

**PERMIT NO. HI013ER
LORDSBURG EXPLORATION PROJECT II
REGULAR EXPLORATION OPERATION**

**MINING AND MINERALS DIVISION
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT**

This Permit No. HI013ER is issued by the Director of the Mining and Minerals Division (“MMD”) of the New Mexico Energy, Minerals and Natural Resources Department to:

Entrée Gold (US), Inc.
whose correct address is: 1111 Washington Avenue, Suite 210
Golden, CO 80401

(“Permittee”) for the Lordsburg Exploration Project II, located in Hidalgo County, New Mexico.

Section 1. STATUTES AND REGULATIONS

This Permit is issued pursuant to the New Mexico Mining Act, NMSA 1978, §69-36-1, et seq. (1993, as amended through 1999) (“Act”).

This Permit is subject to all regulations promulgated under the New Mexico Mining Act Rules, Title 19, Chapter 10 NMAC (“Regulations” or “Rules”) and any other regulations which are now or hereafter in force under the Act; and all such regulations are made a part of this Permit by this reference.

Section 2. PERMIT APPLICATION PACKAGE

The Permit Application Package (“PAP”) is comprised of the following documents:

- 1) *Subpart 4 Exploration Permit Application* for the Lordsburg Exploration Project II, dated November 4, 2010.
- 2) *Amended Subpart 4 Exploration Permit Application* for the Lordsburg Exploration Project II, dated December 6, 2010.
- 3) *Corrections/Additions to the Amended Subpart 4 Exploration Permit Application* for the Lordsburg Exploration Project II, dated February 18, 2011.
- 4) Electronic mail correspondence, *Re: Review of Cost Estimates for the Lordsburg Exploration Project II and the Oak Grove Project*, dated June 19, 2011.
- 5) Electronic mail correspondence, *Re: Review of Cost Estimates for the Lordsburg*

Exploration Project II and the Oak Grove Project, dated June 20, 2011.

- 6) Electronic mail correspondence, *Re: Lordsburg Exploration II Project – Agency Comments*, dated June 21, 2011.
- 7) Electronic Mail correspondence, *Re: Lordsburg Exploration II Project – Agency Comments*, dated June 23, 2011.
- 8) Electronic mail correspondence, *Oak Grove and Lordsburg Estimates*, dated May 8, 2012.
- 9) Electronic mail correspondence, *Lordsburg and Oak Grove*, dated May 16, 2012.
- 10) Electronic mail correspondence, *Lordsburg and Oak Grove Reclamation Bonds*, dated May 18, 2012.
- 11) Electronic mail correspondence, *Lordsburg and Oak Grove Reclamation Bonds*, dated May 23, 2012.
- 12) Electronic mail correspondence, *Lordsburg and Oak Grove FA*, dated June 1, 2012.
- 13) Electronic mail correspondence, *Lordsburg and Oak Grove FA*, dated June 11, 2012.
- 14) Electronic mail correspondence, *Lordsburg and Oak Grove FA*, dated June 12, 2012.
- 15) Electronic mail correspondence, *Lordsburg and Oak Grove Reclamation Bonds*, dated June 22, 2012 (1:56 pm MDT).
- 16) Electronic mail correspondence, *Lordsburg and Oak Grove Reclamation Bonds*, dated June 22, 2012 (3:12 pm MDT).
- 17) Electronic mail correspondence, *Lordsburg and Oak Grove Reclamation Bonds*, dated June 22, 2012 (4:29 pm MDT).
- 18) Electronic mail correspondence, *Lordsburg and Oak Grove Financial Assurance*, dated June 28, 2012.
- 19) Electronic mail correspondence, *Oak Grove and Lordsburg Financial Assurance*, dated July 16, 2012.

- 20) Electronic mail correspondence, *Fwd: Western Bank Draft CD's*, dated July 17, 2012.
- 21) Electronic mail correspondence, *Re: Western Bank Draft CD's*, dated July 17, 2012.
- 22) Electronic mail correspondence, *Oak Grove and Lordsburg FA Documents*, dated August 1, 2012.
- 23) Electronic mail correspondence, *Oak Grove and Lordsburg FA Documents*, dated August 6, 2012.
- 24) *Certificate of Deposit Agreement for Financial Assurance for Lordsburg MMD Permit No. HI013ER*, dated September 17, 2012.

