



Oregon

Kate Brown, Governor

Water Resources Department

725 Summer St NE, Suite A

Salem, OR 97301

(503) 986-0900

Fax (503) 986-0904

November 22, 2017

Calico Resources USA Corp.
Carlo Buffone
665 Anderson St.
Winnemucca, NV 89445

REFERENCE: Application G-11847 / Permit G-10994

Dear Permit Holder:

The Water Right Services Division received your written progress report for Permit G-10994. Receipt of the progress report was published on the Department's weekly Public Notice, dated October 3, 2017. The Department did not receive any public comment on the progress report.

After reviewing your Progress Report, the Department determined that diligence toward completion of the project and compliance with the terms and conditions of the permit and extension has been demonstrated.

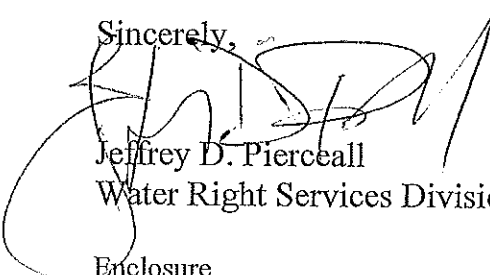
Your next written progress report for Permit G-10994 is due no later than **October 1, 2022**. The report must be received by the Department no sooner than 30 days prior to the due date. You also have (a) future report(s) that will be due by October 1, 2022.

For your convenience, I have enclosed your next *Progress Report Form*. Please calendar this October 1, 2022 due date, as no further reminders will be sent.

As per your most recent extension, the date by which water must be applied to full beneficial use within the terms and conditions of your permit is October 1, 2028. ***Failure to submit a written progress report will most likely result in any future extensions being denied.***

If you have any questions, please feel free to contact me by telephone at (503) 986-0802.

Sincerely,



Jeffrey D. Pierceall
Water Right Services Division

Enclosure

cc: Application G-11847
Watermaster District 9 – Ron Jacobs



Oregon Water Resources Department
 725 Summer Street NE, Suite A
 Salem Oregon 97301-1266
 (503) 986-0900
 www.wrd.state.or.us

**Extension of Time
 Progress Report Form
 For Checkpoints**

TO THE DIRECTOR OF THE OREGON WATER RESOURCES DEPARTMENT

Permit Holder: Calico Resources USA Corp.

Application G-11847
 Permit G-10994

Report Due no later than October 1, 2022

DO NOT SUBMIT PRIOR TO 30 DAYS BEFORE DUE DATE

Progress Report Form for 2022

As authorized in ORS 690-315-0050(6), this progress report is required in order to ensure diligence is exercised in the development and perfection of Permit G-10994. FAILURE TO SUBMIT THIS REPORT WILL MOST LIKELY RESULT IN ANY FUTURE EXTENSION BEING DENIED.

INSERT DATES	LIST ALL WORK ACCOMPLISHED and FINANCIAL INVESTMENTS For the period of time between October 1, 2017 and October 1, 2022	FINANCIAL INVESTMENT

2. Compliance with terms and conditions of the permit and/or previous extension.

3. Total number of acres irrigated to date= _____ (if applicable)

4. Provide the maximum rate, or duty if applicable, of water diverted for beneficial use under this permit, if any, made to date.

Maximum rate used to date = _____ cfs (cubic feet per second)

Maximum rate used to date = _____ gpm (gallons per minute)

Acre-feet stored to date = _____ AF

Report the rate in the same units of measurement as specified in the permit, being cfs (cubic feet per second), gpm (gallons per minute) or AF (acre-feet). Do not provide daily, monthly or annual water volume totals.

INCOMPLETE REPORTS WILL BE RETURNED. AN ANSWER IS REQUIRED IN EACH ITEM. USE N/A FOR ITEM 3 IF THE USE IS NOT IRRIGATION.

Signature _____ Date _____

For OWRD use only

Diligence Shown Yes No

Date Public Noticed: _____

Reviewed by: _____

Date: _____



Oregon Water Resources Department
 725 Summer Street NE, Suite A
 Salem Oregon 97301-1266
 (503) 986-0900
 www.wrd.state.or.us

**Extension of Time
 Progress Reporting Form
 For Checkpoints**

TO THE DIRECTOR OF THE OREGON WATER RESOURCES DEPARTMENT

Permit Holder: Calico Resources USA Corp. Application G-11847 Permit G-10994

Progress Report Form for 2017

Report Due no later than October 1, 2017

DO NOT SUBMIT PRIOR TO 30 DAYS BEFORE DUE DATE

As authorized in ORS 690-315-0050(6), this progress report is required in order to ensure diligence is exercised in the development and perfection of Permit G-10994. FAILURE TO SUBMIT THIS REPORT WILL MOST LIKELY RESULT IN ANY FUTURE EXTENSION BEING DENIED.

DATES	LIST ALL WORK ACCOMPLISHED and FINANCIAL INVESTMENTS For the period of time between February 8, 2012 and October 1, 2017	FINANCIAL INVESTMENT
3/2013	Final Baseline Data Collection Work Plans submitted by Calico are approved by the project Technical Review Team (TRT).	Estimated cost of baseline study plans \$40,945
7/2015 through 1/2016	Calico files a new Notice of Intent modifying the location of the processing facilities and eliminating a haul road and files a new notice of readiness to collect baseline data to accompany the July 2015 NOI. Calico commences baseline data collection. The Baseline Data Collection Work Plans and Data Reports are approved by the TRT in January 2016.	Estimated cost of baseline studies, NOI and participation in TRT process \$236,994
9/2016 through 6/2017	Calico submits Work Plan (plus supplements) for drilling to define the mineral resource, conduct geotechnical studies and collect and test samples for metallurgical tests. The Work Plan is accepted and the work is conducted over winter of 2016-2017 and spring 2017. Calico files a Work Plan to drill and construct monitor wells.	Estimated Cost of Drill Work Plan, drilling and Monitor Well Work Plan \$2,699,489
2/2017	Calico files a new Notice of Intent, which expands the proposed permit boundary to 1,762 acres, files a new notice of readiness to collect baseline data, conducts public meetings and begins Baseline data collection.	Estimated cost of revised NOI and Baseline Data collection \$54,189
7/2017 through 9/2017	Calico submits a Geotech Work Plan to conduct geotechnical testing associated with the proposed mine/processing/tailings facilities. Calico begins work on the Monitor Well Work Plan drilling and construction. Activities continue through the end of Sept. 2017.	Estimated cost of Monitor Well Construction and TRT process \$150,314

2. Describe actions taken to comply with terms/conditions of the permit and/or previous extension.

As described in the permit extension application, actual mining operations cannot occur until the project is authorized by DOGAMI and other state agencies pursuant to the coordinated, interagency review process described in ORS 517.952-517.989. Since issuance of the permit extension, the permit holder has been actively engaged in the on-going interagency process. As outlined in response to Question 1, above, the permit holder has completed a number of significant steps in that process. During this time period, water use at the project site has occurred in compliance with applicable terms and conditions of the permit, in furtherance of the baseline data collection and other actions required under the interagency review process.

RECEIVED

SEP 26 2017

OWRD

3. Provide the maximum rate, or duty if applicable, of water diverted for beneficial use under this permit, if any, made to date.

Maximum rate used to date= 0.18 cfs (cubic feet per second)

Report the rate in the same units of measurement as specified in the permit, being cfs (cubic feet per second), gpm (gallons per minute) or AF (acre-feet). Do not provide daily, monthly or annual water volume totals.

INCOMPLETE REPORTS WILL BE RETURNED. AN ANSWER IS REQUIRED IN EACH ITEM.

Signature C. Bl Date 09/21/2017

Printed Name/Title: Carlo Buffone
Chief Financial Officer
Calico Resources USA Corp.
665 Anderson St.
Winnemucca NV 89445

NOTE: Please update OWRD records to remove the name of "Vance Thornsberry" as the contact for Calico Resources USA Corp. and replace with Carlo Buffone

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SEP 26 2017
OWRD

For OWRD use only

Diligence Shown Yes No

Reviewed by: [Signature]

Date Public Noticed: 10-3-17

Date: 10-8-17

September 26, 2017

Martha O. Pagel
Admitted in Oregon and Washington
T: 503-540-4260
mpagel@schwabe.com

BY HAND DELIVERY

Tim Wallin
Manager, Water Rights Section
Oregon Water Resources Department
725 Summer Street NE, Suite A
Salem OR 97301-1271

RE: Progress Report for Permit G-10994 (Calico Resources USA Corp.)

Dear Tim:

The enclosed Progress Report is submitted for filing on behalf of our client, Calico Resources USA Corp. ("Calico"), for the above-referenced permit, as required under the Permit Extension Order issued on December 26, 2012. The report describes significant work undertaken by Calico during the past five years in connection with the consolidated, inter-agency permitting process for the Grassy Mountain mining project. Calico remains fully committed to the mining project and will be prepared to make full beneficial use of the authorized groundwater upon completion of the permitting process.

As noted in the Progress Report form, Calico also requests the Oregon Water Resources Department update its records as to the company contact for future notices regarding the water right. The new contact information is as follows:

Carlo Buffone
Chief Financial Officer
665 Anderson St.
Winnemucca, NV 89445

RECEIVED
SEP 26 2017
OWRD

Tim Wallin
September 26, 2017
Page 2

Thank you for your assistance. If you have questions or need additional information regarding the project, please let me know.

Sincerely,



Martha O. Pagel

MOP
Enclosure

cc: Carlo Buffone

PDX\124158\183676\MOP\21540144.1

RECEIVED
SEP 26 2017
OWRD

Route Slip.....Extension of Time Progress Report

1. Extension Specialist: Progress Report Review

WRIS) Date Report was Due: 10/1/2017 (= "Deadline Date" for the corresponding ECP work flow record in

Date Report Received: 9/26/2017

Report Complete: YES

NO – Send letter requesting missing information.

letter mailed on: _____

2. Support Staff: Publish on the Department's Public Notice

315 320 OAR Division under which Progress Report was required

Publish on Public Notice Date: 10.3.17

Update workflow in WRIS

(Fill in Extension Checkpoint 'Completed Date' in appropriate "ECP" work flow record and

add record for Checkpoint Public Notice ("EPR" or "EP2")

Return file to Jeffrey D. Pierceall.

3. Extension Specialist: Prepare Progress Report Confirmation Letter

See progress report procedures.doc

(date / mail out after 30 day comment period)

Date Confirmation Letter Needed: 11/7/2017

Update Progress Report Worksheet.xls

Send to permit holder + anyone who made comments after 30 day public notice

CC: Watermaster _____

File _____

PUBLIC NOTICE INFORMATION

Permit Holder's Name: Calico Resources USA Corp Attn:

Application: G-11847

Permit: G-10994

County: Malhuer

Source: two wells, supplemented by waters from an open pit mine, in Malhuer River Basin

Use: mining and industrial uses



Oregon

John A. Kitzhaber, MD, Governor

Water Resources Department

North Mall Office Building

725 Summer Street NE, Suite A

Salem, OR 97301-1271

503-986-0900

FAX 503-986-0904

July 19, 2011

Seabridge Gold Corp.
106 Front Street E. Suite 400
Toronto, Ontario M5A 1E1

RE: Reimbursement Authority Signed Contracts R11800-11 involving application G-11847)

Enclosed are copies of the fully executed Applicant's Agreements signed by the required parties. These agreements detail the terms and conditions under which a Work Orders were issued for the expedited services that you requested.

If you have any questions concerning the agreement or the program, please contact me at 503-986-0823.

Sincerely,

R. Craig Kohanek
Senior Water Rights Analyst

Attachment: Receipt # 103407



**OREGON WATER RESOURCES DEPARTMENT
EXTENSION REIMBURSEMENT AUTHORITY
APPLICANT'S AGREEMENT**



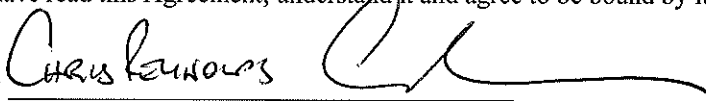
Contract Number: **R11800-11**

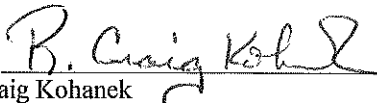
This Agreement is between the **Oregon Water Resources Department**, hereafter OWRD, and **Seabridge Gold Corp.** hereafter Applicants, hereafter known together as the parties.

OWRD Information	Applicant's Information	Applicant's Representative
Project Contact: R. Craig Kohanek Reimbursement Authority Oregon Water Resources Department 725 Summer Street, NE Salem, OR 97301-1271 Phone: 503-986-0823 Email: Ron.c.kohanek@wrdd.state.or.us	Name: Seabridge Gold Corp. Title: Owner Company: Seabridge Gold Corp. Address: 106 Front Street E. Suite 400 Toronto, Ontario M5A 1E1 Phone: Email:	Name: Title: Company: Address: Phone: Email:

- Purpose.** The purpose of this Agreement is to expedite the processing of the **Water Right Extension Application. (Application Number: G-11847)**
- Authority.** ORS 536.055 authorizes the OWRD to enter into a voluntary agreement with any applicant, permittee or regulated entity (collectively Applicant) for expediting or enhancing a regulatory process. In making this agreement, OWRD shall require the applicant to pay the full cost of expedited process.
- Restrictions.** **Seabridge Gold Corp.** and OWRD agree that this Agreement shall not be construed to restrict in any way the decisions and actions by OWRD. OWRD shall be free to exercise independent judgment consistent with existing laws and regulations.
- Effective Date and Duration.** Unless otherwise terminated by non-deposit of funds by the Applicant, this Agreement shall become effective on the date on which both parties have signed the Agreement and the full deposit of the estimated cost of the proposed service has been received by OWRD.
- Consideration.** **Seabridge Gold Corp.** shall pay OWRD in advance for actual costs incurred by OWRD. **Seabridge Gold Corp.** agrees to pay the full amount of **\$520** to OWRD prior to commencement of any work stated in this Agreement. This payment will be placed in an account administered by OWRD and drawn upon as costs are actually incurred. If the actual cost of performing the work is less than payments received, OWRD will refund the unspent balance. If the actual cost of processing exceeds the estimate, the Applicant can either elect to terminate this Agreement or amend the Agreement to reflect the increase in cost. The costs stated in this Agreement do not include the statutory application processing and filing fees.
- Confidentiality.** **Seabridge Gold Corp.** agrees that any information provided to or acquired by OWRD under this Agreement will be subject to the Oregon Public Records Law and shall be considered public records.
- Indemnity.** Applicant shall defend, save, hold harmless, and indemnify the State of Oregon, OWRD, and their officers, employees, and agents from and against all claims, suits, actions, losses, damages, liabilities, costs and expenses of any nature resulting from or arising out of, or relating to the activities of Applicant or its representatives, officers, employees, contractors, or agents under this Agreement or with respect to the expedited service. The Applicant acknowledges that the Oregon Water Resources Department cannot and does not guarantee a favorable review under the subject regulatory process.

8. **Termination.** Applicant may request to terminate this agreement only in writing at anytime during the process. The Applicant agrees to pay for the work done by the Reimbursement Authority personnel up until the time of the written termination request. OWRD, upon receiving such written termination request from the Applicant, will refund any unspent balance after paying the Reimbursement Authority personnel for the work done.
9. **Funds Authorized and Available.** By its execution of this Agreement, Applicants certifies that sufficient funds are authorized and available to cover the expenditures contemplated by this Agreement.
10. **Duration of Estimate.** The Estimate of Time to complete the work (including the required public notice and protest periods) is no later than one-hundred twenty (120) days once this Agreement has been fully executed and payment of the estimated cost deposited. However, this estimate is contingent on the Applicant's expeditious resolution of any deficiency and may be affected by the Department's work load. This Estimate of Time may become null and void after thirty (30) days from the date the Applicant's Agreement is mailed. If the Applicant's Agreement is not received by the Department within thirty (30) days of mailing the Agreement, the Applicant may need to re-apply for a new estimate.
11. **Completion Date.** OWRD, by the execution of this Agreement does not guarantee the completion date indicated in this Agreement. Completion date is only an estimate and may be affected by the Department's workload, issues arising from the processing of the requested services and Applicant's timely response to requests for additional information.
12. **Captions.** The captions or headings in this Agreement are for the convenience only and in no way define limit or describe the scope or intent of any provision of this Agreement.
13. **Amendment and Merger.** The terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever, except by written instrument signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instance and for the specific purpose given. There are no understandings, agreements or representations, oral or written, not specified herein regarding this Agreement.
14. **Signatures.** All parties, by the authorized representative's signature below, hereby acknowledge that they have read this Agreement, understand it and agree to be bound by its terms and conditions.

Applicant: 
 Name: Seabridge Gold Corp.
 Title: Owner VICE PRESIDENT, FINANCE
 Company: Seabridge Gold Corp.
 Date: June 11, 2011

For OWRD: 
 Name: R. Craig Kohanek
 Water Rights and Adjudication Division
 Date: July 19, 2011

Mail signed Agreement to:

R. Craig Kohanek
Oregon Water Resources Department
725 Summer Street NE, Suite A
Salem, OR 97301-1271



Oregon

John A. Kitzhaber, MD, Governor

Water Resources Department
North Mall Office Building
725 Summer Street NE, Suite A
Salem, OR 97301-1271
503-986-0900
FAX 503-986-0904

June 15, 2011

Seabridge Gold Corporation
106 Front Street E. Suite 400
Toronto, Ontario M5A 1E1

RE: Reimbursement Authority Extension Estimate for R117800-11
involving application G-11847

Please find the attached estimate and agreement to process your extension application. If the proposed agreement is acceptable to you, please return a signed copy to our office along with the payment of the estimated cost to process the application.

If you have any question, please call me at 503-986-0823.

Sincerely,

R. Craig Kohanek
Interim Senior Water Rights Analyst



**OREGON WATER RESOURCES DEPARTMENT
EXTENSION REIMBURSEMENT AUTHORITY
APPLICANT'S AGREEMENT**



Contract Number: **R11800-11**

This Agreement is between the **Oregon Water Resources Department**, hereafter OWRD, and **Seabridge Gold Corp.**, hereafter Applicants, hereafter known together as the parties.

OWRD Information	Applicant's Information	Applicant's Representative
Project Contact: R. Craig Kohanek	Name: Seabridge Gold Corp.	Name:
Reimbursement Authority	Title: Owner	Title:
Oregon Water Resources Department	Company: Seabridge Gold Corp.	Company:
725 Summer Street, NE	Address: 106 Front Street E. Suite	Address:
	400	
Salem, OR 97301-1271	Toronto, Ontario M5A 1E1	
Phone: 503-986-0823	Phone:	Phone:
Email: Ron.c.kohanek@wrds.state.or.us	Email:	Email:

- Purpose.** The purpose of this Agreement is to expedite the processing of the **Water Right Extension Application**. (Application Number: **G-11847**)
- Authority.** ORS 536.055 authorizes the OWRD to enter into a voluntary agreement with any applicant, permittee or regulated entity (collectively Applicant) for expediting or enhancing a regulatory process. In making this agreement, OWRD shall require the applicant to pay the full cost of expedited process.
- Restrictions.** **Seabridge Gold Corp.** and OWRD agree that this Agreement shall not be construed to restrict in any way the decisions and actions by OWRD. OWRD shall be free to exercise independent judgment consistent with existing laws and regulations.
- Effective Date and Duration.** Unless otherwise terminated by non-deposit of funds by the Applicant, this Agreement shall become effective on the date on which both parties have signed the Agreement and the full deposit of the estimated cost of the proposed service has been received by OWRD.
- Consideration.** **Seabridge Gold Corp.** shall pay OWRD in advance for actual costs incurred by OWRD. **Seabridge Gold Corp.** agrees to pay the full amount of **\$520** to OWRD prior to commencement of any work stated in this Agreement. This payment will be placed in an account administered by OWRD and drawn upon as costs are actually incurred. If the actual cost of performing the work is less than payments received, OWRD will refund the unspent balance. If the actual cost of processing exceeds the estimate, the Applicant can either elect to terminate this Agreement or amend the Agreement to reflect the increase in cost. The costs stated in this Agreement do not include the statutory application processing and filing fees.
- Confidentiality.** **Seabridge Gold Corp.** agrees that any information provided to or acquired by OWRD under this Agreement will be subject to the Oregon Public Records Law and shall be considered public records.
- Indemnity.** Applicant shall defend, save, hold harmless, and indemnify the State of Oregon, OWRD, and their officers, employees, and agents from and against all claims, suits, actions, losses, damages, liabilities, costs and expenses of any nature resulting from or arising out of, or relating to the activities of Applicant or its representatives, officers, employees, contractors, or agents under this Agreement or with respect to the expedited service. The Applicant acknowledges that the Oregon Water Resources Department cannot and does not guarantee a favorable review under the subject regulatory process.

8. **Termination.** Applicant may request to terminate this agreement only in writing at anytime during the process. The Applicant agrees to pay for the work done by the Reimbursement Authority personnel up until the time of the written termination request. OWRD, upon receiving such written termination request from the Applicant, will refund any unspent balance after paying the Reimbursement Authority personnel for the work done.
9. **Funds Authorized and Available.** By its execution of this Agreement, Applicants certifies that sufficient funds are authorized and available to cover the expenditures contemplated by this Agreement.
10. **Duration of Estimate.** The Estimate of Time to complete the work (including the required public notice and protest periods) is no later than one-hundred twenty (120) days once this Agreement has been fully executed and payment of the estimated cost deposited. However, this estimate is contingent on the Applicant's expeditious resolution of any deficiency and may be affected by the Department's work load. This Estimate of Time may become null and void after thirty (30) days from the date the Applicant's Agreement is mailed. If the Applicant's Agreement is not received by the Department within thirty (30) days of mailing the Agreement, the Applicant may need to re-apply for a new estimate.
11. **Completion Date.** OWRD, by the execution of this Agreement does not guarantee the completion date indicated in this Agreement. Completion date is only an estimate and may be affected by the Department's workload, issues arising from the processing of the requested services and Applicant's timely response to requests for additional information.
12. **Captions.** The captions or headings in this Agreement are for the convenience only and in no way define limit or describe the scope or intent of any provision of this Agreement.
13. **Amendment and Merger.** The terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever, except by written instrument signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instance and for the specific purpose given. There are no understandings, agreements or representations, oral or written, not specified herein regarding this Agreement.
14. **Signatures.** All parties, by the authorized representative's signature below, hereby acknowledge that they have read this Agreement, understand it and agree to be bound by its terms and conditions.

Applicant: _____
 Name: Seabridge Gold Corp.
 Title: Owner
 Company: Seabridge Gold Corp.
 Date: _____

For OWRD: _____
 Name: R. Craig Kohanek
 Water Rights and Adjudication Division
 Date: _____

Mail signed Agreement to:

R. Craig Kohanek
Oregon Water Resources Department
725 Summer Street NE, Suite A
Salem, OR 97301-1271



**OREGON WATER RESOURCES DEPARTMENT
EXTENSION REIMBURSEMENT AUTHORITY
ESTIMATE APPLICATION**



ORS 536.055 authorizes the Oregon Water Resources Department to expedite or enhance regulatory processes voluntarily requested under the agreement.

The purpose of this application is to obtain estimates of the cost and time required to process a Water Right Extension Request. There is a non-refundable application fee of \$125.00 per request.

<u>REQUEST</u>	<u>TYPE</u>	<u>FILE NUMBER</u>
<input checked="" type="checkbox"/>	Extension Request	Application Number <u>6-11847</u> Permit Number <u>6-16994</u>

	<u>Applicant Information</u>	<u>Applicant's Representative/Contact</u>
Name:	SEABRIDGE GOLD CORP.	
Title (optional):		
Address:	106 FRONT STREET E, STE. 400 TORONTO, ONTARIO M5A 1E1	
Phone:		
E-Mail Address:		

I certify that I (check one):

- have previously filed an application for Extension of Time for a Water Right Permit.
 am attaching the application for Extension of Time for a Water Right Permit and have included the appropriate application fee.

I understand the following:

- That upon receipt of my non-refundable application fee in the amount of \$ 125.00, OWRD will, within fourteen (14) days, notify me in writing of the estimates of cost and time frame for the expedited service.
- That this fee covers the reimbursement authority staff to evaluate and provide the estimate for processing of the request.
- That upon receiving the estimate I may agree or decline to enter into a formal contract to pay the estimated cost in advance to initiate the expedited service.
- An incomplete or inaccurate application for Extension of Time for a Water Right Permit may delay the process and increase the cost to process my request.
- Expedited processing does not guarantee a favorable review of my request.

You may request a one-hour conference with OWRD staff. The conference would only occur after you have signed the contract and paid the estimated cost of processing your application. Please indicate your preference (check one):

- I do not want to schedule a one-hour conference with OWRD staff.
 I want to schedule a one-hour conference with OWRD staff to discuss my project. I understand that I will be billed for this time, and that it may affect my total costs.

Send completed Application and payment to:
**Oregon Water Resources Department
 Extension Reimbursement Authority Program
 725 Summer St. NE, Suite A
 Salem, OR 97301-1271**

RECEIVED

JUN 07 2011

WATER RESOURCES DEPT
 SALEM, OREGON

RECEIVED

JUN 07 2011

I certify that I am the (check one):

- Applicant Applicant's Representative Other (Please specify) _____

Name: CHRIS REYNOLDS

Signature: [Handwritten Signature]

OWRD USE ONLY: Reimbursement Authority Number: R11 800 11

Craig Kohanek

From: Sandra Todd
Sent: Tuesday, June 07, 2011 10:46 AM
To: Lorraine Ramsey
Cc: Dave Nelson; Salem Opeifa; Craig Kohanek
Subject: RE: EXTENSION REQUEST RA #
R11800 11 PCA 47126
Thank you.

From: Lorraine Ramsey
Sent: Tuesday, June 07, 2011 9:54 AM
To: Sandra Todd
Cc: Dave Nelson; Salem Opeifa; Craig Kohanek
Subject: EXTENSION REQUEST RA #

Hello,

Applicant: Seabridge Gold Corp.

Related to: Application G-11847

Receipt # 103055

Thank you,
Lorraine

Proposed Final Order Hearing Rights

1. Under the provisions of OAR 690-315-0100(1) and 690-315-0060, the applicant or any other person adversely affected or aggrieved by the proposed final order may submit a written protest to the proposed final order. The written protest must be received by the Water Resources Department no later than July 27, 2012, being 45 days from the date of publication of the proposed final order in the Department's weekly notice.
2. A written protest shall include:
 - a. The name, address and telephone number of the petitioner;
 - b. A description of the petitioner's interest in the proposed final order and if the protestant claims to represent the public interest, a precise statement of the public interest represented;
 - c. A detailed description of how the action proposed in the proposed final order would adversely affect or aggrieve the petitioner's interest;
 - d. A detailed description of how the proposed final order is in error or deficient and how to correct the alleged error or deficiency;
 - e. Any citation of legal authority supporting the petitioner, if known;
 - f. Proof of service of the protest upon the water right permit holder, if petitioner is other than the water right permit holder; and
 - g. The applicant or non-applicant protest fee required under ORS 536.050.
3. Within 60 days after the close of the period for requesting a contested case hearing, the Director shall:
 - a. Issue a final order on the extension request; or
 - b. Schedule a contested case hearing if a protest has been submitted, and:
 - 1) Upon review of the issues, the Director finds there are significant disputes related to the proposed agency action; or
 - 2) The applicant submits a written request for a contested case hearing within 30 days after the close of the period for submitting protests.

-
- If you have any questions about statements contained in this document, please contact Jerry Gainey at 503-986-0812.
 - If you have questions about how to file a protest or if you have previously filed a protest and you want to know the status, please contact Patricia McCarty at 503-986-0819.
 - If you have any questions about the Department or any of its programs, please contact our Water Resources Customer Service Group at 503-986-0801.
 - Address any correspondence to :

Water Right Services Division
725 Summer St NE, Suite A
Salem, OR 97301-1266

Fax: 503-986-0901
-

Extend the time for complete construction of the water system under Permit G-10994 from October 1, 2008 to October 1, 2028.

Extend the time to apply water to beneficial use under Permit G-10994 from October 1, 2008 to October 1, 2028.

Subject to the following conditions:

CONDITIONS

1. **Last Extension Condition**

This is to be the last extension of time granted for Permit G-10994 if approval from the Oregon Department of Geology and Mineral Industries and the Federal Bureau of Land Management is not obtained by October 1, 2022. Any future extensions of time requests will be denied.

2. **Checkpoint Condition**

The permit holder must submit a completed Progress Report Form to the Department by October 1, ~~2017, October 1, 2022, and October 1, 2027~~. *A form will be enclosed with your Final Order.*

- (a) At each checkpoint, the permit holder shall submit and the Department shall review evidence of the permit holder's diligence towards completion of the project and compliance with terms and conditions of the permit and extension. If, after this review, the Department determines the permit holder has not been diligent in developing and perfecting the water use permit, or complied with all terms and conditions, the Department shall modify or further condition the permit or extension to ensure future compliance, or begin cancellation proceedings on the undeveloped portion of the permit pursuant to ORS 537.260 or 537.410, or require submission of a final proof survey pursuant to ORS 537.250;
- (b) The Department shall provide notice of receipt of progress reports in its weekly notice and shall allow a 30 day comment period for each report. The Department shall provide notice of its determination to anyone who submitted comments.

DATED: June 12, 2012

Dwight French, Water Right Services
Administrator

*If you have any questions,
please check the information
box on the last page for the
appropriate names and
phone numbers.*

Data Input Forms for WRIS POD Attributes

Report Date: 8/21/2009

Applications: G 11847 Permits: G 10994 Certificates: Claims: gw_cert_nbr Transfers: Orders (vol/page): 51 445 Decreases (vol/page): 49 205 49 348

snp id: 21783 wr type: GW wr status: NC Valid?: Yes snp origin: PR snp status: AC Priority Date: 8/29/1988 Permit date: 4/5/1990 Cert date: 10 Bsn nbr: 22.00 T TC R RC S QQ Q

pod loc id: 6950 pod #: 1 GW Logid: MALH 2275 Well Tag-Log: WTag-Well: 107457 wu rpt id: user id: 29439 WE GW NC M M N N meter: rod wu: rdt wu: swl: pmp: 1st status:

WRIS location: 691 FEET SOUTH & 994 FEET EAST FROM S1/4 CORNER, SECTION 8 In gw master: In wells: shp: Horiz Err: 12 GPS GW Xy Source:

WRIS pod name: WELL 1 Water Use Rpta facility name: GW Owners Well Name: GW GIS location by: Josh Hackett GW GIS Loc Source: GWATER

Well Logs Owners Permit Conditions Wtr Lvl Entry Wtr Lvl Entry Filtered Wtr Lvl Compliance Pump Test Compliance Wat

GW Log ID: MALH 2275 Well Tag - Log: 107457 Well Tag - Well: Not Drilled As Of: Date Correlated: 06/13/2012 Correlated By: Josh Hackett GW Owners Well Name:

Get Well Log Logid Comments: Max csg di (nearest inch):

GW Well History: Copy Data from Well Log Database - 1st record only

Log Only / Num	Start Crd	Type Work	FstWtr	C:Dpth	Compl Date	C by	Owner on log	Comment	Well Tag in GRID
MALH 2275	9256	Well Log DB	145.0	425.00	12/17/1988		ATLAS PRECIOUS METAL INC.		
MALH 2275	9256		145	425	12/17/1988	JAH	ATLAS PRECIOUS METAL INC.		
MALH 2511	9256	RECONDITION	40	425	3/31/1989	JAH	ATLAS PRECIOUS METAL INC.		

