

**PERMIT NO. GR087ER  
TURQUOISE MOUNTAIN EXPLORATION PROJECT  
REGULAR EXPLORATION OPERATION**

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

This Permit No. GR087ER (“Permit”) is issued by the Director of the Mining and Minerals Division (“MMD”) of the New Mexico Energy, Minerals and Natural Resources Department to:

Southern Silver Exploration Corp.  
Joseph Kizis, Authorized Representative

Whose correct address is:                   4790 Caughlin Pkway, #207  
  Reno, Nevada 89519-0907

(“Permittee”) for the Turquoise Mountain Exploration Project, located approximately 6.5 miles west of Hachita, NM in Grant County, New Mexico, as described in Section 3 of this Permit document.

**Section 1.**                   **STATUTES AND REGULATIONS**

- A.     This Permit is issued pursuant to the New Mexico Mining Act, NMSA 1978, 69-36-1, et seq. (1993, as amended through 1999) (“Act”).
- B.     This Permit is subject to all regulations promulgated under the New Mexico Mining Act (“Act”), 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**

- A.     The exploration Permit Application Package (“PAP”) for Permit GR087EM was received on February 26, 2021, and deemed administratively complete on March 8, 2021. The Mining and Minerals Division (“MMD”) changed the permit review from a minimal impact exploration project under Part 3 of the Rules to a regular exploration project under Part 4 of the Rules on August 30, 2021. Any correspondence subsequently submitted to MMD, by the Permittee or its representatives, can be found at MMD offices within the Division’s files, and is titled *Turquoise Mountain Project, GR087EM, GR087ER* or similar.
- B.     The PAP is comprised of the following documents (“PAP Document”):
  - 1) *Subpart 3 Minimal [Impact Exploration Operation] Permit Application* for the Turquoise Mountain Exploration Project, February 26, 2021.

- 2) Electronic Mail correspondence, *Application Administratively Complete, Turquoise Mountain Project, New Minimal Impact Exploration Permit Application, GR087EM* for the Turquoise Mountain Exploration Project, March 8, 2021.
- 3) Electronic Mail correspondence, *Request for Comments on New Minimal Impact Exploration Permit Application, Turquoise Mountain Project, Grant County, New Mexico, Permit No. GR087EM* for the Turquoise Mountain Exploration Project, March 8, 2021.
- 4) Electronic Mail correspondence, *Turquoise Mountain Project Previous Archeology Survey from the surrounding area for the Turquoise Mountain Exploration Project, dated March 25, 2021.*
- 5) *Determination of Required Financial Guarantee Amount* BLM's Decision on Southern Silver's mining notice, dated April 1, 2021.
- 6) *Southern Silver Exploration Corp. (US) Turquoise Mountain Project #GR087EM; Elimination of Drill Sites 21-C and 21-G from Minimal Impact Permit* amending the Turquoise Mountain Exploration PAP, dated April 15, 2021.
- 7) *Addendum to NMMD Permit #GR087EM and BLM Notice #NMNM 143090* amending the Turquoise Mountain PAP, dated May 19, 2021.
- 8) Electronic mail correspondence, *Agency Review Comments and Request for Additional Information, Turquoise Mountain Project, Minimal Impact Exploration Permit Application. Permit No. GR087EM – Grant County, New Mexico*, dated May 26, 2021.
- 9) Electronic Mail correspondence, *Turquoise Mountain Project Archeology Survey* for the Turquoise Mountain Exploration Project, dated June 1, 2021.
- 10) *Responses to Comments to NMMD Permit Application #GR087EM – Turquoise Mountain Project*, dated June 8, 2021.
- 11) *Technically Approvable Minimal Impact Exploration Application, Turquoise Mountain Exploration Project, Permit No. GR087EM Southern Silver Exploration Corp. (U.S.)* for the Turquoise Mountain Exploration Project, dated July 19, 2021.
- 12) Electronic Mail correspondence, *Ownership Information and right to entry for Southern Silver drill Sites*, dated July 20, 2021.
- 13) Electronic Mail correspondence, *BLM Access and ownership information*, dated

July 20, 2021.