Section 3.

PERMIT AREA

The Permittee is authorized to conduct mineral exploration and reclamation operations only on those lands that are specifically designated and authorized as the permit area. The permit area is located approximately 3 miles south of Lordsburg, New Mexico on land controlled by the U.S. Bureau of Land Management ("BLM") land in Sections 7, 18, 19, 20, of Range 18 West, Township 23 South; and in Section 24 of Range 19 West, Township 23 South, in Hidalgo County, New Mexico as delineated in the PAP. The PAP is comprised of a permit application dated November 4, 2010, as amended, or corrected, and correspondence subsequently submitted to MMD by the Permittee or his representatives can be found recorded at MMD offices within the Division's Exploration Files and is titled "Lordsburg Exploration Project II, Permit No. HI013EM."

Section 4.

FINDINGS OF FACT

- A. The PAP is complete and demonstrates that the proposed operation will meet the performance and reclamation standards and requirements of Subsection D, Paragraphs 1-14 of 19.10.4.402 NMAC.
- B. The proposed operation and reclamation as described in the PAP will meet the requirements of reclamation, as identified in Part 1, Subsection R, Paragraph 1 of 19.10.1.107 NMAC of the New Mexico Mining Act Rules.
- C. Performance and reclamation standards and requirements of the proposed operation, as described in the PAP, and as supplemented by the obligations and conditions in this Permit, will meet the requirements of reclamation, as identified in Subsections A through

- L, of 19.10.4.403 NMAC. Reclamation of the disturbed area will be initiated as soon as possible (and in no case later than the close of the term of this Permit), unless the disturbed area is included within a complete permit application for a new mining operation.
- D. The Permittee has paid the initial permit application fee of \$1,000.00 as required by Subsection F of 19.10.2.201.E NMAC.
- E. The exploration project Permit Area is located entirely on lands that the surface and minerals are controlled by the BLM, as described in the PAP.
- F. The Permittee has provided joint financial assurance (“FA”), in accordance with Subsection A of 19.10.12.1201 NMAC, in the amount of \$126,100.00, and the FA has been approved by MMD and the BLM. Financial Assurance has been posted in the form of a Certificate of Deposit (“CD”); CD No. 0000000000012639 in the amount of \$126,100.00, issued by the Western Bank of Lordsburg, New Mexico.
- G. The Permit Area shall be the area designated by the Permittee as delineated within Attachment B of the PAP submittal and is entitled: “Maps, Lordsburg Project, Subpart 4 Permit Application Proposed Drill Locations.”
- H. The Permittee is not in violation of the terms of another permit issued by the Director or in violation of a substantial environmental law or substantive regulation at another mining operation, and is not in violation of the Act or the Rules. The Permittee has not forfeited or had forfeited financial assurance in connection with another mining, reclamation or exploration permit, and has not demonstrated a pattern of willful violations of the Act or other New Mexico environmental statutes. Nor has the Permittee’s failure to comply with either the Act, the Rules or a permit issued under the Rules resulted in the forfeiture of FA.
- I. The Permittee has signed and certified a statement in which the Permittee agrees to comply with the performance standards and reclamation requirements of the Permit, the Rules, and the Act, and allows the Director to enter the Permit area without delay for the purpose of conducting inspections during exploration and reclamation. The Permittee also has agreed, in writing, to conduct only those operations described in this Permit, including as it may be revised or modified, from time to time, and to reclaim any areas disturbed by the exploration operations in accordance with this Permit, the Rules and the Act.
- J. Public notice of the PAP was provided by the Permittee, pursuant to 19.10.9.903 NMAC. The Permittee published this notice in the Hidalgo County Herald, a newspaper

distributed in Lordsburg, Hidalgo County, NM. Notice was printed in English and Spanish languages. Notice was posted in four publicly accessible and conspicuous places at the boundary of the Permit Area. Additionally, the Permittee provided notice, by certified mail, to persons and entities as required by 19.10.9.903 NMAC.