Maximum Depth of Well: 425

Wells with a Well Log: Statewide Aquifer, Local Aquifer

Aquifers (New) - Contact KCW about mistakes or additions: View Aquifer Units

Wells with a Well Log: Primary aquifer

STATE OF OREGON
WATER WELL REPORT
(as required by ORS 537.765)

RECEIVED
JAN 4 1989
WATER RESOURCES DEPT.

mark
2275

(START CARD) #

228/44E/5826
9256

(1) OWNER: **SALEM OREGON**
Name *Atlas Precious Metal Inc.*
Address *743 Horizon Court Suite 202*
City *GRAND Junction* State *Colorado* Zip *81506*

(2) TYPE OF WORK:
 New Well Deepen Recondition Abandon

(3) DRILL METHOD
 Rotary Air Rotary Mud Cable
 Other

(4) PROPOSED USE:
 Domestic Community Industrial Irrigation
 Thermal Injection Other

(5) BORE HOLE CONSTRUCTION:
Special Construction approval Yes No Depth of Completed Well *425* ft.
Explosives used Yes No Type _____ Amount _____

HOLE		SEAL		Amount
Diameter	From	To	Material	sacks or pounds
<i>14 1/4</i>	<i>0</i>	<i>18</i>	<i>Best Cement 79'</i>	<i>2.5 SACKS</i>
			<i>Mixed 48 Best</i>	
			<i>to 100' of Cement (Portland)</i>	
			<i>to 5.5 gal of water</i>	

How was seal placed: Method A B C D E
 Other
Backfill placed from _____ ft. to _____ ft. Material _____
Gravel placed from *425* ft. to *100* ft. Size of gravel *Col. silica #8*

(6) CASING/LINER:

Diameter	From	To	Gauge	Steel	Plastic	Welded	Threaded
<i>10"</i>	<i>+2</i>	<i>99</i>	<i>.250</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>6"</i>	<i>12</i>	<i>425</i>	<i>SE 80</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Final location of shoe(s) _____

(7) PERFORATIONS/SCREENS:

From	To	Slot size	Number	Diameter	Tele/pipe size	Casing	Liner
<i>40</i>	<i>200</i>	<i>.020</i>		<i>6"</i>		<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>325</i>	<i>355</i>	<i>.020</i>		<i>6"</i>		<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>380</i>	<i>420</i>	<i>.020</i>		<i>6"</i>		<input type="checkbox"/>	<input checked="" type="checkbox"/>

Perforations Screens *7120 Type 1 ASTM 1785*
Material *PVC SCH 80*

(8) WELL TESTS: Minimum testing time is 1 hour

Yield gal/min	Drawdown	Drill stem at	Time
<i>150</i>		<i>405</i>	<i>1 hr.</i>
<i>60</i>	<i>40</i>	<i>Set at 120</i>	<i>3 hr.</i>

Pump Bailor Air Flowing Artesian

Temperature of water _____ Depth Artesian Flow Found *See 11*
Was a water analysis done? *no* Yes By whom _____
Did any strata contain water not suitable for intended use? Too little
 Salty Muddy Odor Colored Other
Depth of strata: *145-255, 325-355*

(9) LOCATION OF WELL by legal description:
County *Mack* Latitude _____ Longitude _____
Township *22 S* Nor S, Range *44 E* E or W, WM.
Section *5* NW 1/4 NE 1/4
Tax Lot _____ Lot _____ Block _____ Subdivision _____
Street Address of Well (or nearest address) _____

(10) STATIC WATER LEVEL:
_____ ft. below land surface. Date *12-17-88*
Artesian pressure _____ lb. per square inch. Date _____

(11) WATER BEARING ZONES:
Depth at which water was first found *145-255*

From	To	Estimated Flow Rate	SWL
<i>145</i>	<i>255</i>	<i>20 gpm</i>	<i>40</i>
<i>325</i>	<i>355</i>	<i>60 gpm</i>	<i>40</i>
<i>380</i>	<i>420</i>	<i>150 gpm</i>	<i>40</i>

(12) WELL LOG: Ground elevation *3520*

Material	From	To	SWL
<i>Overburden of Boulders</i>	<i>0</i>	<i>17</i>	<i>0</i>
<i>Clay (Brown)</i>	<i>17</i>	<i>140</i>	<i>0</i>
<i>Sandstone w/ Blue Clay</i>	<i>140</i>	<i>255</i>	<i>40</i>
<i>Blue Clay</i>	<i>255</i>	<i>320</i>	<i>40</i>
<i>Sandstone w/ Blue Clay</i>	<i>320</i>	<i>355</i>	<i>40</i>
<i>Blue Clay</i>	<i>355</i>	<i>380</i>	<i>40</i>
<i>FRAC. (Hard) Sandstone</i>	<i>380</i>	<i>415</i>	<i>40</i>
<i>Blue Clay</i>	<i>415</i>	<i>425</i>	<i>40</i>

After setting 1 week water will come up to gr. level

Between 6" & 10" from 100' to the level Annular space is filled with Volcanic Best. pellets

Date started *12/5/88* Completed *12/10/88*

(unbonded) Water Well Constructor Certification:
I certify that the work I performed on the construction, alteration, or abandonment of this well is in compliance with Oregon well construction standards. Materials used and information reported above are true to my best knowledge and belief.
Signed *Robert W. Doty* WWC Number *1202*
Date *12/28/88*

(bonded) Water Well Constructor Certification:
I accept responsibility for the construction, alteration, or abandonment work performed on this well during the construction dates reported above. All work performed during this time is in compliance with Oregon well construction standards. This report is true to the best of my knowledge and belief.
Signed *Robert W. Doty* WWC Number *325*
Date *12/28/88*

9 WATER WELL REPORT
STATE OF OREGON

MALH RECEIVED
2275

State Well No. 225/44E/506
State Permit No. 9256

PLEASE TYPE or PRINT IN INK
DEC 10 1988

WATER RESOURCES DEPT.

(10) LOCATION OF WELL:

County Molhuer Driller's well number 9256
NW 1/4 NE 1/4 Section 5 T. 225 R. 44E W.M.
Tax Lot # Lot Blk Subdivision

Address at well location:

(11) WATER LEVEL: Completed well,

Depth at which water was first found _____ ft.
Static level _____ ft. below land surface. Date _____
Artesian pressure _____ lbs. per square inch. Date _____

(12) WELL LOG:

Diameter of well below casing _____
Depth drilled _____ ft. Depth of completed well _____ ft.
Formation: Describe color, texture, grain size and structure of materials; and show thickness and nature of each stratum and aquifer penetrated, with at least one entry for each change of formation. Report each change in position of Static Water Level and indicate principal water-bearing strata.

MATERIAL	From	To	SWL
Overburden w/ Boulders	0	17	0
Clay Brown	17	140	0
Sandstone w/ Blue Clay	140	255	40
Blue Clay	255	320	40
Sandstone w/ Blue Clay	320	355	40
Blue Clay	355	380	40
Fruited Hard Sandstone	380	415	40
Blue Clay	415	425	40

Work started 12-5 1988 Completed 12-10 1988
Date well drilling machine moved off of well 12-11 1988

(unbonded) Water Well Constructor Certification (if applicable):

This well was constructed under my direct supervision. Materials used and information reported above are true to my best knowledge and belief.
[Signed] *Bill Doty* Date 12-10, 1988

Bonded Water Well Constructor Certification:

Bond 83605 (number) Issued by: Allied Surety Company Name

This well was drilled under my jurisdiction and this report is true to the best of my knowledge and belief.

Name Bill Doty Drilling Co., Inc. (Type or print)
25497 Freeze-Out Rd.

Address Caldwell ID 83605
[Signed] *Bill Doty* Water Well Constructor

Date 12-14, 1988

WATER RESOURCES DEPARTMENT, SALEM, OREGON 97310
within 30 days from the date of well completion. SP*45292-690

(1) OWNER:

Name Atlas Precious Metal, Inc.
Address _____
City _____ State _____

(2) TYPE OF WORK (check):

New Well Deepening Reconditioning Abandon
If abandonment, describe material and procedure in Item 12.

(3) TYPE OF WELL:

Rotary Air Driven
Rotary Mud Dug
Cable Bored

(4) PROPOSED USE (check):

Domestic Industrial Municipal
Irrigation Test Well Other
Thermal: Withdrawal ReInjection

(5) CASING INSTALLED:

Steel Plastic
Threaded Welded
10" Diam. from +2 ft. to 99 ft. Gauge 250
6" Diam. from +2 ft. to 245 ft. Gauge Sch. 80

LINER INSTALLED:

_____ " Diam. from _____ ft. to _____ ft. Gauge _____

(6) PERFORATIONS:

Perforated? Yes No
Type of perforator used _____
Size of perforations _____ in. by _____ in.
_____ perforations from _____ ft. to _____ ft.
_____ perforations from _____ ft. to _____ ft.
_____ perforations from _____ ft. to _____ ft.

(7) SCREENS:

Well screen installed? Yes No
Manufacturer's Name Aardvark
Type P.V.C. Sch. 80 Model No. _____
Diam. 6" Slot Size .020 Set from 380 ft. to 420 ft.
Diam. 325-355 Slot Size _____ Set from 145 ft. to 255 ft.

(8) WELL TESTS:

Drawdown is amount water level is lowered below static level
Was a pump test made? Yes No If yes, by whom?
Field: _____ gal./min. with _____ ft. drawdown after _____ hrs.
Air test 150 gal./min. with drill stem at 420 ft. 1 hrs.
Bailer test _____ gal./min. with _____ ft. drawdown after _____ hrs.
Artesian flow _____ g.p.m.
Temperature of water _____ Depth artesian flow encountered _____ ft.

(9) CONSTRUCTION:

Special standards: Yes No
Well seal—Material used Bent. & Cement Grout
Well sealed from land surface to 18 ft.
Diameter of well bore to bottom of seal 12 1/4 in.
Diameter of well bore below seal 9 7/8 in.
Number of sacks of cement used in well seal 10 sacks
How was cement grout placed? Pressure Grout
Was pump installed? NO Type _____ HP _____ Depth _____ ft.
Was a drive shoe used? Yes No Plugs _____ Size: location _____ ft.
Did any strata contain unusable water? Yes No
Type of Water? _____ depth of strata _____
Method of sealing strata off _____
Was well gravel packed? Yes No Size of gravel: No. 8
Gravel placed from 100 ft. to 245 ft.

NOTICE TO WATER WELL CONSTRUCTOR
The original and first copy of this report are to be filed with the

STATE OF OREGON

WATER WELL REPORT
(as required by ORS 637.765)

WATER RESOURCES DEPT.

(START CARD) #

MAY 1989

MALH 2511

22S/44E/5ab
9256

(1) OWNER: Well Number: SALEM, OR
Name Atlas Precious Metals
Address 743 Horizon Ct. Suite 202
City Grand Junction State CO Zip 81506

(2) TYPE OF WORK:
 New Well Deepen Recondition Abandon

(3) DRILL METHOD
 Rotary Air Rotary Mud Cable
 Other Auger

(4) PROPOSED USE:
 Domestic Community Industrial Irrigation
 Thermal Injection Other

(5) BORE HOLE CONSTRUCTION:
Special Construction approval Yes No Depth of Completed Well _____ ft.

Explosives used Yes No Type _____ Amount _____

HOLE		SEAL		Amount sacks or pounds	
Diameter	From To	Material	From To		
12"	0	18			
10	18	245			
		Cement grout	0	26	19

How was seal placed: Method A B C D E

Backfill placed from _____ ft. to _____ ft. Material Cement Grout
Gravel placed from 100 ft. to 245 ft. Size of gravel NO. 8

Casing	Diameter	From	To	Gauge	Steel	Plastic	Welded	Threaded
					<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10"		+2	99	.250	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6"		+2	245	see 80	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Final location of shoe(s)

(7) PERFORATIONS/SCREENS:

Perforations Method _____
 Screens Type AARDARK Material PVC SCH 80

From	To	Slot size	Number	Diameter	Tele/pipe size	Casing	Liner
380	420	.020		6"		<input type="checkbox"/>	<input type="checkbox"/>
145	255	325-355				<input type="checkbox"/>	<input type="checkbox"/>

(8) WELL TESTS: Minimum testing time is 1 hour

Pump Bailor Air Flowing Artesian
Yield gal/min _____ Drawdown _____ Drill stem at _____ Time _____
100 40' 300 1 hr.

Temperature of water _____ Depth Artesian Flow Found _____
Was a water analysis done? Yes By whom _____
Did any strata contain water not suitable for intended use? Too little
 Salty Muddy Odor Colored Other _____
Depth of strata: _____

(9) LOCATION OF WELL by legal description:
County Malheur Latitude _____ Longitude _____
Township 22S Nor S, Range 44E E or W, WM.
Section 5 NW 1/4 NE 1/4
Tax Lot _____ Lot _____ Block _____ Subdivision _____
Street Address of Well (or nearest address) _____

(10) STATIC WATER LEVEL:
40' ft. below land surface. Date 12-8-88
Artesian pressure _____ lb. per square inch. Date _____

(11) WATER BEARING ZONES:

Depth at which water was first found 40'

From	To	Estimated Flow Rate	SWL
<u>140-205</u>	<u>255</u>	<u>30 gpm</u>	
<u>320</u>	<u>355</u>	<u>50 gpm</u>	
<u>380</u>	<u>415</u>	<u>150 gpm</u>	

(12) WELL LOG: Ground elevation _____

Material	From	To	SWL
Overburden w/ boulders	0	17	0
Clay brown	17	140	0
Sandstone w/ blue clay	140	255	40
blue clay	255	320	40
Sandstone w/ blue clay	320	355	40
Blue clay	355	380	40
Fruited hard sandstone	380	415	40
Blue clay	415	425	40
=			
12-5-88 - 12-10-88			
+=====			
Redone surface seal to 26 feet using method 2 referring to letter sent January 9, 1989			
Drilled around 10" casing to the depth of 26' using method C			
pumped 19 sacks of cement down hole			
3-30-89 - 3-31-89			
+=====			
Incorporated to singel log per state request			
Date started	12-5-88	Completed	3-31-89

(unbonded) Water Well Constructor Certification:
I certify that the work I performed on the construction, alteration, or abandonment of this well is in compliance with Oregon well construction standards. Materials used and information reported above are true to my best knowledge and belief.
Signed Bob Doty WWC Number 1202 Date 4-15-89

(bonded) Water Well Constructor Certification:
I accept responsibility for the construction, alteration, or abandonment work performed on this well during the construction dates reported above. all work performed during this time is in compliance with Oregon well construction standards. This report is true to the best of my knowledge and belief.
Signed Bob Doty for Bill Doty WWC Number 333 Date 4/15/89

Data Input Forms for WRIS POD Attributes

Report Date: 8/21/2009

Applications: G 11847 Permits: G 10994 Certificates: Claims: gw_cert_nbr Transfers: Orders (vol/page): 51 445 Decreases (vol/page):

snp id: 21783 wr type: GW wr status: NC Valid?: Yes snp origin: PR snp status: AC Priority Date: 8/29/1988 Permit date: 4/5/1990 Cert date: 10 Bsn nbr: 22.00 T: S TC: 44.00 R: E RC: S QQ: SE Q: NW

pod loc id: 6951 pod #: 2 GW Logid: Well Tag-Log: W Tag-Well: wu rpt id: 29439 user id: 29439 pod: source, type, status: WE GW NC M M N N meter: M M rpt wu: N N swl: pmp tst status:

WRIS location: 1798 FEET SOUTH & 1083 FEET EAST FROM S1/4 CORNER, SECTION 32 In gw master: In wells: shp Horiz Err: GW XY Source

WRIS pod name: WELL 2 Water Use Rota facility name: GW Owners Well Name: GW GIS location by: GW GIS Loc Source:

Well Logs Owners Permit Conditions Wtr Lvl Entry Wtr Lvl Entry Filtered Wtr Lvl Compliance Pump Test Compliance Wat

GW Log ID	Well Tag - Log	Well Tag - Well	Not Drilled As Of	Date Correlated	Correlated By	GW Owners Well Name

Get Well Log Logid: Comments

Max csg di (nearest inch):

GW Well History: Copy Data from Well Log Database - 1st record only

Log Cnty / Num	Start Cid	Type	Work	FstWtr	C Dpth	Compl Date	C by	Owner on log	Comment	Well Tag in GRID

← Well Log DB →

Maximum Depth of Well:

Wells with a Well Log

Aquifers (New) --Contact KGW about mistakes or additions View Aquifer Units

Statewide Aquifer: Local Aquifer

Wells with a Well Log

Aquifers (Old Names)

Primary aquifer

Data Input Forms for WRIS POD Attributes

Report Date: 8/21/2009

Applications	Permits	Certificates	Claims	Transfers	Orders (vol/page)	Decreases (vol/page)
G 11847	G 10994				51 445	
					49 205	
					49 348	

snp id	wr type	wr status	Valid?	snp origin	snp status	Priority Date	Permit date	Cert date	Bsn nbr	T	TC	R	RC	S	QQ	Q
21783	GW	NC	Yes	PR	AC	11/15/1988	4/5/1990		10	22.00	S	44.00	E	8	NW	SE

pod loc id	pod #	GW Logid	Well Tag-Log	W Tag-Well	wu rpt id	user id	pod: source	type: status	meter	rod wu	rpt wu	swl	pmp 1st status
6952	3					29439	SM	ST	NC	M	M	N	N

WRIS location **Get Well Log** 2262 FEET NORTH & 37 FEET EAST FROM S1/4 CORNER, SECTION 8

WRIS pod name **OPEN PIT MINE** Water Use Rpta facility name **GW Owners Well Name**

GW GIS location by **GW GIS Loc Source**

Well Logs	Owners	Permit Conditions	Wtr Lvl Entry	Wtr Lvl Entry Filtered	Wtr Lvl Compliance	Pump Test Compliance	Wat
------------------	---------------	--------------------------	----------------------	-------------------------------	---------------------------	-----------------------------	------------

GW Log ID	Well Tag - Log	Well Tag - Well	Not Drilled As Of	Date Correlated	Correlated By	GW Owners Well Name

Get Well Log Logid Comments **SUMP**

Max csg dl (nearest inch):

GW Well History: Copy Data from Well Log Database - 1st record only

Log Cnly / Num	Start Crd	Type Work	Frst Wtr	C Dpth	Comp Date	C by	Owner on log	Comment	Well Tag in GRID
		← Well Log DB →							

Maximum Depth of Well

Wells with a Well Log

Wells with a Well Log

Aquifers (New) - Contact KGW about mistakes or additions **View Aquifer Units**

Statewide Aquifer

Local Aquifer

Aquifers (Old Names)

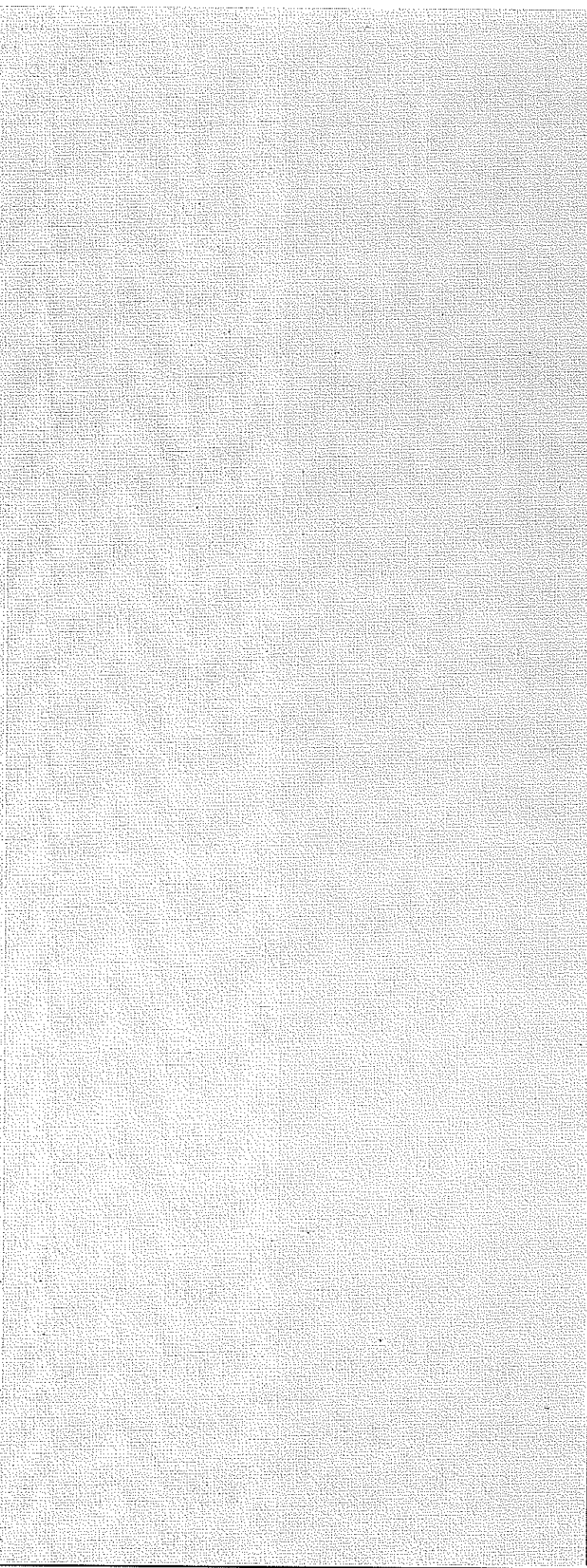
Primary aquifer

Data Input Forms for WRIS POD Attributes

Report Date: 8/21/2009

Specific Aquifer Unit
 Aquifer @ Maximum D

St Aq MaxDepth
 Aq Confirmed By
 Aq Comments



Craig Kohanek

From: Craig Kohanek
Sent: Friday, September 07, 2012 9:38 AM
To: Dwight French (dwight.w.french@wrdd.state.or.us)
Subject: FW: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Dwight,

I am forwarding you the response - see below- we've received from Schwabe/Shonee as a result of our request, after meeting in-person with Martha Pagel, that they provide us "a statement to evidence that the water has been used for MINING/INDUSTRIAL USES (e.g. Dust control/abatement, drilling of test exploration holes, etc...). Please indicate a rate and volume of water being used for each activity. (I.e. tanker truck at # gallons per minute, how many trucks per day/week etc...).

I thought that sending you this would make our Tuesday meeting conversation on this project more productive or you could provide me feedback and direction as to how to proceed without our having to discuss at the Tuesday meeting.

R. Craig Kohanek

From: Langford, Shonee D. [mailto:SLangford@SCHWABE.com]
Sent: Thursday, September 06, 2012 10:17 AM
To: Craig Kohanek
Cc: Pagel, Martha; Vance Thornsberry
Subject: RE: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Craig,

This email describes Calico's efforts to provide additional water use information for the period of October 1, 1997 through October 1, 2008. First we would like to emphasize that Calico has provided detailed water use information (in rate and volume) relating to the Tombstone drilling in 1998, which occurred during the last extension period. Copies of the drilling logs were also provided. But beyond that, Calico has had difficulty tracking down specific information due to the lack of access to records kept by prior owner Atlas (which went into bankruptcy) and the amount of time that passed between the previous owners' use of water for mining/industrial activities and the time Calico obtained control over the property. We also note that the permit does not require the water user to install a measuring device or record and/or report water use, so such records likely were not kept by prior owners.

The information Calico has been able to collect is largely anecdotal. Based on such information, Calico believes that water was used by Atlas during the period of 1999 through 2001 to support drilling in connection with Atlas's establishment of mill site claims. Calico also believes water would have been used periodically for roadway dust control. However, Calico so far has been unable to pin down specific information regarding rates and volumes used for various mining-related activities (other than the Tombstone drilling), or whether tanker trucks may have been used and, if so, the size of the tanks.

Regarding the February 24, 2004 letter from OWRD to Seabridge regarding "questionable" diligence, we note that the letter was based on an incomplete progress report submitted by a consultant to Seabridge on November 28, 2003. The progress report stated that "no new additional construction has been completed since 1999" and failed to mention the Tombstone drilling that occurred in 1998, which was during a period of time that should have been covered by the report. Without any knowledge of those important activities, the Department warned that it might not approve another extension. We believe the Department's response would have been different if the report had included a description of those activities.

Thank you for your assistance, and please feel free to call me if you have any questions.

Best Regards,

Shonee

SHONEE D. LANGFORD | Attorney at Law
SCHWABE, WILLIAMSON & WYATT
Direct: 503-540-4261 | Fax: 503-796-2900
Legal advisors for the future of your business®
www.schwabe.com

From: Craig Kohanek [<mailto:ron.c.kohanek@state.or.us>]
Sent: Monday, August 13, 2012 2:06 PM
To: Langford, Shonee D.
Subject: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Shonee,

I spoke with Dwight and what we request a statement to evidence that the water has been used for MINING/INDUSTRIAL USES (e.g. Dust control/abatement, drilling of test exploration holes, etc...). Please indicate a rate and volume of water being used with each activity. (i.e. tanker truck at # gallons per minute, how many trucks per day/week etc..).

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrđ.state.or.us

To comply with IRS regulations, we are required to inform you that this message, if it contains advice relating to federal taxes, cannot be used for the purpose of avoiding penalties that may be imposed under federal tax law. Any tax advice that is expressed in this message is limited to the tax issues addressed in this message. If advice is required that satisfies applicable IRS regulations, for a tax opinion appropriate for avoidance of federal tax law penalties, please contact a Schwabe attorney to arrange a suitable engagement for that purpose.

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Craig Kohanek

From: Langford, Shonee D. <SLangford@SCHWABE.com>
Sent: Thursday, September 06, 2012 10:17 AM
To: Craig Kohanek
Cc: Pagel, Martha; Vance Thornsberry
Subject: RE: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Craig,

This email describes Calico's efforts to provide additional water use information for the period of October 1, 1997 through October 1, 2008. First we would like to emphasize that Calico has provided detailed water use information (in rate and volume) relating to the Tombstone drilling in 1998, which occurred during the last extension period. Copies of the drilling logs were also provided. But beyond that, Calico has had difficulty tracking down specific information due to the lack of access to records kept by prior owner Atlas (which went into bankruptcy) and the amount of time that passed between the previous owners' use of water for mining/industrial activities and the time Calico obtained control over the property. We also note that the permit does not require the water user to install a measuring device or record and/or report water use, so such records likely were not kept by prior owners.

The information Calico has been able to collect is largely anecdotal. Based on such information, Calico believes that water was used by Atlas during the period of 1999 through 2001 to support drilling in connection with Atlas's establishment of mill site claims. Calico also believes water would have been used periodically for roadway dust control. However, Calico so far has been unable to pin down specific information regarding rates and volumes used for various mining-related activities (other than the Tombstone drilling), or whether tanker trucks may have been used and, if so, the size of the tanks.

Regarding the February 24, 2004 letter from OWRD to Seabridge regarding "questionable" diligence, we note that the letter was based on an incomplete progress report submitted by a consultant to Seabridge on November 28, 2003. The progress report stated that "no new additional construction has been completed since 1999" and failed to mention the Tombstone drilling that occurred in 1998, which was during a period of time that should have been covered by the report. Without any knowledge of those important activities, the Department warned that it might not approve another extension. We believe the Department's response would have been different if the report had included a description of those activities.

Thank you for your assistance, and please feel free to call me if you have any questions.

Best Regards,

Shonee

SHONEE D. LANGFORD | Attorney at Law
SCHWABE, WILLIAMSON & WYATT
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From: Craig Kohanek [<mailto:ron.c.kohanek@state.or.us>]
Sent: Monday, August 13, 2012 2:06 PM
To: Langford, Shonee D.
Subject: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Shonee,

I spoke with Dwight and what we request a statement to evidence that the water has been used for MINING/INDUSTRIAL USES (e.g. Dust control/abatement, drilling of test exploration holes, etc...). Please indicate a rate and volume of water being used with each activity. (I.e. tanker truck at # gallons per minute, how many trucks per day/week etc..).

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrdr.state.or.us

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Craig Kohanek

From: Langford, Shonee D. <SLangford@SCHWABE.com>
Sent: Wednesday, September 05, 2012 2:06 PM
To: Craig Kohanek
Subject: RE: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Craig,
When you have some time, I'd like to discuss your request below and Calico's progress in developing a response. Could you please call me at your earliest convenience?

Thanks.

Shonee

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- Having trouble finding documentation on water -

From: Craig Kohanek [<mailto:ron.c.kohanek@state.or.us>]
Sent: Monday, August 13, 2012 2:06 PM
To: Langford, Shonee D.
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evidence to BLM-geology -

- 796 gallons per minute -

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Craig Kohanek

From: Craig Kohanek
Sent: Tuesday, August 07, 2012 4:00 PM
To: 'Langford, Shonee D.'
Subject: RE: Reimbursement Authority for Calico Resources USA Corp.; project R11884-11, application G-11847 seeking an extension.
Attachments: 20120807144952039.pdf

Shonee,

Here you go.

R. Craig

From: Langford, Shonee D. [mailto:SLangford@SCHWABE.com]
Sent: Tuesday, August 07, 2012 3:09 PM
To: Craig Kohanek
Subject: RE: Reimbursement Authority for Calico Resources USA Corp.; project R11884-11, application G-11847 seeking an extension.

Craig,
Could you please send me a copy of the Feb 24, 2004 letter from OWRD, referenced in your email below? I have a copy of the OWRD application file, but cannot find that document. Thanks.

Shonee

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From: Craig Kohanek [mailto:ron.c.kohanek@state.or.us]
Sent: Tuesday, August 07, 2012 1:33 PM
To: Craig Kohanek; Langford, Shonee D.
Cc: Dwight French; Pagel, Martha
Subject: RE: Reimbursement Authority for Calico Resources USA Corp.; project R11884-11, application G-11847 seeking an extension.

Shonee,

I've checked with Dwight, how does Friday at 2:00pm work for you?

R. Craig

From: Langford, Shonee D. [mailto:SLangford@SCHWABE.com]
Sent: Monday, August 06, 2012 4:55 PM
To: Craig Kohanek
Cc: Dwight French; Pagel, Martha
Subject: RE: Reimbursement Authority for Calico Resources USA Corp.; project R11884-11, application G-11847 seeking an extension.

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Given this, it is the intention of the Department to issue an order denying the application for an extension of time for permit G-10994 unless you can provide evidence that there was diligence in developing the water use during the last approved extension period - 1998 thru 2008.

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Craig Kohanek

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Sent: Monday, August 06, 2012 1:54 PM
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Craig Kohanek

From: Langford, Shonee D. <SLangford@SCHWABE.com>
Sent: Tuesday, June 19, 2012 1:30 PM
To: Craig Kohanek
Subject: RE: Reimbursement authority project R11884-11 for Calico Resources USA Corp for application G-11847

Craig,
I'll see what we can dig up and get back to you soon. Thanks.

Shonee

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From: Craig Kohanek [<mailto:ron.c.kohanek@state.or.us>]
Sent: Wednesday, June 13, 2012 8:57 AM
To: Langford, Shonee D.
Subject: Reimbursement authority project R11884-11 for Calico Resources USA Corp for application G-11847

Shonee,

In the Claim of Beneficial Use on page 2 of Exhibit D there's a table that shows that Tombstone Exploration drilled nine exploration holes between 2/18/1998 and 4/3/1998 to further sample the Grassy Mountain deposit. I request that you provide the drilling logs or records for those exploration holes.

Thanks,

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrdd.state.or.us

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Craig Kohanek

From: Dwight French
Sent: Thursday, May 24, 2012 10:02 AM
To: Craig Kohanek
Subject: FW: Joel

I have checked with mike then Bill and I don't have a warm and fuzzy feeling about this. Bill was out and now Mike is out until June 11.

I'm not sure if we can wait this long.

Do we have to honor the signed contract with the fees paid? (Did they respond to our estimate in time?)

If the answer is no we can give the applicant a choice: Wait for in house processing (a couple months) or have us use an outside contract which will cost more.

Dwight

Dwight French
Water Right Services Division Administrator
503-986-0819

From: Bill Ferber
Sent: Thursday, May 24, 2012 8:39 AM
To: Dwight French
Subject: RE: Joel

Mike gets back June 11th.

Bill

William (Bill) Ferber P.E., C.W.R.E.
West Region Manager
☎ 503.986.0893 FAX 503.986.0903

Oregon Water Resources Department
725 Summer Street NE, Suite A
Salem, OR 97301-1266

e-mail William.E.FERBER@ wrd.state.or.us
website <http://www.wrd.state.or.us>

Messages to and from this email address may be available to the public under Oregon law.

From: Dwight French
Sent: Wednesday, May 23, 2012 1:59 PM
To: Bill Ferber
Subject: RE: Joel

I understand.

When is Mike returning?

Thanks,
Dwight

Dwight French
Water Right Services Division Administrator

503-986-0819

From: Bill Ferber
Sent: Wednesday, May 23, 2012 1:16 PM
To: Dwight French
Subject: RE: Joel

Dwight,

My apology for not getting back to you before now, I got back from vacation on Monday. Joel will be covering for Mike so he is booked up until then. If you still need him after Mike returns I can take another look.

Sorry for the inconvenience,
Bill

William (Bill) Ferber P.E., C.W.R.E.
West Region Manager
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From: Dwight French
Sent: Monday, May 07, 2012 3:04 PM
To: Bill Ferber
Subject: Joel

Hi Bill,
I've got a need and deal I'd like you to consider.
No pressure. Say no if you want to.