- 14) Electronic Mail correspondence, *Rescission of Technical Approvability, Minimal Impact Exploration Application/Part 4 Application Required, Turquoise Mountain Exploration Project, Permit No. GR087EM, Southern Silver Exploration Corp. (U.S.)* changing this permit to a regular exploration permit from a minimal impact permit, dated August 30, 2021.
- 15) Electronic mail correspondence, *Maximum number of holes on Turquoise Mtn Permit #GR087EM*, dated September 8, 2021.
- 16) Electronic mail correspondence, *Southern Silver Exploration Corp* providing additional Part 4 requirements, dated October 6, 2021.
- 17) Electronic mail correspondence, *Night-blooming Cereus (Peniocereus greggii) Survey*, Night-blooming cereus Vegetation Survey and Avoidance Plan for the Turquoise Mountain PAP (“Avoidance Plan”), dated October 25, 2021.
- 18) Electronic mail correspondence, *Part IV GR087EM Amended Map and FA*, dated October 28, 2021.
- 19) *Irrevocable Standby Letter of Credit No.: BMTO656339OS*, dated January 11, 2022.

**Section 3.**

**PERMIT AREA**

- A. The Permittee is authorized to conduct mineral exploration and reclamation operations only on those lands that are specifically designated and authorized within the permitted area (“Permit Area”) identified in the PAP. The Permit Area is located approximately 6.5 miles west of Hachita in Grant County, New Mexico on federal lands managed by the Bureau of Land Management (“BLM”) and state land managed by the State Land Office (“SLO”) within Section 35 of Township 27 S, Range 16 W and Sections 1-3 within Township 28 S, Range 16 W.
- B. For this Permit, the Permit Area is defined as:
  - 1) existing roads on federal and state land,
  - 2) overland travel with minimal grading, if necessary: 100 feet to Site 21-A 70 feet to Site 21-BB, and 1,420 feet to Site 21-F.
  - 3) the six (6) drill pads and one (1) laydown area proposed in the PAP.

The Permit Area is shown on the map within the PAP Document 18 listed above titled: *Part IV GR087EM Amended Map and FA*, dated October 28, 2021.

- C. The Permittee is authorized to only disturb up to a maximum of 1.33 total acres within the Permit Area.

#### **Section 4.                                  FINDINGS OF FACT**

##### *The Permit Application Package*

- A. The PAP is complete and meets the requirements of Subsection D, Paragraphs 1-14 of 19.10.4.402 NMAC.
- B. The PAP demonstrates that the proposed operation will meet the performance and reclamation standards identified in Subsections A through L, of 19.10.4.403 NMAC.
- C. The Permittee has paid the initial permit application fee of \$1,000.00 as required by Subsection E of 19.10.2.201 NMAC.
- D. The exploration project Permit Area is located entirely on lands that the surface and minerals are controlled by the BLM and SLO, as described in the PAP.
- E. Public notice of the PAP was provided by the Permittee, pursuant to 19.10.9.903 NMAC. The Permittee published this notice in the Silver City Daily, a newspaper distributed in Silver City, Grant County, New Mexico. The notice was printed in English and Spanish languages. The 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.
- F. MMD posted the PAP on its website for public review and provided copies of the PAP to, and requested comments from, other state and federal agencies pursuant to Subsection F of 19.10.4.402 NMAC.
- G. The public participation requirements of 19.10.9 NMAC have been met.
- H. The term of the Permit is governed by 19.10.4.405 NMAC. The permit term shall be one year from the date of the Director's signature on this Permit.

##### *Right-To-Enter / Property Access Information*

- I. The Permit does not grant or create any property rights. Nor does MMD, 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 area covered by the Permit; only that the Permittee has provided a statement of the 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.

