

Susana Martinez
Governor

F. David Martin
Cabinet Secretary

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

Fernando Martinez, Director
Mining and Minerals Division



March 26, 2015

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

RE: Permit Modification 14-1 Conveyance, Capitan Iron Mine, Permit No. LI005EM

Dear Mr. Motley,

Please find enclosed an approved copy of Permit Modification 14-1 to Permit No. LI005EM for the Capitan Iron Mine located near Capitan, New Mexico. Also enclosed is a copy of the financial assurance Agreement required to facilitate this Permit Modification. This permit must be maintained until reclamation is complete.

If you have any questions, please call me (505.476.3438) or Holland Shepherd (505.476.3437). I wish you the best of luck in your mining endeavor.

Sincerely,

Chris Eustice
Permit Lead

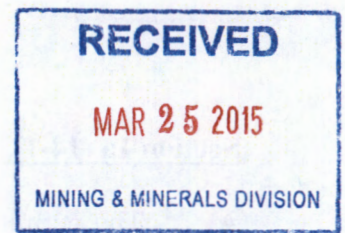
Cc: Fernando Martinez, Acting Director, MMD
Holland Shepherd, Program Manager MARP
Mine File (LI005EM)

L:\MARPLI005EM---Capitan Iron



**PERMIT MODIFICATION 14-1 TO PERMIT NO. LI005ME
CAPITAN IRON MINE
MINIMAL IMPACT EXISTING MINING OPERATION**

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



This Modification 14-1 ("Modification 14-1") to Permit No. LI005ME ("Permit") is issued by the Director of the Mining and Minerals Division ("MMD") of the New Mexico Energy, Minerals and Natural Resources Department to:

Whose correct address is: El Capitan Precious Metals, Inc.
8390 Via de Ventura, Suite F-110
Scottsdale, AZ 85258

("Permittee") in order to conduct mining and reclamation at the Capitan Iron Mine, Lincoln County, New Mexico.

This Modification 14-1:

1. Redefines approximately 40 acres as the Permit Area for containing future planned disturbances. The Permit Area includes the patented Pittsburg Iron Lode claim, and the Pittsburg Iron Lode #1 claim that encompasses portions of Sections 10, 11, 14, and 15 of Township 8 South, Range 14 East in Lincoln County, New Mexico.
2. Redefines the permit design limit(s) into three phases of 5 acre disturbances, allowing for no more than 5 acres of disturbance at any one time. Each 5 acre phases shall be reclaimed, prior to the development of later phases.
3. Secures a total of \$74,495.00 of financial assurance ("FA").
4. Approves and updates the site-wide closeout and/or reclamation plan:

In order to accomplish the approval contemplated by Modification 14-1, the following subparagraphs are added to Permit No. LI005ME:

Section 1 (14-1). STATUTES AND REGULATIONS

- A. Modification 14-1 is issued pursuant to the New Mexico Mining Act, NMSA 1978, §69-36-1, et seq., as amended, ("Act") and New Mexico Mining Act Rules, Title 19, Chapter 10 of the New Mexico Administrative Code ("NMAC" or "Rules" or "Regulations").
- B. Modification 14-1 is subject to the Act, the Rules, and any other regulations that are now or hereafter in force under the Act; and all such regulations are made a part of this Permit by this reference.

Section 1a (14-1). PERMIT APPLICATION PACKAGE

- A. The permit application package for Modification 14-1 (“Mod 14-1 PAP”) consists of a written request from the Permittee received by MMD on June 9, 2014, and the required \$250 permit modification fee .
- B. Map plates for the Permit Area and disturbance limit for Phase 1 as provided by R.T. Hicks Consultants Ltd., and dated November 3, 2014. The Permit Area Map is labeled “Plate 2” and titled “USGS Topographic Map (with 2013 Aerial Underlay) of Proposed Work Area.”. The Phase 1 (one) disturbance limit map labeled as “Plate 2a”, and titled, “Schematic Diagram Of Phase 1 Mining Area, Pittsburg Iron Lode and Pittsburg Iron Lode No. 1.”
- C. On August 1, 2014, MMD provided the Permittee a FA cost estimate needed to cover the costs of performing the reclamation plan.
- D. Written correspondence from the Permittee dated September 5, 2014 providing responses to MMD technical comment letter of August 1, 2014.
- E. An email from El Capitan Precious Metals, dated August 14, 2014, providing a proposed seed mix.
- F. An email dated October 28, 2014 from a Blair Dunn (attorney at law) providing clarification on access routing to and from the Permit Area, and a copy of a signed and executed 5 year Forest Access Agreement with the United States Forest Service, dated December 1, 2014.