Before Joel found out he was defecting to FSD we (Craig and I) thought he would be available to work on a couple municipal extensions. We have received payment for one of the projects based on a bid form that Craig and Joel worked on. I'd like to borrow Joel for a few days some time during the next 3 weeks so he can do this work. But, if not, I will be able to have one of the transfer contractors do it - but it will cost the requestor more \$ and delay the process by a month or two (we need to provide some training to contractors so they can help us with this work in the future anyway).

Reimbursement authority fund dollars would pay for his time. The day's do not need to be consecutive. However, like I said, you can say no.

Thank you for your consideration,
Dwight

Dwight French
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To: Dwight French
Subject: RE: Joel

Dwight,

My apology for not getting back to you before now, I got back from vacation on Monday. Joel will be covering for Mike so he is booked up until then. If you still need him after Mike returns I can take another look.

Sorry for the inconvenience,
Bill

William (Bill) Ferber P.E., C.W.R.E.
West Region Manager
☎ 503.986.0893 FAX 503.986.0903

Oregon Water Resources Department
725 Summer Street NE, Suite A
Salem, OR 97301-1266

e-mail William.E.FERBER@wrđ.state.or.us
website <http://www.wrd.state.or.us>

Messages to and from this email address may be available to the public under Oregon law.

From: Dwight French
Sent: Monday, May 07, 2012 3:04 PM
To: Bill Ferber
Subject: Joel

Hi Bill,
I've got a need and deal I'd like you to consider.
No pressure. Say no if you want to.

Before Joel found out he was defecting to FSD we (Craig and I) thought he would be available to work on a couple municipal extensions. We have received payment for one of the projects based on a bid form that Craig and Joel worked on. I'd like to borrow Joel for a few days some time during the next 3 weeks so he can do this work. But, if not, I will be able to have one of the transfer contractors do it - but it will cost the requestor more \$ and delay the process by a month or two (we need to provide some training to contractors so they can help us with this work in the future anyway).

Reimbursement authority fund dollars would pay for his time. The day's do not need to be consecutive. However, like I said, you can say no.

Thank you for your consideration,
Dwight

Dwight French
Water Right Services Division Administrator
503-986-0819

Craig Kohanek

From: Craig Kohanek
Sent: Thursday, May 24, 2012 9:10 AM
To: 'Langford, Shonee D.'
Subject: RE: Reimbursement Authority Signed Contract R11884-11 for Calico Resources USA Corp.; application G-11847

Shonee,

No comments were received in response to the Department's public notice of the application. The PFO has not gone out yet, as the Reimbursement Authority group is short of staff. With a 45-day notice requirement of the PFO this will not be done till the end of July.

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrp.state.or.us

From: Langford, Shonee D. [<mailto:SLangford@SCHWABE.com>]
Sent: Wednesday, May 23, 2012 10:16 AM
To: Craig Kohanek
Subject: RE: Reimbursement Authority Signed Contract R11884-11 for Calico Resources USA Corp.; application G-11847

Hi Craig,
Please let me know if this extension application is still on track to be done within the next month or so. I don't think we've seen a PFO yet. I'm also curious if any public comments were filed. Thanks.

Shonee

SHONEE D. LANGFORD | Attorney at Law
SCHWABE, WILLIAMSON & WYATT
Direct: 503-540-4261 | Fax: 503-796-2900
Legal advisors for the future of your business®
www.schwabe.com

From: Craig Kohanek [<mailto:ron.c.kohanek@state.or.us>]
Sent: Thursday, February 23, 2012 8:40 AM
To: Langford, Shonee D.
Subject: Reimbursement Authority Signed Contract R11884-11 for Calico Resources USA Corp.; application G-11847

Shonee,

Attached is a copy of the fully executed Applicant's Agreement signed by the required parties. The agreement details the terms and conditions under which a Work Order was issued for the expedited services that you requested.

If you have any questions concerning the agreement or the program, please contact me.

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrд.state.or.us

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Craig Kohanek

From: Langford, Shonee D. <SLangford@SCHWABE.com>
Sent: Wednesday, May 23, 2012 10:16 AM
To: Craig Kohanek
Subject: RE: Reimbursement Authority Signed Contract R11884-11 for Calico Resources USA Corp.; application G-11847

Hi Craig,

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Shonee

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From: Craig Kohanek [<mailto:ron.c.kohanek@state.or.us>]
Sent: Thursday, February 23, 2012 8:40 AM
To: Langford, Shonee D.
Subject: Reimbursement Authority Signed Contract R11884-11 for Calico Resources USA Corp.; application G-11847

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If you have any questions concerning the agreement or the program, please contact me.

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrd.state.or.us

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Craig Kohanek

From: Craig Kohanek
Sent: Thursday, February 23, 2012 8:40 AM
To: Langford, Shonee D. (SLangford@SCHWABE.com)
Subject: Reimbursement Authority Signed Contract R11884-11 for Calico Resources USA Corp.; application G-11847
Attachments: RA Extension Contract Executed.pdf

Shonee,

Attached is a copy of the fully executed Applicant's Agreement signed by the required parties. The agreement details the terms and conditions under which a Work Order was issued for the expedited services that you requested.

If you have any questions concerning the agreement or the program, please contact me.

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrd.state.or.us



OREGON WATER RESOURCES DEPARTMENT
EXTENSION REIMBURSEMENT AUTHORITY
APPLICANT'S AGREEMENT



Contract Number: **R11884-11**

This Agreement is between the **Oregon Water Resources Department**, hereafter OWRD, and **Calico Resources USA Corp** hereafter Applicants, hereafter known together as the parties.

OWRD Information

Project Contact: R. Craig Kohanek
Reimbursement Authority
Oregon Water Resources Department

725 Summer Street, NE

Salem, OR 97301-1271

Phone: 503-986-0823

Email: Ron.c.kohanek@wrds.state.or.us

Applicant's Information

Name: **Bill Wagener**
Title: **President & CEO**
Company: **Calico Resources USA Corp**

Address: **834-F South Perry St. PMB-**

131

Castle Rock, CO 80104

Phone:

Email:

Applicant's Representative

Name: **Martha O. Page**
Title: **Representative**
Company: **Schwabe, Williamson & Wyatt**

Address: **530 Center St. NE, Suite 400**

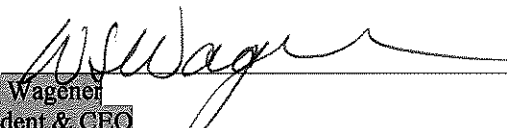
Salem, OR 97301


Phone: **503-540-4260**

Email: mpage@schwabe.com

1. **Purpose.** The purpose of this Agreement is to expedite the processing of the **Water Right Extension Application. (Application Number: G-11847)**
2. **Authority.** ORS 536.055 authorizes the OWRD to enter into a voluntary agreement with any applicant, permittee or regulated entity (collectively Applicant) for expediting or enhancing a regulatory process. In making this agreement, OWRD shall require the applicant to pay the full cost of expedited process.
3. **Restrictions.** **Calico Resources USA Corp** and OWRD agree that this Agreement shall not be construed to restrict in any way the decisions and actions by OWRD. OWRD shall be free to exercise independent judgment consistent with existing laws and regulations.
4. **Effective Date and Duration.** Unless otherwise terminated by non-deposit of funds by the Applicant, this Agreement shall become effective on the date on which both parties have signed the Agreement and the full deposit of the estimated cost of the proposed service has been received by OWRD.
5. **Consideration.** **Calico Resources USA Corp** shall pay OWRD in advance for actual costs incurred by OWRD. **Calico Resources USA Corp** agrees to pay the full amount of **\$520** to OWRD prior to commencement of any work stated in this Agreement. This payment will be placed in an account administered by OWRD and drawn upon as costs are actually incurred. If the actual cost of performing the work is less than payments received, OWRD will refund the unspent balance. If the actual cost of processing exceeds the estimate, the Applicant can either elect to terminate this Agreement or amend the Agreement to reflect the increase in cost. The costs stated in this Agreement do not include the statutory application processing and filing fees.
6. **Confidentiality.** **Calico Resources USA Corp** agrees that any information provided to or acquired by OWRD under this Agreement will be subject to the Oregon Public Records Law and shall be considered public records.
7. **Indemnity.** Applicant shall defend, save, hold harmless, and indemnify the State of Oregon, OWRD, and their officers, employees, and agents from and against all claims, suits, actions, losses, damages, liabilities, costs and expenses of any nature resulting from or arising out of, or relating to the activities of Applicant or its representatives, officers, employees, contractors, or agents under this Agreement or with respect to the expedited service. The Applicant acknowledges that the Oregon Water Resources Department cannot and does not guarantee a favorable review under the subject regulatory process.

8. **Termination.** Applicant may request to terminate this agreement only in writing at anytime during the process. The Applicant agrees to pay for the work done by the Reimbursement Authority personnel up until the time of the written termination request. OWRD, upon receiving such written termination request from the Applicant, will refund any unspent balance after paying the Reimbursement Authority personnel for the work done.
9. **Funds Authorized and Available.** By its execution of this Agreement, Applicants certifies that sufficient funds are authorized and available to cover the expenditures contemplated by this Agreement.
10. **Duration of Estimate.** The Estimate of Time to complete the work (including the required public notice and protest periods) is no later than one-hundred twenty (120) days once this Agreement has been fully executed and payment of the estimated cost deposited. However, this estimate is contingent on the Applicant's expeditious resolution of any deficiency and may be affected by the Department's work load. This Estimate of Time may become null and void after thirty (30) days from the date the Applicant's Agreement is mailed. If the Applicant's Agreement is not received by the Department within thirty (30) days of mailing the Agreement, the Applicant may need to re-apply for a new estimate.
11. **Completion Date.** OWRD, by the execution of this Agreement does not guarantee the completion date indicated in this Agreement. Completion date is only an estimate and may be affected by the Department's workload, issues arising from the processing of the requested services and Applicant's timely response to requests for additional information.
12. **Captions.** The captions or headings in this Agreement are for the convenience only and in no way define limit or describe the scope or intent of any provision of this Agreement.
13. **Amendment and Merger.** The terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever, except by written instrument signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instance and for the specific purpose given. There are no understandings, agreements or representations, oral or written, not specified herein regarding this Agreement.
14. **Signatures.** All parties, by the authorized representative's signature below, hereby acknowledge that they have read this Agreement, understand it and agree to be bound by its terms and conditions.

Applicant: 
 Name: Bill Wagener
 Title: President & CEO
 Company: Calico Resources USA Corp
 Date: _____

For OWRD: FEBRUARY 15, 2012  R. Craig Kohanek
 Name: R. Craig Kohanek
 Water Rights and Adjudication Division
 Date: February 23, 2012

Mail signed Agreement to:

R. Craig Kohanek
Oregon Water Resources Department
725 Summer Street NE, Suite A
Salem, OR 97301-1271

Craig Kohanek

From: Langford, Shonee D. <SLangford@SCHWABE.com>
Sent: Wednesday, February 15, 2012 9:02 AM
To: Craig Kohanek
Cc: Pagel, Martha
Subject: FW: RA Certificate Estimate for Calico Resources USA Corp.; R11884-11 involving application #G-11847
Attachments: RA Extension Contract.pdf

Craig,
Could you please change Calico's address on the attached contract to:

Calico Resources USA Corp.
834-F South Perry St.
PMB-131
Castle Rock, CO 80104

Please send the revised contract to me and I'll arrange for signature and payment of the fee. Thanks.

Shonee

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From: Craig Kohanek [<mailto:ron.c.kohanek@state.or.us>]
Sent: Monday, February 13, 2012 3:35 PM
To: Pagel, Martha
Subject: RA Certificate Estimate for Calico Resources USA Corp.; R11884-11 involving application #G-11847

Martha,

Please find the attached estimate and agreement to process your clients application. If the proposed agreement is acceptable to you and your client, please return a signed copy to our office along with the payment of the estimated cost to process the application.

If you have any questions, please call me.

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrdd.state.or.us

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Craig Kohanek

From: Craig Kohanek
Sent: Monday, February 13, 2012 3:35 PM
To: mpagel@schwabe.com
Subject: RA Certificate Estimate for Calico Resources USA Corp.; R11884-11 involving application #G-11847
Attachments: RA Extension Contract.pdf

Martha,

Please find the attached estimate and agreement to process your clients application. If the proposed agreement is acceptable to you and your client, please return a signed copy to our office along with the payment of the estimated cost to process the application.

If you have any questions, please call me.

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrд.state.or.us



**OREGON WATER RESOURCES DEPARTMENT
EXTENSION REIMBURSEMENT AUTHORITY
ESTIMATE APPLICATION**



ORS 536.055 authorizes the Oregon Water Resources Department to expedite or enhance regulatory processes voluntarily requested under the agreement.

The purpose of this application is to obtain estimates of the cost and time required to process a Water Right Extension Request. There is a non-refundable application fee of \$125.00 per request.

<u>REQUEST</u>	<u>TYPE</u>	<u>FILE NUMBER</u>	
<input checked="" type="checkbox"/>	Extension Request	Application Number	<u>G-11847</u>
		Permit Number	<u>G-10994</u>

	<u>Applicant Information</u>	<u>Applicant's Representative/Contact</u>
Name:	Calico Resources USA Corp	Martha O. Pagel
Title (optional):	c/o Bill Wagener, President and CEO	Schwabe, Williamson & Wyatt
Address:	122 A Street East, PO Box Q	530 Center St NE, Suite 400
	Vale, OR 97918	Salem, OR 97301
Phone:	See agent info	503-540-4260
E-Mail Address:	See agent info	mpagel@schwabe.com

I certify that I (check one):

- have previously filed an application for Extension of Time for a Water Right Permit.
 am attaching the application for Extension of Time for a Water Right Permit and have included the appropriate application fee.

I understand the following:

- That upon receipt of my non-refundable application fee in the amount of **\$ 125.00**, OWRD will, within fourteen (14) days, notify me in writing of the estimates of cost and time frame for the expedited service.
- That this fee covers the reimbursement authority staff to evaluate and provide the estimate for processing of the request.
- That upon receiving the estimate I may agree or decline to enter into a formal contract to pay the estimated cost in advance to initiate the expedited service.
- An incomplete or inaccurate application for Extension of Time for a Water Right Permit may delay the process and increase the cost to process my request.
- Expedited processing does not guarantee a favorable review of my request.

You may request a one-hour conference with OWRD staff. The conference would only occur after you have signed the contract and paid the estimated cost of processing your application. Please indicate your preference (check one):

- I do not want to schedule a one-hour conference with OWRD staff.
 I want to schedule a one-hour conference with OWRD staff to discuss my project. I understand that I will be billed for this time, and that it may affect my total costs.

Send completed Application and payment to:
**Oregon Water Resources Department
 Extension Reimbursement Authority Program
 725 Summer St. NE, Suite A
 Salem, OR 97301-1271**

RECEIVED

FEB 8 2012

WATER RESOURCES DEPT
 SALEM, OREGON

I certify that I am the (check one):

- Applicant Applicant's Representative Other (Please specify) _____

Name: Martha O. Pagel

Signature: _____

OWRD USE ONLY: Reimbursement Authority Number: R11 884 11

Craig Kohanek

From: Lorraine Ramsey
Sent: Wednesday, February 08, 2012 2:30 PM
To: Sandra Todd
Cc: Craig Kohanek; Salem Opeifa; Jon Unger
Subject: EXTENSION REQUEST RA #

Hello,

Applicant: Calico Resources USA Corp

Related to Application G-11847

Receipt # 105007

Thanks,

Lorraine

Craig Kohanek

From: Sandra Todd
Sent: Wednesday, February 08, 2012 3:01 PM
To: Lorraine Ramsey
Cc: Craig Kohanek; Salem Opeifa; Jon Unger
Subject: RE: EXTENSION REQUEST RA #

R11884 11 PCA 47126

Thank you.

Sandy

From: Lorraine Ramsey
Sent: Wednesday, February 08, 2012 2:30 PM
To: Sandra Todd
Cc: Craig Kohanek; Salem Opeifa; Jon Unger
Subject: EXTENSION REQUEST RA #

Hello,

Applicant: Calico Resources USA Corp

Related to Application G-11847

Receipt # 105007

Thanks,

Lorraine

**Oregon Water Resources Department
Water Right Services Division**

Application for Extension of Time

In the Matter of the Application for an Extension of Time)
for Permit G-10994, Water Right Application G-11847) PROPOSED FINAL ORDER
in the name of Seabridge Gold Corp)

Permit Information

Application File G-11847 Permit G-10994

Basin: 10 – Malheur / Watermaster District 9

Date of Priority: November 15, 1988

Authorized Use of Water

Source of Water: 2 wells and supplemented by waters from an open pit mine
within the Sand Hollow Creek Basin

Purpose of Use: Mining/industrial uses

Maximum Rate: 2 Cubic Feet per Second (cfs)

**This Extension of Time request is being processed in accordance with Oregon
Administrative Rule Chapter 690, Division 315**

***Please read this Proposed Final Order in its entirety as it contains
additional conditions not included in the original permit.***

This Proposed Final Order applies only to Permit G-10994, water right Application G-11847.
A copy of Permit G-10994 is enclosed as Attachment 1.

Summary of Proposed Final Order for Extension of Time

The Department proposes to:

- Grant an extension of time for complete construction of the water system from October 1, 2008 to October 1, 2028.
- Grant an extension of time to apply water to full beneficial use from October 1, 2008 to October 1, 2028.
- Make the extension subject to certain conditions set forth below.

ACRONYM QUICK REFERENCE

Department – Oregon Department of Water Resources
PFO – Proposed Final Order

Units of Measure

cfs – cubic feet per second
gpm – gallons per minute

AUTHORITY

Generally, see **ORS 537.630** and **OAR Chapter 690 Division 315**.

ORS 537.630(1) provide in pertinent part that the Oregon Water Resources Department (Department) may, for good cause shown, order an extension of time within which: irrigation or other works shall be completed; the well or other means of developing and securing ground water shall be completed; or the right perfected. In determining the extension, the Department shall give due weight to the considerations described under **ORS 539.010(5)** and to whether other governmental requirements relating to the project have significantly delayed completion of construction or perfection of the right.

ORS 539.010(5) provides in pertinent part that the Water Resources Director, for good cause shown, may extend the time within which the full amount of the water appropriated shall be applied to a beneficial use. This statute instructs the Director to consider: the cost of the appropriation and application of the water to a beneficial purpose; the good faith of the appropriator; the market for water or power to be supplied; the present demands therefore; and the income or use that may be required to provide fair and reasonable returns upon the investment.

OAR 690-315-0040 provides in pertinent part that the Water Resources Department shall make findings to determine if an extension of time may be approved to complete construction and/or apply water to full beneficial use.

OAR 690-315-0050(5) states that extension orders may include, but are not limited to, any condition or provision needed to: ensure future diligence; mitigate the effects of the subsequent development on

competing demands on the resource; and periodically document the continued need for the permit.

OAR 690-315-0050(6) requires the Department, for extensions exceeding five years, to establish checkpoints to determine if diligence is being exercised in the development and perfection of the water use permit. Intervals between checkpoints will not exceed five year periods.

FINDINGS OF FACT

Background

1. Permit G-10994 was granted by the Department on April 5, 1990 to Atlas Precious Metals, Inc. On December 2, 2003, the permit was assigned to Seabridge Gold Corporation. The permit authorizes the use of up to 2 cfs of water from 2 wells and supplemented by waters from an open pit mine for mining/industrial uses. The permit specified construction of the water system was to be completed by October 1, 1992, and complete application of water was to be made on or before October 1, 1993.
2. Five prior permit extensions have been granted for Permit G-10994. The most recent extension request resulted in the completion dates for construction and full application of water being extended from October 1, 1997 to October 1, 2008.
3. Calico Resources USA Corp. on behalf of the permit holder, Seabridge Gold Corp., submitted an "Application for Extension of Time" to the Department on February 8, 2012 requesting the time to complete construction of the water system and the time to apply water to full beneficial use under the terms and conditions of Permit G-10994 be extended from October 1, 2008 to October 1, 2028.
4. Notification of the Application for Extension of Time for Permit G-10994 was published in the Department's Public Notice dated February 21, 2012. No public comments were received regarding the extension application.
5. On November 28, 2003, a progress report was received as required by the previous extension order from the permit holder's consultant. The Department notified the permit holder on February 24, 2004, that diligence toward completion of the project and/or compliance with the terms and conditions of the permit and extension was questionable. Also, because diligence was questionable, the notification indicated an additional extension of time for Permit # G-10994 will likely not be approved by the Department.

Review Criteria [OAR 690-315-0040]

The time limits to complete construction and/or apply water to full beneficial use may be extended if the Department finds that the permit holder has met the requirements set forth under OAR 690-315-0040. This determination shall consider the applicable requirements of ORS 537.230¹, 537.248², 537.630³ and/or 539.010(5)⁴.

¹ORS 537.230 applies to surface water permits only.

²ORS 537.248 applies to reservoir permits only.

Complete Extension of Time Application [OAR 690-315-0040(1)(a)]

6. On February 21, 2012, the Department received a completed Application for Extension of Time and the fee specified in ORS 536.050 from the permit holder.

Start of Construction [OAR 690-315-0040(1)(b) and 690-315-0040(5)]

7. Actual construction of the well began prior to the April 5, 1991 deadline specified in the permit.

Duration of Extension [OAR 690-315-0040(1)(c)]

Under OAR 690-315-0040(1)(c), in order to approve an extension of time for water use permits the Department must find that the time requested is reasonable and the applicant can complete the project within the time requested.

8. As of February 21, 2012, the remaining work to be completed consists of completing construction of the water system and applying water to full beneficial use.
9. Given the amount of development left to occur, the Department has determined that the permit holder's request to have until October 1, 2028, to complete construction of the water system and to accomplish the application of water to beneficial use under the terms and conditions of Permit G-10994 is both reasonable and necessary.

Good Cause [OAR 690-315-0040(1)(d)]

The Department's determination of good cause shall consider the requirements set forth under OAR 690-315-0040(2).

Reasonable Diligence of the Appropriator [OAR 690-315-0040(2)(a)]

The Department's determination of reasonable diligence shall consider the requirements set forth under OAR 690-315-0040(3)(a-d). In accordance with OAR 690-315-0040(3), the Department shall consider, but is not limited to, the following factors when determining whether the applicant has demonstrated reasonable diligence in previous performance under the permit:

Amount of Construction [OAR 690-315-0040(3)(a)]

10. Work was accomplished within the time allowed in the permit or previous extension as follows:
 - a. Construction of the wells and water system began prior to the April 5, 1991 deadline specified in the permit.
 - b. Work was completed (specified in the Application for an Extension of Time) during the original development time frame under Permit G-10994.

Beneficial Use of Water [OAR 690-315-0040(3)(b)]

³ORS 537.630 applies to ground water permits only.

⁴ORS 539.010(5) applies to surface water and ground water permits.

11. The following beneficial use of water was made during the permit or previous extension time limits:
 - a. Since the issuance of Permit G-10994 on April 5, 1990, a maximum rate of 79 gallons per minute (0.18 cfs) of water has been appropriated from a well for mining/industrial uses.
 - b. *Delay of full beneficial use of water under Permit G-10994 was due, in part, to a previous permit holder filing for bankruptcy and the delay in selling of the right for mining. The current permit holder needs more time in which to gain approval from the Oregon Department of Geology and Mineral Industries and the authorization from the Federal Bureau of Land Management to construct mining facilities, complete the water system and fully apply water to beneficial use allowed under the permit.

Compliance with Conditions [OAR 690-315-0040(3)(c)]

12. The water right permit holder's conformance with the permit or previous extension conditions.
 - a. *The Department has considered the permit holder's compliance with conditions, and has identified the following concerns: (1) the record does not show the maintenance and use of adequate treatment facilities to remove sediment before returning the water to the stream.
 - b. Failure to comply with permit conditions constitutes illegal use of water. The use of water under this permit, therefore, has not yet been demonstrated. In order to legally perfect the use of water under this permit, the permit holder must demonstrate that all conditions of the permit have been satisfied.

Financial Investments [OAR 690-315-0040(3)(d)]

13. Financial investments made toward developing the beneficial water use.
 - a. As of February 21, 2012, the permit holder has invested approximately \$14,770,760, which is approximately 68 percent of the total projected cost for complete development of this project. The permit holder anticipates an additional \$88mm-118mm investment is needed for the completion of this project.

Cost to Appropriate and Apply Water to a Beneficial Purpose [OAR 690-315-0040(2)(b)]

14. As of February 21, 2012, the permit holder has invested approximately \$14,770,760 which is approximately 68 percent of the total projected cost for complete development of this project. The permit holder anticipates an additional \$88mm-118mm investment is needed for the completion of this project.

Good Faith of the Appropriator [OAR 690-315-0040(2)(c)]

15. The Department has found good faith of the appropriator under Permit G-10994.

The Market and Present Demands for Water [OAR 690-315-0040(2)(d-e)]

The Department's determinations of market and present demand for water or power to be supplied shall consider the requirements set forth under OAR 690-315-0040(4)(a-f). In accordance with OAR 690-315-0040(4), the Department shall consider, but is not limited to, the following factors when determining the market and the present demand for water or power to be supplied:

16. The amount of water available to satisfy other affected water rights and scenic waterway flows; special water use designations established since permit issuance, including but not limited to state scenic waterways, federal wild and scenic rivers, serious water management problem areas or water quality limited sources established under 33 U.S.C. 1313(d); or the habitat needs of sensitive, threatened or endangered species, in consultation with the Oregon Department of Fish and Wildlife [OAR 690-315-0040(4)(a-c)].

- a. The amount of water available to satisfy other affected water rights and scenic waterway flows was determined at the time of issuance of Permit G-10994; furthermore, water availability for other affected water rights and scenic waterway flows after the permit was issued is determined at such time that such application for a new water right is submitted. The points of appropriation for Permit G-10994, located within the Sand Hollow Creek Basin, are not located within a limited or critical ground water area. Sand Hollow Creek is not located within or above any state or federal scenic waterway, however it is located within an area ranked "low" for stream flow restoration needs as determined by the Department in consultation with the Oregon Department of Fish and Wildlife, and is not located within a Sensitive, Threatened or Endangered Fish Species Area as identified by the Department in consultation with Oregon Department of Fish and Wildlife. Sand Hollow Creek is not listed by the Department of Environmental Quality as a water quality limited stream.

17. Economic investment in the project to date [OAR 690-315-0040(4)(d)].

- a. As of February 21, 2012, the permit holder has invested approximately \$14,770,760.

18. Other economic interests dependent on completion of the project [OAR 690-315-0040(4)(e)].

- a. None have been identified.

19. Other factors relevant to the determination of the market and present demand for water and power [OAR 690-315-0040(4)(f)].
 - a. None have been identified.
20. *OAR 690-315-0050(5) provides for extension orders to include, but are not limited to, any condition or provision needed to ensure future diligence, and/or mitigate the effects of the subsequent development on competing demands on the resource. The Department determined the need to place a "Last Extension Condition" on this extension of time in order to ensure diligence is exercised in the development and perfection of the water use permit. This condition, specified under Item 1 of the "Conditions" section of this PFO, was determined to be necessary due to a progress report received on November 28, 2003, as required by the previous extension order. The Department notified the permit holder that diligence toward completion of the project and/or compliance with the terms and conditions of the permit and extension was questionable. Also, because diligence was questionable, the notification indicated an additional extension of time for Permit # G-10994 will likely not be approved by the Department.
21. OAR 690-315-0050(6) requires the Department to place a checkpoint condition on this extension of time in order to ensure diligence is exercised in the development and perfection of the water use permit. A "Checkpoint Condition" is specified under Item 2 of the "Conditions" section of this PFO to meet this condition.

Fair Return Upon Investment [OAR 690-315-0040(2)(f)]

22. Use and income from the permitted water development results in reasonable returns upon the investment made to date.

Other Governmental Requirements [OAR 690-315-0040(2)(g)]

23. Delay in the development of this project was not caused by any other governmental requirements.

Unforeseen Events [OAR 690-315-0040(2)(h)]

24. The Department has not identified any unforeseen events over which the permit holder had no control and which delayed development under Permit G-10994.

CONCLUSIONS OF LAW

1. The applicant is entitled to apply for an extension of time to complete construction and/or completely apply water to the full beneficial use pursuant to ORS 537.630(1).
2. The applicant has submitted a complete extension application form and the fee specified in ORS 536.050, as required by OAR 690-315-0040(1)(a).
3. The applicant complied with begin actual construction timeline requirements pursuant to ORS 537.630 as required by OAR 690-315-0040(1)(b) and OAR 690-315-0040(5).
4. Completion of construction and full application of water to beneficial use can be accomplished by October 1, 2028⁵, as required by OAR 690-315-0040(1)(c).
5. The Department has considered the reasonable diligence and good faith of the appropriator, the cost to appropriate and apply water to a beneficial purpose, the market and present demands for water to be supplied, the financial investment made and fair and reasonable return upon the investment, the requirements of other governmental agencies, and unforeseen events over which the permit holder had no control, whether denial of the extension will result in undue hardship to the applicant and whether there are no other reasonable alternatives for meeting water use needs, any other factors relevant to a determination of good cause, and has determined that the applicant has shown that good cause exists for an extension of time to apply water to full beneficial use pursuant to OAR 690-315-0040(1)(d).
6. As required by OAR 690-315-0050(6) and as described in Finding 18 above, the Department has established, as specified in the "Conditions" section of this PFO (Item 2), progress checkpoints in order to ensure future diligence is exercised in the development and perfection of Permit G-10994.
7. As authorized in OAR 690-315-0050(5) and as described in Finding 20 above, the Department has established, as specified in the "Conditions" section of this PFO (Item 1), a "Last Extension Condition" in order to ensure future diligence is exercised in the development and perfection of Permit G-10994.

Proposed Order

Based upon the foregoing Findings of Fact and Conclusions of Law, the Department proposes to issue an order to:

⁵Pursuant to ORS 537.630(4), upon the completion of beneficial use of water allowed under the permit, the permittee shall hire a certified water rights examiner to survey the appropriation. Within one year after the complete application of water to a beneficial use (or by the date allowed for the complete application of water to a beneficial use), the permittee shall submit a map of the survey and a new or revised claim of beneficial use as deemed appropriate by the Department.

Extend the time for complete construction of the water system under Permit G-10994 from October 1, 2008 to October 1, 2028.

Extend the time to apply water to beneficial use under Permit G-10994 from October 1, 2008 to October 1, 2028.

Subject to the following conditions:

CONDITIONS

1. **Last Extension Condition**

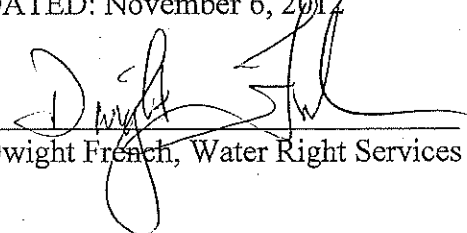
This is to be the last extension of time granted for Permit G-10994 if approval from the Oregon Department of Geology and Mineral Industries and the Federal Bureau of Land Management is not obtained by October 1, 2022. Any future extensions of time requests will be denied.

2. **Checkpoint Condition**

The permit holder must submit a completed Progress Report Form to the Department by **October 1, 2017, October 1, 2022, and October 1, 2027. A form will be enclosed with your Final Order.**

- (a) At each checkpoint, the permit holder shall submit and the Department shall review evidence of the permit holder's diligence towards completion of the project and compliance with terms and conditions of the permit and extension. If, after this review, the Department determines the permit holder has not been diligent in developing and perfecting the water use permit, or complied with all terms and conditions, the Department shall modify or further condition the permit or extension to ensure future compliance, or begin cancellation proceedings on the undeveloped portion of the permit pursuant to ORS 537.260 or 537.410, or require submission of a final proof survey pursuant to ORS 537.250;
- (b) The Department shall provide notice of receipt of progress reports in its weekly notice and shall allow a 30 day comment period for each report. The Department shall provide notice of its determination to anyone who submitted comments.

DATED: November 6, 2012


Dwight French, Water Right Services Administrator

*If you have any questions,
please check the information
box on the last page for the
appropriate names and
phone numbers.*

Proposed Final Order Hearing Rights

1. Under the provisions of OAR 690-315-0100(1) and 690-315-0060, the applicant or any other person adversely affected or aggrieved by the proposed final order may submit a written protest to the proposed final order. The written protest must be received by the Water Resources Department no later than **December 21, 2012**, being 45 days from the date of publication of the proposed final order in the Department's weekly notice.
2. A written protest shall include:
 - a. The name, address and telephone number of the petitioner;
 - b. A description of the petitioner's interest in the proposed final order and if the protestant claims to represent the public interest, a precise statement of the public interest represented;
 - c. A detailed description of how the action proposed in the proposed final order would adversely affect or aggrieve the petitioner's interest;
 - d. A detailed description of how the proposed final order is in error or deficient and how to correct the alleged error or deficiency;
 - e. Any citation of legal authority supporting the petitioner, if known;
 - f. Proof of service of the protest upon the water right permit holder, if petitioner is other than the water right permit holder; and
 - g. The applicant or non-applicant protest fee required under ORS 536.050.
3. Within 60 days after the close of the period for requesting a contested case hearing, the Director shall:
 - a. Issue a final order on the extension request; or
 - b. Schedule a contested case hearing if a protest has been submitted, and:
 - 1) Upon review of the issues, the Director finds there are significant disputes related to the proposed agency action; or
 - 2) The applicant submits a written request for a contested case hearing within 30 days after the close of the period for submitting protests.