- J. The BLM controls the surface and mineral estate within Section 35 within Township 27 S, Range 16W and Sections 1 and 3 within Township 28 S, Range 16 W of the Permit Area and has provided the appropriate decision that the Permittee's Notice to drill was found to be complete pursuant to 43 CFR 3809.301. BLM has provided its approval to conduct operations on BLM lands in a letter to the Permittee dated April 1, 2021, as required by Subsection D, Paragraph 3 of 19.10.4.402 NMAC, and has been assigned by the BLM Case File No. NMNM 141063 for Notice of Intent level operations approved by the BLM.
- K. The SLO controls the surface and mineral estate within Section 2 within Township 28 S, Range 16 W of the Permit Area and has provided its approval to conduct operations on SLO lands in an email to the Permittee and MMD dated November 18, 2021, as required by Subsection D, Paragraph 3 of 19.10.4.402 NMAC.
- L. The Permittee has satisfactorily demonstrated its right to access pursuant to Subsection D, Paragraph 3 of 19.10.402 NMAC through BLM and SLO approval.

*General Information Regarding the Permittee*

- M. 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.
- N. 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.

*MMD's Request for Comments to the Agencies and Tribes*

- O. MMD provided the cooperating agencies (BLM, New Mexico Environment Department (“NMED”), Department of Game & Fish, State Forestry Division, State Historic Preservation Office, New Mexico State Land Office, and the Office of the State Engineer (“NMOSE”)) with a copy of the PAP pursuant to Subsection F of 19.10.4.402 NMAC, and requested comments from the agencies on March 12, 2021.
- P. MMD provided the PAP to the following tribal entities and requested review and comment: Hopi Tribe, Hopi Cultural Preservation Office, Mescalero Apache Tribe, Mescalero Apache Tribe THPO, Pueblo of Isleta, Pueblo of Isleta THPO, Navajo Nation, Navajo Nation THPO, Pueblo of Acoma, Pueblo of Acoma THPO, Pueblo of Zuni, Pueblo of Zuni THPO, White Mountain Apache Tribe, White Mountain Apache Tribe THPO, and Fort Sill Apache Tribe on March 17, 2021. Tribal comments were received from Navajo Nation, Hopi Tribe THPO, and White Mountain Apache Tribe THPO.
- Q. MMD provided the Permittee with comments provided by the cooperating agencies and tribal entities on May 26, 2021, via electronic mail.
- R. Permittee provided MMD with sufficient responses to all agencies and tribal comments on June 8, 2021, via electric mail.

*Financial Assurance*

- S. The Permittee has provided a joint BLM-MMD irrevocable standby letter of credit for surface and subsurface financial assurance (“FA”), in accordance with 43 CFR 3809 and Subsection A of 19.10.12.1201 NMAC, in the amount of \$86,635.00 (eighty-six thousand six hundred and thirty-five dollars). Financial Assurance has been provided by the Permittee in the form of an Irrevocable Standby Letter of Credit No. BMT0656339OS issued by Bank of Montreal on January 11, 2022.

**Section 5. COMPLIANCE REQUIREMENTS**

- A. This Permit 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. MMD does not, by issuing this Permit 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.
- B. Since a portion of the Permit Area is on Federal Lands, the expiration, or termination, of the BLM’s authorization to conduct operations on the property automatically suspends the

permittee's authority to continue mining operations on the property under this Permit. Such suspension does not include reclamation operations by the Permit issued under 19.10.4 NMAC.

- C. Since a portion of the Permit Area is on State Land, the expiration or termination of the SLO's authorization to conduct mining operations on the property automatically suspends the Permittee's authority to continue mining operations on the property under this Permit. Such suspension does not include reclamation operations by this Permit issued under 19.10.4 NMAC.
- D. The Permit 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 6.**                    **AGENCY RIGHT OF ENTRY**

- A. The Permittee shall allow the authorized representatives of the Director, without advance notice, upon presentation of appropriate credentials, and without delay:
  - 1) 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 and Subsection E of 19.10.11.1101 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
  - 1) 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 of 19.10.11.1101 NMAC.
- B. In the event that the BLM or SLO terminates, or otherwise prevents or impedes access to the Permit Area by the authorized representatives of the Director, the Director will notify the Permittee. The Permittee shall immediately cease all mining operations within the Permit Area and will not resume mining operations until such authorized representatives' access to the Permit Area has been restored.
- C. In the event that the Director's authorized representatives' access to the Permit Area is not restored by BLM or the SLO within 60 days after the Director has given Permittee the notice provided for in Subparagraph B of this Section 6, the Permittee shall immediately begin reclamation of the Permit Area.