Section 2 (14-1). PERMIT AREA

- A. The Permittee is authorized to conduct mining and reclamation operations only on those lands within the five (5) acre Phase 1 permit design limit. For this Permit and Modification 14-1, the Permit Area is defined by Plate 2 of Mod 14-1 PAP, as received November 3 2014 from R.T. Hicks Consultants, Ltd.. The total Permit Area is approximately 40 acres and consists of:

The patented Pittsburg Iron Lode claim, and the Pittsburg Iron Lode #1 claim, encompassing portions of Sections 10, 11, 14, and 15 of Township 8 South, Range 14 East in Lincoln County, New Mexico, as shown on Plate 2 of Mod 14-1 PAP.
- B. The design limit for Phase 1 of the 3-phased mining plan is defined by Plate 2a of Mod 14-1 PAP, dated October 2014 and provided by R.T. Hicks Consultants, Ltd. The design limit is five (5) acres of mining and related disturbance within the 40 acre Permit Area. The design limit of five (5) acres for Phase 1 is for total disturbance, including all noncontiguous disturbed areas.

Section 3 (14-1). FINDINGS OF FACT

The Permit Application Package

- A. The Permittee has paid the permit modification fee of \$250.00 as required by §19.10.2.201 of the Rules.
- B. Pursuant to § 19.10.3.304(K), the application for permit modification has been reviewed in accordance with §19.10.6.608 of the Rules. The application for permit modification is complete, accurate, and complies with the requirements for permit modifications under §19.10.6.608 of the Rules.
- C. The proposed changes will not have a significant environmental impact.
- D. The proposed changes do not require public notice nor the opportunity for public hearing.

MMD's Request for Comments to the Agencies and Tribes

- E. The Director has provided notice of this application to other government agencies deemed appropriate, in accordance with §19.10.6.608.D(3) NMAC.
- F. MMD provided the agencies (the USFS, NMED, Department of Game & Fish, State Forestry Division, State Historic Preservation Office, and Office of State Engineer) with a copy of the PAP and a request for comments.
- G. MMD provided Mod 14-1 PAP to the Mescalero Apache tribe and twice requested review and comment. No correspondence or comments were received from the Mescalero Apache tribe.
- H. An inspection and evaluation of the approximate 40 acres was conducted by MMD and New Mexico Environment Department ("NMED") on July 1, 2014.
- I. NMED provided a determination in correspondence dated July 10, 2014 that the proposed mining activities are likely to have a minimal environmental impact if operated and reclaimed in accordance with an approved permit application and permit.

Right-To-Enter / Property Access Information

- J. The approximate 40 acres Permit Area identified by Modification 14-1 consists of private surface and mineral estates with access gained via National Forest System Road 489A.
- K. Neither the Permit nor Modification 14-1 grant or create any property rights. Nor does MMD, by issuing the Permit or this Modification 14-1 or otherwise, make any comment on the surface or mineral rights that the Permittee may or may not have in the area covered by

the Permit; only that the Permittee has provided a statement of basis on which the Permittee has a right to enter the property to conduct mining, exploration and reclamation. Permittee is solely responsible to take whatever steps are necessary to ensure that Permittee has property rights sufficient to support the activities contemplated by the Permit.

Financial Assurance

- L. Financial assurance in the amount of \$74,495.00 is in place and has been determined by MMD to be sufficient to meet the requirements of the Act, Rules, and Permit for a period of up to five years from the date of this Permit. The FA instruments for the Capitan Iron Mine, Permit No. LI005ME, are in the form of:
1. Certificate of Deposit No. 39985 issued June 15, 1999 by Oklahoma Bank & Trust Co. of Clinton, Oklahoma, in the amount of \$15,000.00;
 2. Certificate of Deposit No. 8097242252 issued June 30, 1999 by Wells Fargo Bank of Scottsdale, Arizona, in the amount of \$59,495.00.