-
- If you have any questions about statements contained in this document, please contact Joan Smith at 503-986-0898.
 - If you have questions about how to file a protest or if you have previously filed a protest and you want to know the status, please contact Patricia McCarty at 503-986-0819.
 - If you have any questions about the Department or any of its programs, please contact our Water Resources Customer Service Group at 503-986-0801.
 - Address any correspondence to : Water Right Services Division
725 Summer St NE, Suite A
Salem, OR 97301-1266
Fax: 503-986-0901
-

Mailing List for Extension PFO Copies

PFO Date: November 6, 2012

Copies Mailed

**Application G-11847
Permit G-10994**

By: CH
On: 11.6.12

Original mailed to Applicant:

Seabridge Gold Corp
172 King Street E
Toronto, Ontario, Canada M5A 1J3

Bill Wagener, President and CEO
Calico Resources USA Corp
122 A Street East
PO Box Q
Vale, OR 97918

Copies sent to:

1. WRD - App. File G-11847/ Permit G-10994
2. WRD - Watermaster District 9, Ron Jacobs

Fee paid as specified under ORS 536.050 to receive copy:

3. None

Receiving via e-mail (10 AM Tuesday of signature date) (DONE BY EXTENSION SPECIALIST)

4. Martha O. Pagel, Schwabe, Williamson & Wyatt, Agent.
Email: mpagel@schwabe.com

CASEWORKER: JMS

Craig Kohanek

From: Langford, Shonee D. <SLangford@SCHWABE.com>
Sent: Thursday, September 27, 2012 2:21 PM
To: Craig Kohanek
Subject: RE: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Craig,
Thank you for the update. We appreciate your careful review of the file and look forward to the final word after you have discussed with Dwight.

Shonee

SHONEE D. LANGFORD | Attorney at Law
SCHWABE, WILLIAMSON & WYATT
Direct: 503-540-4261 | Fax: 503-796-2900
Legal advisors for the future of your business®
www.schwabe.com

From: Craig Kohanek [<mailto:ron.c.kohanek@state.or.us>]
Sent: Thursday, September 27, 2012 1:54 PM
To: Langford, Shonee D.
Subject: RE: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Shonee,

Dwight is out of the office all this week. However, I have reviewed the file thoroughly and plan to recommend to him to grant the extension from 10/1/2008 to 10/1/2028. My recommendation will be to include the LAST EXTENSION condition in order to ensure future diligence is exercised in the development and perfection of Permit G-10994.

R. Craig Kohanek

From: Langford, Shonee D. [<mailto:SLangford@SCHWABE.com>]
Sent: Wednesday, September 05, 2012 2:06 PM
To: Craig Kohanek
Subject: RE: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Craig,
When you have some time, I'd like to discuss your request below and Calico's progress in developing a response. Could you please call me at your earliest convenience?

Thanks.

Shonee

SHONEE D. LANGFORD | Attorney at Law
SCHWABE, WILLIAMSON & WYATT

Direct: 503-540-4261 | Fax: 503-796-2900
Legal advisors for the future of your business@
www.schwabe.com

From: Craig Kohanek [<mailto:ron.c.kohanek@state.or.us>]
Sent: Monday, August 13, 2012 2:06 PM
To: Langford, Shonee D.
Subject: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Shonee,

I spoke with Dwight and what we request a statement to evidence that the water has been used for MINING/INDUSTRIAL USES (e.g. Dust control/abatement, drilling of test exploration holes, etc...). Please indicate a rate and volume of water being used with each activity. (I.e. tanker truck at # gallons per minute, how many trucks per day/week etc..).

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrdd.state.or.us

To comply with IRS regulations, we are required to inform you that this message, if it contains advice relating to federal taxes, cannot be used for the purpose of avoiding penalties that may be imposed under federal tax law. Any tax advice that is expressed in this message is limited to the tax issues addressed in this message. If advice is required that satisfies applicable IRS regulations, for a tax opinion appropriate for avoidance of federal tax law penalties, please contact a Schwabe attorney to arrange a suitable engagement for that purpose.

NOTICE: This communication (including any attachments) may contain privileged or confidential information intended for a specific individual and purpose, and is protected by law. If you are not the intended recipient, you should delete this communication and/or shred the materials and any attachments and are hereby notified that any disclosure, copying or distribution of this communication, or the taking of any action based on it, is strictly prohibited. Thank you.



SCHWABE, WILLIAMSON & WYATT
ATTORNEYS AT LAW

Equitable Center, 530 Center St., NE, Suite 400, Salem, OR 97301 | Phone 503.540.4262 | Fax 503.399.1645 | www.schwabe.com

SHONEE D. LANGFORD
Direct Line: Salem 503-540-4261; Portland 503-796-2896
E-Mail: slangford@schwabe.com

RECEIVED

MAR 07 2013

WATER RESOURCES DEPT
SALEM, OREGON

March 7, 2013

BY HAND DELIVERY

Jerry Sauter
Oregon Water Resources Department
725 Summer St NE Ste A
Salem, OR 97301-1271

Re: Request for Assignment, Permit G-10994
Our File No.: 124158/183676

Dear Jerry:

Enclosed for filing on behalf of Calico Resources USA Corp is a Request for Assignment of the above-referenced permit. Please deduct the \$75.00 fee from Schwabe, Williamson & Wyatt's account with the Department.

Thank you for your assistance.

Best regards,

Shonee D. Langford

SDL:kdo

cc: (all via email; w/encl.)
Vance Thornsberry
C. Lynn Casburn

Oregon Water Resources Department
Water Right Services Division

Water Rights Application
Number G-11847

Final Order
Extension of Time for Permit Number G-10994
Permit Holder: Seabridge Gold Corp

Appeal Rights

This is a final order in other than a contested case. This order is subject to judicial review under ORS 183.484. A request for judicial review must be filed within the 60 day time period specified by ORS 183.484(2). Pursuant to ORS 536.075 and OAR 137-004-0080 you may either file for judicial review, or petition the Director for reconsideration of this order. A petition for reconsideration may be granted or denied by the Director, and if no action is taken within 60 days following the date the petition was filed, the petition shall be deemed denied.

Application History

Permit G-10994 was issued by the Department on April 5, 1990 to Atlas Precious Metals, Inc. On December 2, 2003, the permit was assigned to Seabridge Gold Corporation. The permit called for completion of construction by October 1, 1992 and complete application of water to beneficial use by October 1, 1993. Five prior permit extensions have been granted for Permit G-10994. The most recent extension request resulted in the completion dates for construction and full application of water being extended from October 1, 1997 to October 1, 2008. On February 8, 2012, Calico Resources USA Corp. on behalf of the permit holder, Seabridge Gold Corp., submitted to the Department an Application for Extension of Time for Permit G-10994. On June 12, 2012, the Department issued a Proposed Final Order proposing to extend the time to complete construction to October 1, 2028 and the time to fully apply water to beneficial use to October 1, 2028. The protest period closed July 27, 2012. No protest was filed.

On November 6, 2012, the Department issued a superceding Proposed Final Order proposing to extend the time to complete construction to October 1, 2028 and the time to fully apply water to beneficial use to October 1, 2028. Comments were received from Martha Pagel, on behalf of Calico Resources USA Corp dated December 5, 2012.

The protest period closed December 21, 2012. No protest was filed.

The Department adopts and incorporates by reference the Proposed Final Order dated November 6, 2012, with the exception of three changes described below:

1: New Finding of Fact Number 12:

Compliance with Conditions [OAR 690-315-0040(3)(c)]

The water right permit holder's conformance with the permit or previous extension conditions.

- a. The Department has considered the permit holder's compliance with conditions and has not identified any concerns.

Explanation for change in finding: In the November 6, 2012, Proposed Final Order, the Department stated that "the record does not show the maintenance and use of adequate treatment facilities to remove sediment before returning the water to the stream." This concern has been satisfied by the December 5, 2012 letter which explains that there have been no discharges to the stream. This eliminates the necessity for the permit holder to install or maintain treatment facilities.

2: New finding of Fact Number 24:

Unforeseen Events [OAR 690-315-0040(2)(h)]

The Department recognizes that there have been at least two unforeseen events that have contributed to the delay of the development of this project: (1) the bankruptcy of former permit holder Atlas and resulting sale of the property to Seabridge (which occurred during the last extension period, between 1999 and 2003); and (2) a significant drop in the price of gold, which only began to recover near the end of the extension period.

Explanation for change in finding: The December 5, 2012, letter from Ms. Pagel points out, and clarifies, information already in the record relative to the delay in development.

3: Last Extension Condition:

In consultation with Ms. Pagel's office, and consistent with the December 5, 2012 letter, the Department has agreed to a change in condition wording that is clearer and should reduce the potential for confusion in the future:

New Last Extension Condition:

"This is to be the last extension of time granted for Permit G-10994. Any future extensions of time requests will be denied."

The Department concluded that, based on the factors demonstrated by the applicant, the permit may be extended subject to the following conditions:

CONDITIONS

1. Last Extension Condition

This is to be the last extension of time granted for Permit G-10994. Any future extensions of time requests will be denied.

2. Checkpoint Condition

The permit holder must submit a completed Progress Report Form to the Department by **October 1, 2017, October 1, 2022, and October 1, 2027. A form will be enclosed with your Final Order.**

- (a) At each checkpoint, the permit holder shall submit and the Department shall review evidence of the permit holder's diligence towards completion of the project and compliance with terms and conditions of the permit and extension. If, after this review, the Department determines the permit holder has not been diligent in developing and perfecting the water use permit, or complied with all terms and conditions, the Department shall modify or further condition the permit or extension to ensure future compliance, or begin cancellation proceedings on the undeveloped portion of the permit pursuant to ORS 537.260 or 537.410, or require submission of a final proof survey pursuant to ORS 537.250;
- (b) The Department shall provide notice of receipt of progress reports in its weekly notice and shall allow a 30 day comment period for each report. The Department shall provide notice of its determination to anyone who submitted comments.

The applicant has demonstrated good cause for the permit extension pursuant to ORS 537.630, 539.010(5) and OAR 690-315-0040(2).

Order

The extension of time for Application G-11847, Permit G-10994, therefore, is approved subject to conditions contained herein. The deadline for completing construction and the deadline for applying water to full beneficial use within the terms and conditions of the permit is extended from October 1, 2008 to October 1, 2028.

DATED: December 26, 2012


Dwight W. French, Water Right Services Administrator, for
PHILLIP C. WARD, DIRECTOR

Mailing List for Extension FO Copies

Note: Include a copy of the "Important Notice" document along with the original copy of the Final Order being sent to the permit holder.

FO Date: December _____, 2012
Mailed

Copies

Application G-11847
Permit G-10994

By: _____
On: _____

Original mailed to permit holder

Seabridge Gold Corp
172 King Street E
Toronto, Ontario, Canada M5A 1J3

Bill Wagener, President and CEO
Calico Resources USA Corp
122 A Street East
PO Box Q
Vale, OR 97918

Copies sent to:

1. WRD - App. File G-11847/ Permit G-10994
2. WRD - Watermaster District 9, Ron Jacobs

Fee paid as specified under ORS 536.050 to receive copy:

3. None

Receiving via e-mail (10 AM Tuesday of signing date)

(DONE BY EXTENSION SPECIALIST)

4. Martha O. Pagel, Schwabe, Williamson & Wyatt, Agent.
Email: mpagel@schwabe.com

If Progress Reports are included:

(DONE BY EXTENSION SPECIALIST)

Add record to Progress Report tracking sheet.xls Done: by _____ Date _____

CASEWORKER: JMS/DWF



Oregon Water Resources Department
 725 Summer Street NE, Suite A
 Salem Oregon 97301-1266
 (503) 986-0900
 www.wrd.state.or.us

Extension of Time Progress Report Form For Checkpoints

TO THE DIRECTOR OF THE OREGON WATER RESOURCES DEPARTMENT

Permit Holder: Seabridge Gold Corp

Application G-11847
 Permit G-10994

Report Due no later than October 1, 2017

DO NOT SUBMIT PRIOR TO 30 DAYS BEFORE DUE DATE

Progress Report Form for 2017

As authorized in ORS 690-315-0050(6), this progress report is required in order to ensure diligence is exercised in the development and perfections of Permit G-10994. FAILURE TO SUBMIT THIS REPORT WILL MOST LIKELY RESULT IN ANY FUTURE EXTENSION BEING DENIED.

INSERT DATES	LIST ALL WORK ACCOMPLISHED and FINANCIAL INVESTMENTS For the period of time between October 1, 2008 and October 1, 2017	FINANCIAL INVESTMENT

2. Compliance with terms and conditions of the permit and/or previous extension.

3. Total number of acres irrigated to date= _____ (if applicable)

4. Provide the maximum rate, or duty if applicable, of water diverted for beneficial use under this permit, if any, made to date.

Maximum rate used to date = _____ cfs (cubic feet per second), or

Maximum rate used to date = _____ gpm (gallons per minute), or

Acre Feet stored to date = _____ AF

Report the rate in the same units of measurement as specified in the permit, being cfs (cubic feet per second), gpm (gallons per minute) or AF (acre-feet). Do not provide daily, monthly or annual water volume totals.

INCOMPLETE REPORTS WILL BE RETURNED. AN ANSWER IS REQUIRED IN EACH ITEM. USE N/A FOR ITEM 3 IF THE USE IS NOT IRRIGATION.

Signature _____ Date _____

For OWRD use only

Diligence Shown Yes No

Date Public Noticed: _____

Reviewed by: _____

Date: _____



MARTHA O. PAGEL
Admitted in Oregon and Washington
Direct Line: Salem 503-540-4260; Portland 503-796-2872
E-Mail: mpagel@schwabe.com

December 4, 2012

Dwight French
Administrator, Water Rights & Adjudication
Division
Oregon Water Resources Department
725 Summer St NE Ste A
Salem, OR 97301-1271

RECEIVED BY OWRD

DEC 05 2012

SALEM, OR

Re: Proposed Final Order for Extension of Time for Permit G-10994 (Calico Resources USA Corp. / Seabridge Gold Corp.)
Our File No.: 124158/183676

Dear Dwight:

I am writing on behalf of Calico Resources USA Corp. regarding the Proposed Final Order ("PFO") issued on November 6, 2012. We agree with the Department's proposal to approve an extension of Permit G-10994. However, we are concerned about some of the Department's findings and the wording of one of the proposed conditions. This letter identifies our concerns and provides comments for the Department's consideration before the final order is issued.

Finding of Fact No. 12

This finding should be revised and clarified. The finding appears to be based on a mistaken assumption that the permit holder failed to comply with the following permit condition: "This permit is issued subject to the maintenance and use of adequate treatment facilities to remove the sediment before returning the water to the stream." Although there are no treatment facilities in place at this time, there is no evidence in the record indicating that the condition requiring such facilities has been triggered. The condition requires use of treatment facilities

“before returning water to the stream.” Consistent with that condition, the extension application indicates that the required facilities will be installed “before any discharges to [the] stream.” (See Chart-B). As part of the consolidated permitting process under OAR Chapter 632, Division 37, Calico has inventoried and mapped waters of the United States (i.e. waters that could be considered “streams” within the meaning of the permit condition) as a component of the environmental baseline program, in preparing work plans for various resource categories. According to Calico’s assessment, there is no evidence that any discharges from the water sources associated with Permit G-10994 have been returned to a stream or could be returned to a stream during future mine development. Based on that assessment, we believe the permit condition has not been triggered and that the water use described in the extension application was authorized under the permit.

Finding of Fact No. 24

This finding should be revised to reflect evidence in the application relating to several significant unforeseen events that had a direct bearing on development under the permit. Specifically, Calico’s application cited the following as “unforeseen events” over which it had no control: (1) the bankruptcy of former permit holder Atlas and resulting sale of the property to Seabridge (which occurred during the last extension period, between 1999 and 2003); and (2) a significant drop in the price of gold, which only began to recover near the end of the extension period. (See Section 9-D).

Last Extension Condition

The PFO includes the following “Last Extension Condition”:

This is to be the last extension of time granted for Permit G-10994 if approval from the Oregon Department of Geology and Mineral Industries and the Federal Bureau of Land Management is not obtained by October 1, 2022. Any future extensions of time requests will be denied.

On November 21, my associate Shonee Langford sent an email to caseworker Joan Smith raising questions regarding the wording and intended meaning of the condition, and particularly the purpose of the interim deadline of October 1, 2022. That same day, you responded that the Department would change the condition in the Final Order to read:

This is to be the last extension of time granted for Permit G-10994. Any future extensions of time requests will be denied.

We agree that the proposed replacement wording would clear up potential confusion, and appreciate the Department’s willingness to clarify the condition in the Final Order.

RECEIVED BY OWRD

DEC 05 2012

SALEM, OR

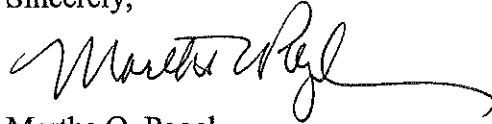


Dwight French
December 4, 2012
Page 3

Conclusion

Calico supports the proposed action by OWRD to approve the extension application, but requests the above-listed clarifications be included in a Final Order.

Sincerely,



Martha O. Pagel

MOP:sdl

cc: Craig Kohanek ✓
Joan Smith
Client (via e-mail)

RECEIVED BY OWRD

DEC 05 2012

SALEM, OR





Oregon Water Resources Department
 725 Summer Street NE, Suite A
 Salem, Oregon 97301
 (503) 986-0900
 www.wrd.state.or.us

Request for Assignment

RECEIVED

MAR 07 2013

WATER RESOURCES DEPT
 SALEM, OREGON

If for multiple rights, a separate form and fee for each right will be required.

I, Seabridge Gold Corporation
(Name of Applicant / Permit / Transfer Holder / License Holder/GR Certificate of Registration)
106 Front Street East, Suite 400, Toronto, Ontario M5A 1E1 Canada
(Mailing Address) (City) (State) (Zip) (Phone #)

- hereby assign all my interest in and to application/permit/transfer/license/GR Certificate of Registration;
- hereby assign all my interest in and to a portion of application/permit/transfer/license/GR Certificate of Registration; *(You must include a map showing the portion of the application/permit/transfer/license/GR Certificate of Registration to be assigned.)*
- hereby assign a portion of my interest in and to the entire application/permit/transfer/license/GR Certificate of Registration:

Application # G-11847; Permit # G-10994; Transfer # _____
 -OR-
 License # _____; GR Statement # _____; GR Certificate of Registration # _____

As filed in the office of the Water Resources Director, to:

Calico Resources USA Corp.
(Name of New Owner)
c/o Vance Thornsberry, PO Box Q Vale OR 97918 509-714-7270
(Mailing Address) (City) (State) (Zip) (Phone #)

Note: If there are other owners of the property described in the Application, Permit, Transfer, License, or GR Certificate of Registration, you must provide a list of all other owners' names and mailing addresses and attach it to this form.

I hereby certify that I have notified all other owners of the property described in this Application, Permit, Transfer, License, or GR Certificate of Registration of this Request for Assignment

Witness my hand this 5th day of March, 2013.

Applicant/Permit Holder [Signature]

Applicant/Permit Holder _____

ASSIGN [Signature] 3/7/2013

DO NOT WRITE IN THIS BOX

This certifies assignment and record change at Oregon Water Resources Department effective 8:00 a.m. on date of receipt at Salem, Oregon.
 Fee receipt # 54444 Agent
 For Director by Jerry Sauter, Program Analyst in Water Rights Division [Signature]

The completed "Request for Assignment" form *must* be submitted to the Department along with the recording fee of \$75.



Oregon

John A. Kitzhaber, MD, Governor

March 7, 2013

Water Resources Department

North Mall Office Building
725 Summer St. NE, Suite A
Salem, OR 97301
Phone 503-986-0900
FAX 503-986-0904
www.wrd.state.or.us

Schwabe, Williamson & Wyatt
Attn: Shonee Langford
Equitable Center, 530 Center Street NE, Suite 400
Salem, Oregon 97301

Reference: Application G-11847, Permit G-10994

The assignment from Seabridge Gold Corporation to Calico Resources USA Corp. has been recorded in the records of the Water Resources Department.

The Departments records will now show Calico Resources USA Corp. as the permit holder of record.

Our records have been changed accordingly and the original request is enclosed. The recording fee has been deducted from your account as your requested.

Please review the permit to be familiar with the conditions and timelines contained in the permit. These conditions and timelines will have to be met before a Certificate of Water Right can be issued.

Sincerely,

Jerry Sauter
Water Rights Program Analyst
Water Right Services Division

Enclosure: Original request

cc: Watermaster 9
Calico Resources USA Corp.
Seabridge Gold Corporation
Data Center, OWRD (cover letter & request)
Hydrographics
File



Craig Kohanek

From: Craig Kohanek
Sent: Thursday, September 27, 2012 1:54 PM
To: 'Langford, Shonee D.'
Subject: RE: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Shonee,

Dwight is out of the office all this week. However, I have reviewed the file that you requested and I will grant the extension from 10/1/2008 to 10/1/2028. My recommendation will be to include the last extension condition in order to ensure future diligence is exercised in the development and perfection of Permit G-10994.

R. Craig Kohanek

From: Langford, Shonee D. [mailto:SLangford@SCHWABE.com]
Sent: Wednesday, September 05, 2012 2:06 PM
To: Craig Kohanek
Subject: RE: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Craig,

When you have some time, I'd like to discuss your request below and Calico's progress in developing a response. Could you please call me at your earliest convenience?

Thanks.

Shonee

SHONEE D. LANGFORD | Attorney at Law
SCHWABE, WILLIAMSON & WYATT
Direct: 503-540-4261 | Fax: 503-796-2900
Legal advisors for the future of your business®
www.schwabe.com

From: Craig Kohanek [mailto:ron.c.kohanek@state.or.us]
Sent: Monday, August 13, 2012 2:06 PM
To: Langford, Shonee D.
Subject: Information request for R11884-11 for Calico Resources USA Corp for application G-11847

Shonee,

I spoke with Dwight and what we request a statement to evidence that the water has been used for MINING/INDUSTRIAL USES (e.g. Dust control/abatement, drilling of test exploration holes, etc...). Please indicate a rate and volume of water being used with each activity. (I.e. tanker truck at # gallons per minute, how many trucks per day/week etc..).

R. Craig Kohanek

9/27/2012

Water used to date is equal to 1.47 cfs

Flowing for a Day -

relatively small amount of water used compared to length of time dating to 1988-

Not sure why 20 years are needed because it's almost 2013? Ext 4-2008-2028 Acc 15%

INCLUDE THE LAST EXTENSION

Grant the extension w/

LAST Extension Condition -

- \$4 million already invested -
- Jobs in Malheur City -
- Who's harmed?

Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrđ.state.or.us

To comply with IRS regulations, we are required to inform you that this message, if it contains advice relating to federal taxes, cannot be used for the purpose of avoiding penalties that may be imposed under federal tax law. Any tax advice that is expressed in this message is limited to the tax issues addressed in this message. If advice is required that satisfies applicable IRS regulations, for a tax opinion appropriate for avoidance of federal tax law penalties, please contact a Schwabe attorney to arrange a suitable engagement for that purpose.

NOTICE: This communication (including any attachments) may contain privileged or confidential information intended for a specific individual and purpose, and is protected by law. If you are not the intended recipient, you should delete this communication and/or shred the materials and any attachments and are hereby notified that any disclosure, copying or distribution of this communication, or the taking of any action based on it, is strictly prohibited. Thank you.

Application # G-11847

Permit # G-~~10994~~ 10994

Public Notice Route Slip ... New Application Extension of Time
per Division 315 Rules... (Extensions received on July 1, 2001 or after)

◆ **WRIG...**

Money Received on: 2-8-2012

◆ **Extension Specialist...**

Added to tracking spreadsheet

After fee is receipted and app is added to spreadsheet, route to...

◆ **Kim F-Gorski...**

Publish on Public Notice (initial 30-day comment): Date of notice 2-21-12

Update WRIS Database

In the "PNotice Date" field... Enter the date the Extension Application was published on the Public Notice.

In the "Ext Filed" field... Enter the date the Extension Application was received.

Yes or No: Return file to Extension Specialist after PN Jerry G

Extension PFO Checklist for Other than Muni or Quasi-Municipal

Water Use Permits
(OAR 690-315-0010 through OAR 690-315-0060)

Application: G- 11847 Permit: G- 10094 ¹⁰⁹⁹⁴ Permit Amendment? No Yes T- pending approved

Permit Holder's Name: Seabridge Gold Corporation

Permit Holder's Mailing Address: SEE NOTES email mpagel@schwabe.com (agent/contact)

Phone Number: 503-540-4260 (agent/contact)

POD Location: Township 22 S Range 44 E Section 5 & 8 $\frac{1}{4}$ SE NW & NW SE

Drainage Basin: 10 County: Malheur Watermaster District: 9 Watermaster: Ron Jacobs

Date Permit was issued: 4/5/1990

Priority Date: 11/15/1988

Date of PN: 2-21-12

Source: 2 wells and supplemented by waters from an open pit mine

Use: Mining/industrial uses

"Q": 2.0 cfs

Orig "A" Date: 4/5/1991

Orig "B" Date: 10/1/1992

Orig "C" Date: 10/1/1993

Extension request rec'd: 2/8/2012

Last Authorized "B" Date: 10/1/2008

Last Authorized "C" Date: 10/1/2008

Request Number (1, 2, 3...): 6

Proposed "B" Date: 10/1/2028

Proposed C Date: 10/1/2028

Conditions of Permit:

Condition Met?	Condition Not Met?	Permit Condition
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Treatment facilities
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Two wells constructed
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	

Factors to consider in determining "Reasonable Diligence" [OAR 690-315-0040(3)]:

Yes No

- Work was accomplished within the time allowed in the permit or previous extension
- Water right permit holder conformed with the permit or previous extension conditions
- Financial investments were made toward developing the beneficial water use.
 - Amount Invested to date: **\$14,770,760** Estimated Remaining Cost: **\$85mm-118mm**
- Beneficial use made of the water during the permit or previous extension time limits
 - Permit holder has beneficially used 79 cfs gpm af of the total permitted quantity of water on 0 acres

GW REVIEW: Y DWR

MITIGATION REVIEW: Y N

Has the applicant pursued perfection of the right in good faith and with reasonable diligence? Yes No

Determination of the market and the present demand for water or power to be supplied:

Identify the closest surface water or localized water basin. Sand Hollow Creek

Ground Water Permits: Is the POA located...

Surface Water Permits: Is the POD located...

Yes No

- above a state scenic waterway? Name _____ Source: OWRD "Areas Above State Scenic Waterways" Map
- within a stream segment designated as a federal wild and scenic river? Source: www.rivers.gov/wildriverslist.html
- within a sensitive, threatened or endangered species area Source: "/gisdata/dev/projects/salmon/div33map.aml"
- within a critical or limited Ground Water Area? Name of area _____
- within a Withdrawn Area? Name of area _____
- in a waterbody listed on the DEQ Section 303(d) List of Water Quality Limited Areas? Date added to list _____
- within an area ranking low / moderate / high / highest for stream flow restoration needs Source: OWRD "Streamflow Restoration Needs" Maps (by region)

Based on the written record, can the Department make a finding of "Good Cause" to approve the extension request?

Yes... "Good Cause" can be found. Approval of Extension Request

No ... "Good Cause" cannot be found. Denial of Extension Request

Conditions to be included in Extension PFO (if applicable)? Yes No

(NOTE: Check the file record for documentation to add a condition(s) at the extension stage.)

- 5-year Progress Report Checkpoints (Years: 2017, 2022, 2027)
- Other: Last extension if no progress by 2022/10/1

Footnote regarding Claim of Beneficial Use. Choose the appropriate language below and insert as a footnote in the PFO:

COBU Requirement - Surface/Ground Water - on or prior to July 9, 1987

"For permits applied for or received on or before July 9, 1987, upon complete development of the permit, you must notify the Department that the work has been completed and either: (1) Hire a water right examiner certified under ORS 537.798 to conduct a survey, the original to be submitted as required by the Water Resources Department, for issuance of a water right certificate; or (2) Continue to appropriate water under the water right permit until the Water Resources Department conducts a survey and issues a water right certificate under ORS 537.250 or 537.625."

COBU Requirement - Surface Water - post July 9, 1987

"Pursuant to ORS 537.230(4), upon the completion of beneficial use of water allowed under the permit, the permit holder shall hire a certified water rights examiner to survey the appropriation. Within one year after the complete application of water to a beneficial use (or by the date allowed for the complete application of water to a beneficial use), the permit holder shall submit a map of the survey and the claim of beneficial use."

COBU Requirement - Ground Water - post July 9, 1987

"Pursuant to ORS 537.630(4), upon the completion of beneficial use of water allowed under the permit, the permit holder shall hire a certified water rights examiner to survey the appropriation. Within one year after the complete application of water to a beneficial use (or by the date allowed for the complete application of water to a beneficial use), the permit holder shall submit a map of the survey and the claim of beneficial use."

NOTES:

Martha Pagel - Agent, Address": 530 Center St Ne, Ste 400, Salem OR 97301

Calico Resources USA Corp, c/o Bill Wagener, President & CEO, 122 A Street East, PO Box Q, Vale, OR 97918

Extension "PFO" Dates

Mailing / Issuance Date: _____ Protest Deadline Date: _____

Reviewer's Name: _____ Date: _____



Equitable Center, 530 Center St., NE, Suite 400, Salem, OR 97301 | Phone 503.540.4262 | Fax 503.399.1645 | www.schwabe.com

MARTHA O. PAGEL

Admitted in Oregon and Washington

Direct Line: Salem 503-540-4260; Portland 503-796-2872

E-Mail: mpagel@schwabe.com

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WATER RESOURCES DEPT
SALEM, OREGON

February 8, 2012

BY HAND DELIVERY

Jerry Gainey
Oregon Water Resources Department
725 Summer St NE Ste A
Salem, OR 97301-1271

Re: Application for Extension of Time, Permit G-10994 (Seabridge Gold Corp.)
Our File No.: 124158/183676

Dear Jerry:

Enclosed for filing on behalf of Calico Resources USA Corp. ("Calico") is an Application for Extension of Time for the above-referenced permit, together with supporting documentation and an Extension Reimbursement Authority Estimate Application. Also enclosed is a check for \$625.00 to cover the application fee (\$500) and the fee for the reimbursement authority estimate (\$125).

The permit holder, Seabridge Gold Corp. ("Seabridge"), has granted Calico an option to acquire Seabridge's interest in the permit. In connection with that option, Seabridge has authorized Calico to file this extension application and to complete the development of Permit G-10994 (see enclosed written authorization executed by Seabridge and effective as of April 19, 2011).

//

//

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//

//

Jerry Gainey
February 8, 2012
Page 2

I will serve as the contact person for this application. Please let me know if you have any questions or need additional information.

Sincerely,



Martha O. Pagel

MOP:sdl

Enclosure

cc: Bill Wagener (w/encl)
Andy Gaudielle (w/encl)

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SALEM, OREGON



SEABRIDGE GOLD

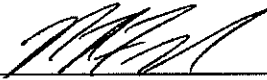
Seabridge Gold Inc. and Seabridge Gold Corp. Authorization

Effective April 19, 2011

Seabridge Gold Inc. and its wholly owned subsidiary Seabridge Gold Corp. (Seabridge) have entered into an Option Agreement with Calico Resources Corp. (Calico) whereby Calico has an Option to acquire 100% of Seabridge's interest in its Grassy Mountain Project (Project) located in Malheur County Oregon. Calico will be conducting exploration, environmental data collection, development, maintenance and other related activities on the Project area.

Seabridge owns Water Rights Application No. G-11847, Water Permit No. G-10994, Exploration Permits No. 23-0195 and No. 23-0224, and controls various lands and other rights associated with the Project. Seabridge hereby authorizes Calico to utilize all permits, lands, rights controlled by Seabridge and to conduct all activities which are allowed by these permits, lands and rights.