**Section 7.**                    **PERMIT COVERAGE**

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

**Section 8.**                    **ENVIRONMENTAL COVERAGE**

- A. 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**

- A. The Permittee shall conduct mining, 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.
- 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 10.**                    **GENERAL OBLIGATIONS AND CONDITIONS**

*Description of Project/Authorized Disturbances*

- A. The Permittee is authorized to vertically drill fifteen (15) drill holes, using core drilling utilizing mud media for circulation, with a maximum of four (4) inches in nominal outside diameter, with one hole up to a total depth of 3,300 feet deep and the rest up to a total depth of 2,630 feet deep. Reclamation of the disturbed areas shall be initiated as soon as possible and completed in accordance with the schedule in this Permit.
- B. The Permittee is authorized to create no more than five (5) drill pad surface disturbance areas, no greater than one-hundred feet wide by sixty feet long (100'W X 60'L) and one (1) drill pad surface area no greater than fifty feet wide and eighty feet long (50'W X 80'L) to accommodate all support equipment, including the drill rig, pipe truck, and any ancillary support vehicles, and containing no more than six (6) drill cuttings disposal pits within the drill pad areas. In accordance with the PAP, Permittee shall not discharge any drill fluids from the drill pads.
- C. The Permittee is authorized to disturb no more than 1.33 acres within the Permit Area to:
- 1) site the location of each drill pad area identified by Universal Transverse Mercator ("UTM") coordinates within the PAP,



- 2) site an equipment staging area as shown on the project map in PAP Document 10,
- 3) use overland or minimally graded access routes shown on the project map in PAP Document 18,
- 4) follow access routes to each drill pad area, in accordance with the project maps within PAP Document 17 and 18 titled, *Site 21-BB, Site 21-F Access Route, and Southern Silver Exploration (US) Amended Map to Part IV GR087ER October 28, 2021.*

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. Access to the drill sites shall consist of no more than 1,540 feet of overland travel or minimally graded roads up to 15 feet in width. The Permittee shall minimize any new surface disturbance.
- F. To the extent possible, Permittee shall avoid removing or damaging standing live or dead trees, woody vegetation, and agave plants.
- G. The Permittee shall not remove or damage any night-blooming cereus.

*Best Management Practices to be Performed*

- H. Use of the roads and overland travel is prohibited within the Permit Area during wet, muddy conditions. No drilling, construction, or routine maintenance activities shall be performed during periods when the soil is too wet to adequately support construction equipment. If such equipment creates ruts in excess of six (6) inches deep, the soil shall be deemed too wet to adequately support construction equipment. Also, permittee shall use extreme caution when driving vehicles over dry vegetated areas to prevent the ignition of a grass or brush fire.