General Information Regarding the Permittee

- M. Neither the Permittee, entities that are directly controlled by the Permittee, nor entities that directly control the Permittee: (i) are in any violation of the terms of another permit issued by the Director or in violation of a substantial environmental law or substantive regulation, as those terms are defined in 19.10.3.304.J(4)(a) NMAC at another mining operation in the United States, (ii) have forfeited or had forfeited financial assurance required by another mining operation, reclamation or exploration permit in the United States, or (iii) have demonstrated a pattern of willful violations of the Act or other New Mexico environmental statutes.
- N. The Permittee has signed a notarized statement agreeing to comply with the requirements of the Permit, the Rules, and the Act, and to allow the Director to enter the Permit Area for the purpose of conducting inspections in accordance with the Act and the Rules.

Section 4 (14-1). COMPLIANCE REQUIREMENTS

- A. The Permittee shall comply with the Act, Rules, the Permit and all other applicable state or federal statutory, regulatory or 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.
- B. Since the Permit Area is on private land, the expiration or termination of the land owner's authorization to conduct mining and/or exploration operations on the property automatically suspends the Permittee's authority to continue mining and exploration operations on the property. Such suspension does not include reclamation operations required by the Permit, the Act or the Rules.

- C. This Permit and Modification is issued pursuant to NMSA 1978, Section 69-36-1 et. seq. and Title 19, Chapter 10 NMAC. Permittee may be required to comply with other federal, State, county or local laws or ordinances before or while undertaking the activity that is the subject of this Permit and Modification. The issuance of this Permit and Modification does not relieve Permittee from the responsibility of complying with other state and federal requirements and standards. MMD does not, by issuing this Permit, Modification or otherwise, make any comment on Permittee's compliance with such other laws. It is Permittee's sole responsibility to investigate and comply with the requirements of such other laws.
- D. The Permit and Modification does not grant or create any water rights. Nor does MMD, by issuing this Permit or otherwise, make any comment on the water rights that the Permittee may or may not have available for use in the area covered by the Permit. Permittee is solely responsible and obligated to comply with all state and federal laws related to water rights sufficient to support the activities contemplated by the Permit.

Section 5 (14-1) **AGENCY RIGHT OF ENTRY**

- A. The Permittee shall allow the authorized representatives of the Director, without advanced notice, upon presentation of appropriate credentials, and without delay:
1. to enter upon, or through, any mining or reclamation operation at any time, as provided for in the Act or the Rules, including without limitation as provided for in §19.10.3.304.J(5) NMAC and §19.10.11.1101.E(1) NMAC, for the purpose of conducting inspections to determine if the Permittee is in compliance with the Permit requirements and conditions and for all other purposes set forth in the Act or the Rules; and
 2. at reasonable times, and without delay, have access to and copies of any records associated with permitting and compliance required by the Act, §19.10 NMAC or the Permit.

Section 6 (14-1) **PERMIT COVERAGE**

- A. This Permit shall be binding on any person or persons conducting mining, exploration and reclamation operations under this Permit.
- B. Release of Permit LI005ME shall occur upon either (i) MMD's termination of this Permit or (ii) the full, final and complete release of all financial assurance that may be held by MMD and relating to Permit No. LI005ME.

Section 7 (14-1) **ENVIRONMENTAL COVERAGE**

- A. The Permittee shall take all necessary steps to minimize any adverse impact to the environment and to public health and safety.

Section 8 (14-1) COMPLIANCE WITH THE PERMIT & PAP

- A. The Permittee shall conduct mining and reclamation operations only as described in the approved PAP and the Permit, as modified by this Modification 14-1 and any other modifications or revisions approved by the Director. The Permittee shall comply with the Act, Regulations, the Permit, all modifications and revisions, and all other applicable law.
- B. Where the PAP is ambiguous or in apparent conflict with the provisions outlined in this Permit, the language of this Permit will supersede the PAP.

