dangerous conditions created by LESSEE shall be fenced, filled or protected so as to leave a condition which will adequately protect public safety.

7. Laws, Rules and Regulations

- a. Any operations under this lease shall be subject to all applicable Federal and State laws and rules now or hereafter in force. This lease is not in itself an authorization to explore or mine. In addition to compliance with the provisions of this lease, and particularly Sections I and J thereof, LESSEE must obtain all permits which may be or are required under Federal and State law or any rules or ordinances adopted thereunder.
- b. No rules adopted by the State of Michigan or any agency thereof after the approval of this lease shall operate to affect the term of lease, rate of production royalty, rental, payments in lieu of production royalties, minimum royalties or acreage, unless agreed to by both parties.
- c. Prior to the mining of mineral and/or mineral products containing fissionable materials LESSEE shall secure all required authorizations from any applicable federal and state regulatory agencies. LESSEE shall conduct all mining operations, processing or transportation of minerals and/or mineral products containing fissionable materials or radioactive source materials in accordance with all applicable federal and state laws and rules of the Department of Environmental Quality now or hereafter in force.

B. TERM OF LEASE

1. This lease shall remain in force for a primary term of ten (10) years from this date and as to those portions of the leased premises included within a mining operation area, so long thereafter as there is production of minerals and/or mineral products in paying quantities by LESSEE from lands within such mining operation area.

2. LESSOR may, at its sole discretion, upon written application of LESSEE, agree to an extension of the primary term of this lease.

C. ECONOMIC TERMS

1. Rentals

LESSEE shall pay to LESSOR rental as follows:

- a. Rental for the first (1) through fifth (5) year shall be paid at the rate of \$3.00 per acre per year, and for the sixth (6) through tenth (10) year at the rate of \$6.00 per acre per year.
- b. Rental for the first year shall be paid upon execution of the lease, and thereafter rental shall be paid annually in advance of the lease anniversary date. Lease rights shall terminate and the LESSEE shall be required to file a release with the LESSOR as hereinafter provided whenever any rentals coming due under the lease remain unpaid for a period of ten (10) days after the rental becomes due. LESSOR may, at its sole discretion, in writing, waive termination of the lease for unpaid rental upon LESSEE's submission in writing of proper and satisfactory proof as to cause, along with payments due. Any payments by LESSEE after the due date shall include interest at the rate of 1.5% per month or at the maximum legal rate, whichever is less, on the amount unpaid.
- c. Payment of either production royalties or minimum royalties from a mining operation area shall abate the rental on that part of the leased premises contained in that mining operation area. The abatement shall be effective on the rental due date following the rental period in which the abatement is granted.

2. Minimum Royalties

- a. If the primary term of the lease is extended by the State, and minerals and/or mineral products are not produced from the leased premises, LESSEE shall pay to LESSOR a minimum royalty of \$10.00 per acre for the eleventh (11th) year of the lease, and for each year thereafter the payment shall increase an additional \$5.00 per acre through (20th) year. For the twentieth (20th) year of the lease and thereafter for the life of the lease, the minimum royalty shall be \$55.00 per acre per year.
- b. These payments shall be paid annually in advance of the lease anniversary date. Lease rights shall terminate and the LESSEE shall be required to file a release with the LESSOR as hereinafter provided whenever these payments remain unpaid for a period of ten (10) days after the anniversary date. LESSOR may, at its sole discretion, waive in writing termination of the lease for unpaid minimum royalties upon LESSEE's submittal in writing of proper and satisfactory proof as to cause, along with payments due. Any payments by LESSEE after the due date shall include interest at the rate of 1.5% per month or at the maximum legal rate, whichever is less, on the amount unpaid.
- c. Establishment of a mining operation area shall abate all increases in the minimum royalty on that portion of the leased premises contained in the mining operation area. The abatement shall be effective on the next annual minimum royalty due date. Thereafter, minimum royalties shall be paid at that constant rate until production of minerals and/or mineral products in paying quantities begins on that portion of the leased premises included in the mining operation area.
- d. Should the production of minerals and/or mineral products in paying quantities commence on the leased premises, the minimum royalties paid for that lease year and for all previous lease years that those lands were included in the mining operation area shall be credited against the production royalties payable hereunder to the LESSOR.
- e. In the absence of production of minerals and/or mineral products in paying quantities before the expiration of the primary term of this lease, all minimum royalties paid shall be forfeited to the LESSOR.