- K. MMD posted the Permit Application on its website for public review and provided copies of the Application to, and requests for comments from, other state and federal agencies pursuant to 19.10.4.402.F NMAC.
- L. The public participation requirements of 19.10.9 NMAC have been met.
- M. MMD also provided a notice letter to the White Mountain Apache Tribe on March 25, 2011, to invite consultation. A second letter was sent to the White Mountain Apache Tribe on October 16, 2012, to announce MMD's notice of intent to issue a permit. MMD received no response to either of these letters.
- N. The Permittee has provided to MMD, as part of the application, a statement of the basis upon which the Permittee has the right to enter the permit area for the purpose of conducting exploration and reclamation. MMD does not, by issuing this Permit or otherwise, confirm, deny or make any comment on the surface or mineral rights that the Permittee may or may not have in the Permit Area. This Permit does not grant or create any property rights. The Permittee is solely responsible to take whatever steps are necessary to ensure that the Permittee has property rights sufficient to support the activities authorized by this Permit.

Section 5. **COMPLIANCE REQUIREMENTS**

The Permittee shall comply with the statutes and regulations in Section 1 of this Permit, the description of operations and reclamation in the PAP, and with any applicable regulatory and permitting requirements. The issuance of this Permit does not relieve the Permittee from the responsibility of complying with other state and federal requirements and standards.

The expiration or termination of the Permittee's right to access the Permit Area automatically suspends the Permittee's authority under this Permit to continue exploration operations. Suspension does not include reclamation operations by the Permit issued under 19.10.4 NMAC.

Section 6. **AGENCY RIGHT OF ENTRY**

The Permittee shall allow the authorized representatives of the Director without advance notice upon presentation of appropriate credentials, and without delay:

- A. to enter the Permit Area, or through any mineral exploration or reclamation operation at any time, as provided for in Subsection B, Paragraph 9 of 19.10.4.405 NMAC, for the purpose of conducting inspections during exploration, and reclamation, and to determine whether the Permittee is in compliance with the requirements and conditions of this Permit; and
- B. at reasonable times, and without delay, to have access to and copies of any records associated with permitting and compliance required by this Permit, and Subsection E, Paragraph 1, 19.10.11.1101 NMAC.

Section 7. **PERMIT COVERAGE**

This permit shall be binding on any person or persons conducting exploration and reclamation operations under this Permit.

Section 8. **ENVIRONMENTAL COVERAGE**

The Permittee shall take all necessary steps to minimize any adverse impact to the environment or public health and safety resulting from noncompliance with any term or condition of the Permit, the Rules or the Act.

Section 9. **COMPLIANCE WITH THE PERMIT APPLICATION PACKAGE**

The Permittee shall conduct exploration and reclamation operations only as described in this Permit, the approved PAP, and any subsequent modifications or revisions approved by the Director, pursuant to 19.10.4.406 NMAC.

The Permittee shall comply with any and all conditions that are incorporated in the PAP and/or this Permit. Unless otherwise ordered by the Director, conditions of this Permit shall control to the extent that they conflict, if at all, with the conditions of the PAP.

Section 10. **GENERAL OBLIGATIONS AND CONDITIONS**

This permit is subject to the following Conditions:

- A. The term of a permit for a regular exploration operation is governed by Subsections A, C and D of 19.10.4.405 NMAC, and this Permit is valid for one year from the date of the Director's signature.
- B. The Permittee is authorized to vertically drill sixty five (65) drill holes, up to three and a eighth tenths (3.8) inches in diameter, and up to 3,500 feet deep, utilizing no more than fifty one (51) drill pad surface disturbance areas no greater than one hundred twenty feet

by one hundred and twenty feet (120' X 120') and no more than fourteen (14) drill pad surface disturbance areas no greater than 0.66 acres each to accommodate the drill rig, pipe truck, ancillary vehicles, and containing no more than one (1) mud pit sump within each drill pad area. Each sump being no greater than twelve (12) feet wide, up to thirty (30) feet long and six (6) feet deep (12' L X 30' W X 6' D). The Permittee is authorized to access drill pads using 8,219 linear feet of overland travel and new bladed road surfaces. Maximum permitted length of drill holes is, typically 3,500 feet from the top of the drill hole to the furthest extent of the drill hole measured in the direction of the drill hole, whether vertical or angled.

