



Randall W. Atkins
Chairman
Chief Executive Officer

250 West Main Street, Suite 210
Lexington, Kentucky 40507
Phone: 859.244.7455
Cell: 917.622.7542
Fax: 866.519.5232
Email: rwa.ramaco@gmail.com

On Dec 17, 2012, at 8:26 AM, Wayne Fahsholtz <Wayne@padlockranch.com> wrote:

Ramaco Coal Exploration Agreement.
Good morning, Randy

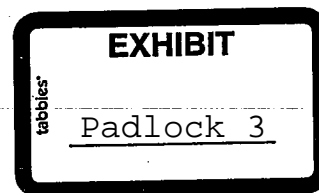
I have attached an exploration agreement. I believe that is mostly language from your agreement. I know that you wanted to explore in the near future so I thought this would be the best way to proceed. We can work on a mining agreement at a later time.

Merry Christmas

Wayne

<Ramaco Exploration Agreement-HEC-12-11-12.doc><Exhibit A - Exploration Agmt - HEC-12-11-12.doc><Exhibit B - Exploration Agmt - HEC-12-11-12.pdf>

----- End of Forwarded Message



EXPLORATION AGREEMENT

This Agreement dated effective December 31, 2012 ("Effective Date"), is entered into by and between Padlock Ranch Company ("Owner") and Ramaco Wyoming Coal Co., LLC ("Operator").

Recitals

A. Owner is the owner of the surface estate of certain lands in Sheridan County, Wyoming, as more particularly described on the attached Exhibit "A" and depicted on the attached Exhibit "B", which is incorporated by this reference ("Padlock Surface Lands").

B. Operator is the owner of fee coal underlying portions of Padlock Surface Lands ("Ramaco Fee Coal").

C. Operator desires to enter Padlock Surface Lands for purposes of conducting pilot hole and core drilling.

D. Owner and Operator desire to set forth each party's obligations consistent with the intent and recitals set forth above.

It is, therefore, agreed as follows:

1. Exploration Agreement.

(a) **Grant of Exploration Rights.** Owner hereby grants to Operator a license to enter upon, over and across Padlock Surface Lands for purposes of conducting pilot hole and core drilling on Ramaco Fee Coal. The number and approximate locations of proposed exploratory drill sites will be supplied by Operator in a plan of operations, to be delivered to Owner at least fifteen (15) days prior to Operator's entry upon the Padlock Surface Lands, which sites may be moved up to 200 feet for topographic, surface, or safety requirements at the discretion of the Operator, but otherwise only with the consent of the Owner. Owner shall not unreasonably withhold approval of the plan of operations or any subsequently proposed amendments.

(b) **Exploration Term.** Operator's rights to conduct its exploratory operations shall be for a period of one (1) year from the Effective Date, and Operator shall complete its operations by that date ("Exploration Term"); provided, however, if necessary to restore and reclaim the property damaged by Operator's operations, Operator may reenter the property for as long as is reasonably necessary to conduct reclamation operations, but in no event more than six (6) months after the expiration of the Exploration Term.

(c) **Exploration Payments.**

(i) At least three (3) days prior to entering Padlock Surface Lands under this Exploration Agreement, Operator shall pay Owner three hundred and fifty dollars (\$350.00) per exploratory drill hole.

(ii) In addition, Operator shall pay to Owner the sum of Ten Dollars (\$10.00) per rod of Owner's private roads used by Operator on Padlock Surface Lands.

(iii) Operator agrees to pay for any extraordinary damages caused by its exploratory activities beyond reasonable and ordinary use associated with such activities. Owner will provide proof and give notice of any such alleged damages to Operator. Owner agrees that Operator or its representative will be provided an opportunity to review and inspect alleged damages. If Operator agrees it is obligated to pay for the alleged damages, then Operator shall pay for such damage within thirty (30) days of delivery of notice. If Operator disagrees that it is obligated to pay for the alleged damages, then Operator shall provide a written response to Owner regarding its disagreement within thirty (30) days of receiving any notice pursuant to this paragraph. Operator and Owner shall attempt to reasonably resolve any disagreement regarding damages.

(d) **Conduct of Exploratory Operations.**

(i) Operator shall give Owner a minimum of three (3) days advance notice prior to the date when Operator's employees, agents, contractors and subcontractors will enter Padlock Surface Lands for exploratory purposes. Operator and its employees, agents and contractors shall use such access routes as Owner shall reasonably designate to reach the Padlock Surface Lands.