Section 9 (14-1) GENERAL OBLIGATIONS AND CONDITIONS

Description of Project / Authorized Disturbances

- A. Within the approved Phase 1 five (5) acre design limit, the Permittee will stage a pit extraction area as well as excavation equipment, overburden piles, crusher, screen, tailings waste pile, surface salvage material stockpile, magnetic separator, backhoe, pickup trucks, trailers and hand tools. The Permit Area shall be accessed via existing USFS road. All separated and concentrated material will be removed off-site to be processed. Overburden and other excavated materials not removed off-site will be returned to the surface pit for use in reclamation. Mining and reclamation is anticipated to occur exclusively within the Phase 1 five (5) acre disturbance limit as described in the PAP.
- B. The Permittee is obligated to complete reclamation of all disturbed areas upon completion of the Phase 1 mining and/or termination of the Permit.

Stockpiled Materials

- C. Prior to conducting mining activities, the surface area to be mined shall be cleared and grubbed and the material stockpiled separately for future use as mulch. Additionally, where available, the top 6 to 12 inches of topsoil shall be removed and stockpiled separately from all other material. Subsequent removal of overburden below 6 to 12 inches shall be stockpiled separately from the stockpiles of topsoil and grubbed material. All stockpiles shall be segregated. Any topsoil stockpiles will be located and protected so that wind and water erosion to this resource are minimized.

Reclamation Requirements

- D. The Permittee shall notify MMD a minimum of 30 days prior to performing any reclamation at the site.
- E. Backfilling of the surface pit with overburden and rough grading shall occur at the conclusion of the Phase 1 mining. When Phase 1 mining is complete, the entire area shall

be re-graded and re-contoured to approximate the contour of the surrounding terrain and to allow for positive drainage from the disturbed area and pit.

- F. Stockpiled topsoil will be applied as top dressing over the entire area, and the area shall be scarified and seeded with the approved seed mix. Scarification shall consist of ripping, furrowing or disking.
- G. When Phase 1 mining is complete, the excavated area will be re-graded and contoured to match the surrounding topography, and backfilling and rough grading of disturbed areas shall occur concurrently, or following the completion of mining operations as weather and field conditions allow. Any areas where vegetation is disturbed will be reseeded with the approved seed mix that is a certified weed free, pure live seed mixture of native cool season and warm season grasses and shrubs palatable to livestock and wildlife be re-contoured, seeded and mulched with an appropriate certified weed-free seed mixture beneficial to livestock and wildlife.

Any stockpiled soil or overburden material will be applied as a top dressing over the backfilled areas as a plant growth medium, then raked, disked or deep-scarified prior to seeding, to prepare a suitable seedbed for seed germination and root growth. The disturbed area will be re-seeded immediately after site re-contouring and seedbed preparation has been completed and while the soil surface is still friable. Each reclaimed site will be mulched with certified weed-free straw and crimped or tacked in place. Reclaimed areas not seeded before or during the summer, will be seeded in late fall to maximize the probability of successful re-vegetation. Within any areas prohibitive to ripping or scarification, the seed will be hand- or broadcast sown immediately after site re-contouring and seedbed preparation at an application rate double that of the rate otherwise prescribed, and then raked into the soil and mulched.

- H. Stockpiles of mulch material (grubbed vegetation) shall be applied to the surface to mitigate erosion. A combination of certified weed-free straw/mulch and grubbed vegetation chipped or ground as mulch from the site shall be applied to the reclaimed areas and shall total a minimum of 2 tons per acre. The mulch shall be crimped in place or otherwise incorporated into the soil or stabilized on the surface.

- I. Any areas where vegetation has been disturbed shall be re-seeded utilizing the following weed free, pure live seed (“PLS”) mixture:

<u>Species</u>	<u>Broadcast Rate (lbs. PLS/acre)</u>
<i>Blue Gramma</i>	4.0
<i>Side Oats Gramma</i>	3.0
<i>Geleta Grass</i>	3.0
<i>Bottle Brush Squirrel Tail</i>	3.0
<i>Rabbit Brush</i>	2.0
<i>Mountain Mahoganey</i>	2.0
<i>Winter Fat</i>	2.0
<i>Total</i>	<i>19.0 lbs PLS/acre</i>

Seed mix substitutions may be proposed based on availability of seed at the time of reclamation, however the Permittee shall discuss any changes in the seed mix with MMD and receive written approval from MMD prior to implementation of any changes to the seed mix.