- C. The Permittee is authorized to disturb no more than 28.2 acres within the Permit Area, to site the location of each pad area identified by Universal Transverse Mercator ("UTM") coordinates within the PAP, Attachment C, and follow access routes to each drill pad area, in accordance with the project maps within the PAP, Attachment B titled, *Lordsburg Project Proposed Drill Locations*. The map is found in Attachment B. The Permittee shall restrict surface disturbance to authorized areas, including traffic associated with vehicle travel, parking and turnaround.
- D. Any new constructed roads shall be routed to avoid cultural resource sites, minimize disturbance to land and wildlife, and enhance stability. Such measures may include construction of water bars, installation of culverts or other drainage features, application of Best Management Practices ("BMPs"), periodic monitoring and maintenance to reduce erosion. At the end of the exploration program all new constructed roads and overland travel access routes shall be reclaimed unless the surface owner requests, and specifically identifies, portions of new roads to be retained for future use. Any new roads to be retained shall have appropriate stabilization measures in place to prevent erosion and sediment transport to waterways.
- E. The Permittee shall maintain financial assurance ("FA"), in the approved total amount of \$126,100.00, using one or more approved FA instruments, pursuant to 19.10.12 NMAC, to cover third-party costs of:
 - 1. sealing and surface plugging of up to four (4) drill holes ("borehole reclamation"), secured by the amount of \$91,000.00; and
 - 2. regrading and seeding of disturbed surface areas ("surface reclamation"), including drill pad surfaces, overland travel routes, new constructed roads and an area for equipment staging, to a maximum of 10 acres of disturbance, secured by the amount of \$35,100.00.
- F. Phased FA. To facilitate contemporaneous reclamation, FA is assigned to successive phases of project activity, such that no more than four (4) drill holes will be open at any one time and no more than 10 drill pads of unreclaimed surface disturbance will be

permitted at any one time. FA is assigned and transferred separately for borehole reclamation and surface reclamation activities. Upon the completion of a phase of activity, and following MMD approval of borehole reclamation or surface reclamation, as the case may be, the FA associated with that reclamation will be assigned to the next successive phase of that activity, to be followed by the same reclamation approval process that is described as follows:

1. For each phase of borehole reclamation the Permittee will submit copies of the drill hole abandonment records for MMD approval, as provided for in Section 10.U of this Permit, to include an affidavit signed by a NM licensed, bonded driller, engineer, or the project geologist, attesting to the fact that the drill holes have been plugged and abandoned according to the requirements of this Permit. The Permittee will not initiate the next phase of drilling until the MMD has approved—and at the discretion of MMD—inspected the plugging of drill holes.
2. For each phase of surface reclamation the Permittee will provide, prior to any inspection that the MMD may perform, such documentation that will support a decision to approve the next phase of surface disturbance, including a spreadsheet tabulation and map to illustrate acreages and locations of reclaimed surface disturbance and unreclaimed surface disturbance.

G. Seed Mix. All areas where vegetation is disturbed, including roadways constructed for the project, shall be reclaimed and seeded by methods described in Section 8 of the PAP. The seed mix described in Section 8.C of the PAP shall include certified weed-free pure live seed (“PLS”), listed below as an application rate in pounds PLS per acre, of the following species:

black grama grass	4.0
sideoats grama grass var. Niner or Vaughn	3.0
purple three-awn	1.0
winterfat	4.0
scarlet globemallow	0.25

H. Performance Standard for Final FA Release. The Permittee shall notify MMD at least 30 days prior to initiating any reclamation approved, pursuant to this Permit. The site will be considered reclaimed and eligible for release of financial assurance, once the following criteria have been met:

1. The Permittee has successfully initiated the establishment of a uniform, self-sustaining vegetative cover on disturbed areas, similar in life form to the pre-disturbance vegetation as described in Section 10.I of this Permit;
2. No significant erosion is evident on disturbed areas; and