(ii) Operator shall conduct all exploratory operations on Padlock Surface Lands in accordance with sound engineering and environmental practice and in compliance with all present and future applicable laws, rules, regulations and ordinances, including but not limited to all applicable federal, state or local laws and regulations relating to public and employee health and safety, and pollution and protection of the environment.

(iii) Operator shall conduct its exploratory operations so as to minimize environmental impacts to Padlock Surface Lands and to minimize impacts to Owner's operations on Padlock Surface Lands.

(iv) Absent separate agreement, Operator, its employees, and authorized agents shall not disturb, use, cross, enter, or travel upon any of the Owner's land not subject to this Exploration Agreement.

(v) Absent separate agreement, Operator, its employees, and authorized agents shall not use, cross, enter, or travel upon Padlock Surface Lands in connection with any operations on other land owned by third parties.

(vi) Operator shall not conduct any operations or enter Padlock Surface Lands during periods when the soil is too wet to adequately support the vehicles and equipment used by Operator. If any equipment or vehicles create ruts in excess for two (2) inches in depth, the soil shall be deemed too wet to adequately support such vehicles. Any ruts or other similar scars created by Operator shall be smoothed or filled with topsoil and reclaimed within thirty (30) days of their creation, and thereafter reseeded.

2. General Use Restrictions.

(a) Neither Operator nor any of its employees, contractors, or agents shall be allowed to establish any type of living quarters on Padlock Surface Lands.

(b) No animals, alcohol, illegal drugs, firearms, explosive devices, recreational vehicles, or hunting shall be allowed on Padlock Surface Lands by the Operator or its employees, contractors or agents.

(c) Operator and its employees, agents, representatives, contractors, contractor's employees, or subcontractors shall not take, harm, or remove any fossils, historical artifacts, antiquities, or other cultural, historical, paleontological, or archaeological resources from Padlock Surface Lands.

(d) In order to minimize impact to Owner's Lands and Owner's livestock and agricultural operations, Operator shall, to extent possible, restrict all travel to existing roads where possible; no off road travel causing widening or degradation of original roads shall be permitted. Operator shall keep the roads in good order and free of litter and debris associated with Operator's activities and operations, and shall drive slowly to minimize fugitive dust from the roads. No new roads will be constructed on Padlock Surface Lands without Owner's prior written approval, which consent shall not be unreasonably withheld.

(e) Operator shall close and, if locked, lock any gate opened for access immediately following such access and shall not leave any gate open and unattended. Operator shall be liable for any and all costs, losses and damages resulting from a gate being left open by Operator or its employees, agents, or

contractors in an amount of not less than five hundred dollars (\$500.00) per day per occurrence.

(f) Operator shall take reasonable steps to prevent fire and to promptly extinguish any fire on Padlock Surface Lands. Operator may not construct any fires on the property. Damage from any fire caused by Operator's employees, agents, contractors, subcontractors, or assigns shall be paid for by paying the costs of replacement pasture, the costs of vegetation destroyed, costs of reclaiming the damaged Padlock Surface Lands, the costs of trailering or trucking livestock to replacement pasture, replacement costs of any livestock killed or injured, and replacement and/or repair costs for personal property, buildings and improvements destroyed or damaged.

(g) No fences, cattle guards, or other improvements shall be cut or damaged by Operator without prior consultation with and consent of Owner and the payment of additional damages or institution of other safeguards to protect the Owner's rights.

(h) Operator shall not release, discharge, or dispose of any petroleum products, toxic chemicals, hazardous substances or any waste material on Owner's Lands or so as to cause pollution or contaminate Owner's lands or any stream or other body of water located thereon.

(i) All vehicles used on Padlock Surface Lands, including ATV's, shall be washed and free of any and all debris prior to entry on Padlock Surface Lands for weed prevention and control purposes.

(j) Operator shall, while on the property and during the reclamation period monitor, and inspect all areas of use for noxious weeds and take all reasonable steps to eradicate any noxious weed in or on Padlock Surface Lands if caused or introduced by Operator's operations or activities. If Operator fails to control or eradicate any noxious weeds caused or introduced by Operator within thirty (30) days after notice from Owner, Owner may take such control measures as it deems necessary and appropriate and Operator shall reimburse all reasonable and necessary material, equipment, and costs incurred by Owner for such control or eradication efforts.