The authorization by Seabridge will remain in force until further notice and can only be rescinded in writing by Seabridge.



Rudi P. Fronk, President & CEO
Seabridge Gold Inc.



Rudi P. Fronk, President
Seabridge Gold Corporation

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WATER RESOURCES DEPT
SALEM, OREGON



Oregon Water Resources Department
 725 Summer Street NE, Suite A
 Salem Oregon 97301
 (503) 986-0900
 www.wrd.state.or.us

Application for Extension of Time for a Water Right Permit (Non-Municipal / Non-Quasi-municipal Water Use)

TO THE DIRECTOR OF THE OREGON WATER RESOURCES DEPARTMENT

*A separate extension application must be submitted for each permit as per
 OAR 690-315-0020(2).*

*This application and a summary of review criteria and procedures that are generally applicable to this
 application are available at <http://www.wrd.state.or.us/OWRD/PUBS/forms.shtml>.*

I, Calico Resources USA Corp. (option holder), on behalf of Seabridge Gold Corp. (permit holder)

NAME OF PERMIT HOLDER [OAR 690-315-0020(1) and (3)(a)]

Calico Resources USA Corp, c/o Bill Wagener, President and CEO, 122 A Street East, PO Box Q,
 Vale, OR 97918

ADDRESS CITY STATE ZIP

Applicant agent and contact person: Martha O. Pagel, Schwabe, Williamson & Wyatt
 phone: 503-540-4260; email: mpagel@schwabe.com

PHONE E-MAIL ADDRESS

the permit holder of: Application Number G-11847

Permit Number G-10994
 [OAR 690-315-0020(3)(b)]

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 SALEM, OREGON

do hereby request that the time in which to:

complete construction (of diversion/appropriation works and/or purchase and installation of the equipment necessary to the use of water), which time now expires on October 1, 2008, be extended to October 1, 2028

N/A (Check this box if the permit does not specify a date by when construction must be completed.)

and/or the time in which to:

- apply water to full beneficial use under the terms and conditions of the permit, which time now expires on October 1, 2008, be extended to October 1, 2028.

Before submitting your Application for Extension of Time, make sure the following items are included:

- This completed Application for Extension of Time.
- Statutory fee of \$500.
- Signature page (last page of this Application for Extension of Time).
- All supporting documentation and/or evidence referenced in the Application for Extension of Time.

MAIL COMPLETED APPLICATION

along with the

\$500 STATUTORY FEE TO:

**Water Resources Department
Attn: Water Right Permit Extensions
725 Summer Street NE, Suite A
Salem, Oregon 97301**

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SALEM, OREGON



GENERAL TIPS:

- Permit holders of municipal or quasi-municipal water use permits DO NOT use this form. The correct form is *Application for Extension of Time for Municipal and Quasi-Municipal Water Use Permits*, available at the following link:
<http://www.wrd.state.or.us/OWRD/PUBS/forms.shtml#other>
- Request the reasonable amount of time necessary to fully complete the water construction project and/or to fully use the permitted quantity of water under the terms and conditions of your permit. Should this request be approved, it will be OWRD's expectation that you will complete your project within the new time period allowed. Future extensions may not be granted.

- A separate Application for Extension of Time must be submitted for each permit. OAR 690-315-0020(2).
- An instruction sheet (Instructions for Filling Out Extension of Time Application for Permits) provides details that will help you answer each question on the application. Permit extensions are evaluated under OAR Chapter 690, Division 315. These rules may be viewed at: <http://www.wrd.state.or.us/OWRD/LAW/index.shtml>.
- You may provide OWRD with any additional information or evidence that will aid us in making our decision. Please note that OWRD may require other information that is necessary to evaluate the application. OAR 315-0020(3)(n).
- After careful review of the Application for Extension of Time, you may contact OWRD at (503) 986-0900, to ask questions and request assistance from a Permit Extensions Specialist in the Water Rights and Adjudications Division.
- Once an Application for Extension of Time is received by OWRD, it will be reviewed for completeness. OWRD will return any incomplete or deficient applications to the applicant. OAR 690-315-0040(1)(a).

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Reference Materials Needed to Complete this Application:

- The water right permit. If needed, a copy of the water right permit can be downloaded from the Department's Website at <http://www.wrd.state.or.us> (find the link to the Water Rights Information System (WRIS)). Or, a copy of the permit (or other documents) may be requested by water right application number from the Water Rights Division at 503-986-0900 (copy fees will apply).
- Documentation which demonstrates compliance with permit conditions (for example, well construction logs; static water level measurement reports; annual water use reports; ODFW fish screen certification; a plan to monitor the effect of water use on ground water aquifers utilized under the permit; etc.).

Answer the Following Questions to Complete this Application for Extension of Time

[OAR 690-315-0020(3)(d)]

1. Did the actual construction of the water system/well drilling begin within the time specified in the permit? Yes No



TIP: Not all permits specify a date by which construction was to begin.

Date construction began is: December 5, 1988

Details of construction: Drilled Wells 1 & 2 (well logs attached); installed temporary pipe.

2. Permits typically contain standard or special conditions that must be satisfied to lawfully develop and use permitted water. In the development of this water right, have you satisfied the conditions contained in your permit? Yes No

2-A) Describe how you have complied with each condition contained in the original permit [and, if applicable, each condition contained in any order approving a permit amendment and/or a final order approving a prior extension of time]. Include the date when the condition was satisfied.



TIP: The instruction sheet for the Application for Extension of Time provides an explanation of the typical conditions that must be addressed in this question.

CHART-A

Condition No. **	Date Satisfied	Describe How Permit Condition Has Been Satisfied
2	12/10/1988	Completed construction of Well 1 in accordance with permit requirements.
2	12/1/1989	Completed construction of Well 2 in accordance with permit requirements.
3	11/26/1991	Pump test approved for Well 1 (see attached letter from Fred Lissner to Atlas Precious Metals).
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		FEB 8 2012
		WATER RESOURCES DEPT SALEM, OREGON

** Condition No: Hand-number each condition on a copy of your permit (and, if applicable, permit amendment and prior extension).

2-B) If you have NOT complied with all applicable conditions, explain the reasons why and indicate with a date certain (in the near future) when compliance will occur.

CHART-B

Condition No.**	Date Will Comply	Explain Why Each Permit Condition Has NOT Been Satisfied
1	10/1/2028	Water use has been limited so far. Will install required facilities for removing sediment before any discharges to stream.

--	--	--

**** Condition No:** Hand-number each condition on a copy of your permit (and, if applicable, permit amendment and prior extension.

[OAR 690-315-0020(3)(e)]

3. Provide evidence of physical progress made toward completion of the water system, and of progress made toward making beneficial use of water within the permitted time period (CHART-C); and if applicable, within the time period of the most recent extension granted (CHART-D).

3-A) CHART-C (below) must be completed for all Application for Extension of Time requests. Use chronological order.

CHART-C

DATE	WORK ACCOMPLISHED BEFORE PERMIT WAS ISSUED <i>List any work done before the permit was issued – eg. well drilled.</i>	COST*
12/10/1988	Constructed Well 1	\$10,000.00
12/1/1989	Constructed Well 2	\$10,000.00
WORK ACCOMPLISHED AFTER PERMIT WAS ISSUED and PRIOR TO DATE SPECIFIED IN PERMIT FOR COMPLETE APPLICATION OF WATER <i>List work/actions done during the permitted time period.</i>		
	Date the permit was signed - find date above signature on last page of permit.	
4/5/1990	Date permit was signed	
4/5/1991	Date to begin actual construction	
	Date the permit specified "Actual Construction Work" shall begin ("A-Date") -not all permits contain this date.	
6/5/1992	First extension application filed with OWRD. Seven wells drilled and tested - cost unknown	
9/29/1993	Second extension application filed with OWRD. Assignment of permit to Newmont; DOGAMI application; environmental studies; hydrogeologic work plan - cost unknown	
10/1/1993	Date the permit specified complete application of water to the use shall be made ("C-Date") - all permits contain this date.	

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SALEM, OREGON

CHART-C (continued)

DATE	WORK ACCOMPLISHED AFTER "C-DATE" COMPETE ONLY IF THIS IS YOUR 1st APPLICATION FOR EXTENSION OF TIME: List work done after the date specified in the permit for complete application of water up to the date of this Application for Extension of Time.	COST*
	Work during previous extension periods included: development of environmental studies required by DOGAMI process; extensive hydrologic testing; installation and testing of monitoring wells; mineral exploration; multiple assignments of permit. Total cost of all work through Nov. 1998 was estimated to be over \$12,000,000.00 - see attached copy of Application For Extension of Time, received by OWRD on Nov 24, 1998.	
		\$12,000,000.00
Total Cost for Chart-C		\$12,000,000.00

* If exact cost is not known, you must provide your best estimate.

3-B) If this is not your 1st Application for Extension of Time request, fill out CHART-D below (in addition to CHART-C above). Use chronological order.

CHART-D

DATE	WORK ACCOMPLISHED DURING THE LAST EXTENSION PERIOD <i>List all work done during the last authorized extension period.</i>	COST*
10/1/1997	"Extended From" date for complete application of water used in the 1 st (or the most recent) Application for Extension of Time.	
2/18/1998	Beginning in February 1998, Tombstone Exploration optioned the project from Atlas Minerals. During the first four months, Tombstone drilled nine exploration holes. (See attached letter from Andy Gaudielle of Calico Resources to Martha Pagel, dated Nov 15, 2011)	\$750,000.00
11/12/2003	Assignment of Permit G-10994 from Atlas to Seabridge Gold Corporation (see attached copy of assignment form filed with OWRD)	
1/1/2007	In early 2007, Seabridge commissioned and issued a NE 43-101 compliant Technical Report as required by the Canadian Government for reporting mineral resources at the project.	\$50,000.00
1/1/1997	From 1997 through 2008, Atlas, Newmont and Seabridge made significant payments to owners of mining claims and to BLM to preserve mining rights (see attached Gaudielle letter for details).	\$970,760.00

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WATER RESOURCES DEPT
SALEM, OREGON

10/1/2008	"Extended To" date for complete application of water resulting from the 1 st (or the most recent) Application for Extension of Time.	
CHART-D (Continued)		
DATE	WORK ACCOMPLISHED AFTER THE LAST EXTENSION PERIOD EXPIRED <i>List all work done after the last authorized date for complete application of water up to the date of this Application for Extension of Time.</i>	COST*
1/1/2011	During 2011, Seabridge optioned property to Calico Resources. Since then, Calico has taken numerous steps to move the project forward at a cost of over \$1,000,000 (see attached Gaudielle letter for details).	\$1,000,000.00
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FEB 8 2012		
WATER RESOURCES DEPT SALEM, OREGON		
Total Cost of Chart-D		\$2,770,760.00


* If exact cost is not known, you must provide your best estimate.

[OAR 690-315-0020(3)(f)]


4. **Cost of project to date:** \$14,770,760.00
(The total combined cost from CHART-C and CHART-D)

[OAR 690-315-0020(3)(e)(B)]

5. **Provide evidence of the maximum rate (or duty, if applicable) of water diverted for beneficial use under this permit and/or prior extensions of time (if any) made to date.**

 **TIP:** Report the rate used to date. Unless full beneficial use has been made, this rate will be less than the rate authorized on the permit.

5-A) **For Surface Water Permit Extensions (e.g. S-XXXX or R-XXXX):**

 **TIP:** Report the rate in the same units of measurement as specified in the permit.

Maximum rate used to date = _____ cfs (cubic feet per second) or,

Maximum rate used to date = _____ gpm (gallons per minute) or,

Acre-feet stored to date = _____ AF

5-B) **For Ground Water Permit Extensions (e.g. G-XXXX):**

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SALEM, OREGON



TIP:

Include information from ALL wells that pertain to this permit, including drilled wells not currently used.

CHART-E

Well # as identified on Permit	Water User's Well #	Has this well been drilled?	IF DRILLED					
			Well Log Number e.g. MORR 50473	Well Tag Number e.g. # 27566 or N/A	Is the actual drilled location authorized on this permit or on a permit amendment? (See 5-C below)	Maximum instantaneous rate used from this well -- under this permit only (CFS or GPM)	Is this well authorized or utilized under any OTHER water rights?	If yes, provide the Permit, Certificate, or Transfer No.
1	1	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Malh 2275		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	79 gpm	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	- -
2	2	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Malh 2276		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	unknown	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	- -
		Yes <input type="checkbox"/> No <input type="checkbox"/>			Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>	- -
		Yes <input type="checkbox"/> No <input type="checkbox"/>			Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>	- -
Total instantaneous rate from all wells utilized under this permit						79 gpm		

5-C) If the drilled location of a well is not authorized on this permit, please specify its location below, or provide a map showing its location. Has or will a permit amendment application been/be filed? Yes No

If a Permit Amendment Application has been filed: Transfer No. T-_____

Well #1: Actual location: Well log indicates well drilled in NWNE, Sec 5, T 22S, R 44E

Well #2: Actual location: Well log indicates well drilled in SENE, Sec 8, T 22S, R 44E

[OAR 690-315-0020(3)(e)(C)]

6. Provide the total number of acres irrigated to date under this permit (if applicable).

Total acres irrigated to date: N/A

Ground Water Permits: Please specify which wells are being utilized for this irrigation.

Well # _____ Acres _____ Well # _____ Acres _____

Well # _____ Acres _____ Well # _____ Acres _____

[OAR 690-315-0020(3)(j)]

7. Provide a summary of your future plans and schedule to complete the construction of the water system, and/or apply water to full beneficial use under the terms and conditions of the permit.

CHART-F

APPROXIMATE DATE RANGE (projected)	WORK OR ACTION TO BE ACCOMPLISHED (projected)	ESTIMATED COST (projected)
2011-2016	Complete exploratory drilling	\$5mm-10mm
2014-17	Complete state and federal permitting processes	\$2mm-5mm
2013-2018	Complete additional production wells and related permit amendment to add new wells to permit, if needed (The number and location of additional wells is dependent on the results of a hydrogeological assessment of the project area currently under way)	\$1mm-3mm
2014-2027	Complete engineering and construction of mining facilities	\$75mm-100mm
Year: 2028	Date intend to apply water to full beneficial use under the terms and conditions of this permit. (As Calico currently understands the OAR Regulations)	
Total Cost		\$85mm-118mm

[OAR 690-315-0020(3)(g)]

8. Estimated remaining cost to complete the project: \$85mm-118mm
(The total cost from CHART-F)

[OAR 690-315-0020(3)(h)]

9. List the reasons why the project was not constructed, and/or water was not beneficially used within permit time limits. Provide supporting information for the reason(s) that best fits your circumstances (A, B, C or D).

9-A) The project is of a size and scope that was originally planned to be phased in over a time frame longer than the one allowed in the permit.

9-B) The financial resources needed to develop the project precluded completion of the project within authorized time frames.

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SALEM, OREGON

9-C) Good faith attempts to comply with permit conditions and/or acquire permits from other agencies, or otherwise comply with government regulations, delayed completion of the project.

Full scale mining operations cannot occur until the project is authorized by DOGAMI and other state agencies pursuant to the coordinated, interagency review process described in ORS 517.952 – 517.989. That process was originally initiated by Newmont in the early 1990s, but was suspended by Newmont prior to the last extension period. When Atlas obtained an extension for the period from 1998 to 2008, applicant understands the intention was to begin again with the state permitting process, but that plan was stalled because of the Atlas bankruptcy.

9-D) Acts of God or other unforeseen events delayed full development of the water system and use of water within the authorized time frames.

Prior permit holder Atlas was forced into bankruptcy in 1998 due to liabilities from other operations not connected with the Grassy Mountain project. Also, the price of gold dropped considerably during the period of the last extension and only began to experience a significant recovery near the end of the extension period.

[OAR 690-315-0020(3)(k)]

- 10. Justify the time requested to complete the project and/or apply the water to full beneficial use.** Your justification should combine information from your answers from Questions 2-B, 7, 8, and 9 of this Application for Extension of Time, and should also include any other information or evidence to establish that the requested amount of time is sufficient and that you will be able to complete the project within the amount of time requested.

The state interagency permitting process coordinated by DOGAMI is very complicated and is expected to take one year or longer before issuance of a permit. In addition, the project will require federal authorization from the Bureau of Land Management (BLM), which will include compliance with the National Environmental Policy Act. Together, state and federal permitting could take up to five years or longer. Upon approval by DOGAMI and BLM, it may take an additional 5-10 years to fully construct mining facilities, complete the water system and fully apply water to beneficial use.

- 11. Provide any other information you wish OWRD to consider while evaluating your Extension of Time Application.**

The project is expected to provide a much-needed opportunity for substantial economic value to Malheur County.

(Continued on next page)

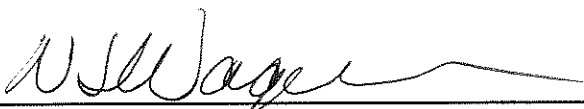
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Last Revised 10/21/2011

An estimated 475,000 gallons of water was used for the Tombstone exploratory drilling program in 1998. Approximately the same amount of water was used during the Calico exploratory drilling program in 2011. See attached Gaudielle letter for details.

I am the permit holder, or have authorization from the permit holder, to apply for an extension of time under this permit. I understand that false or misleading statements in this extension application are grounds for OWRD to suspend processing of the request and/or reason to deny the extension.



Signature William S. Wagener, President
Calico Resources USA Corp.

FEBRUARY 6, 2012
Date

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WATER RESOURCES
SALEM, OREGON

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WATER RESOURCES DEPT
SALEM, OREGON

STATE OF OREGON

COUNTY OF MALHEUR

PERMIT TO APPROPRIATE THE PUBLIC WATERS

THIS PERMIT IS HEREBY ISSUED TO

ATLAS PRECIOUS METALS, INC.
743 HORIZON COURT, SUITE 202
GRAND JUNCTION, COLORADO 81506

303-243-5800

to use the waters of TWO WELLS, SUPPLEMENTED BY WATERS FROM AN OPEN PIT MINE, in the MALHEUR RIVER BASIN for MINING/INDUSTRIAL USES.

This Permit is issued approving Application G-11847. The date of priority is AUGUST 29, 1988 for the two wells and NOVEMBER 15, 1988 for the open pit mine. The use is limited to not more than 2.0 CUBIC FEET PER SECOND, or its equivalent in case of rotation, measured at the well.

The wells and open pit mine are located as follows:

LOT 3 AND SE 1/4 NW 1/4, SECTION 5, T 22 S, R 44 E, W.M.; NW 1/4 SE 1/4, SECTION 8, T 22 S, R 44 E, W.M.; WELL 1 - 691 FEET SOUTH AND 994 FEET EAST; WELL 2 - 1798 FEET SOUTH AND 1083 FEET EAST, BOTH FROM S 1/4 CORNER, SECTION 32, T 21 S, R 44 E, W.M.; OPEN PIT MINE - 2262 FEET NORTH AND 37 FEET EAST FROM S 1/4 CORNER, SECTION 8, T 22 S, R 44 E.

Although declared herein to be a supplemental supply from the open pit mine, in the interest of prudent use of waters, use from the open pit mine may be exercised at times when water is available at the two wells, provided the total quantity diverted from all sources does not exceed the limitation allowed herein.

This permit is issued subject to the maintenance and use of adequate treatment facilities to remove the sediment before returning the water to the stream.

The use shall conform to such reasonable rotation system as may be ordered by the proper state officer.

A description of the proposed place of use under the permit is as follows:

SECTIONS 12, 13 AND 14

SECTIONS 22, 23, 24, 25, 26, 27, AND 28

E 1/2 E 1/2
SECTION 31

SECTIONS 32, 33, 34, 35 AND 36
TOWNSHIP 21 SOUTH, RANGE 44 EAST, W.M.

SECTIONS 7, 18 AND 19

W 1/2 W 1/2
SECTION 30
TOWNSHIP 21 SOUTH, RANGE 45 EAST, W.M.

E 1/2
SECTIONS 1
TOWNSHIP 22 SOUTH, RANGE 44 EAST, W.M.

E 1/2
SECTIONS 12 AND 13

SECTION 24

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WATER RESOURCES DEPT
SALEM, OREGON

N 1/2
SECTION 25
TOWNSHIP 22 SOUTH, RANGE 43 EAST, W.M.

W 1/2
SECTION 2

SECTIONS 3, 4, 5, 6, 7, 8, 9 AND 10

W 3/4
SECTION 15

SECTIONS 16, 17, 18 AND 19

N 3/4
SECTIONS 20 AND 21

N 1/2
SECTION 30
TOWNSHIP 22 SOUTH, RANGE 44 EAST, W.M.

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SALEM, OREGON

2

The well shall be constructed in accordance with the General Standards for the Construction and Maintenance of Water Wells in Oregon. The works shall be equipped with a usable access port, and may also include an air line and pressure gauge adequate to determine water level elevations in the well at all times. When required by the department, the permittee shall install and maintain a weir, meter, or other suitable measuring device, and shall keep a complete record of the amount of ground water withdrawn.

3

Prior to receiving a certificate of water right, the permit holder shall submit the results of a pump test meeting the department's standards, to the Water Resources Department. The Director may require water level or pump test results every ten years thereafter.

Actual construction work shall begin on or before APRIL 5, 1991, and shall be completed on or before October 1, 1992. Complete application of the water shall be made on or before October 1, 1993.

B+C ext to 10-1-96

Failure to comply with any of the provisions of this permit may result in action including, but not limited to, restrictions on the use, civil penalties, or cancellation of the permit.

This permit is for beneficial use of water without waste. The water user is advised that new regulations may require use of best practical technologies or conservation practices to achieve this end.

By law, the land use associated with this water use must be in compliance with statewide land-use goals and any local acknowledged land-use plan.

The use of water shall be limited when it interferes with any prior surface or ground water rights.

Issued this date, APRIL 5, 1990.

7/5/ WILLIAM H. YOUNG

Water Resources Department
William H. Young
Director

"B" Extended to October 1, 1993

B+C Ext. 10-1-94, 10-1-95

Ext. BC 97

C 08

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JAN 4 1989

Mark
2275

228/44E/586
9256

STATE OF OREGON
WATER WELL REPORT
(as required by ORS 537.785)

WATER RESOURCES DEPT.

(START CARD) # 9256

(1) OWNER: SALEM OREGON
Name Atlas Precious Metal Inc.
Address 743 Horizon Court Suite 202
City Granby Junction State Colorado Zip 81506

(2) TYPE OF WORK:
 New Well Deepen Recondition Abandon

(3) DRILL METHOD
 Rotary Air Rotary Mud Cable
 Other

(4) PROPOSED USE:
 Domestic Community Industrial Irrigation
 Thermal Injection Other

(5) BORE HOLE CONSTRUCTION:
Special Construction Approval Yes No Depth of Completed Well 425 ft.
Explosives used Yes No Type Amount

HOLE SEAL Amount
Diameter From To Material From To sacks or pounds
14 0 18 Best. Cement 79 0 2.5 SACKS
Mixed 49 Best
to 100# of Cement (Portland)
to 5.5 gal of water

How was seal placed: Method A B C D E
Backfill placed from 425 ft. to 100 ft. Material Col. Silica #8
Gravel placed from 425 ft. to 100 ft. Size of gravel Col. Silica #8

(6) CASING/LINER:
Diameter From To Gauge Steel Plastic Welded Threaded
Casing: 10" +2 99 .250
Liner: 6" 12 425 52 80

(7) PERFORATIONS/SCREENS:
 Perforations Method 2120 Type 1 ASTM 1785
 Screen Type PUC S-80
From To Slot size Number Diameter Tele/pipe size Casing Liner
40 200 .020
325 355 .020
380 420 .020

(8) WELL TESTS: Minimum testing time is 1 hour
 Pump Bailor Air Flowing Artesian
Yield gal/min Drawdown Drill stem at Time
150 40 405 1 hr.
60 70 50 at 120 3 hr.

Temperature of Water Depth Artesian Flow Found Seal
Was a water analysis done? no Yes By whom
Did any strata contain water not suitable for intended use? Too little
 Salty Muddy Odor Colored Other
Depth of strata: 145-255, 325-355

(9) LOCATION OF WELL by legal description:
County Malheur Latitude Longitude
Township 22 S Nor S, Range 44 E E or W, WM.
Section 5 NW 1/4 NE 1/4
Tax Lot Lot Subdivision
Street Address of Well (or nearest address)

(10) STATIC WATER LEVEL: 8 2012 12-17-89
0 ft. below land surface.
Artesian pressure WATER PRESSURE Date

(11) WATER BEARING ZONES: SANDS, OREGON
Depth at which water was first found 145-255

From	To	Estimated Flow Rate	SWL
145	255	20 gpm	40
325	355	80 gpm	40
380	420	150 gpm	40

(12) WELL LOG: Ground elevation 3520

Material	From	To	SWL
Overburden of Boulders	0	17	0
Clay (Brown)	17	140	0
SAND Stone w/ Blue Clay	140	255	40
Blue Clay	255	320	40
SAND Stone w/ Blue Clay	320	355	40
Blue Clay	355	380	40
FRAC. (Hard) SAND Stone	380	415	40
Blue Clay	415	425	40

After setting 1 week water will come up to gr. level
Between 5" & 10" from 100' to 70' level Artesian space is filled with Volcanic Best. pellets

Date started 12/5/88 Completed 12/10/88

(unbonded) Water Well Constructor Certification:
I certify that the work I performed on the construction, alteration, or abandonment of this well is in compliance with Oregon well construction standards. Materials used and information reported above are true to my best knowledge and belief.
Signed Robert W. Doty WWC Number 1202 Date 12/28/88

(bonded) Water Well Constructor Certification:
I accept responsibility for the construction, alteration, or abandonment work performed on this well during the construction dates reported above. All work performed during this time is in compliance with Oregon well construction standards. This report is true to the best of my knowledge and belief.
Signed Robert W. Doty WWC Number 325 Date 12/28/88

JAN 02 1990

Malheur 2276

22S/44E/8ad

STATE OF OREGON WATER WELL REPORT (as required by ORS 537.765)

WATER RESOURCES DEPT SALEM, OREGON

(START CARD) # W-14816

(1) OWNER: Well Number: Name Atlas Precious Metals Inc Address 318 A St City Vale State OR Zip 97818

(2) TYPE OF WORK: [X] New Well [] Deepen [] Recondition [] Abandon

(3) DRILL METHOD: [X] Rotary Air [] Rotary Mud [] Cable [] Other

(4) PROPOSED USE: [] Domestic [] Community [X] Industrial [] Irrigation [] Thermal [] Injection [] Other

(5) BORE HOLE CONSTRUCTION: Special Construction approval Yes No Depth of Completed Well 420 ft. Explosives used [] Yes [X] No Type Amount

Table with columns: HOLE Diameter, SEAL From, To, Material, Amount. Rows include PT Cement, Volclay, Bent Pellets.

How was seal placed: Method [] A [] B [] C [] D [] E [] Other Tremie Backfill placed from 555 ft. to 295 ft. Material Gravel placed from 555 ft. to 295 ft. Size of gravel .030

(6) CASING/LINER: Table with columns: Diameter, From, To, Gauge, Steel, Plastic, Welded, Threaded. Rows for Casing and Liner.

(7) PERFORATIONS/SCREENS: [] Perforations [X] Screens Method Type Wire Wound Material Low Carbon

Table for perforations with columns: From, To, Slot size, Number, Diameter, Tele/pipe size, Casing, Liner.

(8) WELL TESTS: Minimum testing time is 1 hour. [] Pump [X] Bailor [] Air [] Flowing Artesian Yield gal/min 35 Drawdown 294 Drill stem at 1 hr.

Temperature of water 64 F Depth Artesian Flow Found Was a water analysis done? [] Yes [] No By whom Did any strata contain water not suitable for intended use? [] Too little [] Salty [] Muddy [] Odor [] Colored [] Other Depth of strata:

(9) LOCATION OF WELL by legal description: County Malheur Latitude Longitude Township 22 S N or S, Range 44 E E or W, WM. Section 8 SE 1/4 NE 1/4 Tax Lot Lot Block Subdivision Street Address of Well (or nearest address)

(10) STATIC WATER LEVEL: 52 ft. below land surface. Date 12-6-89 Artesian pressure lb. per square inch. Date

(11) WATER BEARING ZONES: Table with columns: From, To, Estimated Flow Rate, SWL. Rows for 320-340, 400-420, and 40.

(12) WELL LOG: Table with columns: Material, From, To, SWL. Rows include SOIL, CLAY, BASALT, BROWN CLAY, SILTSTONE, CLAY & GRAVEL, CLAY & SAND, BROWN CLAY, BROWN CLAY & SAND, BROWN SANDSTONE, BLACK & RED SAND, SANDSTONE COARSE, CLAY & GRAVEL, CLAY & SAND.

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WATER RESOURCES DEPT SALEM, OREGON

Date started 11/27/89 Completed 12-1-89

(unbonded) Water Well Constructor Certification: I certify that the work I performed on the construction, alteration, or abandonment of this well is in compliance with Oregon well construction standards. WWC Number Signed Date

(bonded) Water Well Constructor Certification: I accept responsibility for the construction, alteration, or abandonment work performed on this well during the construction dates reported above. WWC Number 544 Signed Larry Bird Date 12/1/89

November 26, 1991

Atlas Precious Metals, Inc.
Republic Plaza
370 17th Street, Suite 3150
Denver CO 80202

USER-ID: 10230

Dear Sirs,

With regard to the pump test requirements for the following well and its associated water right:

<u>POD-ID</u>	<u>Well</u>	<u>Application</u>	<u>Permit</u>	<u>Certificate</u>	<u>Status</u>
21854	Well 1	G-11847	G-10994	0	Approved

The Water Resources Department has reviewed and accepted the pump test results you submitted. The Department requires no further testing of this well at this time, but we would like to know if the pump discharge was recorded over the duration of the test. You will be required to submit a static water level measurement of the well on the ten-year anniversary of the test you conducted.

We have an additional question regarding your wells. The data submitted identifies the pumped well as PW-4 and the observation well as GW-4-GM. The map identifies wells on the property as GM-1, GM-2 and GM-3. Please help us by letting us know which well is which on the enclosed water rights examiner map.

We appreciate your cooperation in this program. If you have any questions, please contact Sam Allison or Bill Ferber at the address below or by calling 378-8455.

Sincerely,

Sam Allison

For FRED LISSNER, Manager
Groundwater/Hydrology Section

cc: Water Rights Section

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SALEM, OREGON



3850 Portland Rd NE
Salem, OR 97310
(503) 378-3739
FAX (503) 378-8130



Oregon

Theodore R. Kulongoski, Governor

Water Resources Department

North Mall Office Building
725 Summer Street NE, Suite A
Salem, OR 97301-1271
503-986-0900
FAX 503-986-0904

December 3, 2003

Gochmour & Associates, Inc.
19590 E. Main Street, Suite 208
Parker, Colorado 80138

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SALEM, OREGON

Reference: Application G-11847, Permit G-10994

The assignment from Atlas Precious Metals, Inc., to Seabridge Gold Corporation, has been recorded in the records of the Water Resources Department.

Our records have been changed accordingly and the original request is enclosed. Receipt number 64588 covering the recording fee of \$25.00 is also enclosed.

Sincerely,

Jerry Sauter
Water Rights Program Analyst

Enclosure

cc: Watermaster 9
Atlas Precious Metals, Inc.
Seabridge Gold Corporation
Data Center, OWRD
Mary Rohling
File



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REQUEST FOR ASSIGNMENT

I, Gerald E. Davis - President
(Name of Applicant / Permit / Transfer Holder)

Atlas Precious Metals, Inc. 10920 West Alameda Ave. Suite 205 Lakewood, CO
(mailing address) (City) (State) (Zip) (Phone #) 80226
Ph. 303-292-1299

WATER RESOURCES DEPT
SALEM, OREGON

CHECK ONE

- ...hereby assign **all my interest** in and to application/permit/transfer;
- ...hereby assign **all my interest** in and to a **portion** of application/permit/transfer;
(You must include a map showing the portion of the application/permit to be assigned.)
- ...hereby assign **a portion of my interest** in and to the **entire** application/permit/transfer;

Application # #G-11847, Permit # #G-10994; Transfer # _____
-OR-

GR Statement # _____, GR Certificate of Registration # _____

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WATER RESOURCES DEPT
SALEM, OREGON

as filed in the office of the Water Resources Director, to:

Seabridge Gold Corporation
(Name of New Owner)
172 King Street East Toronto, Ontario, Canada M5A 1J3 416-367-9292
(mailing address) (City) (State) (Zip) (Phone #)

NOTE: *If there are other owners of the property described in this Application, Permit, Transfer or Certificate of Ground Water Registration, you must provide a list of all other owners' names and mailing addresses and attach it to this form.*

I hereby certify that I have notified all other owners of the property described in this Application, Permit or Certificate of Registration of this request for assignment.