- J. The Permittee shall leave all disturbances in a manner that is stable, both long term and short term, and non-hazardous to humans, domestic animals, and wildlife.
- K. The site shall be considered reclaimed and eligible for release once the following criteria have been met:
 - 1. canopy cover within the reclaimed area equals at least 75% of canopy cover within the relevant (CP-3) ecological site description provided by the Natural Resources Conservation Service;
 - 2. species diversity within the reclaimed area approximates the species diversity within identified reference area(s) or within the relevant (CP-3) ecological site description provided by the Natural Resources Conservation Service;
 - 3. noxious weed species percent cover does not exceed that of the relevant (CP-3) ecological site description provided by the Natural Resources Conservation Service;
 - 4. no significant erosion is evident on reclaimed areas.
- L. As an alternative to paragraph I above, a vegetation reference may be identified and proposed by the Permittee to MMD within 6 months of the approval date of this Permit. The reference area selected should represent various vegetation types across the Permit Area and shall remain undisturbed for the life of the mine. The size of the reference area should be at least 10% of the total disturbed acreage.
- M. Following the re-vegetation and restoration activities, periodic site monitoring shall be conducted by the Permittee to ensure the successful establishment of vegetation and stabilization of the site. Re-vegetated areas that do not exhibit satisfactory vegetative growth by the end of the third growing season shall be mitigated by reseeded, mulching, grading, and/or application of best management practices to prevent erosion and site degradation.
- N. In accordance with the PAP, fencing around the mining and reclamation areas shall be constructed to protect reclaimed areas from grazing until plants are well-established or until re-vegetated areas can tolerate managed grazing pressure.
- O. The Permittee shall leave all disturbances in a manner that is stable, both long term and short term, and non-hazardous to humans and wildlife. The reclamation plan for the site is described in the PAP and this Permit.

- P. All lands to be disturbed by the mining operation will be addressed under the performance reclamation standards and requirements of §19.10.3.303 NMAC and in accordance with the reclamation plan provided in the PAP and this Permit.

Best Management Practices (“BMPs”)

- Q. A minimum setback of 100 feet from any defined watercourse within the Permit Area is recommended. No excavation or filling shall take place within any watercourse until the required permits or consultations are obtained from the U.S. Army Corps. of Engineers.
- R. No storage of fuels or chemicals shall take place within any watercourse.
- S. The Permittee shall implement BMP’s in a manner that prevents direct impacts to surface water and ephemeral, intermittent, and perennial water courses. The Permittee shall implement erosion control measures that are designed, constructed and maintained using professionally recognized standards.
- T. The Permittee must contain any water produced from the operation at the site. Discharge of water or any industrial fluids to any watercourse may be a violation of the Clean Water Act. All waste material shall be collected and disposed of properly.
- U. Travel should be suspended during wet, muddy conditions. Construction or maintenance activities should not be performed during periods when the soil is too wet to adequately support heavy equipment. If such equipment creates ruts in excess of six inches deep, the soil is considered too wet to adequately support equipment.
- V. Appropriate spill clean-up materials, such as absorbent pads, must be available on-site at all times during mining activities to address potential spills. Spills must be reported immediately to NMED as required by the New Mexico Water Quality Control Commission Regulations (§20.6.2.1203 NMAC). For non-emergencies during normal business hours, call (505) 476-6000. For non-emergencies after hours, call (866) 428-6535 or (505) 428-6535 (voice mail, twenty-four hours a day). For emergencies only, call (505) 827-9329 twenty-four hours a day (NM Department of Public Safety).

Cultural and Paleontological Resource Preservation Requirements

- W. The Permittee is obligated to comply with procedures established in the Native American Graves Protection and Repatriation Act to protect such cultural items as human remains, associated funerary objects, sacred objects, and objects of cultural patrimony discovered inadvertently during the course of project implementation. In the event that any of the cultural items listed above are discovered during the course of project work, the Permittee shall immediately halt the disturbance and contact the Department of Cultural Affairs within 24 hours for instructions. The Permittee shall be held responsible for protecting, evaluating, reporting, excavating, treating, and disposing of these cultural items according to the procedures established by the Department of Cultural Affairs in consultation with Indian Tribes.