(k) Operator shall keep Padlock Surface Lands in good order and free of litter and debris and shall conduct trash pick up periodically and upon Owner's request.

3. Restoration and Reclamation. Prior to termination of Operator's right to conduct exploratory operations under this Agreement, Operator shall restore and reclaim Padlock Surface Lands disturbed by Operator's operations on Padlock Surface Lands to the lands' original condition, or as near as possible, but in no event to a lesser condition than

required by applicable federal, state and local laws, regulation and permit conditions and this Agreement. Operator shall undertake restoration and reclamation activities on any disturbed areas immediately following the disturbance or as soon thereafter as reasonably practical. This Agreement shall extend beyond any term set forth in this agreement for as long as is reasonably necessary to restore and reclaim the Lands to applicable standards.

(a) *Core Hole Completion and Reclamation.* At no time shall Operator leave any core hole open and unattended. In the event that plugging, sealing, capping, and reclamation of a core hole cannot be completed immediately following the core hole having been drilled, Operator shall sufficiently mark and cover the core hole to ensure the safety of livestock, wildlife, and persons in the area. Unless prohibited by inclement weather conditions, all core holes shall be plugged within five (5) days following the core having been drilled.

(b) *Surface.* As part of the Operator's obligation to restore and reclaim disturbed areas to their original condition, Operator shall re-contour the disturbed area and assure that there are no permanent mounds, ridges, sinks, or trenches. Operator shall take all reasonable precautions to prevent erosion on Padlock Surface Lands. If settling occurs in any excavation associated with Operator's operations, Operator will promptly fill and compact the area to eliminate additional settling.

(c) *Topsoil Loss.* If insufficient topsoil is present due to loss, degradation, erosion, contamination, or in any order to ensure appropriate vegetation of the disturbed areas, Operator shall supply appropriate topsoil at Operator's costs.

(d) *Re-vegetation.* The disturbed areas will be re-vegetated by Operator. The soils will be tilled, fertilized or otherwise treated to adequately establish a proper seedbed. All reseeding shall be done with a certified and weed-free mix approved by Owner. Operator shall conduct the reseeding during an appropriate planting season. Operator shall ensure that the seeding takes and the land is re-vegetated. If the Lands are not re-vegetated to their original condition or better, Operator shall undertake necessary measures to reestablish the vegetation to the lands' original condition or better.

4. **Environmental Quality Monitoring.** During the Exploration Term, Operator shall have the right to access and conduct air quality, water quality and soil quality monitoring activities on Padlock Surface Lands, provided that no surface-disturbing activities shall be conducted by Operator.

5. **Contractors.** Prior to any employee's, agent's, representative's, invitee's, licensee's, contractor's, or subcontractor's entry upon the Lands, Operator shall provide Owner with the name, company, contact information, and the purpose for which the person or entity will be entering onto Padlock Surface Lands. Operator shall ensure that its employees, agents, representatives, invitees, licensees, contractors and subcontractors who enter onto the Lands shall comply with Operator's obligations under the terms of this Agreement.

6. **Indemnification.** Operator shall indemnify, defend and hold harmless Owner from all losses, costs, liabilities, penalties, claims, damages and judgments ("Claims"), including without limitation Claims for injury to or death of persons or damage to property, arising out of, related to or resulting from the activities or operations of Operator or its employees, contractors or agents, on the Lands, except to the extent that such Claims are caused by the intentional act or willful misconduct of Owner, in which event Operator shall be responsible only for its proportional share of liability for such Claims. Operator shall pay in full for all labor performed upon or material furnished to the Lands, ordered or requested by Operator and shall keep the Lands free and clear of any and all liens arising from its operations; and shall hold Owner harmless from and indemnify Owner against any such liens or claims which result in such liens.