Witness my hand this 12th day of November, 2003.

Applicant/Permit holder [Signature]

Applicant/Permit holder _____

*OK AS/64
12/03/2003*

DO NOT WRITE IN THIS BOX

- This certifies assignment and record change at Oregon Water Resources Department effective 8:00a.m. on date of receipt at Salem, Oregon.
- Fee receipt # 64588
- For Director by Jerry Sauer, Program Analyst in Water Rights Division [Signature]

The completed "Request for Assignment" form *must be* submitted to the Department along with the appropriate recording fees:

- ◆ \$25 for the first page, and
- ◆ \$5 for **each additional page.**
[as required by ORS 536.050(1)(d)]

WATER RESOURCES DEPARTMENT
158 12TH STREET NE
SALEM, OREGON 97301-4172



GOCHNOUR & ASSOCIATES, INC.

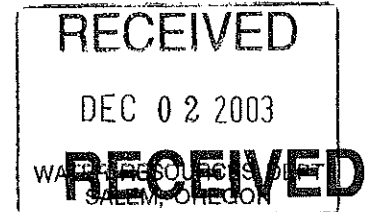
19590 E. Main Street, Suite 208
Parker, CO 80138

12-02-03 A09:26 RCVD

Tel (720) 851-2900
Fax (720) 851-2999
E-mail: lpgochnour@worldnet.att.net

November 28, 2003

Ms. Lisa Juul
Water Rights Specialist
Oregon Water Resources Department
725 NE Summer Street, Suite A
Salem, Oregon 97301-2430



FEB 8 2012

WATER RESOURCES DEPT
SALEM, OREGON

RE: Application File #G-11847 (Permit #-G10994) - Written Progress Report

Dear Ms. Juul:

The above referenced water rights were issued to Atlas Precious Metals, Inc. (Atlas) on April 5, 1990. The permit called for completion of construction of the water development project by October 1, 1992, and complete application of water to the full beneficial use by October 1, 1993. In accordance with OAR 690-320-0010(8), on April 6, 1999, the Department of Water Resources (the Department) issued a Proposed Final Order proposing to extend the time to fully apply water to beneficial use to October 1, 2008. No protests to this proposal were filed, and the Department allowed an extension with conditions. Since that time, Atlas has sold its interest and assets (including the above referenced water rights) in the Grassy Mountain Project to Seabridge Gold Corporation (Seabridge).

In order to satisfy the current condition/reporting requirement, I am providing you with the following information:

a) The amount of construction completed:

Based upon discussions with Atlas personnel, no new additional construction has been completed since 1999. This is primarily due to lower metal (gold) prices, and the fact that the project was marketed for sale. However, since acquisition of project assets by Seabridge, metal prices have improved significantly, and the economics of the project development are being evaluated. After additional evaluation, Seabridge will determine whether addition construction activities are warranted.

b) The amount of beneficial use of water being made, including the total volume of water used, water used relative to the specific authorizations contained in the permit, and the percent of the total allowable water used that this represents:

No beneficial use of water has been made, other than for evaluation purposes, and monitoring. Seabridge intends to use water in the near future for resource confirmation drilling, monitoring and confirmation pump testing to ensure that water is available for development purposes.

c) A review of the permittee's compliance with the terms and conditions of the permit and/or previous extension:

Seabridge believes that they are in compliance with all conditions of the permit. This Progress Report is the latest activity required, given that no new development has occurred. Interviews with Atlas personnel indicate

compliance with all conditions prior to the sale of assets.

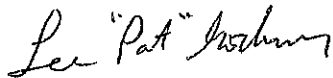
d) Financial investments made toward developing the beneficial water use:

The only financial investment that Seabridge is aware of since the submittal of last reported information, is the acquisition cost of the Grassy Mountain Assets. These costs are intended to continue the exploration, development and operation of the Grassy Mountain Project.

Enclosed with this Progress Report, is a copy of the Request For Assignment which is being submitted per direction of Mr. Jerry Sauter (Oregon Water Resources Department). The appropriate fee (\$25.00) is also being sent to Mr. Sauter with this request.

This should satisfy the Departments request for a Progress Report and update on activities for the referenced Permit. Should you or other members of your staff require additional information, you may contact me at the listed letterhead address or phone number. Thank you for allowing Seabridge an extension of time to further research this matter. We look forward to working with the Department as we evaluate and develop this very important Project.

Sincerely,



Lee "Pat" Gochnour
Consultant to Seabridge Gold Corporation

Enclosure (1) - Copy of Request for Assignment

cc Rudi Fronk - Seabridge

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SALEM, OREGON

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SALEM, OREGON



15 November 2011

Martha Pagel
Schwabe, Williamson and Wyatt
530 Center Street NE
Suite 400
Salem, OR 97301

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SALEM, OREGON

Dear Martha:

As per your request I have researched activities taken by Atlas Minerals, Newmont Gold, Seabridge Gold and/or their contractors or predecessors (the "Companies") to advance the Grassy Mountain Project during the years 1997-2008. What follows is a summary of my findings.

Claims Patented – On August 17, 2001 the government of The United States of America issued three (3) patents on claims to Sherry and Yates Inc., the original locators of the Grassy Mountain gold deposit (See attached document). The claims patented covered 61.983 acres, including the Poison Springs 24, Poison Springs 25 and Poison Springs 35 lode mining claims. Subsequently, nine (9) mill site claims were awarded nearby the three lode claims. By awarding the patents the Federal government transferred ownership of the land and minerals found on that land to the locators.

Payments and Assessments – In order to maintain the then three unpatented claims as well as the remaining 181 unpatented claims, the Companies paid annual assessment fees to the Federal government every year from 1997 to 2008. The total assessment payments made are estimated at \$ 236,500.

Additionally, the Companies made annual lease payments to the Bishop Trust, owner of the more than 1300 acre private tract west of the mineral claims. The total payments to the Bishop trust during the period are estimated at \$ 338,500. These leases allow the Companies to explore for and develop mineral deposits on the land as well as use the land for constructing structures in support of mining operations e.g. waste rock stockpiles, offices, mills etc.

Finally, the Companies have made payments in the amount of \$ 395,000 during the period to Sherry and Yates Inc., in order to preserve the option of developing a mining operation on Grassy Mountain patented claims.

Attached you will find a spreadsheet that summarizes payments made by the Companies between 1997 and 2008.

Exhibit D
Page 1 of 13

Exploration Drilling – In 1998 Tombstone Exploration optioned the Grassy Mountain Project from Atlas Minerals. During the first four months of that year Tombstone drilled nine exploration holes to further sample the Grassy Mountain deposit. Below is a table summarizing the drilling completed:

Hole Number	Start Date	Completion Date	Total Depth Drilled
TSO-1	18 February 1998	28 February 1998	800 feet
TSO-2	22 February 1998	12 March 1998	783 feet
TSO-3	1 March 1998	3 March 1998	950 feet
TSO-4	6 March 1998	11 March 1998	930 feet
TSO-5	10 March 1998	27 March 1998	765 feet
TSO-6	28 March 1998	29 March 1998	760 feet
TSO-7	29 March 1998	31 March 1998	840 feet
TSO-8	1 April 1998	3 April 1998	810 feet
TSO-9	1 April 1998	3 April 1998	810 feet

Though there are no water use records available for this drilling program, Calico Resources recently completed a drilling program of similar scope. During Calico's program, it is estimated, based on the footage drilled, the types of drills used and the ground conditions, that approximately 475,000 gallons of water were consumed. It can be assumed that a comparable amount of water was required during the 1998 drilling. Additionally, it is likely that some water was used for dust suppression and possibly road and drilling pad construction on what was then BLM administered land.

Some hydrogeologic data was gathered during the 1998 program. Hydrogeologic Data Sheets are available for seven of the nine holes drilled (see attached documents). No water was encountered in those seven holes.

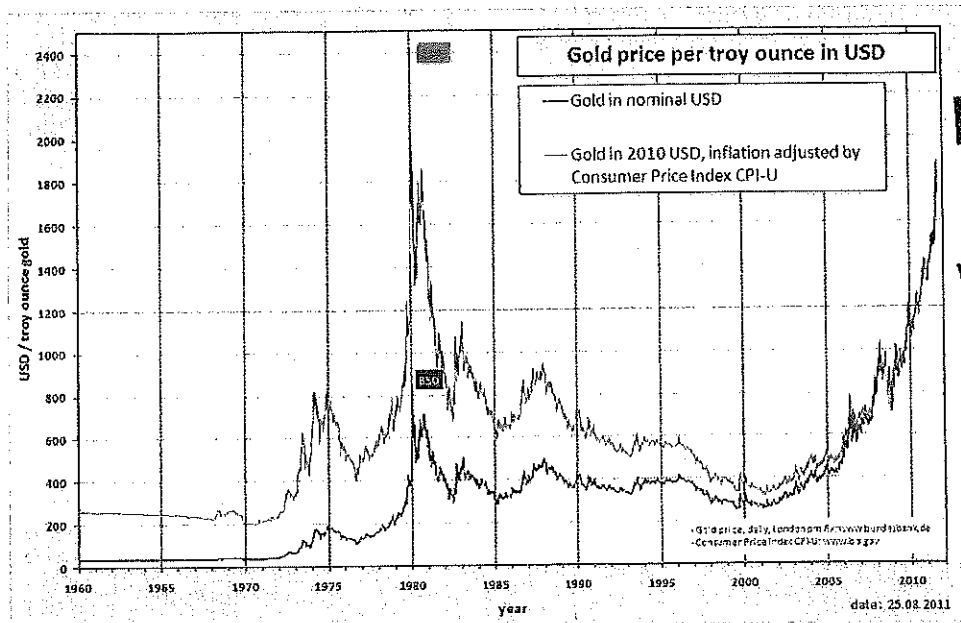
In 1998, a total of approximately 7,448 feet of exploration drilling was completed. Based on the fully burdened costs of Calico's recent drilling program, it can be estimated that the Companies spent more than \$750,000 to complete the earlier program.

Project Economics – The economic feasibility of the Grassy Mountain Project was negatively impacted by the low gold prices that existed during much of the period between 1997 and 2008. Below is a graph of gold prices over the last fifty years, in inflated 2010 USD and in USD "dollars of the day". It can be seen that during the years 1997 to 2004, gold prices were the lowest they have been in the last thirty years.

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Regulatory Reporting – In 2007 Seabridge Gold commissioned and issued a NI 43-101 compliant Technical Report as required by the Canadian Government for reporting mineral resources. The document was generated quantifying the gold resources then known to be present on the property based on the historical exploration results developed during the 1990's. Typically, the production of this kind of document costs about \$50,000.

Company Financials – During the period of low metal prices discussed above, Atlas Minerals tried to option and/or sell assets it was not operating. In 2002 Seabridge Gold attempted to option the Grassy Mountain project from Atlas. Subsequently, Atlas declared bankruptcy and in 2004 Seabridge was able to acquire the property. However, with gold prices still at historical lows, Seabridge chose to hold and not develop the project until gold prices strengthened sufficiently to improve the Grassy Mountain economics.

After a period of sustained strengthening of gold prices, Seabridge Gold optioned the property to Calico Resources in early 2011. Since acquiring the option on the property Calico has diligently moved the project forward by: delivering 2,000,000 shares to Seabridge as required by the option agreement; updating and releasing it's own NI 43-101 Report in June of 2011; mobilizing a team of geologists, landmen, attorneys and project management specialists to review the condition and extent of existing intellectual property already generated on the project; re-initiating environmental data collection in anticipation of re-starting the mine permitting process; conducting it's own exploration drilling program; mobilizing resources to re-start the mine permitting process. To date Calico has expended over \$1.0M on the project and is continuing its exploration and development investments.

In summary, the Grassy Mountain project has involved a continuous progression of activities that, in total, have served to move the project forward. During the period 1997-2008, the Companies put the ground water available at the Grassy Mountain Project site to beneficial use in their efforts to progress the project. Furthermore, during that period the Companies spent several millions of dollars evaluating and keeping the project viable. Now Calico Resources continues to move the project forward and is counting on the State of Oregon to extend the water right application submitted in August in order to provide the project a readily available source of water for future exploration, construction and mine operation.

Please contact me if you require additional information.

Sincerely,



Andy Gaudielle
Project Manager – Grassy Mountain Project
Calico Resources USA Corp.

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The United States of America

To all to whom these presents shall come, Greeting:

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WHEREAS,

SHERRY AND YATES INC.

did on March 23, 1993, duly enter and pay for certain lode mining claims or premises, known as the Poison Springs 24, Poison Springs 25, and Poison Springs 35, lode mining claims, and is entitled to a patent under the General Mining Laws, R.S. 2325, as amended (30 U.S.C. 29), designated and described as:

Mineral Survey No. 1004, located within Section 8, Township 22 South, Range 44 East, Willamette Meridian, Malheur County, Oregon, the said claims being more particularly described in the official field notes and depicted on the official plats which are expressly made a part of this patent and copies of which are attached hereto.

The premises herein granted contain 61.983 acres.

NOW KNOW YE, that pursuant to the laws aforesaid there is hereby granted by the UNITED STATES OF AMERICA, unto said Sherry and Yates Inc. and to their successors, the said premises hereinbefore described; **TO HAVE AND TO HOLD** said mining premises, together with all the rights, privileges, immunities, and appurtenances of whatsoever nature there unto belonging, unto the said claimants above named and to their heirs and assigns, forever; and

EXCEPTING AND RESERVING TO THE UNITED STATES from the land so granted:

1. A right-of-way thereon for ditches or canals constructed by the authority of the United States, Act of August 30, 1890 (26 Stat. 391; 43 U.S.C. 945).
2. All Leasing Act minerals (including geothermal steam and associated geothermal resources) in the land described above and the right of the United States, its lessees, permittees, and licensees to enter upon the land, prospect for, drill for, mine, treat, store, transport, and remove the same, and to use so much of the surface and subsurface of said lands as may be necessary for such purposes, and whenever reasonably necessary, for the purpose of prospecting for, drilling for, mining, treating, storing, transporting, and removing Leasing Act minerals on and from other lands; in accordance with the provisions of the Act of August 13, 1954, as amended (30 U.S.C. 521 et seq. and 1002).



IN TESTIMONY WHEREOF, the undersigned officer of the Bureau of Land Management, in accordance with the provisions of the Act of June 17, 1948 (62 Stat. 476), has, in the name of the United States, Caused these letters to be made Patent, and the Seal of the Bureau to be hereunto affixed.

GIVEN under my hand, in The City of Washington, District of Columbia the seventeenth day of August in the year of our Lord two thousand and one of the Independence of the United States the two hundred and twenty-sixth.

By *Nina Rose Hatfield*

Patent Number 36-2001-0141

GRASSY MOUNTAIN
LEASE AGREEMENT AND CLAIM COSTS 1997 THROUGH 2008

Lease Agreements

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL
Sherry & Yates Inc. Agreement	20,000.00	20,000.00	20,000.00	40,000.00	40,000.00	40,000.00	40,000.00	25,000.00	30,000.00	35,000.00	40,000.00	45,000.00	395,000.00
Bishop I Agreement	30,000.00	30,000.00	30,000.00	4,000.00	6,000.00	40,000.00	20,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	310,000.00
Bishop II Agreement	3,000.00	3,000.00	500.00	500.00	500.00	4,000.00	2,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	28,500.00
													733,500.00

Unpatented Claim Fees - BLM

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL
Poison Springs Claims - Sherry & Yates Inc.	4,000.00	4,000.00	4,000.00	4,000.00	3,700.00	3,700.00	3,700.00	3,700.00	4,625.00	4,625.00	4,625.00	4,625.00	49,300.00
Bishop Claims - Bishop I	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	750.00	750.00	750.00	750.00	7,800.00
Don Millsite Claims	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	1,125.00	1,125.00	1,125.00	1,125.00	11,700.00
Frog Claims	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	14,375.00	14,375.00	14,375.00	14,375.00	149,500.00
Poison Springs - A Claims	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,750.00	1,750.00	1,750.00	1,750.00	18,200.00
													236,500.00

3 Patented Poison Springs Claims

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL
Malheur County Real Property Tax					95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	760.00

TOTAL	970,760.00
-------	------------

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HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSTONE BLM SERIAL NO: OR 47008
PROJECT NAME GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-1
LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
TOTAL DEPTH: 800; BORE HOLE SIZE (DIAMETER): 5/8"

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

- 1. TGS - Grassy MTN. Formation 7.
- 2. _____ 8.
- 3. _____ 9.
- 4. _____ 10.
- 5. _____ 11.
- 6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSSTONE BLM SERIAL NO: OR 47008

PROJECT NAME GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-3
LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
TOTAL DEPTH: 950 ANGLE; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy Mtn. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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COMPANY/OPERATOR: ARAS/TOMBSTONE BLM SERIAL NO: OR 47008
 PROJECT NAME: GRASSY MTU. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-5
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 765'; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy MTU, Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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COMPANY/OPERATOR: ATLAS/TOMBSTONE BLM SERIAL NO: OR 47008
PROJECT NAME: GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-6
LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
TOTAL DEPTH: 760; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

- 1. TGS - Grassy MTN. Formation 7.
- 2. _____ 8.
- 3. _____ 9.
- 4. _____ 10.
- 5. _____ 11.
- 6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSTONE BLM SERIAL NO: OR 47008
 PROJECT NAME: GRASSY MTR. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-7
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 840 Amble; BORE HOLE SIZE (DIAMETER): 5 1/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy MTR. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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COMPANY/OPERATOR: ATLAS/TOMBSTONE BLM SERIAL NO: OR 47008
PROJECT NAME: GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: T50-8
LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
TOTAL DEPTH: 810' Avgd; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy MTN. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATRAS/TOMBSSTONE BLM SERIAL NO: OR 47008
PROJECT NAME GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-9
LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
TOTAL DEPTH: 810 Angle; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

- 1. TGS-Grassy MTN. Formation 7.
- 2. _____ 8.
- 3. _____ 9.
- 4. _____ 10.
- 5. _____ 11.
- 6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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APPLICATION FOR EXTENSION OF TIME WATER RESOURCES DEPT.
SALEM, OREGON

TO THE WATER RESOURCES DIRECTOR OF OREGON

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I, Atlas Precious Metals Inc.

370 Seventeenth Street, Suite 3140, Denver, CO 80202-5610 (303) 629-2440

WATER RESOURCES DEPT.
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record owner of application No. G 11847 permit No. G 10994. do hereby request that the time in which to:

complete the construction of works and/or purchase and installation of the equipment necessary to the use of water, which time now expires on October 1, 19__, be extended to October 1, _____, and/or the time in which to

accomplish beneficial use of water to the full extent under the terms of the permit, which time, now expires on October 1, 1998, be extended to October 1, 2008.

The extension of time requested should be long enough to finish the project. Should this request be approved, it will be the Department's expectation that you will complete your project within the new time period allowed. Future extensions may not be granted.

1- Did water system construction/well drilling begin within the time specified in the permit [yes/no]? Yes.

2- Have you put any water to use under this permit [yes/no]? Yes If yes, has that use been made consistent with the terms and conditions of the permit [yes/no]? Yes If no, please explain. Which terms and/or conditions have not been completely fulfilled at this time? Beneficial Use.

3- I have accomplished the following described works, purchases and installation of equipment necessary to the use of water under said permit.

(a) within past year: Nine core and reverse circulation drillholes for a total of 8,500 feet.

(b) prior to this past year: Refer to Exhibit A as attached. Thirty-two wells drilled, most of which are used for water monitoring. Several have been identified as potential production wells.

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WATER RESOURCES DEPT.
SALEM, OREGON

(c) and have accomplished beneficial use of water to the extent of (amount of water used or acres irrigated) Beneficial use not yet accomplished.

4- Cost of project to date In excess of twelve million dollars. Projected cost for completion of project Uncertain.

5- Have there been any unforeseen events which delayed development of water system? Regulatory delays and the world decline of metal prices.

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SALEM, OREGON

6- Have there been any significant government requirements that have delayed the completion of construction or application of water? [please explain] Permittee was required to develop through legislation, laws enabling the project to proceed. This included working with DOGAMI, ODEQ, and legislative committees.

7- What reasons was the project not completed within permit time limits? See 5 & 6 above.

8- Has there been any change in the demand for water or power since permit was issued? (please explain) Unknown.

9- Has there been any change in the market for water or power since the permit was issued? (please explain) Unknown.

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SALEM, OREGON

10- Will the income or use from this project provide reasonable returns against the investment in this project? (please explain) Yes, provided permits are obtained to develop the mine.

11- If the extension request is denied, is the current level of water use economically feasible? (please explain) No. Water use at present has been for exploration drilling. Anticipated use is for a mine operation which would use much more water.

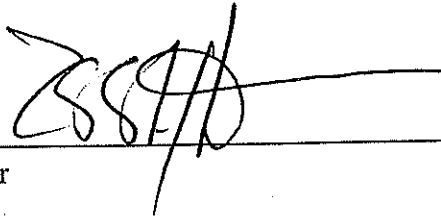
12- Is there an alternative source of water available [yes/no please explain]? The closest surface water source to the project is Ohwyhee Reservoir.

13- Has the use of water under the permit caused an adverse impact on the surface/groundwater resource in the area? (please explain) Not to our knowledge.

All items must be completed or the application will be returned. Please feel free to provide the Department with any additional information you might have that would aid us in making our decision. Please use an additional sheet of paper, if needed.

I am the permittee or have authorization from the permittee to apply for an extension of time under this permit. I understand that false or misleading statements in this extension application are grounds for the Department to suspend processing of the request and/or reason to deny the extension.

Signature: _____



Gregg B. Shafter
President
Atlas Precious Metals Inc.

MAIL COMPLETED APPLICATION TO:
WATER RIGHT PERMIT EXTENSIONS
WATER RESOURCES
158 12TH ST NE
SALEM, OREGON 97310

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EXHIBIT A

Water Application # G-11847/Permit #G10994

In that this Water Permit/Application is for use on a mining property that is in late exploration / early development stage, the questions on the new Application for Extension of Time are for the most part, not applicable. This purpose of this exhibit therefore, is to provide the Department with the information that would aid in making its decision to grant an extension of the subject Water Permit/Application.

Water Permit G-10994/Application G-11847 was issued on April 5, 1990. Since that time Atlas (as well as Newmont and Tombstone, as Lessees) have accomplished the following:

There were 32 wells drilled (see attached listing), most of which are monitoring wells used to characterize the groundwater and determine how to use and protect it simultaneously. Several of the wells have been tested as possible production wells and some water has been used for exploration drilling purposes.

Full beneficial use of the water cannot be achieved until all permits, including a chemical process mine permit from DOGAMI, have been obtained and a mine can actually be developed. The final design of the operation is likely to be changed countless times during review by numerous agencies, both State and Federal. Simply put, construction and application of water to beneficial use cannot be accomplished until the final operational designs are finished, the permitting process has been successfully completed, and world metal prices have improved.

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Atlas respectfully requests that a ten year extension of time be granted.

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June 1993 - Wells at Grassy Mountain (Newmont) - selected information:

Name	Well Use	Diameter (in)	Depth (ft)	Pump Type
Bishop Well	Livestock	12	480	Elec. Subm.
BLM (Owyhee)	Livestock	6	175	Elec. Subm.
Oxbow Well	Livestock	---	~25	Windmill
White Bluff	Livestock	6	---	Windmill
GW-1	Monitoring	4	156	Air Displac.
GW-2	Monitoring	4	400	Air Displac.
GW-3	Monitoring	4	400	None
GW-3A	Monitoring	2	420	None
GW-3B	Monitoring	1 1/4	103	None
GW-4	Monitoring	4	370	Air Displac.
GW-5	Monitoring	4	265	1" Watera
GW-6	Monitoring	4	340	1" Watera
PW-1	Mine Prod.	6	520	None
PW-4	Mine Prod.	6	375	None
Prod 1	Mine Prod.	6	425	Elec. Subm.

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WATER RESOURCES DEPT.
SALEM, OREGON

EXHIBIT A

Water Application # G-11847/Permit #G10994

Name	Well Use	Diameter (in)	Depth (ft)	Pump Type
26-92	Mine Prod.	2	915	1" Watera
57-1	Mine Prod.	1 3/4	765	1/2" Watera
57-10	Mine Prod.	1 3/4	500	1/2" Watera
89-2	Mine Prod.	2	425	1" Watera

November 11, 1993: Memorandum from Hydro-Geo Consultants, Inc. to Newmont, includes following chart (copy attached):

Well Installation Summary - November 11, 1993

Well No.	Location	Depth (ft)	Initial H ₂ O level (ft)	Note
TW-1	Main Pit	205	88.8	+10 gpm
MW-2	Main Pit	120	99.1	+60 gpm
MW-3	Main Pit	700	628.3	+60 gpm
TW-4	Crabgrass	323	279.4	+10 gpm
MW-5	Crabgrass	285	270.5	12 gpm
MW-6	Tailing/Heap	37	24.5	10 gpm
MWS-7	Crabgrass	220	Dry	Abandoned
MWS-8	Tailing/Heap	45.6	Dry	Moist horiz.
MWS-9	Tailing/Heap	40	Dry	Moist horiz.
MWS-10	Waste Rock	25	13.5	1 gpm
MW-11	S. Crabgrass	405	141.8	+0.5gpm
MW-12	S. Crabgrass	-----	Not Drilled	-----
MW-13	Main Pit	205	95.0	+60 gpm

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Witness work chart D *yes the accomplished*

Oregon Water Resources Department
Water Right Services Division

Application for Extension of Time

In the Matter of the Application for an Extension of Time)
for Permit G-10994, Water Right Application G-11847) **PROPOSED FINAL ORDER**
in the name of Seabridge Gold Corp)

Permit Information

Application File G-11847 Permit G-10994

Basin: 10 – Malheur / Watermaster District 9

Date of Priority: November 15, 1988

Authorized Use of Water

Source of Water: 2 wells and supplemented by waters from an open pit mine
within the Sand Hollow Creek Basin

Purpose of Use: Mining/industrial uses

Maximum Rate: 2 Cubic Feet per Second (cfs)

**This Extension of Time request is being processed in accordance with Oregon
Administrative Rule Chapter 690, Division 315**

***Please read this Proposed Final Order in its entirety as it contains
additional conditions not included in the original permit.***

This Proposed Final Order applies only to Permit G-10994, water right Application G-11847.
A copy of Permit G-10994 is enclosed as Attachment 1.

Summary of Proposed Final Order for Extension of Time

The Department proposes to:

- Grant an extension of time for complete construction of the water system from October 1, 2008 to October 1, 2028.
- Grant an extension of time to apply water to full beneficial use from October 1, 2008 to October 1, 2028.
- Make the extension subject to certain conditions set forth below.

ACRONYM QUICK REFERENCE

Department – Oregon Department of Water Resources
PFO – Proposed Final Order

Units of Measure

cfs – cubic feet per second

gpm – gallons per minute

AUTHORITY

Generally, see ORS 537.630 and OAR Chapter 690 Division 315.

ORS 537.630(1) provide in pertinent part that the Oregon Water Resources Department (Department) may, for good cause shown, order an extension of time within which: irrigation or other works shall be completed; the well or other means of developing and securing ground water shall be completed; or the right perfected. In determining the extension, the Department shall give due weight to the considerations described under ORS 539.010(5) and to whether other governmental requirements relating to the project have significantly delayed completion of construction or perfection of the right.

ORS 539.010(5) provides in pertinent part that the Water Resources Director, for good cause shown, may extend the time within which the full amount of the water appropriated shall be applied to a beneficial use. This statute instructs the Director to consider: the cost of the appropriation and application of the water to a beneficial purpose; the good faith of the appropriator; the market for water or power to be supplied; the present demands therefore; and the income or use that may be required to provide fair and reasonable returns upon the investment.

OAR 690-315-0040 provides in pertinent part that the Water Resources Department shall make findings to determine if an extension of time may be approved to complete construction and/or apply water to full beneficial use.

OAR 690-315-0050(5) states that extension orders may include, but are not limited to, any condition or provision needed to: ensure future diligence; mitigate the effects of the subsequent development on competing demands on the resource; and periodically document the continued need for the permit.

OAR 690-315-0050(6) requires the Department, for extensions exceeding five years, to establish checkpoints to determine if diligence is being exercised in the development and perfection of the water use permit. Intervals between checkpoints will not exceed five year periods.

FINDINGS OF FACT

Background

1. Permit G-10994 was granted by the Department on April 5, 1990 to Atlas Precious Metals, Inc. On December 2, 2003, the permit was assigned to Seabridge Gold Corporation. The permit authorizes the use of up to 2 cfs of water from 2 wells and supplemented by waters from an open pit mine for mining/industrial uses. The permit specified construction of the water system was to be completed by October 1, 1992, and complete application of water was to be made on or before October 1, 1993.
2. Five prior permit extensions have been granted for Permit G-10994. The most recent extension request resulted in the completion dates for construction and full application of water being extended from October 1, 1997 to October 1, 2008.
3. Calico Resources USA Corp. on behalf of the permit holder, Seabridge Gold Corp., submitted an "Application for Extension of Time" to the Department on February 8, 2012 requesting the time to complete construction of the water system and the time to apply water to full beneficial use under the terms and conditions of Permit G-10994 be extended from October 1, 2008 to October 1, 2028.
4. Notification of the Application for Extension of Time for Permit G-10994 was published in the Department's Public Notice dated February 21, 2012. No public comments were received regarding the extension application.
5. On November 28, 2003, a progress report was received as required by the previous extension order from the permit holder's consultant. The Department notified the permit holder on February 24, 2004, that diligence toward completion of the project and/or compliance with the terms and conditions of the permit and extension was questionable. Also, because diligence was questionable, the notification indicated an additional extension of time for Permit # G-10994 will likely not be approved by the Department.

Review Criteria [OAR 690-315-0040]

The time limits to complete construction and/or apply water to full beneficial use may be extended if the Department finds that the permit holder has met the requirements set forth under OAR 690-315-0040. This determination shall consider the applicable requirements of ORS 537.230¹, 537.248², 537.630³ and/or 539.010(5)⁴.

Complete Extension of Time Application [OAR 690-315-0040(1)(a)]

6. On February 21, 2012, the Department received a completed Application for Extension of Time and the fee specified in ORS 536.050 from the permit holder.

Start of Construction [OAR 690-315-0040(1)(b) and 690-315-0040(5)]

7. Actual construction of the well began prior to the April 5, 1991 deadline specified in the permit.

Duration of Extension [OAR 690-315-0040(1)(c)]

Under OAR 690-315-0040(1)(c), in order to approve an extension of time for water use permits the Department must find that the time requested is reasonable and the applicant can complete the project within the time requested.

8. As of February 21, 2012, the remaining work to be completed consists of completing construction of the water system and applying water to full beneficial use.
9. Given the amount of development left to occur, the Department has determined that the permit holder's request to have until October 1, 2028, to complete construction of the water system and to accomplish the application of water to beneficial use under the terms and conditions of Permit G-10994 is both reasonable and necessary.

Good Cause [OAR 690-315-0040(1)(d)]

The Department's determination of good cause shall consider the requirements set forth under OAR 690-315-0040(2).

Reasonable Diligence of the Appropriator [OAR 690-315-0040(2)(a)]

The Department's determination of reasonable diligence shall consider the requirements set forth under OAR 690-315-0040(3)(a-d). In accordance with OAR 690-315-0040(3), the Department shall consider, but is not limited to, the following factors when determining whether the applicant has demonstrated reasonable diligence in previous performance under the permit:

¹ ORS 537.230 applies to surface water permits only.

² ORS 537.248 applies to reservoir permits only.

³ ORS 537.630 applies to ground water permits only.

⁴ ORS 539.010(5) applies to surface water and ground water permits.

Amount of Construction [OAR 690-315-0040(3)(a)]

10. Work was accomplished within the time allowed in the permit or previous extension as follows:

- a. Construction of the wells and water system began prior to the April 5, 1991 deadline specified in the permit.
- b. Work was completed (specified in the Application for an Extension of Time) during the original development time frame under Permit G-10994.

Beneficial Use of Water [OAR 690-315-0040(3)(b)]

11. The following beneficial use of water was made during the permit or previous extension time limits:

- a. Since the issuance of Permit G-10994 on April 5, 1990, a maximum rate of 79 gallons per minute (0.18 cfs) of water has been appropriated from a well for mining/industrial uses.
- b. *Delay of full beneficial use of water under Permit G-10994 was due, in part, to a previous permit holder filing for bankruptcy and the delay in selling of the right for mining. The current permit holder needs more time in which to gain approval from the Oregon Department of Geology and Mineral Industries and the authorization from the Federal Bureau of Land Management to construct mining facilities, complete the water system and fully apply water to beneficial use allowed under the permit.