3. Production Royalties

LESSEE shall pay to the LESSOR a production royalty calculated as follows:

- a. Determine the gross sales value of all minerals and/or mineral products from this lease sold during the past calendar quarter. Such sales value shall be based on the actual sales value on the open market as shown by sales receipts. If mineral or mineral products are not sold to an independent consumer on the open market at fair market value, but are processed further by a plant which is operated by the LESSEE, or in which the LESSEE has an interest, the gross sales value shall be determined using prices for the metallic form or for normally accepted forms as published by the Engineering and Mining Journal in the "E and MJ Markets" section, or other mutually agreed upon forms and prices. The gross sales value shall then be divided by the tons of ore processed in that production of minerals and/or mineral products sold to determine the gross sales value per ton.
- b. Determine the price index factor by dividing the constant price index by the current price index. Both price indexes shall be obtained from the producer price index for all commodities, or its successor index, as published monthly by the U.S. Department of Labor, Bureau of Labor Statistics. The constant price index shall be the index for February (month) of 1983 (year), quoted as being 301.2. The current price index shall be the index for the middle month for that quarter.
- c. Determine the adjusted sales value per ton by multiplying the gross sales value per ton by the price index factor.
- d. The production royalty rate shall be not less than 2% nor more than 7%, and shall vary with the Adjusted Sales Value per ton of ore. For every dry short ton of ores containing minerals and/or mineral products other than iron ores that is mined from the leased premises and sold, and for every dry long ton of ores containing minerals and/or mineral products mined principally for iron content that is mined from the leased premises and sold, the royalty rate shall be two (2) percent when the adjusted sales value of the minerals and/or mineral products is twelve dollars (\$12.00) or less. The royalty rate shall be increased by one-half (1/2) percent for each six dollar (\$6.00) increase in the adjusted sales value per ton of minerals and/or mineral products above twelve dollars (\$12.00) per ton, fractions prorated to three decimal places, with a maximum royalty rate limit of seven (7) percent, which limit will be reached when the adjusted sales value per ton of minerals and/or mineral products is seventy-two dollars (\$72.00) per ton.
- e. The amount of production royalty is then the product of the royalty rate expressed in decimals to five places and the gross sales value.
- f. Production royalties shall be paid on a quarterly basis. If payments specified are not made on or before the twenty-fifth (25th) day of April, July, October and January of every year during the term of this lease for all minerals and/or mineral products sold during the preceding calendar quarter, LESSOR may claim default under the provisions of Section H herein. In addition to any remedies available to LESSOR under the lease, payments made after the due date shall include interest at the rate of 1.5% per month, or at the maximum legal rate, whichever is less, on the amount of royalty unpaid.
- g. LESSEE shall secure written authorization of the LESSOR in order to delay any royalty payments beyond the date specified. If such authorization is not secured and royalty payments are delayed LESSOR may, at its sole discretion, declare the lease defaulted.
- h. LESSEE agrees that all royalties accruing to the LESSOR herein shall be without deduction of any costs incurred by the LESSEE unless agreed to in writing by the LESSOR.
- i. The LESSOR is not liable for any taxes incurred by the LESSEE and no tax deductions may be taken in computing the royalty.
- j. Production royalties may, by mutual agreement of the LESSEE and LESSOR, be negotiated at any time during the term of this lease and may include consideration of rate and method of calculation, including but not limited to net smelter returns.
 - (a) Notwithstanding any other provision in this lease, if copper, lead, zinc, gold and/or silver and their byproducts are produced from the leased premises and are processed at a smelter and/or

refinery owned, operated or controlled by the lessee, or where they are treated on a toll basis for the lessee, the net smelter returns method shall be used to calculate gross sales value.