- I. The Permittee shall implement erosion-control measures, or BMP's, in a manner that prevents direct impacts to surface water and ephemeral watercourses that are designed, constructed and maintained using professionally recognized standards (e.g., Natural Resource Conservation Service Standards, or the BLM *Gold Book*) for surface disturbances during the exploration project and reclamation activities as needed for erosion control, spill prevention and the avoidance or damage to ephemeral watercourses in the area. Placement of water bar structures or other appropriate measures should be taken to reduce head-cutting adjacent to roads and to prevent roadways from channelizing surface flow.
- J. Erosion control measures or any other BMP's that are damaged or ineffective shall be repaired, replaced or redesigned, as necessary, within 24 hours, or as soon as reasonably possible, following discovery of damages. The Permittee shall commit to using a variety of erosion-control measures, as needed, if erosion control problems develop
- K. 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.*)
- L. The Permittee shall follow safeguarding practices described in the PAP. No drilling and no storage of fuels or chemicals shall take place within any watercourses within the Permit Area. 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. A copy of such approval shall be provided to MMD when obtained.
- M. Appropriate spill clean-up materials, such as absorbent pads, shall be available on-site at all times during road construction, site preparation, and drilling activities to address potential spills. Drop cloths or plastic tarps will be placed and secured under rigs while drilling, in addition to any other immobilized, staged, or temporarily stored equipment parked for durations extending longer than 48 hours, to contain any spill or leakage from the drill rig and any other related equipment.
- N. The Permittee shall 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 For non-emergencies during normal business hours, call (505) 428-6000. For non-emergencies after hours, call (866) 428-6535 or (505) 428-6535 (voicemail, 24 hrs. /day). For emergencies only, call (505) 827-9329 (24 hrs. /day) to contact the New Mexico Department of Public Safety.

- O. 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, disposal pits, sumps, or above ground tanks shall 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 any 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.
- P. All heavy equipment to be used within the Permit Area must be thoroughly pressure washed, and/or steam cleaned prior to introducing any equipment into the Permit Area in order to help prevent the introduction of non-native plant species to the Permit Area. This cleaning shall remove all soil, seed, vegetative matter, or other debris that could contain or hold seed or plant parts. Any heavy equipment that subsequently operates outside this Permit Area shall be treated the same as during the initial mobilization onto the Permit Area. Equipment shall be considered free of soil, seed and plant debris when a visual inspection does not detect such material. Any equipment shall be 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.
- Q. Any drilling mud pits, disposal 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 drilling mud pits, disposal pits, sumps, or uncovered above-ground tanks shall be covered with expanded metal grates, fenced, and netted whenever workers are not present on site, or otherwise modified to exclude both flying and terrestrial animals from any materials present within the mud pits, sumps, or any above-ground tanks that are potentially harmful to wildlife.
- R. 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 if sagging occurs. Monofilament mesh should not be used, as it can entangle birds and reptiles causing mortalities. Any plastic or metal netting should be anchored to the ground, and if the mesh size is greater than one inch, it shall 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.

- S. The Permittee shall maintain current MSDS documentation for drilling additives, and any other chemicals to be used throughout the duration of the operation including exploration and reclamation activities and made available for review upon request.

*Cultural and Paleontological Resource Preservation Requirements*

- T. Any cultural and/or paleontological resources (historic or prehistoric site or object) discovered by the Permittee, or by any personnel working on the Permittee's behalf, shall immediately be reported to the BLM and/or SLO for those portions of the Permit Area. An evaluation of the discovery will be made by the BLM and/or SLO to determine appropriate actions to prevent the loss of significant cultural or scientific values. The Permittee shall suspend all operations in the immediate area of such discovery until authorization to proceed is issued by the BLM and/or SLO. The Permittee shall be responsible for the cost of evaluation and any decision as to the proper mitigation measures to be made by the BLM and/or SLO after consulting with the Permittee.
- U. The Permittee is obligated to comply with procedures established in Section 18-6-11.2 of the Cultural Properties Act, NMSA and 4.10.11 NMAC 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 Office of the Medical Investigator and the local law enforcement agency pursuant to Section 18-6-11.2 of the Cultural Properties Act and 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.

*Reclamation and Revegetation Requirements*

- V. Reclamation of disturbed areas shall occur concurrently, or directly after the completion of drilling operations as weather and field conditions allow. Pursuant to Subsection A of 19.10.4.403 NMAC, all lands, including overland access routes or terrain damaged in gaining access to or clearing the drill sites, or lands where vegetation is substantially disturbed or whose natural state has been substantially disturbed as a result of the exploration drilling, shall be restored as nearly as possible to their original condition and reseeded and mulched utilizing an appropriately certified weed-free, pure live seed mixture of native cool- and warm-season grasses and shrubs beneficial to livestock and wildlife, as approved by the BLM or SLO.
- W. Any salvaged topsoil material that is suitable as a plant growth medium, shall be spread over the surface of the drill site, including any other heavily compacted areas, then raked,