3. All drill holes have been plugged and abandoned as described in Section 10.T of this Permit.
- I. Following the surface reclamation activities, monitoring shall be conducted by the Permittee to assure successful establishment of vegetation and stabilization of the site. Re-vegetated areas that have not become established by the end of the growing season will be mitigated by reseeded or interseeding, and may require supplemental seedbed preparation, mulching, grading, and/or application of waterbars or other appropriate BMPs to prevent erosion and site degradation, as required by the MMD.
 - J. Following reclamation activities, periodic site monitoring shall be conducted by the Permittee and reported to the MMD to ensure the successful establishment of vegetation, control of noxious weeds or undesirable plant species, and stabilization of the site. Monitoring and control of weeds shall include the noxious weed species listed by the New Mexico Department of Agriculture.
 - K. Any area where vegetation is disturbed, or where significant soil compaction has occurred, including drill pads and most overland travel routes, will be reclaimed using methods to regrade, scarify or rip, seed, and mulch such disturbed surfaces as described in Section 8 of the PAP. Soil from the top 6 to 12 inches of the surface will be segregated and, where appropriate, stockpiled for use as topdressing at all areas where vegetation has been scraped from the surface, including bladed drill pads, mud pit areas and new roads. As soon as practicable before seeding, surfaces to be reclaimed will be ripped or deep-scarified to a depth of at least 6 inches, to relieve soil compaction and prepare a suitable seedbed. If possible, seeding shall coincide with, or shortly precede, the onset of seasonal monsoon showers. Seed will be applied using a seed drill, or hand sown by broadcasting with the seed mix that is described in Section 10.G of this Permit. Each seeded site shall be mulched with weed-free straw, hay or native grass at the rate of 1.5 to 2.0 tons per acre. Applied mulch shall be crimped or tacked in place.
 - L. A minimum setback of 100 feet away from any watercourse is required of all drill pads. ("Watercourse" means any channel having definable beds and banks capable of conducting generally confined runoff from adjacent lands. During floods, water may leave the confining beds and banks, but under normal flows, water is confined within the channel. A watercourse may be perennial, intermittent, or ephemeral.)
 - M. Travel throughout the Permit Area shall be limited during wet, muddy conditions. BMPs shall be used liberally to prevent sediment transport. Any areas of travel along new roads or overland travel that creates ruts 6-inches or deeper will be ripped to at least 1-foot in depth during reclamation.

- N. The Permittee shall implement site-specific measures or BMPs, according to descriptions found in Section 8 of the PAP, constructed and maintained using professionally recognized standards (e.g., Natural Resource Conservation Service Standards, or the BLM's "Gold Book" publication titled: *The Surface Operating Standards and Guidelines for Oil and Gas Exploration and Development*). BMPs will be implemented, as needed, to control erosion and prevent sediment transport at all areas of surface disturbance and temporary low-water crossings. BMPs that are damaged or ineffective shall be repaired, replaced or redesigned, as necessary.
- O. The Permittee shall follow safeguarding practices described in Section 10 of the Permit Application. No drilling and no storage of fuels or chemicals shall take place within any watercourses of the Permit Area. Appropriate spill clean-up materials, such as absorbent pads, must be available on-site at all times during site preparation and drilling activities to address potential spills.
- P. No excavation or filling shall take place within any watercourses designated as "Waters of the United States," until the required permits or consultations are obtained from the U.S. Army Corps of Engineers.
- Q. Report all spills immediately to the New Mexico Environment Department, as required by the New Mexico Water Quality Control Commission regulations, as defined by 20.6.2.1203 NMAC.
- R. The Permittee must comply with all requirements of federal and state laws pertaining to air quality requirements pursuant to 20.2.72 et.seq., NMAC.
- S. If any habitation sites, human remains, objects of cultural patrimony or any cultural resources are discovered or inadvertently uncovered during exploration activities, all work should immediately cease within the area of discovery. The remains should be protected in place, and the Historic Preservation Division of the New Mexico Department of Cultural Affairs should be immediately notified.
- T. **Drill Hole Plugging.** The Permittee shall be responsible for properly plugging and abandoning all drill boreholes. The boreholes are considered wells, by the Office of the State Engineer and shall be sealed pursuant to the Office of the State Engineer's Rules and Regulations Governing Well Driller Licensing, Construction, Repair, and Plugging of Wells, 19.27.4 NMAC (see 19.27.4.36, Requirements for Mine Drill Holes that Encounter Water).

Pursuant to 19.10.3.302.L NMAC, each drill hole shall be plugged with a column of cement, or bentonite-based plugging material, unless another material is approved by the New Mexico Office of the State Engineer ("OSE") and the Director. Drill holes shall be plugged from the bottom upwards, using a tremie pipe, to within approximately 12 feet of

the original ground surface. A 10-foot column of cement will then be added to within approximately 2 feet of the ground surface. The remaining hole shall be backfilled with topdressing from above the cement plug to the original ground surface. The hole shall be permanently plugged and abandoned as soon as is practical after drilling is complete. Since each drill hole is expected to encounter water bearing strata, each hole shall be plugged before the last drill rig is removed from the Project Area and must satisfy the requirements of the OSE and the New Mexico Environment Department for proper plugging of such holes.