4. In Lieu of Production Royalties

- a. LESSEE may, during the term of this lease, and at its sole discretion, suspend production of minerals and/or mineral products from a mining operation area established under the terms of this lease for up to four (4) cumulative years or longer at the discretion of LESSOR and may in such case maintain this lease as to those portions of the leased premises contained in a mining operation area by the payment of minimum royalties in lieu of production royalties. During such periods of suspended production, this lease shall not, as to those portions of the leased premises included in a mining operation area, be subject to expiration under the provisions of Section B of this lease. LESSEE shall notify LESSOR of each cessation of production.
- b. The amount of the minimum royalties in lieu of production royalties shall be determined according to the schedule in part C2a of this lease, and shall be on a per acre basis prorated for the period of suspended production.
- c. Minimum royalties in lieu of production royalties shall be paid within 30 days of notice to LESSOR of suspension of production and annually thereafter. Lease rights shall terminate and the LESSEE shall be required to file a release with LESSOR as hereinafter provided whenever these payments shall be and remain unpaid for a period of ten (10) days after the payment is due. LESSOR may at its sole discretion waive in writing termination of the lease for unpaid in lieu of production royalty payments upon LESSEE's submittal in writing of proper and satisfactory proof as to cause, along with payments due. Any payments by LESSEE after the due date shall include interest at the rate of 1.5% per month or at the maximum legal rate, whichever is less, on the amount unpaid.
- d. When LESSEE resumes the production of minerals and/or mineral products in paying quantities on the leased premises, the minimum royalties paid in lieu of production royalties for those lands included in the mining operation area, shall be credited against future production royalties payable under this lease to the LESSOR.
- e. Payment of minimum royalties in lieu of production royalties shall not serve to abate or affect any other minimum royalties which may be assessed for portions of the leased premises where a mining operation area has not been established.
- f. LESSEE's tax obligations, if any, continue as if production were underway.

D. SURFACE DAMAGE PAYMENTS

1. LESSEE shall pay or agree upon payment to the surface owner, or any person holding under the owner, for all damages or losses (including any loss of the use of all or part of the surface), caused directly or indirectly by operations hereunder, whether to growing crops or buildings, to any person or property, or to other operations.
2. Before mining operations may be commenced on the land in which the State of Michigan owns mineral rights only, and as described in this lease, proof shall be submitted to the LESSOR, in writing, that either voluntary agreement or stipulated settlement relative to surface use and damages has been reached between the LESSEE or LESSEE's authorized agent and the surface owner or D (3) is invoked.
3. When a mutually satisfactory agreement relative to surface use and damages cannot be reached, either party can inform the LESSOR, in writing, that a dispute exists and LESSOR will grant a negotiation period of thirty (30) days in which no mining operations may be conducted by the LESSEE. This time period is to allow for the resolution of the dispute. If, at the end of this period proof of the agreement is not submitted in writing to the LESSOR, mining operations will not be prohibited by the LESSOR and resolution of the dispute rests solely with the LESSEE and the surface owner independent of the LESSOR.

E. BONDING

1. Before a lease will be executed for any state lands, unless waived by the LESSOR, the LESSEE shall file a performance bond, acceptable to the LESSOR, conditioned that LESSEE, its heirs, executors, administrators,

successors, and assigns, shall faithfully perform the covenants, conditions, and agreements specified in the lease, and the laws and rules of the State of Michigan which apply.

2. The LESSOR shall determine, and set forth in a published schedule, the initial acceptable amount required for the performance bond. The LESSOR shall annually review the level of the performance bond and shall require the amount of the bond to be increased or decreased to reflect changes in the cost of future reclamation of the leased premises. A review of the performance bond shall be made within thirty (30) days of receipt of LESSOR of written notice of termination by the LESSEE and shall consider adequacy of bond for removal of personal property not desired by either LESSEE or LESSOR.
3. LESSEE shall keep in full force and effect a sufficient performance bond to cover the acreage held under lease as heretofore specified. If the amount of performance bond in effect becomes depleted or partially depleted because of any claim or claims, LESSEE shall file a new performance bond as required by the LESSOR.
4. Liability under the bond shall be for the duration of exploration, mining and reclamation operations and for a period coincident with LESSEE's responsibility under the approved reclamation plan.
5. LESSOR may invoke part or all of the performance bond when it determines that part or all of the covenants, conditions or agreements specified in the lease are not being fulfilled and shall so notify LESSEE. Invoking the performance bond is not necessarily related to any action taken by LESSOR under part H of this lease.