7. **Insurance.** Operator or its contractors shall maintain in full force and effect, during the entire term of this Agreement, with financially sound and reputable insurance companies or associations the following types and amounts on insurance:

(a) Workers' Compensation coverage, in accordance with the laws of the State of Wyoming;

(b) Comprehensive General Liability Insurance, insuring the indemnity agreement set forth in this Agreement and products-completed operations coverage with limits of not less than one million dollars (\$1,000,000.00) applicable to bodily injury, sickness or death in any one occurrence; and one million dollars (\$1,000,000.00) for loss of or damage to property in any one occurrence;

(c) Automobile Liability Insurance covering owned, unowned and hired vehicles used by a party with limits of not less than one million dollars (\$1,000,000.00) for bodily injury and property damage claims; and

(d) Excess or Umbrella Liability, inclusive of above limits, with limits of not less than one million dollars (\$1,000,000.00) Combined Single Limit.

(e) Prior to Operator or its contractor(s) entering the Lands, Operator shall furnish Certificates of Insurance evidencing the insurance required hereunder.

8. **Assignability.** This Agreement is not assignable, in whole or in part, by either party.

9. **Addresses for Notice and Payments.** Any notice contemplated by this Agreement shall be in writing and shall either be served upon a party personally, or served by registered or certified mail, return receipt requested, directed to the party to be served at the address of the party below. Notice served by mail shall be deemed complete when deposited in the United States mail, postage prepaid, in the manner indicated above. Furthermore, any payments owed to Owner under this Agreement shall be made to the address of Owner below. A party wishing to change his designated address shall do so by

notice in writing to the other party. All notices under this Agreement shall be addressed respective as follows:

If to Owner: Padlock Ranch Company
Attn: Wayne Fahsholtz - CEO
8420 U.S. Hwy 14
Ranchester, WY 82839
Phone: 307/655-2264
E-mail: wayne@padlockranch.com

If to Operator: Ramaco Wyoming Coal Co., LLC
Attn: Randy Atkins
250 West Main Street, Suite 210
Lexington, KY 40507
Phone: 859/244-7455
E-mail: rwa.ramaco@gmail.com

10. Miscellaneous.

(a) Titles of paragraphs are for reference only and shall not be used to construe the language of this Agreement.

(b) This Agreement shall be construed in accordance with and governed by the laws of the State of Wyoming.

(c) Exclusive venue for any litigation involving the enforcement or interpretation of this Agreement shall rest exclusively with the Circuit and District Courts of Sheridan County, Wyoming. The prevailing party in any such litigation shall be entitled to recover its costs and reasonable attorney fees from the other party.

(d) Owner makes no warranty, express, implied or statutory with respect to Padlock Surface Lands, or the ownership thereof.

(e) Time is of the essence in all provisions of this Agreement.

(f) Except as otherwise provided in this Agreement, the parties shall be entitled to any and all remedies provided by law.

(g) This Agreement may be modified only by a document in writing executed by all the parties hereto.

(h) This Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements and understanding,

whether written or oral, relating to the subject matter hereof. The rights, obligations, and liabilities set forth in or arise under this Agreement shall extend to, be binding upon, and inure to the benefit of the successors and permitted assigns of the respective parties.

(i) A facsimile or electronic copy of this Agreement containing the signature of either party shall be accepted as the original. This Agreement may be executed in counterparts.

OWNER:
Padlock Ranch Company

Wayne Fahsholtz
President

Date of Execution

OPERATOR:
Ramaco Wyoming Coal Co., LLC

Randall W. Atkins
Chief Executive Officer

Date of Execution

Exhibit "A"
to
Exploration Agreement

Padlock Surface Lands as illustrated on Plat Exhibit "B"

