

Susana Martinez
Governor

F. David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Fernando Martinez, Director
Mining and Minerals Division



January 20, 2015

Mr. Chuck Motley, Chief Executive
El Capitan Precious Metals, Inc.
8390 Via de Ventura, Suite F-110
Scottsdale, AZ 85258

**RE: Permit Application Status; Modification 14-1 to Permit No. LI005ME,
Capitan Iron Mine, Lincoln County, New Mexico**

Mr. Motley,

The Mining and Minerals Division (“MMD”) received from El Capitan Precious Metals, Inc. (“ECPM”) a permit application package (“PAP”) on June 9, 2014 requesting a modification to Permit No. LI005ME. The PAP proposes to update the mining plan, reclamation plan, and the associated financial assurance for the Capitan Iron Mine located in Lincoln County, approximately 6 miles north of Capitan, New Mexico. MMD is processing the PAP as Modification 14-1 to Permit No. LI005ME.

On June 10, 2014, the New Mexico Mining and Minerals Division (“MMD”) determined the PAP to be administratively complete. As part of the review process, MMD provided to ECPM technical comments on the PAP in letters dated August 1, 2014 and October 16, 2014. Subsequently, ECPM provided satisfactory responses to those technical comments in letters dated September 9, 2014 and November 11, 2014. In an email dated December 8, 2014 MMD informed ECPM that the PAP is technically complete and the permit modification would be approved upon submittal and approval of the required financial assurance in the amount of \$74,495.00.

Pursuant to 19.10.12.1202 NMAC, MMD cannot approve the permit modification until the financial assurance has been submitted and approved for the proposed Modification 14-1. No new work or disturbance, addressed under Modification 14-1, can start until the permit modification has been approved by MMD. The only mining activity at the site that is authorized is addressed under the current Permit LI005ME, issued on June 29, 1999

As of the date of this letter, MMD has not received the required financial assurance; therefore the permit modification application cannot be approved, at this time. Please inform MMD, within 30 days of the receipt of this letter, regarding your intention to continue the permit application or



withdrawal of the permit application. Please provide us with a timeframe for completion of the permit application if you decide to continue with the process.

If you have any questions, please contact me at 505-476-3438.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Eustice", is written over a light blue rectangular background.

Chris Eustice, Permit Lead, MARP/MMD
Mining Act Reclamation Program (MARP)

Cc: Fernando Martinez, Acting Director, MMD
Holland Shepherd, Program Manager MARP
Mine File (OT006MN)

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