F. LESSOR RIGHTS

1. LESSOR retains all of its timber, sand and gravel and other non-metallic mineral interests in the leased premises and reserves the rights to make any use of the leased premises which may be undertaken without detriment to the rights and privileges herein specifically granted.
2. LESSOR shall not be liable for any damages resulting from failure of its title to rights included herein; provided, however, that if the LESSOR's title fails as to any or all of the rights covered by this lease, the LESSOR shall refund to the LESSEE all bonus, rental, minimum royalties, production royalties, or payments in lieu of production royalties made by the LESSEE attributable to that part or portion of, or interest in, the title which has failed.
3. Should LESSOR be prevented from complying with any express or implied covenant of this lease because of a force majeure (i.e., for any cause beyond the reasonable control of the LESSOR such as, but not limited to, acts of God, legislation, rules of any other governmental body, budgeting constraints, any judgment or injunctive order entered by a court of competent jurisdiction, acts of the public enemy, riots, strikes, labor disputes, labor or material shortages, fire or flood) then such covenant shall be suspended to the extent made necessary by the aforesaid force majeure.
4. LESSOR, and any of its authorized employees, may at all times enter upon the leased premises and ascertain compliance with any condition of this lease and the kind, qualities and quantities of minerals and/or mineral products on the leased premises or removed therefrom. LESSOR shall also have the right to check the movement of minerals and/or mineral products from the workings of the leased premises to storage and to the mill; to be present at all weighing and sampling stations; and to take samples and to observe the flow of minerals and/or mineral products from the leased premises through the mill. The LESSOR shall have the right upon reasonable notice to examine the books, records and supporting documents of the LESSEE insofar as they relate to the amount of production and sale of minerals and/or mineral products derived from the premises herein leased.
5. LESSOR reserves the right to deny the LESSEE from operations on the leased premises in connection with LESSEE's operations on any adjoining or nearby property or properties except if the leased premises and the adjoining or nearby properties are within a common mining operation area. LESSOR may, at its sole discretion, and after payment of surface use fees by LESSEE as determined by LESSOR, allow LESSEE to use the premises hereby leased and any part thereof, and any shafts, openings, pits and stockpile grounds sunk or made thereon, for the mining, removal and stockpiling of any ores from any such adjoining or nearby premises, or for any purpose or purposes connected therewith, not however, preventing or interfering with the mining or removal of ore from the leased premises. LESSOR recognizes the interest of LESSEE and/or other owners of any nearby or adjacent premises in- any ores mined therefrom and stockpiled upon the leased premises.
6. LESSOR may require LESSEE to barricade entrance to the roadway(s) on surrendered leased premises, to seed the roadway(s) or leave the roadway(s) as constructed.

G. LESSEE RIGHTS

1. LESSEE may from time to time surrender all or any part of the premises herein leased by giving notice in writing to the LESSOR. LESSEE shall not escape any prior obligation of the lease by filing a release. Upon surrender, LESSEE shall execute and deliver to the Register of Deeds in the county wherein the land is situated, for recording, a proper and sufficient instrument of release of all of LESSEE's rights and interest under this lease, insofar as they apply to the premises surrendered, and shall have said instrument delivered to the LESSOR within thirty (30) days after recording with Register of Deeds,
2. LESSEE may at any time remove all machinery and fixtures placed on the leased premises, provided, however, that said LESSEE has complied with and fulfilled all other provisions of the lease as herein provided.
3. At the termination of the lease by any means, and with LESSEE's fulfillment of all lease obligations, covenants, agreements and context of this lease, LESSEE shall have one hundred eighty (180) days, or longer at the discretion of LESSOR, after termination in which to remove all tools, machinery, railway tracks, structures and all other property situated on the leased premises as to which this lease is being terminated, except any supports placed in shafts, drifts or openings or any timber, framework or fences necessary to the use and maintenance of shafts or approaches to mines or tramways within mines. If LESSEE fails to remove its property within the specified period, the property shall become the property of LESSOR and may be removed by LESSOR with expenses recovered from the performance bond. By agreement of the parties, any of LESSEE's property on the leased premises may become the property of LESSOR.
4. In the conduct of approved mining operations on the leased premises, the LESSEE is hereby granted the right, if it so desires, to mine and remove any ores existing thereon, or on any part or parts thereof, through, or by means of, shafts, openings or pits which may be sunk or made upon adjoining or nearby premises owned or controlled by the LESSEE, and may stockpile any ores from the leased premises or any part thereof upon stockpile ground situated upon any such adjoining or nearby premises.
5. LESSEE may maintain and use roads, pipelines, electric transmission lines and other facilities which are located on surrendered portions of the leased premises, with written consent of LESSOR, and payment of surface use fees as determined by the LESSOR so long as they are reasonably necessary to LESSEE's operations on leased premises remaining under this agreement.
6. LESSEE may mix minerals and/or mineral products taken from the leased premises with any other minerals and/or mineral products from other premises after the minerals and/or mineral products from the leased premises have been measured and sampled to determine and preserve the rights and liens of the LESSOR therein.