For drill holes to be deepened, surface casing shall be set to the total depth of the initial boring and constructed with an annular seal and the casing capped to prevent contaminants from entering the hole from the surface and to prevent shallow groundwater and/or inter-aquifer exchange of groundwater through the cased drill hole. The annular seal shall be comprised of the same materials specified for well plugging.

As soon as feasible after the drill hole has been deepened to the total depth, the entire drill hole and upper cased hole shall be plugged from total depth to the surface as specified above.

An OSE-approved "Well Plugging Plan of Operations" shall be provided to MMD within 30 days of the approval of this Permit. The approved sealant shall comply with all applicable specifications of ASTM D5299-99. The Permittee shall ensure that the correct ratio of solids to water is used during the preparation of the approved sealant. Well plugging records, sufficiently detailed to document plugging methodology, the proper constitution of approved sealant, and that sealant is used in adequate volume to meet theoretical volumes of plugged intervals, shall be provided to MMD for any phased transfer or final release of FA.

- U. The Permittee shall close and abandon all drill holes, including all wells, within 1 year of date of permit issuance, unless documentation is provided from the landowner that:
 - a. the landowner wants the wells left in place, and MMD approves;
 - b. the Permittee has submitted a mining permit application to MMD that includes the wells; or
 - c. the Permittee has received a renewal for an exploration operation, pursuant to 19.10.4.405 of the Rules.

- V. Wildlife Exclosures. Drilling mud pits shall be fenced to exclude large mammals. In addition, any drilling mud pits, sumps, or uncovered above-ground tanks, shall have at least one side constructed at a 3:1 (horizontal: vertical ratio) slope to allow for wildlife

escape, or shall also be covered with expanded metal grates, or fenced and netted in accordance with New Mexico Department of Game and Fish wildlife fencing guidelines. Any mud pits or sumps, or uncovered above-ground tanks shall be covered with expanded metal grates or, fenced and netted, whenever workers are not present on site, to exclude both flying and terrestrial animals. Any netting used to exclude wildlife should be constructed of a sturdy plastic or metal material and adequately supported so that it will not contact the liquid surface. Monofilament mesh should not be used, as it can entangle birds and reptiles. Any plastic or metal netting should be anchored to the ground, and if the mesh size is greater than one inch, it should be wrapped with an additional finer mesh material around the bottom of the enclosure (up to approximately 12 inches above the ground surface) to exclude reptiles and small mammals.

- W. Any water, drill cuttings, mud and drilling additives, and/or fluids produced from the exploration drill holes shall be contained entirely within the excavated mud pits, sumps or above ground tanks at all times. Mud pits, sumps or above ground tanks will be sized to contain the calculated volume of drill cuttings, all drilling fluids and any produced water, while still providing a substantial freeboard for emergency storage capacity. Material generated during excavation of mud pits or sumps will be utilized to create an earthen berm that will partially surround each mud pit or sump area to prevent any run-on or run-off from precipitation events flooding onto, or escaping, the mud pits, sumps or the drill pad site. Discharge of this water, or any drilling fluids, to the ground surface or to an ephemeral watercourse (“Waters of the U.S.”), may be a violation of the Clean Water Act, and is prohibited.
- X. When all drilling, testing and hole abandonment activities are complete for each site, the mud pits shall be allowed to evaporate and to dry sufficiently to allow backfilling, then backfilled and recontoured to create positive drainage and reduce erosion. Materials surrounding each mud pit, and used in constructing pit-containment berms, will be backfilled to provide excess fill to account for potential subsidence and settling. Prior to final grading and seeding, mud pit areas will be covered with topsoil.
- Y. All heavy equipment to be used within the project area must be pressure washed, and/or steam cleaned, prior to introducing any equipment onto the project area, and inspected daily for leaks. Drop cloths or plastic tarps will be placed and secured under drill rigs, in addition to any other immobilized, staged, or temporarily stored equipment parked for longer than 48 hours.
- Z. Any modifications, or any other field adjustments or changes not pre-approved as part of this Permit, must be approved prior to implementation pursuant to 19.10.4.406 NMAC.
- AA. The Permittee shall submit a termination report, pursuant to 19.10.4.407 NMAC, at the conclusion of an exploration operation not being renewed, unless the Permittee has applied for renewal of this exploration Permit, or applied for a mining operation permit.