Changes, Modifications, or Revisions to the Permit

- X. Any changes, modifications or amendments to the approved Permit or closeout plan must be approved, in writing, prior to implementation.

Annual Report and Fees

- Y. The Permittee shall submit annual reports pursuant to §19.10.6.610 NMAC, and any annual fees as required by §19.10.2 NMAC. The Permittee shall identify any areas of new disturbance due to exploration activities in each annual report submitted to MMD.

Additional Obligations

- Z. The Permittee shall monitor the Permit Area, at least once per year, for the duration of the Permit in order to assure knowledge of the general conditions of the Permit Area and compliance with the Act, Rules and Permit, as modified.
- AA. The Permittee shall provide the MMD with a general plan for blasting, and shall notify the MMD prior to any blasting that is to take place at the site.

Section 9 (14-1). GENERAL OBLIGATIONS AND CONDITIONS

- A. If groundwater is encountered during mining, the Permittee shall cease mining and immediately notify MMD.

Section 11 (14-1). CONCLUSIONS OF LAW

- A. The request for permit modification is complete and accurate and complies with the requirements of the Act and §19.10.3.304 NMAC.

All other provisions, modifications, and revisions for mining and reclamation contained in the Capitan Iron I Mine Permit, Permit No. LI005ME, remain unchanged and in full force and effect.

CERTIFICATION

I certify that I have read, understand and will comply with the requirements of the Permit, this Permit Modification, the Act and the Rules, including without limitation that I will allow the Director to enter the Permit Area as required by the Permit and/or the Rules and/or as otherwise required by law.

Charles C. Mottley
Authorized Representative of the Permittee

President, CEO
Title

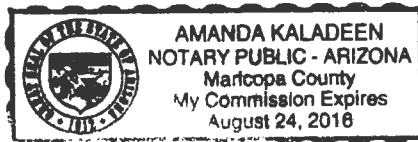
El Capitan Precious Metals, Inc.
Company

Subscribed and sworn to before me this 23rd day of March, 2015

Amanda Kaladeen
Notary Public

My Commission Expires

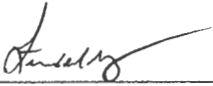
August 24, 2016



ORDER

NOW THEREFORE, IT IS HEREBY ORDERED that the Director approves Permit Modification 14-1 to the Capitan Iron Mine, Permit No. LI005ME, located in Lincoln County, New Mexico. The approval defines the Permit Area as approximately 40 acres comprised of portions of Sections 10, 11, 14, and 15, Township 8 South, Range 14 East in Lincoln County. In total, the Permit Area is 40 acres, and the design limit is a maximum of 5 acres of disturbance at any given time.

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

By: 

Fernando Martinez, Director
Mining and Minerals Division
Energy, Minerals and Natural Resources Department

Date: 3/26/2015

Mine Name: Capitan Iron Mine

Date: February 10, 2015

Energy Minerals and Natural Resources Department
Mining and Minerals Division
Mining Act Reclamation Bureau
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Certificate of Deposit Agreement for Financial Assurance for Capitan Iron Mine, MMD Permit No. L1005ME

A. Agreement Established

This Agreement between Wells Fargo Bank (Bank) whose address is 26745 N. Scottsdale Rd., El Capitan Precious Metals, Inc. ("Operator"), and the State of New Mexico, Mining and Minerals Division of the Energy, Minerals and Natural Resources Department ("MMD") or its successor agencies establishes financial assurance for the operations and reclamation of the Capitan Iron Mine and El Capitan Precious Metals, Inc. pursuant to MMD Permit No. L1005ME, according to the New Mexico Mining Act and the New Mexico Mining Act Rules (19.10NMAC). The Operator is incorporated under the laws in the State of Nevada and its principal place of business is Capitan, NM.