H. DEFAULT OF LEASE

1. In the event LESSOR shall determine a default in the performance by LESSEE of any express or implied covenant of the lease, LESSOR shall give notice in writing by certified mail, addressed to LESSEE's last address filed with LESSOR, specifying the facts by which default is claimed. Except as to rental, minimum royalty, and payments in lieu of production royalty requirements as heretofore provided, LESSEE shall have thirty (30) days from date of receipt of notice to satisfy the obligation of LESSEE, if any, with respect to LESSOR's notice, or provide LESSOR satisfactory proof that LESSEE is not in default or if in default and LESSEE is not able to cure within thirty (30) days, LESSEE shall submit for LESSOR's approval a performance schedule with a date certain to satisfy or cure default of LESSEE.
2. When a mutually satisfactory agreement cannot be reached as to whether or not a default exists in LESSEE's performance under the lease, the LESSEE may request, in writing, within thirty (30) days of receipt of LESSOR's notice of intent to commence an action in a court of competent jurisdiction for forfeiture of lease, that, prior to LESSOR filing for forfeiture under H-5 below, the factual issues to the existence of a default be reviewed through non-binding mediation. Any such requests shall be granted.
3. Mediation shall address only factual matters and not matters of law. LESSEE and LESSOR shall agree to mutually select a mediator to hear any dispute. If LESSEE and LESSOR cannot agree on a mediator, each may designate a mediator who will in turn together select a third mediator, and all three mediators shall hear the dispute. LESSOR and LESSEE agree to share the expenses of the mutually agreed to mediator and/or the third appointed mediator, if that be the case, as well as all the expenses arising out of the conduct of any hearing. Each shall bear the cost of their own attorney and witnesses on their behalf.

4. The findings of fact and mediator's recommendation shall be presented to the LESSOR for a determination. The LESSOR may consider public comment before determination is made on the mediator's recommendation.

Within forty-five (45) days of receipt of mediator's recommendation by LESSOR, LESSOR shall notify LESSEE of concurrence or nonconcurrence with the mediator's recommendation.

5. If LESSEE fails to voluntarily satisfy the claim of default concerning rental, minimum royalty, production royalty and/or any other expressed or implied covenant of this lease, and after the mediation period, if any, has passed and LESSOR has made a determination on the basis of the mediator's findings, the LESSOR may proceed, at its sole discretion, with forfeiture of all or part of said leased premises in accordance with 1929 P.A. 81, MCL 554-281, et seq.
6. If the default is not cured, as provided above, LESSOR may take possession of the leased premises or any part thereof, and all minerals and/or mineral products, machinery, fixtures, improvements and personal property on the leased premises. LESSOR may then exclude LESSEE from the leased premises and declare this lease terminated and LESSEE's rights forfeited. Re-entry by LESSOR does not eliminate any other legal remedy for LESSOR. No tools, fixtures, machinery or other property of the LESSEE shall be removed from said premises, if any royalties, damages, or other payments are due to the LESSOR, and all sums due on royalties, damages, or other payments, shall be a lien on all implements, tools, movable machinery, and all other chattels used in operating said property, and also upon all of the unsold mineral and/or mineral products obtained from the land herein leased, as security for the payment of royalties, damages, or other payments. This lien may be foreclosed in the same manner as chattel mortgages are foreclosed.
7. Should LESSEE be prevented from complying with any express or implied covenant of this lease, after effort made in good faith, for any cause beyond the reasonable control of the LESSEE, such as, but not limited to war, rebellion, riots, strikes, acts of God or an order or rule of governmental authority, and not including economic budgetary or financial constraints or conditions, then while so prevented, LESSEE's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the LESSOR in writing in support of LESSEE's contention but LESSEE is not excused from payment according to provisions of the lease for all rentals, minimum royalty, production royalty or in lieu of production royalty reserved and payable to the LESSOR.
8. Should LESSEE be prevented from conducting exploration or mining operations or from mining minerals and/or mineral products under this lease, after effort made in good faith, for any reason beyond the reasonable control of LESSEE (not including economic, budgetary or financial constraints or conditions), this lease will be extended as to portions of the leased premises affected by such force majeure so long as LESSEE is prevented from exploration, conducting mining operations or from mining minerals and/or mineral products therefrom.

I. EXPLORATION OPERATIONS

1. Exploration Plan
 - a. No exploration activity shall take place on leased premises without an exploration plan developed by LESSEE and approved by LESSOR.
 - b. Prior to commencement of exploration and annually thereafter on the lease anniversary, the LESSEE shall submit to the LESSOR for approval a plan outlining LESSEE's proposed exploration activities on the leased premises during the ensuing year and exploration conducted to date, if any.
 - c. The exploration plan shall contain the following:
 - (1) A description of proposed exploration activities and locations of sites where such exploration activities were, or are proposed to be conducted; and
 - (2) locations and depths of any known existing exploration holes, trenches or pits; and
 - (3) locations of roads which were, or are proposed to be, constructed to carry forth exploration activities.