disked or deep-scarified prior to seeding, to prepare a suitable seedbed for seed germination and root growth. The seed mixture shall be broadcast sown immediately after site re-contouring and seedbed preparation has been completed and while the soil surface is still friable. After the seed mix has been sown, the soil shall be dragged with a chain or harrow or raked into the surface using hand tools, to cover the seed. Each reclaimed site shall be mulched with certified weed-free straw, or other mulching materials approved by the BLM or SLO, and then crimped or tacked in place. Reclaimed areas not seeded before or during the summer, shall be seeded in late fall to maximize the probability of successful revegetation. Within any areas prohibitive to ripping or scarification, the seed shall be hand- or broadcast sown immediately after site re-contouring and seedbed preparation at an application rate double that of the rate prescribed, and then raked into the soil and mulched.

- X. Following the surface reclamation activities, monitoring shall be conducted by the Permittee to assure successful establishment of vegetation and stabilization of the site as described by the PAP. Re-vegetated areas that have not become established by the end of the second growing season shall be mitigated by reseeding 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.
- Y. Following revegetation and 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.
- Z. 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 shown that a uniform, self-sustaining vegetative cover on disturbed areas, similar in life form to the pre-disturbance vegetation can be achieved;
  - 2) No significant erosion is evident on disturbed areas; and
  - 3) All drill holes have been plugged and abandoned as described in this Permit or as otherwise required by the Office of the State Engineer.

*Drill Hole and /or Well Abandonment*

- AA. Pursuant to Subsection A of 19.10.4.403 and Subsection L of 19.10.3.302 NMAC, each drill hole shall be plugged with a column of cement, or bentonite-based plugging material, unless another material is approved by the NMOSE 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 NMED for proper plugging of such holes.

If groundwater is encountered, the drill holes shall be considered wells and shall be permitted and sealed pursuant to the NMOSE'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*). An NMOSE-approved *Well Plugging Plan of Operations* shall be provided to MMD following the approval of this Permit or within 30 days after groundwater was inadvertently or unexpectedly encountered during drilling activities. The approved sealant shall comply with all applicable specifications of *ASTM D5299-99*. Because of the anticipated hard water conditions concerning the permit area, the permittee is required to use the proper plugging material appropriate for the hardness of water encountered. The Permittee shall ensure that the correct ratio of solids to water is used during the preparation of the approved sealant. Well plugging records shall be sufficiently detailed to document plugging methodology, the proper constitution of approved sealant, and an adequate volume of sealant was used to meet theoretical volumes of plugged intervals shall be provided to NMOSE and copied to MMD. Additionally, the Permittee is required to consult with OSE personnel prior to plugging wet drill holes.

All required NMOSE Permits for this project shall be obtained prior to starting the exploration project.

- BB. 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.

*Avoidance and Protection of the Night-blooming cereus and Agave palmeri*

- CC. The night-blooming cereus (*Peniocereus greggii* var. *greggii*) is a State endangered plant and shall be identified prior to any ground disturbing activities. All drilling and disturbance activities shall avoid and not impact any night-blooming cereus plants.
- DD. Permittee shall not remove, disturb, or damage any night-blooming cereus.
- EE. Permittee shall install fencing in a five (5) meter diameter around the night-blooming cereus as required by the Avoidance Plan.
- FF. Permittee shall follow the access route to site 21-F as described and shown in the Avoidance Plan Item No. 16.
- GG. Agave palmeri may be found within the Permit Area or along the access roads to the Permit Area. Permittee shall not damage any agave palmeri when moving machinery and vehicles.

*Changes, Modifications, or Revisions to the Permit*

- HH. Any changes, modifications, or amendments or any other field adjustments or changes not pre-approved as part of this Permit, shall be approved prior to implementation pursuant to 19.10.4.406 NMAC.