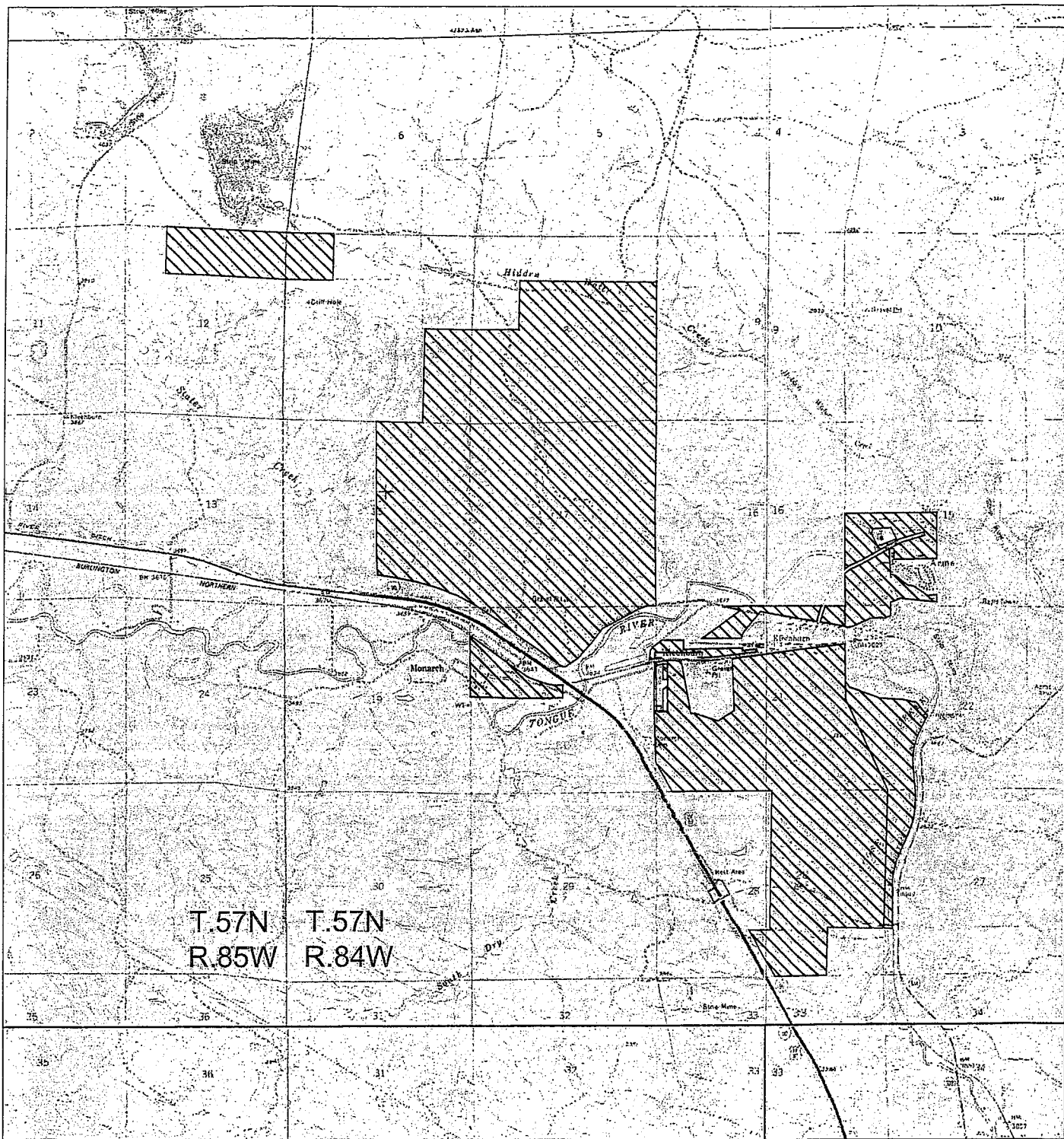
Township 57 North, Range 84 West, 6th P.M., Sheridan County, Wyoming.

- Section 7: E $\frac{1}{2}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$
Section 8: S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$
Section 15: SW $\frac{1}{4}$, less ownerships of Big Horn Coal Co. and Diversified Resources L.L.C.
Section 17: All lying North of Interstate Highway 90
Section 18: E $\frac{1}{2}$ lying North of Interstate Highway 90
Section 20: Pt. N $\frac{1}{2}$
Section 21: Pt. All
Section 22: Pt. W $\frac{1}{2}$
Section 27: That Pt. of W $\frac{1}{2}$ NW $\frac{1}{4}$ and NW $\frac{1}{4}$ SW $\frac{1}{4}$ lying West of the C.B.&Q. Railroad.
Section 28: NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ lying East of Interstate Highway 90


Township 57 North, Range 85 West, 6th P.M., Sheridan County, Wyoming.

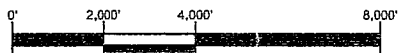
- Section 12: N $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$

Exhibit "B"



T.57N
R.85W T.57N
R.84W

 Lands Included under this Agreement



CONTOUR INTERVAL = 20 FEET



Exhibit 'A'
Page 1 of 2

REVD BY:	REV DATE:	APPVD BY:	REVISION DESCRIPTION:

DRAWN BY:	CHECKED BY:	DRAWN DATE:	APPVD BY:	FILE NAME:

12-7-12