- d. LESSOR shall approve or reject the plan, for reasons stated, within 45 days of receipt of a complete exploration plan from LESSEE. If LESSOR rejects this plan, LESSEE may resubmit a plan(s) without prejudice.
- e. Any change in the approved plan during any year which is likely to result in substantial disruption of the surface shall be submitted and confirmed in writing to the Director of the Department of Natural Resources for approval. The Director may authorize named officers or individuals on the Department staff to receive, review and either approve or reject changes to the exploration plan, which staff shall act to approve or reject changes within five (5) working days after they have been notified of the request for change. Written notification shall be made to the LESSEE of such approval or rejection with representatives of both parties conferring promptly, if rejected, to resolve differences in the plan.
- f. Upon the conclusion of exploration activities at a site, LESSEE shall leave the site in a condition satisfactory to the LESSOR.

2. Exploration Reports

- a. For the exploration conducted under this lease, the LESSEE shall retain and store all factual exploration data and records at a location(s) mutually agreeable with LESSOR and LESSEE. The LESSOR retains the right to examine all such data and records, including cores.
- b. Upon termination of this lease or surrender of any part of the leased premises, LESSEE shall furnish to LESSOR any cores requested by LESSOR, and an up-to-date report of all exploration conducted by LESSEE on that part of the leased premises. Final reports shall contain copies of all factual data generated from exploration activities on the leased premises as of the date of surrender.

J. MINING AND RECLAMATION OPERATIONS

1. Mining and Reclamation Plan

- a. No mining shall take place on leased premises without a mining and reclamation plan developed by LESSEE and approved by LESSOR.
- b. LESSEE shall reclaim the surface of the leased premises in accord with the approved mining and reclamation plan. The reclamation shall proceed concurrently with mine production to the extent practical and shall be completed following termination of mine operation.
- c. A mining and reclamation plan for the leased premises shall be developed to insure to the maximum extent practicable that: waste areas and lean ore are located, designed and utilized to maximize aesthetic attractiveness and promote reclamation; mining is conducted in a manner which will prevent or mitigate hazardous conditions which result from slumping, heaving and subsidence; and that post mining uses of the premises are as or more valuable than the uses prior to mining. The mining and reclamation plan shall include the following:
 - (1) Accurate plan maps, with appropriate scale, and other supporting data showing:
 - (a) Location of the proposed mining operation area.
 - (b) Lands proposed to be affected throughout the mining phase, including existing streams, lakes, wetlands and impoundments.
 - (c) Description of proposed development of open pit(s) and/or underground workings including materials handling and overburden stripping plans on the leased premises.
 - (d) Product and raw materials storage areas and loading facilities.
 - (e) Proposed and alternative locations where feasible, and designs of waste and lean ore piles, and tailings basins.

- (f) Existing and proposed buildings, utility corridors, railroads, roads and auxiliary facilities to be used and/or constructed on leased lands.
- (2) A description of proposed reclamation of the mining operation area on the leased premises including:
 - (a) A description of the capacity of the land to support its anticipated use or uses following reclamation, including a discussion of the capacity of the reclaimed land to support alternative uses.
 - (b) Provisions for grading, establishing self-sustaining re-vegetation and stabilization that will minimize erosion and sedimentation and public health and safety problems of pit banks, waste and lean ore piles, roads and tailings basins during and upon completion of the mining phase.
 - (c) Provisions for buffer areas, landscaping and screening.
- (3) Estimated timetables necessary for accomplishing the events contained in the mining and reclamation plan.
- d. The LESSOR shall approve or reject the plan within one hundred twenty (120) days of receipt of a complete mining and reclamation plan from the LESSEE. If the LESSOR rejects the plan, LESSOR shall identify those elements of the plan involving activities on the leased premises which are likely to pollute, impair or destroy the air, water or other natural resources or the public trust therein. The LESSOR shall also identify those alternatives or mitigating measures (if any) which could make the plan acceptable. A meeting shall be held between the LESSEE and the LESSOR within sixty (60) days of the rejection of the plan in an attempt to resolve differences in the plan, should either party request it. If LESSOR denies the plan, LESSEE may resubmit a plan(s) without prejudice.
- e. Any change in the approved plan which is likely to result in substantial disruption of the surface shall be submitted in writing to the Director of the Department of Natural Resources for approval. The Director may authorize named officers or individuals on the Department staff to receive, review and either approve or reject changes within thirty (30) days after they have been notified of the request for change. Notification shall be made to the LESSEE of such approval or rejection with representatives of both parties conferring promptly, if rejected, to resolve differences in the plan.