B. Instruments

The Operator hereby assigns and pledges to MMD the instrument, together with all renewals and extensions thereof and all interest that has accrued or that will accrue thereon, (collectively, the "Instrument" or "Instruments") described below to guarantee the Operator's performance of the requirements of the New Mexico Mining Act, the New Mexico Mining Act Rules, the above referenced permit, the closeout plan, and orders and directives issued by MMD (collectively, the "Obligations"). The Instrument is a Certificate of Deposit issued by the Bank in the principal amount of \$59,495.00. It is identified by the Bank as follows:

Certificate of Deposit No. 8097242252, Issued on FEBRUARY 12, 2015, in the amount of \$ 59,495.00

The Instrument (also referred to herein as the "Certificate of Deposit") shall be deposited by the Operator, pledged and assigned to the State of New Mexico, and shall be placed on hold by the Bank and shall be held by the Bank for the benefit of MMD until such time as MMD may consent to release of the Instrument by the Bank. Funds pledged and assigned must be the property of the Operator. MMD shall not accept any third party or multi-party instruments. The Instrument is established by the Bank and the Operator to provide financial assurance to MMD for Operator's Obligations. Other and additional forms of financial assurance may be provided by separate agreement. The funds represented by the Instruments may only be accessed for withdrawal by MMD pursuant to Paragraphs C, D, E and F, below and may not be withdrawn or cancelled except upon the approval of MMD.

C. Terms

The Bank and Operator are legally bound to and agree to the terms of this Agreement, including without limitation, the following:

- 1) The original Certificate of Deposit shall be in the possession of the Bank. The funds identified in paragraph B, above, shall be maintained in federally-insured (FDIC or equivalent) accounts until release or forfeiture of the deposited funds pursuant to Paragraphs D or E, below;
- 2) the Operator shall be responsible for payment of all maintenance fees associated with the Certificate of Deposit;
- 3) the Operator shall be responsible for payment of all federal and state taxes on interest earned by the Certificate of Deposit;
- 4) for the duration of this Agreement and any renewals, the Bank waives all rights of set off and liens or any other claims which it now has or might, in the future, have against the Certificate of Deposit;
- 5) the Bank shall notify the U.S. Internal Revenue Service that Operator is responsible for federal taxes on interest earned by the Certificate of Deposit;
- 6) the Bank shall automatically renew the Certificate of Deposit, at conclusion of all maturity periods, for the same term as that for which originally issued;
- 7) all interest earned by the Certificate of Deposit shall accrue to the Certificate of Deposit and shall be applied by the Bank to regularly increase the face amount of the Certificate of Deposit upon automatic renewals, at conclusion of all maturity periods, and the Bank shall notify MMD in writing of the increased face amount of the Certificate of Deposit upon all renewals;
- 8) the Bank and the Operator shall comply with paragraphs D and E, below;
- 9) the Bank and the Operator authorize MMD to present the original financial assurance agreement and to withdraw any portion or all of the moneys of the Certificate of Deposit from the Bank at any time, if conditions of paragraphs D or E, as appropriate, are met;
- 10) the Bank acknowledges that the Certificate of Deposit is pledged and assigned to the State of New Mexico and may be collected by MMD according to the terms of this Agreement;
- 11) the Bank acknowledges and agrees to act as a custodian of the funds represented by the Certificate of Deposit and as agent for MMD; and
- 12) construction and enforcement of and any dispute arising out of or relating to this Agreement shall be governed by New Mexico law; and any lawsuit relating to the construction and enforcement of and any dispute arising out of or relating to this Agreement shall be brought in the First Judicial District of the State of New Mexico Court; provided that, if jurisdiction fails in that forum, the parties agree that such lawsuit may be brought in the United States District Court District of New Mexico. Bank hereby consents to personal jurisdiction in the First Judicial

District of the State of New Mexico Court and United States District Court District of New Mexico.

D. Conditions for Release

Subject to paragraph E, once the reclamation has been completed and approved by MMD, the period of liability for the financial assurance has expired, and the requirements of 1210.A, 1210.B, 1210.D and 1210.G of the New Mexico Mining Act Rules have been met, MMD will release to the Operator all or part of the financial assurance for the entire permit area, or incremental area, for the mining operations conducted by the Operator under Permit No. L1005ME with MMD. The Operator shall make a written request to MMD for such release.