Compliance with Conditions [OAR 690-315-0040(3)(c)]

12. The water right permit holder's conformance with the permit or previous extension conditions.

- a. *The Department has considered the permit holder's compliance with conditions, and has identified the following concerns: (1) the record does not show the maintenance and use of adequate treatment facilities to remove sediment before returning the water to the stream.
- b. Failure to comply with permit conditions constitutes illegal use of water. The use of water under this permit, therefore, has not yet been demonstrated. In order to legally perfect the use of water under this permit, the permit holder must demonstrate that all conditions of the permit have been satisfied.

Financial Investments [OAR 690-315-0040(3)(d)]

13. Financial investments made toward developing the beneficial water use.

- a. As of February 21, 2012, the permit holder has invested approximately \$14,770,760, which is approximately 68 percent of the total projected cost for complete development of this project. The permit holder anticipates an

additional \$88mm-118mm investment is needed for the completion of this project.

Cost to Appropriate and Apply Water to a Beneficial Purpose [OAR 690-315-0040(2)(b)]

14. As of February 21, 2012, the permit holder has invested approximately \$14,770,760 which is approximately 68 percent of the total projected cost for complete development of this project. The permit holder anticipates an additional \$88mm-118mm investment is needed for the completion of this project.

Good Faith of the Appropriator [OAR 690-315-0040(2)(c)]

15. The Department has found good faith of the appropriator under Permit G-10994.

The Market and Present Demands for Water [OAR 690-315-0040(2)(d-e)]

The Department's determinations of market and present demand for water or power to be supplied shall consider the requirements set forth under OAR 690-315-0040(4)(a-f). In accordance with OAR 690-315-0040(4), the Department shall consider, but is not limited to, the following factors when determining the market and the present demand for water or power to be supplied:

16. The amount of water available to satisfy other affected water rights and scenic waterway flows; special water use designations established since permit issuance, including but not limited to state scenic waterways, federal wild and scenic rivers, serious water management problem areas or water quality limited sources established under 33 U.S.C. 1313(d); or the habitat needs of sensitive, threatened or endangered species, in consultation with the Oregon Department of Fish and Wildlife [OAR 690-315-0040(4)(a-c)].
 - a. The amount of water available to satisfy other affected water rights and scenic waterway flows was determined at the time of issuance of Permit G-10994; furthermore, water availability for other affected water rights and scenic waterway flows after the permit was issued is determined at such time that such application for a new water right is submitted. The points of appropriation for Permit G-10994, located within the Sand Hollow Creek Basin, are not located within a limited or critical ground water area. Sand Hollow Creek is not located within or above any state or federal scenic waterway, however it is located within an area ranked "low" for stream flow restoration needs as determined by the Department in consultation with the Oregon Department of Fish and Wildlife, and is not located within a Sensitive, Threatened or Endangered Fish Species Area as identified by the Department in consultation with Oregon Department of Fish and Wildlife. Sand Hollow Creek is not listed by the Department of Environmental Quality as a water quality limited stream.

17. Economic investment in the project to date [OAR 690-315-0040(4)(d)].
 - a. As of February 21, 2012, the permit holder has invested approximately \$14,770,760.
18. Other economic interests dependent on completion of the project [OAR 690-315-0040(4)(e)].
 - a. None have been identified.
19. Other factors relevant to the determination of the market and present demand for water and power [OAR 690-315-0040(4)(f)].
 - a. None have been identified.
20. *OAR 690-315-0050(5) provides for extension orders to include, but are not limited to, any condition or provision needed to ensure future diligence, and/or mitigate the effects of the subsequent development on competing demands on the resource. The Department determined the need to place a "Last Extension Condition" on this extension of time in order to ensure diligence is exercised in the development and perfection of the water use permit. This condition, specified under Item 1 of the "Conditions" section of this PFO, was determined to be necessary due to a progress report received on November 28, 2003, as required by the previous extension order. The Department notified the permit holder that diligence toward completion of the project and/or compliance with the terms and conditions of the permit and extension was questionable. Also, because diligence was questionable, the notification indicated an additional extension of time for Permit # G-10994 will likely not be approved by the Department.
21. OAR 690-315-0050(6) requires the Department to place a checkpoint condition on this extension of time in order to ensure diligence is exercised in the development and perfection of the water use permit. A "Checkpoint Condition" is specified under Item 2 of the "Conditions" section of this PFO to meet this condition.

Fair Return Upon Investment [OAR 690-315-0040(2)(f)]

22. Use and income from the permitted water development results in reasonable returns upon the investment made to date.

Other Governmental Requirements [OAR 690-315-0040(2)(g)]

23. Delay in the development of this project was not caused by any other governmental requirements.

Unforeseen Events [OAR 690-315-0040(2)(h)]

24. The Department has not identified any unforeseen events over which the permit holder had no control and which delayed development under Permit G-10994.

CONCLUSIONS OF LAW

1. The applicant is entitled to apply for an extension of time to complete construction and/or completely apply water to the full beneficial use pursuant to ORS 537.630(1).
2. The applicant has submitted a complete extension application form and the fee specified in ORS 536.050, as required by OAR 690-315-0040(1)(a).
3. The applicant complied with begin actual construction timeline requirements pursuant to ORS 537.630 as required by OAR 690-315-0040(1)(b) and OAR 690-315-0040(5).
4. Completion of construction and full application of water to beneficial use can be accomplished by October 1, 2028⁵, as required by OAR 690-315-0040(1)(c).
5. The Department has considered the reasonable diligence and good faith of the appropriator, the cost to appropriate and apply water to a beneficial purpose, the market and present demands for water to be supplied, the financial investment made and fair and reasonable return upon the investment, the requirements of other governmental agencies, and unforeseen events over which the permit holder had no control, whether denial of the extension will result in undue hardship to the applicant and whether there are no other reasonable alternatives for meeting water use needs, any other factors relevant to a determination of good cause, and has determined that the applicant has shown that good cause exists for an extension of time to apply water to full beneficial use pursuant to OAR 690-315-0040(1)(d).
6. As required by OAR 690-315-0050(6) and as described in Finding 18 above, the Department has established, as specified in the “Conditions” section of this PFO (Item 2), progress checkpoints in order to ensure future diligence is exercised in the development and perfection of Permit G-10994.
7. As authorized in OAR 690-315-0050(5) and as described in Finding 20 above, the Department has established, as specified in the “Conditions” section of this PFO (Item 1), a “Last Extension Condition” in order to ensure future diligence is exercised in the development and perfection of Permit G-10994.

Proposed Order

Based upon the foregoing Findings of Fact and Conclusions of Law, the Department proposes to issue an order to:

⁵Pursuant to ORS 537.630(4), upon the completion of beneficial use of water allowed under the permit, the permittee shall hire a certified water rights examiner to survey the appropriation. Within one year after the complete application of water to a beneficial use (or by the date allowed for the complete application of water to a beneficial use), the permittee shall submit a map of the survey and a new or revised claim of beneficial use as deemed appropriate by the Department.

STATE OF OREGON
COUNTY OF MALHEUR

PERMIT TO APPROPRIATE THE PUBLIC WATERS

THIS PERMIT IS HEREBY ISSUED TO

ATLAS PRECIOUS METALS, INC.
743 HORIZON COURT, SUITE 202
GRAND JUNCTION, COLORADO 81506

303-243-5800

to use the waters of TWO WELLS, SUPPLEMENTED BY WATERS FROM AN OPEN PIT MINE, in the MALHEUR RIVER BASIN for MINING/INDUSTRIAL USES.

This Permit is issued approving Application G-11847. The date of priority is AUGUST 29, 1988 for the two wells and NOVEMBER 15, 1988 for the open pit mine. The use is limited to not more than 2.0 CUBIC FEET PER SECOND, or its equivalent in case of rotation, measured at the well.

The wells and open pit mine are located as follows:

LOT 3 AND SE 1/4 NW 1/4, SECTION 5, T 22 S, R 44 E, W.M.; NW 1/4 SE 1/4, SECTION 8, T 22 S, R 44 E, W.M.; WELL 1 - 691 FEET SOUTH AND 994 FEET EAST; WELL 2 - 1798 FEET SOUTH AND 1083 FEET EAST, BOTH FROM S 1/4 CORNER, SECTION 32, T 21 S, R 44 E, W.M.; OPEN PIT MINE - 2262 FEET NORTH AND 37 FEET EAST FROM S 1/4 CORNER, SECTION 8, T 22 S, R 44 E.

Although declared herein to be a supplemental supply from the open pit mine, in the interest of prudent use of waters, use from the open pit mine may be exercised at times when water is available at the two wells, provided the total quantity diverted from all sources does not exceed the limitation allowed herein.

This permit is issued subject to the maintenance and use of adequate treatment facilities to remove the sediment before returning the water to the stream.

The use shall conform to such reasonable rotation system as may be ordered by the proper state officer.

A description of the proposed place of use under the permit is as follows:

SECTIONS 12, 13 AND 14

SECTIONS 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100

Provide evidence on Demonstrated
use of the water for purposes of
of Permit. Industrial, Dust Abatement
ZCRS or its equivalent. Examples -
Dust Abatement, Drilling or Expanded
Holes

N 1/2
SECTION 25
TOWNSHIP 22 SOUTH, RANGE 43 EAST, W.M.

W 1/2
SECTION 2

SECTIONS 3, 4, 5, 6, 7, 8, 9 AND 10.

W 3/4
SECTION 15

SECTIONS 16, 17, 18 AND 19

N 3/4
SECTIONS 20 AND 21

N 1/2
SECTION 30
TOWNSHIP 22 SOUTH, RANGE 44 EAST, W.M.

The well shall be constructed in accordance with the General Standards for the Construction and Maintenance of Water Wells in Oregon. The works shall be equipped with a usable access port, and may also include an air line and pressure gauge adequate to determine water level elevations in the well at all times. When required by the department, the permittee shall install and maintain a weir, meter, or other suitable measuring device, and shall keep a complete record of the amount of ground water withdrawn.

Prior to receiving a certificate of water right, the permit holder shall submit the results of a pump test meeting the department's standards, to the Water Resources Department. The Director may require water level or pump test results every ten years thereafter.

Actual construction work shall begin on or before APRIL 5, 1991, and shall be completed on or before October 1, 1992. Complete application of the water shall be made on or before October 1, 1993.

B+C ext to 10-1-96
Failure to comply with any of the provisions of this permit may result in action including, but not limited to, restrictions on the use, civil penalties, or cancellation of the permit.

This permit is for beneficial use of water without waste. The water user is advised that new regulations may require use of best practical technologies or conservation practices to achieve this end.

By law, the land use associated with this water use must be in compliance with statewide land-use goals and any local acknowledged land-use plan.

The use of water shall be limited when it interferes with any prior surface or ground water rights.

Issued this date, APRIL 5, 1990.

7/5/ WILLIAM H. YOUNG

Water Resources Department
William H. Young
Director

"B" Extended to October 1, 1993

B+C Ext. 10-1-94, 10-1-95

Ext. BC 97

C 08

Application G-11847 Water Resources Department
Basin 10 Volume 2A Negro Rock Canyon & Tribs. Wells
G 11847.W30

PERMIT G-10994
District 9

Craig Kohanek

From: Craig Kohanek
Sent: Monday, August 06, 2012 11:30 AM
To: Dwight French
Subject: RE: Reimbursement Authority for Calico Resources USA Corp.; project R11884-11, application G-11847 seeking an extension.

Shonee,

This application was originally filed August 29, 1988 with "complete application of water" to occur by October 1, 1993. Subsequently five extensions have been issued; the last of which was issued in 1998 for a period of ten years. On October 28, 2011 the Oregon Water Resources Department (Department) issued a Final Order denying an application for extension of time for Permit G-10994 to complete construction or complete application of water to beneficial use. On December 5, 2011 the permit holder petitioned for reconsideration and withdrawal of superseding final order denying extension of time for permit G-10994. On December 15, 2011 the Department, pursuant to Oregon Administrative Rule 137-004-0080(8), withdrew the superseding final order issued November 7, 2011.

On February 8, 2012 received a new extension application for permit G-10994, as well as a Reimbursement Authority (RA) estimate application to expedite the extension application process. On February 23, 2012 the applicant, Calico Resources USA Corp and OWRD entered into an RA contract to expedite the processing of the extension application for permit G-10994. The estimate was provided and the contract was entered into.

There is a notable inconsistency between the application submitted 5/25/2011 and the application submitted 2/8/2012. The 5/25/2011 application, in the "Reasonable Diligence" section of the form, the applicant indicates that the "Amount invested to date: \$55,000", with no new investment since 6-1-1997 "Estimated Remaining Cost: \$150,000". This application was seeking an extension till 10/1/2018. However, the 2/8/2012 application in the "Reasonable Diligence" section of the form, the applicant indicates that the "Amount invested to date: \$14,770,000 Estimated Remaining Cost: \$85mm-118mm." This application is seeking an extension till 10/1/2028. "On November 28, 2003, a progress report was received as required by the previous extension order for the permit holder's consultant. The Department notified the permit holder on February 24, 2004, that diligence toward completion of the project and/or compliance with the terms and conditions of the permit and extension was questionable. Also, because diligence was questionable, the notification indicated that an additional extension of time for permit # G-10994 will likely not be approved by the Department."

Given these factors, it is the intention of the Department to issue an order denying the application for an extension of time for permit G-10994.

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrdd.state.or.us

Craig Kohanek

From: Langford, Shonee D. <SLangford@SCHWABE.com>
Sent: Tuesday, June 26, 2012 2:42 PM
To: Craig Kohanek
Subject: RE: Reimbursement authority project R11884-11 for Calico Resources USA Corp for application G-11847
Attachments: Tombstone.pdf

Craig,
I am attaching the requested drilling info. Please let me know if you need anything else.

Thanks.

Shonee

SHONEE D. LANGFORD | Attorney at Law
SCHWABE, WILLIAMSON & WYATT
Direct: 503-540-4261 | Fax: 503-796-2900
Legal advisors for the future of your business®
www.schwabe.com

From: Craig Kohanek [<mailto:ron.c.kohanek@state.or.us>]
Sent: Wednesday, June 13, 2012 8:57 AM
To: Langford, Shonee D.
Subject: Reimbursement authority project R11884-11 for Calico Resources USA Corp for application G-11847

Shonee,

In the Claim of Beneficial Use on page 2 of Exhibit D there's a table that shows that Tombstone Exploration drilled nine exploration holes between 2/18/1998 and 4/3/1998 to further sample the Grassy Mountain deposit. I request that you provide the drilling logs or records for those exploration holes.

Thanks,

R. Craig Kohanek
Water Rights Specialist
Reimbursement Authority
Oregon Water Resources Department
Phone: 503-986-0823
Fax: 503-986-0901
Ron.c.kohanek@wrdd.state.or.us

To comply with IRS regulations, we are required to inform you that this message, if it contains advice relating to federal taxes, cannot be used for the purpose of avoiding

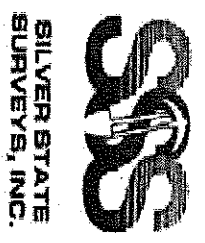
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CUSTOMER _____ TOMESTONE EXPLORATION
 MINE SITE _____ GRASSY MOUNTAIN
 HOLE NO. _____ TSO #1.1
 DATE _____ 4-1-98

THE IN COORDINATES

ELEVATION _____ 0
 NORTH+/SOUTH _____ 0
 EAST+/WEST _____ 0



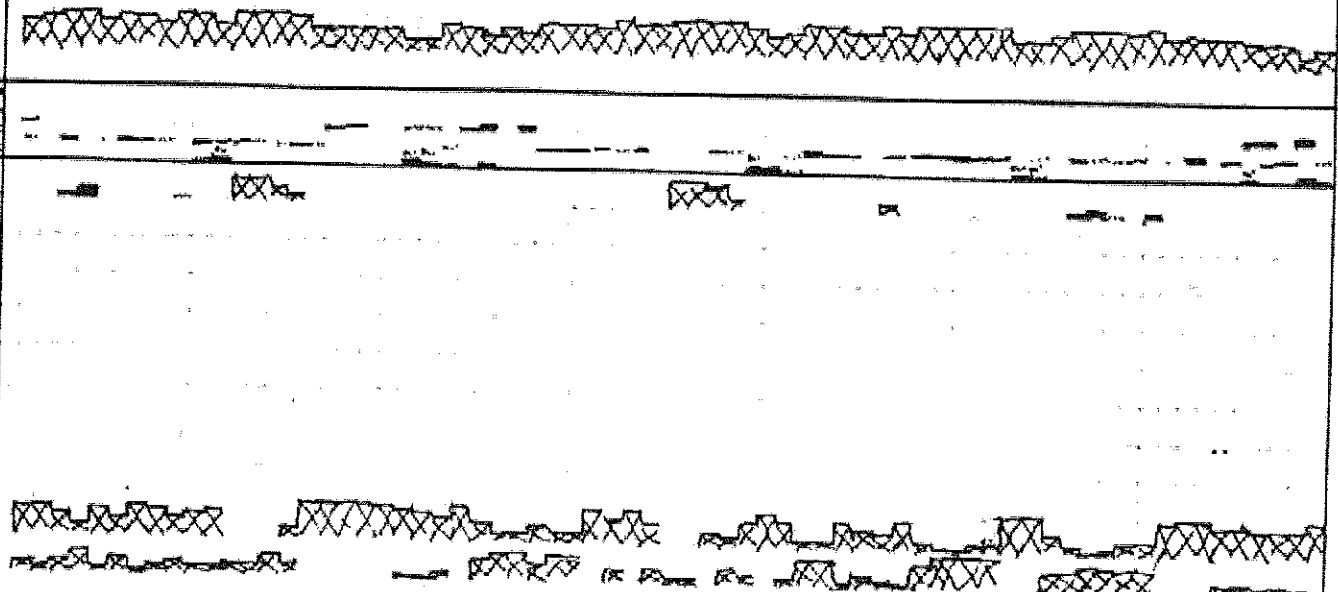
PROJECTED DEPTH _____ NONE

SURVEY CERTIFIED BY

Paul M. [Signature]

MEAS DEPTH	TRUE VERTICAL DEPTH (FEET)	TRUE VERTICAL SECTION (FEET)	IND. (FEET)	DIRECTION (AZIMUTH)	RECTANGULAR COORDINATES N+/S- (FEET)	E+/W- (FEET)	BOGGS 100/FT (DEGREES)	CLOSURE DISTANCE (FEET)	CLOSURE ERR (FEET)
0	0.00	0.00	-90.00	0.00	0.00	0.00	0.00	0.00	0.00
50	49.99	0.65	-88.51	219.25	-0.50	-0.41	0.00	0.65	219.25
100	99.96	2.49	-87.26	228.33	-1.80	-1.72	2.58	2.49	223.60
150	149.89	5.12	-86.62	240.05	-3.33	-3.89	1.78	5.12	229.38
200	199.78	8.28	-86.01	245.00	-4.80	-6.74	1.37	8.28	234.52
250	249.66	11.70	-85.95	252.33	-6.07	-10.00	1.03	11.70	238.72
300	299.58	14.44	-87.53	260.62	-6.79	-12.74	3.29	14.44	241.97
350	349.55	16.01	-88.37	283.97	-6.79	-14.50	2.34	16.01	244.90
380	379.53	16.71	-88.01	290.65	-6.50	-15.40	1.39	16.71	247.11
750	749.31	27.50	-88.00	291.08	-1.92	-27.43	0.00	27.50	256.01

PROPERTY	STATE		HOLE#		NORTHING		TOTAL DEPTH		LOCATION		PG
	Co. #	Co.	Lith	CRH	Elev	Elev	Bearing	Angle	to V30'	OF	
LOGGED BY	COUNTY		LITHOLOGY		ALTERATION		MINERALIZATION		COMMENTS		GRAPHIC
DATE	#	CO	Q	U	Alt	Py	Py	Alt	ALT	LITH	
DRILLING	TIME	RUN	CORE	%	REC	NOTES	DR	GR	COM	ALT	LITH
Crossby, HTRD Logged by G. French JTM #	Dupe 100m	4000	100%	0	0	Dec 1960	1	0	1000	1000	1
	4000	100%	0	0	0	Dec 1960	1	0	1000	1000	1
	4000	100%	0	0	0	Dec 1960	1	0	1000	1000	1
	4000	100%	0	0	0	Dec 1960	1	0	1000	1000	1
	4000	100%	0	0	0	Dec 1960	1	0	1000	1000	1



1st 2' ...
 2' to 4' ...
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 88' to 90' ...
 90' to 92' ...
 92' to 94' ...
 94' to 96' ...
 96' to 98' ...
 98' to 100' ...



SILVER STATE SURVEYS, INC.

SURVEY OBTAINED BY

Paul Deppa

CUSTOMER _____ TOMESTONIC EXPLORATION
 MINE SITE _____ GRASSY MOUNTAIN
 HOLE NO. _____ TSO#1
 DATE _____ 2-26-98
 TIE IN COORDINATES

ELEVATION _____ 0
 NORTH/SOUTH _____ 0
 EAST/WEST _____ 0
 PROJECTED DEPTH _____ NONE

MEAS DEPTH	TRUE VERTICAL DEPTH (FEET)	TRUE VERTICAL SECTION (FEET)	INCL (HGR7)	DIRECTION (AZIMUTH)	RECTANGULAR COORDINATES N+/- E+/- W- (FEET)	DOSELS 100 FT (DECRIES)	CLOSURE DISTANCE (FEET)	CLOSURE BIR (DEG)
0	0.00	0.00	-90.00	0.00	0.00	0.00	0.00	0.00
50	50.00	0.15	-89.66	236.58	-0.08	-0.12	0.68	236.58
100	99.98	1.44	-87.38	243.15	-0.68	-1.27	4.57	241.80
150	149.93	3.66	-87.52	248.26	-1.60	-3.29	0.53	244.13
200	199.89	5.78	-87.61	249.38	-2.36	-5.27	0.20	245.85
250	249.85	7.60	-88.16	261.32	-2.85	-7.04	1.40	247.95
300	299.83	8.70	-88.71	306.72	-2.64	-8.29	2.62	252.35
350	349.82	9.39	-88.25	319.69	-1.72	-9.23	1.14	259.45
400	399.79	10.33	-87.85	320.45	-0.41	-10.32	0.80	267.71
450	449.75	11.49	-87.96	323.68	1.03	-11.45	0.32	275.13
500	499.71	13.01	-87.05	325.47	2.80	-12.70	1.83	282.45
510	509.69	13.39	-87.01	326.00	3.23	-12.99	0.49	283.97

DIAMOND DRILL HOLE LOG

Company **TOMBSTONE**

LEGEND

ARKOSE **SANDSTONE** **SILICA** **CLAY MINERALIZATION** **PLANT MATTER**

CONGLOMERATE **SILTSTONE** **TUFF**

SURVEY - SEE SILVER STATE

Footage	Bearing	Inclination
100	-87.3	293
200	-87.6	299
300	-88.7	349
400	-87.4	320
500	-87.05	325

Property **GUNSSY MTN** Hole No **TSO-1**

Location **2.145' NNE of 21-122** Bearing at Collar **0°**

Coord. - Collar N **E** Inclination at Collar **VERT**

Elev. - Collar **E** Length **Pred. II 0-510, 570 -**

Date started **RC 2/19/98** Core Size **HQ**

Completed **RC 2/20/98** Logged by **GIM French**

LITHOLOGY, ALTERATION, MISC.	FT.	GRAPHIC LOG	MINERALIZATION	RECOVERY		ANALYTICAL		BOX
				Run	Run Length	Sample	Interval	
0-430 Pred. II - RC - no sample								
430-570 Pred. II - RC - Sampled MED - CONGLOMERATE BEARING SS AT 490 TO 510 GRAY TO TAN								
570-580 Case - 570	570							1
580-585 Case - 585	585							2
585-590 Case - 590	590							3
590-595 Case - 595	595							4
595-600 Case - 600	600							5
600-605 Case - 605	605							6
605-610 Case - 610	610							7
610-615 Case - 615	615							8
615-620 Case - 620	620							9
620-625 Case - 625	625							10
625-630 Case - 630	630							11
630-635 Case - 635	635							12
635-640 Case - 640	640							13
640-645 Case - 645	645							14
645-650 Case - 650	650							15
650-655 Case - 655	655							16
655-660 Case - 660	660							17
660-665 Case - 665	665							18
665-670 Case - 670	670							19
670-675 Case - 675	675							20
675-680 Case - 680	680							21
680-685 Case - 685	685							22
685-690 Case - 690	690							23
690-695 Case - 695	695							24
695-700 Case - 700	700							25

SMF

LITHOLOGY, ALTERATION, MISC.

FT.

GRAPHIC LOG

MINERALIZATION

RECOVERY

ANALYTICAL

BOX

595-596S cont'd
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd

595-596S cont'd
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd

595-596S cont'd
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd

595-596S cont'd
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd

595-596S cont'd
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd

595-596S cont'd
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd

595-596S cont'd
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd

595-596S cont'd
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd

595-596S cont'd
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd
 595-596S cont'd

Sample	Interval	ANALYTICAL	BOX
597	5		B
598	5		B
599	5		B
600	5		B
601	5		B
602	5		B
603	5		B
604	5		B
605	5		B
606	5		B
607	5		B
608	5		B
609	5		B
610	5		B
611	5		B
612	5		B
613	5		B
614	5		B
615	5		B
616	5		B
617	5		B
618	5		B
619	5		B
620	5		B
621	5		B
622	5		B
623	5		B
624	5		B
625	5		B
626	5		B
627	5		B
628	5		B
629	5		B
630	5		B
631	5		B
632	5		B
633	5		B
634	5		B
635	5		B
636	5		B
637	5		B
638	5		B
639	5		B
640	5		B
641	5		B
642	5		B
643	5		B
644	5		B
645	5		B
646	5		B
647	5		B
648	5		B
649	5		B
650	5		B
651	5		B
652	5		B
653	5		B
654	5		B
655	5		B
656	5		B
657	5		B
658	5		B
659	5		B
660	5		B
661	5		B
662	5		B
663	5		B
664	5		B
665	5		B
666	5		B
667	5		B
668	5		B
669	5		B
670	5		B
671	5		B
672	5		B
673	5		B
674	5		B
675	5		B
676	5		B
677	5		B
678	5		B
679	5		B
680	5		B
681	5		B
682	5		B
683	5		B
684	5		B
685	5		B
686	5		B
687	5		B
688	5		B
689	5		B
690	5		B
691	5		B
692	5		B
693	5		B
694	5		B
695	5		B
696	5		B
697	5		B
698	5		B
699	5		B
700	5		B

597-598S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 597-598S cont'd
 597-598S cont'd
 597-598S cont'd
 597-598S cont'd

599-600S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 599-600S cont'd
 599-600S cont'd
 599-600S cont'd
 599-600S cont'd

601-602S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 601-602S cont'd
 601-602S cont'd
 601-602S cont'd
 601-602S cont'd

603-604S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 603-604S cont'd
 603-604S cont'd
 603-604S cont'd
 603-604S cont'd

605-606S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 605-606S cont'd
 605-606S cont'd
 605-606S cont'd
 605-606S cont'd

607-608S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 607-608S cont'd
 607-608S cont'd
 607-608S cont'd
 607-608S cont'd

609-610S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 609-610S cont'd
 609-610S cont'd
 609-610S cont'd
 609-610S cont'd

611-612S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 611-612S cont'd
 611-612S cont'd
 611-612S cont'd
 611-612S cont'd

613-614S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 613-614S cont'd
 613-614S cont'd
 613-614S cont'd
 613-614S cont'd

615-616S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 615-616S cont'd
 615-616S cont'd
 615-616S cont'd
 615-616S cont'd

617-618S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 617-618S cont'd
 617-618S cont'd
 617-618S cont'd
 617-618S cont'd

619-620S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 619-620S cont'd
 619-620S cont'd
 619-620S cont'd
 619-620S cont'd

621-622S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 621-622S cont'd
 621-622S cont'd
 621-622S cont'd
 621-622S cont'd

623-624S
 Mtd to ground ground. Above mat. heavy fine-gr. ch.
 chert. Bk. in 2nd (east) quarry splintered for
 623-624S cont'd
 623-624S cont'd
 623-624S cont'd
 623-624S cont'd

LITHOLOGY, ALTERATION, MISC.	FT.	GRAPHIC LOG	MINERALIZATION	RECOVERY			ANALYTICAL			BOX
				Run	Run length	Cone	Sample	Interval		
616.5 - 620.5 Tan to Lt Gray Fine grained ss - Crinoid Bx to local Br.	620	+	Limo clay Fine and Br matrix	616.5	2	1.5	616.5	2	(13)	
620.5 - 632.5 Tan to Lt Gray mottled with Crinoid - matrix, local fine and w/ clay clasts - siliceous - matrix mud to clay clasts - dominant. F. - rounded. Kbs - rounded to very angular. possible Kbs clasts	630	+	Limo stain in back plane / clay matrix, more limo - more clay 632.5 Breciation post 400 Siliceous ss 630.5 630.5-632 mud limo and limo stain - fine	620.5	11.5	4.5	620.5	4	(14)	
632.5 - 640.5 Yellow-brown mud gray Arkose. mod - gray siliceous - mod fine	640	+		632.5	5	5	632.5	1.5		
	650	+								
	660	+								
	670	+								
	680	+								

ORE DRILLING
2/23-3/13 1998

SUMMARY

Man			\$750.00
Demob			750.00
Footage	3450 X	\$19.50	6747.00
Bit Credit	3450 X	34.00	(1,364.00)
Approved Hours	160.0 X	375.00	12000.00
Subtotal			\$16,863.00

Materials

Bits	9 X	\$3.00
Shells	2 X	0.00
Gel	94 X	0.00
EZ	43 X	0.00
Soda Ash	8 X	0.00
Canoia	68 X	0.00
Pac-R	13 X	0.00
Centr	8 X	0.00
Hyscal	3 X	0.00
Vib Lube	9 X	0.00
Paper	5 X	0.00
Fill	62 X	0.00
Waterline		

\$/ft = \$54.52

Subtotal	\$3.00
+10%	\$3.00
Subtotal	\$3.00
Total	\$16,863.00

Approved Footage, Hours and Materials 2/27-3/12 1998 - Casey Derielson, VP Exploration, Tombstone

DAILY SHIFT REPORT APPROVALS

Date	Time	Footage	Hours	Bits #	Shells #	Gel	EZ	Soda Ash	Canoia	Pac-R	Centr	Hyscal	Vib Lube	Paper	Fill	Foam
TSO-1																
23-Feb	am	0.0	0.0	L61728	1	L60670	1									
23-Feb	pm	8.0	4.5				4	1	3	1	1	1				
24-Feb	am	0.0	0.5						1							
24-Feb	pm	31.0	2.0	L11836	1			1	4				1			
25-Feb	am	3.0	3.0						2	1						
25-Feb	pm	20.0	2.0				3	1	4							
26-Feb	am	6.0	2.0	L11835	1			1	2							
				L11834	1											
26-Feb	pm	45.0	3.0	L53837	1		4	1	3	1						
27-Feb	am	0.0	3.0					1	1	1						
27-Feb	pm	0.0	1.5	L12163	0		2	1						1	5	
28-Feb	am	0.0	0.0													
28-Feb	pm	0.0	1.0													
Subtotal		123.0	22.5		5	1	13	7	2	20	4	1	1	3	17	0
TSO-2																
1-Mar	am	0.0	7.5	L12102	1	L80673	1		1							
1-Mar	pm															
2-Mar	am	3.5	0.5													
2-Mar	pm															
3-Mar	am	32.0	5.0					3	1	6	1	1				15
3-Mar	pm	21.0	0.5					2	6	1	1					10
4-Mar	am	0.0	12.0				3	1	2							
4-Mar	pm	0.0	11.0					1								
5-Mar	am	7.0	8.5				9	3	1	4	1					
5-Mar	pm	0.5	0.5	L11833	1				1							1
6-Mar	am	24.0	3.5				9	3	1	1	1					
6-Mar	pm	20.0	3.5				2	1	1	1						
7-Mar	am	17.0	4.0	L12012	1		8	2	1	1	1					7
7-Mar	pm	7.0	0.5					2	0	1						
8-Mar	am	31.0	7.0				15	3	1	5	1					8
8-Mar	pm	7.0	10.0													
9-Mar	am	0.0	12.0	L12609	1			7								
9-Mar	pm	0.0	10.0				3	1	1							
10-Mar	am	0.0	12.0					3								
10-Mar	pm	8.0	5.0	L12610	0		4	1								
11-Mar	am	19.0	6.0				12	3	1	4						
11-Mar	pm	23.0	6.0				14	3	4	1						
12-Mar	am	0.0	1.5				4		1							1
Subtotal		223.0	137.5		4	1	81	38	7	45	9	7	2	5	45	2
TOTAL		346.0	160.0		9	2	94	43	8	65	13	8	3	8	62	2



SILVER STATE SURVEYS, INC.