2. Production Reports

- a. LESSEE shall keep an accurate account of all mining operations under this lease, including production, sales, prices and dates of same, and shall submit to LESSOR at the time of each quarterly payment of production royalties, a certified statement in duplicate, showing the quantities of minerals and/or mineral products produced in the past quarter, the quantities sold and quantities otherwise disposed of from the leased premises and methods used to determine same. LESSEE's certified statement shall include the following:
 - (1) The tonnage and average grade of all crude ore mined from the leased premises, calculated from mine measurements.
 - (2) The tonnage of all commingled crude ores as determined at the first point at which an actual weight measurement is taken.
 - (3) The tonnage of crude ore from all premises, including the leased premises, treated in the mill, less losses which can be accounted for by LESSEE.
 - (4) The tonnage and average grade of mill concentrates, dry basis, derived from the leased premises and all commingled ore.
 - (5) Amount of refined metals produced in tons, pounds or ounces.
 - (6) Tonnage of ore from which refined metals was produced.

- (7) Copies of receipts from sales of minerals and/or mineral products.
 - (8) Such additional data on production and sales as may be necessary to determine royalty.
 - (9) Current mine maps of the leased premises and premises from which commingled ores are mined, showing the area mined.
- b. If any minerals and/or mineral products produced from the leased premises are transported to a point outside of the mining operation area before being weighed, LESSEE will have all the material weighed by the transporting firm and will furnish LESSOR with the transporter's statements of the weights of all shipments during the preceding quarter. Any written certificate or statement of any transporter concerning any shipment from the leased premises and its weight and any copies of transcripts from the books of any transporter concerning shipments or their weights shall be prima facie evidence of those facts in any suit or controversy between LESSEE and LESSOR.
 - c. Upon termination of this lease or surrender of any part of the leased premises, LESSEE shall furnish to LESSOR an up-to-date report of all mining development and reclamation efforts conducted by LESSEE on that part of the leased premises. This report shall contain suitable maps and information on the location and extent of surface and underground workings, and other pertinent information.
 - d. LESSEE shall also furnish LESSOR with annual reports on the anniversary date of the lease of the status of mining development and reclamation efforts to date.
3. Mill Waste Rejects Reports
- a. LESSEE shall keep an accurate and cumulative record of the operation of the mill producing the mill waste rejects, and LESSEE shall annually before the sixtieth (60) day following the anniversary date of this lease, furnish LESSOR a mill waste reject report for the preceding calendar year.
 - b. Any proportioning of the commingled mill waste rejects shall be made on the following terms:
 - (1) The proportioning shall be based upon dry short ton units of mineral values as determined by assay, tonnage measurement and/or metallurgical balances.
 - (2) The total units of mineral values in the commingled mill waste rejects shall be determined by subtracting the total units of mineral values in the concentrate produced from the total units of mineral values in the crude ore entering the mill.
 - (3) The units of mineral values in the mill waste rejects from this lease shall belong to the LESSOR.
4. Mining-Milling Tailings Disposal
- a. Waste materials resulting from the mining or concentration operations shall be deposited by the LESSEE in accordance with the approved mining and reclamation plan. Waste materials shall not be deposited on other premises without a mutually agreeable methods of accounting for the LESSOR's interest.
 - b. If mill waste rejects from minerals and/or mineral products mined from the leased premises are deposited or commingled with other mill waste rejects off the leased premises, LESSEE will upon termination of this lease deliver to LESSOR a document recognizing the interest of LESSOR in the mill waste rejects.
5. Stockpiling
- a. Minerals and/or mineral products taken from the leased premises, whether stockpiled or other wise, shall at all times be kept separate and distinct from any other mineral and/or mineral products until measured and sampled to determine and preserve the rights and liens of the LESSOR therein.