Among other items, as required by 19.10.4.407 NMAC, the termination report shall include documentation required under Sections 10.I and 10.U of this Permit, unless this documentation has been previously provided to MMD.

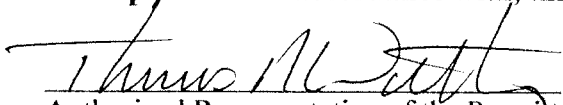
- BB. The Permittee is authorized to operate a Subpart 4 Exploration Operation, pursuant to Subsection E, Paragraph 3 of 19.10.1.7 and 19.10.4.403 NMAC. All lands to be disturbed will be addressed under the performance and reclamation standards and requirements of 19.10.4.403 NMAC, in accordance with the reclamation plan provided in the PAP, and the conditions described within this Permit.
- CC. Any changes, modifications or amendments to the approved permit must be approved prior to implementation.
- DD. All activities under this permit, including drill holes, mud pits, and access roads, shall avoid those archaeological sites where avoidance was recommended by the SHPO.
- EE. All lands to be disturbed will be addressed under the performance and reclamation standards and requirements of 19.10.4.403 NMAC and in accordance with the reclamation plan provided in the PAP. The Lordsburg Exploration Project II will not qualify as an Exploration Operation if permit authority is exceeded or Exploration Operation requirements are violated.

Section 11. **CONCLUSIONS OF LAW**

- A. The Director concludes the application meets the requirements of an “Exploration Operation,” addressed in Subpart 4, 19.10.4 NMAC, and that all necessary conditions for the award of this Permit, whether in the Act or the Rules, have been met.
- B. The Director has jurisdiction over the Permittee and the subject matter of this Permit and proceeding.
- C. The Permittee, Entrée Gold (US) Inc., is permitted to conduct exploration and reclamation operations at the Lordsburg Exploration Project II in Hidalgo County, New Mexico, upon the condition that the Permittee complies with the requirements of this Permit and Order, the Act, the Rules, the conditions and requirements imposed by this Permit and Order, and upon the submission of such termination reports and fees as may be required under 19.10.4.407 NMAC and 19.10.2 NMAC.

CERTIFICATION

I certify that I have read, understand and will comply with the requirements of the Permit. I also agree to (i) comply with the performance and reclamation standards and requirements of the Permit, the Rules, and the Act, (ii) allow the Director to enter the Permit area without delay for the purpose of conducting inspections during exploration and reclamation, (iii) conduct only those operations described in this Permit, including as it may be revised or modified from time to time, and (iv) reclaim any areas disturbed by the exploration operations in accordance with, this Permit, the Rules and the Act.


Authorized Representative of the Permittee

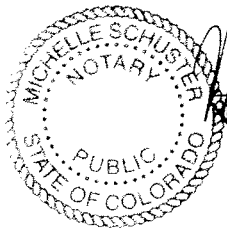
President
Title

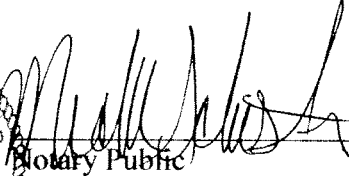
Entree Gold (US) Inc
Company

Subscribed and sworn to before me this 2 day of November, 2012

My Commission Expires

1/20, 2014




Notary Public

COMM Exp 1/20/2014

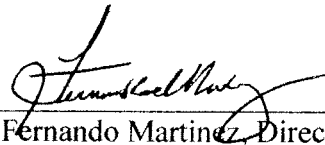
ORDER

NOW THEREFORE, IT IS HEREBY ORDERED that the Permit Application Package of Entrée Gold (US), Inc. to conduct exploration drilling and reclamation operations at the Lordsburg Exploration Project II in Hidalgo County, New Mexico, is approved. This Permit may not be transferred without approval by the Director. The Permit is subject to all conditions set out in the Director's Findings of Fact, General Obligations and Conditions, Conclusions of Law, and this Order.

By Order of the Director, Mining and Minerals Division, Energy, Minerals and Natural Resources Department, of the State of New Mexico.

Mining and Minerals Division

BY:



Fernando Martinez, Director
Mining and Minerals Division

Energy, Minerals and Natural Resources Department

DATED: _____

11/7/2012