*Financial Assurance*

- II. The Permittee shall maintain FA, in the approved total amount of \$86,635.00 (eighty-six thousand six hundred and thirty-five dollars), using one or more approved FA instruments and until released, pursuant to 19.10.12 NMAC and sufficient to cover third-party costs of sealing, subsurface plugging and surface reclamation.
- JJ. Phased FA. To facilitate contemporaneous reclamation, FA is assigned to successive phases of project activity, such that no more than two (2) drill holes will be open at any one time. FA is assigned and transferred separately for drill hole reclamation and surface reclamation activities. Upon the completion of a phase of activity, and following MMD approval of drill hole 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 drill hole reclamation, the Permittee shall submit copies of the drill hole abandonment records for MMD approval, as provided for in Section 10.KK of this Permit, to include an affidavit signed by a NM licensed, bonded driller 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.

Release of FA addressing plugging and abandonment costs may occur before expiration of the permit term, once the criteria above have been met. Final release of FA addressing surface reclamation may occur after the permit term, if all the release criteria have not previously been met.

*Project Completion Timeline/Termination Report Requirements*

- KK. Notwithstanding any other provision of this Permit, the Permittee shall close and abandon all exploratory drill holes, including all wells, within one (1) year of date of permit issuance.
- LL. The Permittee shall submit a termination report, pursuant to 19.10.4.407 NMAC, at the conclusion of the exploration operation, unless the Permittee has applied for renewal of this exploration Permit or applied for a mining operation permit. The termination report shall contain, at a minimum:
- 1) A description of the reclamation measures utilized by the Permittee.
  - 2) Evidence of the seed mix (seed tags from bags) and its application rate utilized by the Permittee.
  - 3) Photographs of the reclaimed areas, including any BMP's utilized by the Permittee during exploration.
  - 4) Global positioning system (GPS) coordinates for the drill holes and/or well locations drilled under this Permit.
  - 5) Copies of the drill hole abandonment and plugging records and forms that includes an affidavit signed by a licensed driller to the fact that the holes have been plugged and abandoned according to the requirements of this Permit or as otherwise required by the Office of the State Engineer.

**Section 11.**                    **CONCLUSIONS OF LAW**

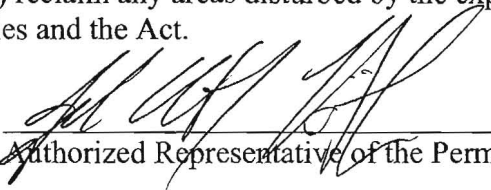
- A. The Director concludes the project meets the requirements of 19.10.4 NMAC, and that all necessary conditions for the award of this Permit, whether in the Act or the Rules, have been met. The PAP is complete, accurate and complies with the requirements of the Act and 19.10.4 NMAC.



- B. The Director has jurisdiction over the Permittee and the subject matter of this Permit and proceeding.
- C. The Permittee is permitted to conduct exploration and reclamation operations upon the condition that the Permittee complies with the requirements of the Rules, Act, and this Permit, 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

Consultant  
\_\_\_\_\_  
Title

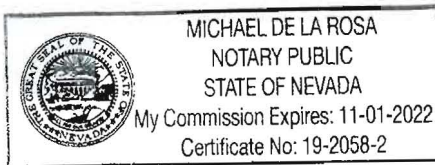
Southern Silver  
\_\_\_\_\_  
Company

State of NV. County of Washoe  
Subscribed and sworn to before me this 13<sup>th</sup> day of Jan., 2022

  
\_\_\_\_\_  
Notary Public

My Commission Expires

Nov. 1, 2022



**ORDER**

NOW THEREFORE, IT IS HEREBY ORDERED that Permit No. GR087ER is approved. Southern Silver Exploration Corp. is authorized to conduct mining, exploration drilling, and reclamation operations at the Turquoise Mountain Exploration in Grant County, New Mexico. 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, and Conclusions of Law.

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



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Jerry Schoeppner, Director  
Mining and Minerals Division  
Energy, Minerals and Natural Resources Department

Date: 1/18/2022