K. DEFINITIONS

1. Commingled Mill Waste Rejects means mill waste rejects from property of the LESSEE mixed in conjunction with mill waste rejects from other property of the LESSOR.
2. Constant Price Index means a rate published by the Bureau of Labor Statistics, established as of the date of the lease, and used as a reference point.
3. Current Price Index means a rate published monthly by the Bureau of Labor Statistics, reflecting up-to-date trends in producer prices.
4. E & MJ Markets means a section of the monthly published Engineering and Mining Journal.
5. Exploration means the processes involved in the search for and delineation of a mineral deposit.
6. Exploration Activities means those actions conducted upon the leased premises as a necessary part of exploration including geological, geochemical and geophysical surveys, preparation of necessary roads and drill sites, drilling, sampling, assaying, test pitting, trenching, metallurgical testing, feasibility and environmental studies or other approved activities.
7. Gross Sales Value means the value of all marketable products f.o.b. the point of sale, and after which sale the LESSEE no longer holds an economic interest in the marketable products. For purposes of this lease, the sale of minerals and/or mineral products in-place, or without extraction, is not considered production, and any sales value at that point shall not be used as the basis for calculation of production royalties.
8. LESSOR means the Natural Resources Commission of the State of Michigan.
9. Lean Ore means rock containing minerals which are not economically recoverable under existing market or technologic conditions.
10. Leased Premises means the land, property and/or mineral rights of the LESSOR herein leased to the LESSEE.
11. Long Ton means 2,240 pounds avoirdupois
12. Mill Waste Rejects means materials having no present mineral value, separated from the concentrate of minerals and/or mineral products as the result of processing of ore in a mill concentration plant.
13. Minerals and/or Mineral Products means all metallic minerals, metallic mineral products, ores and concentrates including, but not limited to, the following metallic elements: Aluminum, Antimony, Arsenic, Beryllium, Bismuth, Cadmium, Cesium, Chromium, Cobalt, Columbium, Copper, Diamonds, Gallium, Germanium, Gold, Indium, Iron, Lead, Lithium, Magnesium, Manganese, Mercury, Molybdenum, Nickel, Osmium, Palladium, Platinum, Radium, Rare Earth Elements, Rhenium, Rhodium, Rubidium, Ruthenium, Selenium, Silicon, Silver, Strontium, Tantalum, Tellurium, Thallium, Thorium, Tin, Titanium, Tungsten, Uranium, Vanadium, Yttrium, Zinc, Zirconium.
14. Mining means part or all of the process involved in the removal of minerals and/or mineral products including development, extraction, beneficiation, water storage, agglomeration and production of waste.
15. Mining Operation Area means the land area where active mining operations are, have been, or are projected to take place, and as delineated in the mining and reclamation plan. Areas include, but are not limited to, pits, stockpiles, shafts, roads, processing facilities, water and tailings basins and shipping facilities.
16. Net Smelter Returns means the proceeds received from the sale of mineral and/or mineral products after deducting the actual cost of (1) transportation and handling; (2) smelting and/or refining; (3) sampling and/or assay charges.
17. Paying Quantity means production in the preceding twelve months sufficient to return royalties to the LESSOR equal to or exceeding the minimum royalty.

18. Production means the extraction, processing, stockpiling and/or sales of minerals and/or mineral products from the leased premises. For purposes of this lease, the sale of minerals and/or mineral products in place of/ or without extraction is not considered production, and shall not be used to calculate production royalties.
19. Reclamation means reconditioning or rehabilitation of the affected leased premises as delineated in the mining and reclamation plan or portions thereof by the LESSEE for useful purposes and the protection of the natural resources, including the control of erosion and the prevention of land or rock slides and air and water pollution.
20. Short Ton = 2,000 pounds avoirdupois.
21. Tailings means mill waste rejects that have been placed in a confined waste or storage basin.
22. Tailings Basin means land on which tailings are deposited including surrounding dikes constructed to contain the tailings.
23. Waste means soil and vegetation, overburden, waste rock, mill waste rejects directly resulting from, or displaced by, mining and deposited on the surface (of the leased premises and other property under control of the LESSEE). "Waste" shall not include lean ore.

L. NON-DISCRIMINATION

The LESSEE covenants and agrees for and on behalf of said LESSEE, its successors or assigns that it will not discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions or privileges of employment or a matter directly or indirectly related to employment because of race, color, religion, national origin, age, sex, height, weight, marital status, or a handicap that is unrelated to the individual's ability to perform the duties of a particular job or position. The LESSEE further covenants and agrees that it shall cause the foregoing covenant as to nondiscrimination to be inserted and made part of each contract or subcontract into which the LESSEE enters, binding upon its contractors and subcontractors. A breach of these covenants shall be considered a material breach of the lease.