E. Conditions for Forfeiture

Pursuant to 1201.C and 1207.C of the New Mexico Mining Act Rules, financial assurance secures the performance of each and all of the Obligations. If the Operator refuses or is unable to perform, conduct or complete any of the Obligations or if the Operator defaults on the conditions under which the financial assurance was accepted or if MMD receives a notice pursuant to paragraph G of this Agreement, MMD has the absolute right, but not the obligation, to demand that the Bank pay to it the value of the Instrument, or any part of such value. The Bank shall pay MMD upon written demand by MMD and presentation of a copy of this Agreement, without further notice to, consent of, or endorsement by the Operator, and MMD shall have the right to such payment. Any delay by MMD in enforcing their rights to the aforesaid Instrument shall not affect MMD's rights to the funds. This Agreement shall terminate upon written release of all aforesaid Instruments by MMD according to paragraph D, above, or upon forfeiture of the Instrument as provided in this paragraph E.

No failure, intentional or otherwise, on the part of MMD to exercise any of its rights under this Agreement or under any law or regulation shall in any way whatsoever act as or be construed as a waiver or any sort of impairment of MMD's rights under this Agreement.

F. Access to Financial Assurance Instruments

The Instruments identified in paragraph B, above, may be accessed by the MMD for: (a) the purpose of releasing all or part of the funds contained therein back to the Operator once the Requirements in Paragraph D, above, have been met, or (b) for the purpose of forfeiting all or part of the funds contained therein to MMD as described in Paragraph E, above. MMD may access the Instruments and funds therein once or multiple times, in MMD's sole discretion.

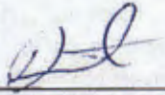
G. Bank Liability

Pursuant to 1207.E of the New Mexico Mining Act, the Bank shall provide prompt notice to MMD in the case of any action alleging failure of the Bank, and upon such notice, MMD shall have the right to make demand and receive payment as set forth in this Agreement and the Operator shall have the obligation to replace this Agreement and the Instrument with other financial assurance in form, substance and amount that is acceptable to MMD. The Bank will not be held liable for any dispute between the Operator and MMD. The Bank shall be liable to MMD

for any and all losses to the principal amount of the funds caused in any manner whatsoever during the term of this agreement.

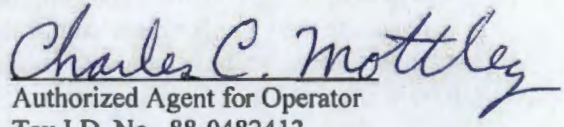
Agreement by Bank and Operator:

The foregoing instrument is agreed upon as shown below by signatures of authorized representatives.



Authorized Bank Agent
Wells Fargo Bank

David Guzman
Printed Name, Authorized Bank Agent



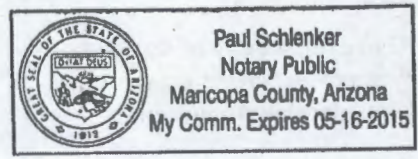
Authorized Agent for Operator
Tax I.D. No. 88-0482413

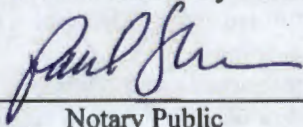
Charles C. Mottley
Printed Name, Authorized Agent

Acknowledgement of Authorized Agent of the Operator:

On this 12 day of FEBRUARY, 2015, before me appeared CHARLES C. MOTTLEY, to me personally known, who, being duly sworn, did depose and say that he signed the attached Agreement and acknowledged said Agreement to be a free act and deed.

In witness whereof I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.





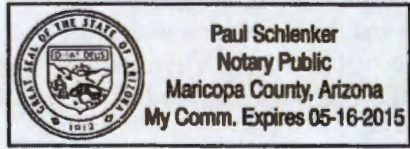
Notary Public

My Commission Expires: May 16, 2015

Acknowledgement of Authorized Bank Agent:

On this 12 day of FEBRUARY, 2015, before me appeared David Guzman to me personally known, who, being by me duly sworn, did depose and say that he is a duly authorized official of the Wells Fargo Bank, that the Agreement was signed on behalf of the Bank by the authority of its board of Directors, and acknowledged said Agreement to be a free act and deed of the Bank.

In witness whereof I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written,





Notary Public

My Commission Expires: May 16, 2015

Approval by Authorized Representative of Mining and Minerals Division:

The foregoing instrument was approved by me this 25th day of March,
2015.

By: 
Director, Mining and Minerals Division

Printed Name: Fernando Martinez
Director, Mining and Minerals Division