CUSTOMER: TOMESTONE EXPLORATION
 MINE SITE: GRASSY MOUNTAIN
 ICHL# NO.: TSO#2
 DATE: 2-26-98

TIE IN COORDINATES
 ELEVATION: 0
 NORTH+ / SOUTH: 0
 EAST+ / WEST: 0

SURVEY CERTIFIED BY

Price D. H.

MEAS DEPTH (FEET)	TRUE VERTICAL DEPTH (FEET)	TRUE VERTICAL SECTION (FEET)	ING. (HORZ)	DIRECTION (AZIMUTH)	RECTANGULAR COORDINATES		SLOPES 100/FT (PERCENTS)	CLOSURE DISTANCE (FEET)	CLOSURE DIR
					N+ / S-	E+ / W-			
0	0.00	0.00	-60.88	342.01	0.00	0.00	0.00	0.00	0.00
50	43.69	21.31	-60.94	343.56	23.22	-7.19	1.51	21.31	342.78
100	87.33	48.71	-60.63	344.80	46.70	-13.85	1.36	48.71	343.49
150	130.74	73.52	-59.85	344.32	70.62	-20.45	1.63	73.52	343.85
200	174.01	98.58	-59.99	344.41	94.75	-27.21	0.29	98.58	343.98
250	217.48	123.27	-60.83	345.79	118.61	-33.56	2.16	123.27	344.20
300	261.05	147.79	-60.39	345.92	142.40	-39.56	0.89	147.79	344.48
350	304.39	172.73	-59.77	345.08	166.55	-45.81	1.51	172.73	344.62
400	347.35	198.31	-58.69	345.99	191.31	-52.20	2.36	198.31	344.74
450	389.85	224.64	-57.75	344.69	216.79	-58.86	2.33	224.64	344.81
500	432.20	251.22	-58.02	344.89	242.44	-65.84	0.58	251.22	344.81
550	474.70	277.55	-58.42	344.25	267.82	-72.84	1.05	277.55	344.78
560	483.23	282.78	-58.53	344.51	272.86	-74.25	1.75	282.78	344.78

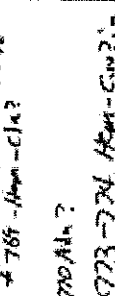
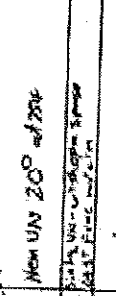
PROJECTED DEPTH: NONE

LITHOLOGY, ALTERATION, MISC.	FT.	GRAPHIC LOG	MINERALIZATION	RECOVERY			ANALYTICAL			BOX	
				Run	Run length	Case	Sample	Interval	AV		MS
<p>589-598</p> <p>MAY - MOD FINE TO BUBBLE MOD TO MUY S: 1:1 CO.</p> <p>589-598</p> <p>MED GRAY TO DKG GRAY MOD GRAYING & HITE WITH LOCAL ZONES OF MGT. AND SPT/SPT</p> <p>591-592 - SPT SCL 4000</p> <p>589-593 - MUY S: 1:1 CO.</p> <p>593-593.5 - LUB RUMBLE SPT/SPT</p> <p>Box - Bigger matrix - coarse matrix</p>	590		<p>589-593 UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE SI UNIS</p> <p>Carry on last stage Fe</p> <p>FRAGMENTS</p> <p>BY THIS STAGE, Fe</p> <p>BLKSI:</p> <p>DRKSI:</p> <p>GRKSI:</p>	589	4	4	100	589	3	4	4
<p>598-622.5</p> <p>LT MED GRAY TO TAN TO YEL GRN</p> <p>MIXED TO COARSE GRAYING AND/ORSE.</p> <p>MUY FINE W/ LOCAL BX</p> <p>ADD FeH FeCLAY along FINE.</p> <p>602-605 ADD SPT/SPT</p> <p>UN 150</p> <p>UN 130</p> <p>607-609 clay matrix BX</p> <p>UN 100</p> <p>UN 100</p> <p>60-5B BULK</p> <p>SPT/SPT</p> <p>615-5-616-5B</p> <p>618-621 BX</p> <p>UN 70</p>	600		<p>6015 UN 100 w/ FeH</p> <p>NO UNIS SPT/SPT</p> <p>SI - SPT/SPT w/ FeH - SPT/SPT</p> <p>615-5-616-5-617-5</p> <p>MULTI STAGE UN - S: 1:1 CO.</p> <p>618</p> <p>BL</p> <p>FeH</p> <p>FeH</p> <p>FeH</p> <p>618-621 MUY FINE TO B</p>	600	5	6	100	600	4.5	5	5
<p>622.5-627.5</p> <p>MED GRAY TO DKG GRAY MOD GRAYING & HITE WITH LOCAL ZONES OF MGT. AND SPT/SPT</p> <p>591-592 - SPT SCL 4000</p> <p>589-593 - MUY S: 1:1 CO.</p> <p>593-593.5 - LUB RUMBLE SPT/SPT</p> <p>Box - Bigger matrix - coarse matrix</p>	610		<p>622.5-627.5</p> <p>UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE SI UNIS</p> <p>Carry on last stage Fe</p> <p>FRAGMENTS</p> <p>BY THIS STAGE, Fe</p> <p>BLKSI:</p> <p>DRKSI:</p> <p>GRKSI:</p>	622.5	3.5	3.1	89	622.5	3	3	3
<p>627.5-631.5</p> <p>LT MED GRAY TO TAN TO YEL GRN</p> <p>MIXED TO COARSE GRAYING AND/ORSE.</p> <p>MUY FINE W/ LOCAL BX</p> <p>ADD FeH FeCLAY along FINE.</p> <p>602-605 ADD SPT/SPT</p> <p>UN 150</p> <p>UN 130</p> <p>607-609 clay matrix BX</p> <p>UN 100</p> <p>UN 100</p> <p>60-5B BULK</p> <p>SPT/SPT</p> <p>615-5-616-5B</p> <p>618-621 BX</p> <p>UN 70</p>	620		<p>627.5-631.5</p> <p>UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE UN - S: 1:1 CO.</p> <p>627.5</p> <p>BL</p> <p>FeH</p> <p>FeH</p> <p>FeH</p> <p>627.5-631.5 MUY FINE TO B</p>	627.5	4	3.2	80	627.5	2.5	7	7
<p>631.5-635.5</p> <p>LT MED GRAY TO TAN TO YEL GRN</p> <p>MIXED TO COARSE GRAYING AND/ORSE.</p> <p>MUY FINE W/ LOCAL BX</p> <p>ADD FeH FeCLAY along FINE.</p> <p>602-605 ADD SPT/SPT</p> <p>UN 150</p> <p>UN 130</p> <p>607-609 clay matrix BX</p> <p>UN 100</p> <p>UN 100</p> <p>60-5B BULK</p> <p>SPT/SPT</p> <p>615-5-616-5B</p> <p>618-621 BX</p> <p>UN 70</p>	630		<p>631.5-635.5</p> <p>UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE UN - S: 1:1 CO.</p> <p>631.5</p> <p>BL</p> <p>FeH</p> <p>FeH</p> <p>FeH</p> <p>631.5-635.5 MUY FINE TO B</p>	631.5	1	1	100	631.5	2.5	1	1
<p>635.5-639.5</p> <p>LT MED GRAY TO TAN TO YEL GRN</p> <p>MIXED TO COARSE GRAYING AND/ORSE.</p> <p>MUY FINE W/ LOCAL BX</p> <p>ADD FeH FeCLAY along FINE.</p> <p>602-605 ADD SPT/SPT</p> <p>UN 150</p> <p>UN 130</p> <p>607-609 clay matrix BX</p> <p>UN 100</p> <p>UN 100</p> <p>60-5B BULK</p> <p>SPT/SPT</p> <p>615-5-616-5B</p> <p>618-621 BX</p> <p>UN 70</p>	630		<p>635.5-639.5</p> <p>UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE UN - S: 1:1 CO.</p> <p>635.5</p> <p>BL</p> <p>FeH</p> <p>FeH</p> <p>FeH</p> <p>635.5-639.5 MUY FINE TO B</p>	635.5	1.5	1.5	75	635.5	3	3	3
<p>639.5-643.5</p> <p>LT MED GRAY TO TAN TO YEL GRN</p> <p>MIXED TO COARSE GRAYING AND/ORSE.</p> <p>MUY FINE W/ LOCAL BX</p> <p>ADD FeH FeCLAY along FINE.</p> <p>602-605 ADD SPT/SPT</p> <p>UN 150</p> <p>UN 130</p> <p>607-609 clay matrix BX</p> <p>UN 100</p> <p>UN 100</p> <p>60-5B BULK</p> <p>SPT/SPT</p> <p>615-5-616-5B</p> <p>618-621 BX</p> <p>UN 70</p>	640		<p>639.5-643.5</p> <p>UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE UN - S: 1:1 CO.</p> <p>639.5</p> <p>BL</p> <p>FeH</p> <p>FeH</p> <p>FeH</p> <p>639.5-643.5 MUY FINE TO B</p>	639.5	2	1.5	75	639.5	3	3	3
<p>643.5-647.5</p> <p>LT MED GRAY TO TAN TO YEL GRN</p> <p>MIXED TO COARSE GRAYING AND/ORSE.</p> <p>MUY FINE W/ LOCAL BX</p> <p>ADD FeH FeCLAY along FINE.</p> <p>602-605 ADD SPT/SPT</p> <p>UN 150</p> <p>UN 130</p> <p>607-609 clay matrix BX</p> <p>UN 100</p> <p>UN 100</p> <p>60-5B BULK</p> <p>SPT/SPT</p> <p>615-5-616-5B</p> <p>618-621 BX</p> <p>UN 70</p>	640		<p>643.5-647.5</p> <p>UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE UN - S: 1:1 CO.</p> <p>643.5</p> <p>BL</p> <p>FeH</p> <p>FeH</p> <p>FeH</p> <p>643.5-647.5 MUY FINE TO B</p>	643.5	3.5	3.5	100	643.5	4.5	100	100
<p>647.5-651.5</p> <p>LT MED GRAY TO TAN TO YEL GRN</p> <p>MIXED TO COARSE GRAYING AND/ORSE.</p> <p>MUY FINE W/ LOCAL BX</p> <p>ADD FeH FeCLAY along FINE.</p> <p>602-605 ADD SPT/SPT</p> <p>UN 150</p> <p>UN 130</p> <p>607-609 clay matrix BX</p> <p>UN 100</p> <p>UN 100</p> <p>60-5B BULK</p> <p>SPT/SPT</p> <p>615-5-616-5B</p> <p>618-621 BX</p> <p>UN 70</p>	640		<p>647.5-651.5</p> <p>UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE UN - S: 1:1 CO.</p> <p>647.5</p> <p>BL</p> <p>FeH</p> <p>FeH</p> <p>FeH</p> <p>647.5-651.5 MUY FINE TO B</p>	647.5	3	2.8	93	647.5	3	3	3
<p>651.5-655.5</p> <p>LT MED GRAY TO TAN TO YEL GRN</p> <p>MIXED TO COARSE GRAYING AND/ORSE.</p> <p>MUY FINE W/ LOCAL BX</p> <p>ADD FeH FeCLAY along FINE.</p> <p>602-605 ADD SPT/SPT</p> <p>UN 150</p> <p>UN 130</p> <p>607-609 clay matrix BX</p> <p>UN 100</p> <p>UN 100</p> <p>60-5B BULK</p> <p>SPT/SPT</p> <p>615-5-616-5B</p> <p>618-621 BX</p> <p>UN 70</p>	640		<p>651.5-655.5</p> <p>UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE UN - S: 1:1 CO.</p> <p>651.5</p> <p>BL</p> <p>FeH</p> <p>FeH</p> <p>FeH</p> <p>651.5-655.5 MUY FINE TO B</p>	651.5	4	4	100	651.5	5	4	4
<p>655.5-659.5</p> <p>LT MED GRAY TO TAN TO YEL GRN</p> <p>MIXED TO COARSE GRAYING AND/ORSE.</p> <p>MUY FINE W/ LOCAL BX</p> <p>ADD FeH FeCLAY along FINE.</p> <p>602-605 ADD SPT/SPT</p> <p>UN 150</p> <p>UN 130</p> <p>607-609 clay matrix BX</p> <p>UN 100</p> <p>UN 100</p> <p>60-5B BULK</p> <p>SPT/SPT</p> <p>615-5-616-5B</p> <p>618-621 BX</p> <p>UN 70</p>	640		<p>655.5-659.5</p> <p>UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE UN - S: 1:1 CO.</p> <p>655.5</p> <p>BL</p> <p>FeH</p> <p>FeH</p> <p>FeH</p> <p>655.5-659.5 MUY FINE TO B</p>	655.5	3	3	100	655.5	2.5	3	3
<p>659.5-663.5</p> <p>LT MED GRAY TO TAN TO YEL GRN</p> <p>MIXED TO COARSE GRAYING AND/ORSE.</p> <p>MUY FINE W/ LOCAL BX</p> <p>ADD FeH FeCLAY along FINE.</p> <p>602-605 ADD SPT/SPT</p> <p>UN 150</p> <p>UN 130</p> <p>607-609 clay matrix BX</p> <p>UN 100</p> <p>UN 100</p> <p>60-5B BULK</p> <p>SPT/SPT</p> <p>615-5-616-5B</p> <p>618-621 BX</p> <p>UN 70</p>	640		<p>659.5-663.5</p> <p>UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE UN - S: 1:1 CO.</p> <p>659.5</p> <p>BL</p> <p>FeH</p> <p>FeH</p> <p>FeH</p> <p>659.5-663.5 MUY FINE TO B</p>	659.5	4.5	4.2	93	659.5	3.5	4.5	4.5
<p>663.5-667.5</p> <p>LT MED GRAY TO TAN TO YEL GRN</p> <p>MIXED TO COARSE GRAYING AND/ORSE.</p> <p>MUY FINE W/ LOCAL BX</p> <p>ADD FeH FeCLAY along FINE.</p> <p>602-605 ADD SPT/SPT</p> <p>UN 150</p> <p>UN 130</p> <p>607-609 clay matrix BX</p> <p>UN 100</p> <p>UN 100</p> <p>60-5B BULK</p> <p>SPT/SPT</p> <p>615-5-616-5B</p> <p>618-621 BX</p> <p>UN 70</p>	640		<p>663.5-667.5</p> <p>UN 20-514</p> <p>UN 20-514?</p> <p>MULTI STAGE UN - S: 1:1 CO.</p> <p>663.5</p> <p>BL</p> <p>FeH</p> <p>FeH</p> <p>FeH</p> <p>663.5-667.5 MUY FINE TO B</p>	663.5	1.5	1.5	100	663.5	2	1.5	1.5

GWFE

LITHOLOGY, ALTERATION, MISC.	FT.	GRAPHIC LOG	MINERALIZATION	RECOVERY				ANALYTICAL				BOX
				Run	Run length	Core	%	Sample	Interval	Au	Ag	
6575 - 6615 red clay with silty shale and thin shaly siltstone. And. Solified in silty units.	660		unconsolidated silty shale and siltstone	6575	2.5	2.5	100	667.5	3.5			11
685-667 Yellow Brown Arkosic clay with fine siltstone and silty shale.	665		Arkosic clay with fine siltstone and silty shale	665	2.5	2.5	100	665	3.5			12
667-693.5 MED DENSITY - to 693.5m coarse silty shale and arkosic med Breccia. Silty Breccia. Silty shale. Med. 2. silty shale.	670		Brecciated L. silty shale. Some of fragments contain small fragments of silty shale.	667	3	20	66	676	3.5			13
685-684 Red Brecciated shale.	680		Red Brecciated shale	685	3.5	3.4	98	682	2.7			14
690-692 - UN sand Arkosic clasts in silty shale.	690		unconsolidated silty shale with arkosic clasts	692	3.5	3.5	100	692	3			15
693.5-696.5 med clay shale with silty shale and silty shale.	700		Med clay shale with silty shale and silty shale	695	4.5	4.5	100	698.5	2			16
701.5-705.5 Reddish Brown Breccia. No clasts visible to 701.5m. Silty shale.	710		Reddish Brown Breccia. No clasts visible to 701.5m. Silty shale.	701.5	3.5	2	100	702	3.5			17
716-717 silty shale with silty shale.	720		silty shale with silty shale	716	1.5	1.5	100	718	2			18
718-731 Red to LT grey med to fine grained silty shale with silty shale and silty shale.	730		Red to LT grey med to fine grained silty shale with silty shale and silty shale	718	4.5	4.5	100	722.5	4.5			19

LITHOLOGY, ALTERATION, MISC.	FT.	GRAPHIC LOG	MINERALIZATION	RECOVERY		ANALYTICAL			BOX
				Run	Run length	Date	Sample	Interval	
726. Mmic. Soft and fracture w/ small cl. VN, and BL line staining.	720	W+ Ox L	Fe-Mn 726-730 Mmic. soft and fracture w/ small cl. VN, and BL line staining.	726	1.7	1.3	727	2	19
731-739 Mod grained med LGmy Arkose - mod. Muc. silt. Many fine white br. heavy ungl. clay rim	730	W+ L Ox K A	731-739 Mod grained med LGmy Arkose - mod. Muc. silt. Many fine white br. heavy ungl. clay rim	731	3	2	731	2.5	20
739 - 754 white to dk grey sinter and highly silicified siltstone mod. locally silic. local sinter breccia (gl. sand?)	740	W+ L Ox K A	739 - 754 white to dk grey sinter and highly silicified siltstone mod. locally silic. local sinter breccia (gl. sand?)	739	2	1.5	739	2	
754-755 Mod. to good chaotic silt. w/ large sp. 755-756 more so dominated.	750	W+ L Ox K A	754-755 Mod. to good chaotic silt. w/ large sp. 755-756 more so dominated.	754	3	3	754	3	21
756-757 Sinter - br - siltstone. Opans. med - w/ sil. local clay to dk grey to tan siltstone w/ purple br. heavy sil. local clay. 757-758 mod. br	760	W+ L Ox K A	756-757 Sinter - br - siltstone. Opans. med - w/ sil. local clay to dk grey to tan siltstone w/ purple br. heavy sil. local clay. 757-758 mod. br	756	1.5	1.5	756	1.5	22
759-775 Sinter - siltstone - quartz and Belyso 773-774 Sinter - siltstone - quartz and Belyso 775-778 Clay matrix - br - siltstone - quartz and Belyso 779-782 Clay matrix - br - siltstone - quartz and Belyso	770	W+ L Ox K A	759-775 Sinter - siltstone - quartz and Belyso 773-774 Sinter - siltstone - quartz and Belyso 775-778 Clay matrix - br - siltstone - quartz and Belyso 779-782 Clay matrix - br - siltstone - quartz and Belyso	759	4	4	759	3	23
782-783 Sinter - siltstone - quartz and Belyso 784-787 Sinter - siltstone - quartz and Belyso	780	W+ L Ox K A	782-783 Sinter - siltstone - quartz and Belyso 784-787 Sinter - siltstone - quartz and Belyso	782	3	3	782	3	24
788-790 Sinter - siltstone - quartz and Belyso	790	W+ L Ox K A	788-790 Sinter - siltstone - quartz and Belyso	788	3	3	788	3	25



726-730
Mmic. soft and fracture w/ small cl. VN, and BL line staining.

731-739
Mod grained med LGmy Arkose - mod. Muc. silt. Many fine white br. heavy ungl. clay rim

739 - 754
white to dk grey sinter and highly silicified siltstone mod. locally silic. local sinter breccia (gl. sand?)

754-755
Mod. to good chaotic silt. w/ large sp. 755-756 more so dominated.

756-757
Sinter - br - siltstone. Opans. med - w/ sil. local clay to dk grey to tan siltstone w/ purple br. heavy sil. local clay. 757-758 mod. br

759-775
Sinter - siltstone - quartz and Belyso 773-774 Sinter - siltstone - quartz and Belyso 775-778 Clay matrix - br - siltstone - quartz and Belyso 779-782 Clay matrix - br - siltstone - quartz and Belyso

782-783
Sinter - siltstone - quartz and Belyso 784-787 Sinter - siltstone - quartz and Belyso

788-790
Sinter - siltstone - quartz and Belyso



SILVER STATE SURVEYS, INC.

CUSTOMER TOMESTONE EXPLORATION
MINE SITE GRASSY MOUNTAIN
HOLE NO. TSO #3
DATE 3-9-98
TIE IN COORDINATES

ELEVATION 0
NORTH+/SOUTH 0
EAST+/WEST 0

PROJECTED DEPTH: 360 TO 900 FT.

SURVEY CERTIFIED BY

R. B. ...

MEAS DEPTH (FEET)	TRUE VERTICAL DEPTH (FEET)	TRUE VERTICAL SECTION (FEET)	INCL (DEG)	DIRECTION (AZIMUTH)	RECTANGULAR COORDINATES (FEET)	ANG. W. (FEET)	DOG. (DEGREES)	CLOSURE DISTANCE (FEET)	CLOSURE DR (DEG)
0	0.00	0.00	-69.01	328.13	0.00	0.00	0.00	0.00	0.00
50	46.82	17.56	-69.88	328.17	14.91	-9.26	1.74	17.56	328.15
100	93.87	34.46	-70.59	328.38	29.29	-18.16	1.43	34.46	328.21
150	141.13	50.79	-71.28	329.29	43.27	-26.61	1.50	50.79	328.41
200	188.55	66.63	-71.80	328.75	56.84	-34.76	1.09	66.63	328.55
250	236.15	81.96	-72.49	329.03	69.97	-42.68	1.39	81.96	328.62
300	283.76	97.20	-72.00	327.96	82.96	-50.65	1.18	97.20	328.60
350	331.22	112.96	-71.25	329.54	96.44	-58.82	1.80	112.96	328.62
360	340.68	116.18	-71.23	330.21	99.22	-60.43	2.16	116.18	328.65
900	851.92	290.02	-71.20	331.00	250.72	-145.78	0.05	290.02	329.82



SILVER STATE SURVEYS, INC.

CUSTOMER: TOMESTONE EXPLORATION
MINE SITE: GRASSY MOUNTAIN
HOLE NO.: TSO #4
DATE: 3-9-98

TIE IN COORDINATES
ELEVATION: 0
NORTH+/SOUTH: 0
EAST+/WEST: 0

PROJECTED DEPTH: 530 TO 900 FT.

SURVEY CERTIFIED BY

Phil Kuehl

MEAS DEPTH (FEET)	TRUE VERTICAL DEPTH (FEET)	TRUE VERTICAL SECTION (FEET)	INCL (HORZ) (DEG)	DIRECTION (AZIMUTH)	RECTANGULAR COORDINATES N+ S- E+ W-	DOUBLES 100/FT (DEGREES)	CLOSURE DISTANCE (FEET)	CLOSURE DIR (DEG)
0	0.00	0.00	-59.01	340.51	0.00	0.00	0.00	0.00
50	43.22	25.14	-60.62	340.92	23.73	-8.30	25.14	340.71
100	87.27	48.78	-62.93	341.24	46.09	-15.97	48.78	340.89
150	132.09	70.94	-64.47	340.39	67.02	-23.25	70.94	340.87
200	177.47	91.94	-65.86	341.20	86.85	-30.16	91.94	340.85
250	223.00	112.59	-65.32	343.05	106.51	-36.50	112.59	341.08
300	268.28	133.79	-64.48	343.53	126.83	-42.60	133.79	341.43
350	312.79	156.49	-61.35	347.15	148.85	-48.32	156.49	342.02
400	356.49	180.63	-60.49	350.63	172.69	-52.99	180.63	342.94
450	399.90	205.25	-59.98	350.90	197.19	-56.97	205.25	343.88
500	443.02	230.41	-59.22	349.59	222.12	-61.26	230.41	344.58
530	468.78	245.72	-59.13	350.21	237.25	-63.96	245.72	344.91
900	786.15	435.47	-59.00	350.23	424.69	-96.27	435.47	347.23

PROPERTY GRASSY MTD -logged by G. MOO. French JTM #		STATE OHIO COUNTY MADISON	DDH NOLE # RCH 750-# CRH	NORTHING EASTING ELEVATION	TOTAL DEPTH BEARING ANGLE	LOCATION	PG DF		
DRILLING NOTES		# X W U L	COLOR	LITHOLOGY	ALTERATION	MINERALIZATION	VEINING	COMMENTS	GRAPHIC
TIME	RUN								
		750	750-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		751	751-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		752	752-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		753	753-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		754	754-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		755	755-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		756	756-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		757	757-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		758	758-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		759	759-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		760	760-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		761	761-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		762	762-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		763	763-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		764	764-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		765	765-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		766	766-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		767	767-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		768	768-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		769	769-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		770	770-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		771	771-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		772	772-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		773	773-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		774	774-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		
		775	775-1075 ft	Qz, Sil, Sx, Cg, La, Lnk, Cr, Tuf, Rhy, And, Bas	Struc: S, V, C, V, R, L, Y, O	Lim, Apr, Py, Sil, Sx, Sph	Ca, Sil, Sil, Sil		

7/1/70

DATELINE DRILLING, INC. 3650 N. Grant Creek Road, Missoula, MT 59802 • 406-542-1010 • 1-800-223-9824

FRAMER NAME combstone RIG NO. D330 SERVICE UNIT: 56 LOCATION OF WORK: WALC PICKUP NO: 56 DATE: 3-10-97
 CONTRACT NO. _____ OTHER _____

DATE	HOLE ID	ANGL	FOOTAGE		HOLE DEPTH	MOVING CHGE	WATER REJECT	INJECT DEPTH	TRAVEL		HOLE PLUG	DRILL HRS		STANDBY		STUCK HOURS		MAINTENANCE		
			CHGE	NOCH					CHGE	NOCH		CHGE	NOCH	CHGE	NOCH	CHGE	NOCH	CHGE	NOCH	CHGE
3/10/97	7504	100°	130'	790-850		4	130	720-75		4		90	4							2
TOTAL FOR DAY			130							4		90								2

PERSONNEL EMPLOYED:
 DRILLER Wayne Deavers PD POINT
 HELPER W. L. H. Suchman PD
 SAMPLER Dathan Stephenson PD
 SUPERVISOR _____

SHIFT INFORMATION:
 TIME SHIFT STARTED 7:30
 TIME SHIFT ENDED 8:30
 DAY SHIFT _____
 NIGHT SHIFT _____

BRIEF EXPLANATION OF MAINTENANCE HRS:
Clean Hammer and change
Drill string 1 trip & rock
x 0.50410m

REPLACED STEEL: _____
 OTHER CHARGES: _____
 CEMENT: _____
 CASING: HRS _____ FT _____
 OTHER SUPPLIES: 10 bags of Quik Seal
 HOLE ID _____ DEPTH _____ ITEM ID _____
 DIESEL OILS _____ GAS OILS _____

DRILLER / SUPERVISOR REMARKS & APPROVAL:
 SIGN Wayne Deavers DATE 3-10-97
 CLIENTS REMARKS: Not: The footage of 130' is checked,
The 9 Drill hours are not
 CLIENTS APPROVAL OF CHARGES: Wayne Deavers DATE 3/13

DATELINE DRILLING, INC. 3650 N. Grant Creek Road, Missouri, MT 59602 - 406-542-1D10 • 1-800-223-9824

FIRMS NAME: omb stone

CONTRACT NO: D330

LOCATION OF WORK: vale

PICKUP NO: 26

DATE: 3-9-97

DATE	HOLE ID	ANGL	FOOTAGE CHGE	HOLE DEPTH	MOVING CHGE	WATER INJECT	INJECT DEPTH	TRAVEL CHGE	MOLE PLUG	DRILL HRS CHGE	STANDBY CHGE	STUCK HOURS CHGE	MAINTENANCE							
													MOCH	NOCH						
3-9-97	TS04	60	90	60-72	60	60-72		4	9					1						
TOTAL FOR DAY													70	4	9					1

PERSONNEL EMPLOYED:
 DRILLER: Jason Davers
 HELPER: Nick Duckmaster
 SAMPLER: Stephen Stephenson
 SUPERVISOR: _____

SHIFT INFORMATION:
 TIME SHIFT STARTED: 6:30
 TIME SHIFT ENDED: 8:30
 DAY SHIFT _____
 NIGHT SHIFT _____

REPLACED STEEL: _____
 OTHER CHARGES: _____
 CEMENT: _____
 CASING HRS: _____ FT. _____
 OTHER: PHD-10s CRACK CYCL
 SUPPLIES: _____

BRIEF EXPLANATION OF MAINTENANCE HRS:
Prepping Hole with quick well

DRILLER / SUPERVISOR REMARKS & APPROVAL:

SIGN: Jason Davers DATE: 2-8-97

CLIENTS REMARKS:
The drill hole (9) and maintenance hour (1) are not.

CLIENTS APPROVAL OF CHARGES: _____ DATE: 3/10

HOLE ID	DEPTH	ITEM ID	DIESEL GALS	GAS GALS

FIRM NAME: Tomhstone
 CONTRACT NO: _____

DATELINE DRILLING, INC. 3850 N. Grant Creek Road, Missoula, MT 59802 • 406-542-1010 • 1-800-223-9824

RIG NO: D330
 SERVICE UNIT: 516

LOCATION OF WORK: Udler
 PICKUP NO: PC

DATE: 3-8-97
 OTHER: _____

DATE	HOLE ID	ANGL	FOOTAGE CHSE	MOUCH	HOLE DEPTH	MOVING CHSE	MOUCH	WATER INJECT	INJECT DEPTH	TRAVEL CHSE	MOUCH	HOLE PLUG	DRILL HRS CHSE	MOUCH	STANDBY CHSE	MOUCH	STUCK HOURS CHSE	MOUCH	MAINTENANCE CHSE	MOUCH	
3-8-97	7504	10°	290		45-670			450	450-120		4			9							
TOTAL FOR DAY											4			9							

PERSONNEL EMPLOYED:
 DRILLER: Wagon Davies PD POINT
 HELPER: Witch Backman PD POINT
 SAMPLER: Melham Stephenson PD POINT
 SUPERVISOR: _____ PD POINT

SHIFT INFORMATION
 TIME SHIFT STARTED: 4:30
 TIME SHIFT ENDED: 5:30
 DAY SHIFT _____
 NIGHT SHIFT _____

BRIEF EXPLANATION OF MAINTENANCE HRS.

REPLACED STEEL: _____

OTHER CHARGES: _____
 COMMENT: _____
 CASING: HRS _____ FT _____
 OTHER: 7 Bags Quick Gel
 SUPPLIES: _____
 HOLE ID _____ DEPTH _____ TEM ID _____
 DIESEL GALS _____
 GAS GALS _____

DRILLER / SUPERVISOR REMARKS & APPROVAL:
 SIGN: [Signature] DATE: 3-8-97
 CLIENT'S REMARKS: _____
 CLIENT'S APPROVAL OF CHARGES: _____
 DATE: 3/8/97

DATELINE DRILLING, INC. 3650 N. Gram Creek Road, Missoula, MT 59802 • 406-542-1010 • 1-800-223-8824

FIRM NAME Tamberson
 CONTRACT NO. D330

RIG NO. D330
 SERVICE UNIT: 56

LOCATION OF WORK: Walt
 PICKUP NO. PL

DATE: 3-7-97
 OTHER: _____

DATE	HOLE ID	ANGL	FOOTAGE CHGE	MOCH	HOLE DEPTH	MOVING CHGE	MOCH	WATER INJECT	REJECT DEPTH	TRAVEL CHGE	MOCH	HOLE PLUG	DRILL HRS CHGE	MOCH	STANDBY CHGE	MOCH	STUCK HOURS CHGE	MOCH	MAINTENANCE CHGE	MOCH																				
3-7-97	17504	60°	320		100-450			350	170-450		4										15																			
TOTAL FOR DAY																														4		9.5								15

PERSONNEL EMPLOYED:
 DRILLER Jason Dawsons PD A
 HELPER MITCH BUCKMASTER PD A
 AMPLER Alan Lee PD A
 SUPERVISOR _____

SHIFT INFORMATION:
 TIME SHIFT STARTED 5:30
 TIME SHIFT ENDED 7:30
 DAY SHIFT _____
 NIGHT SHIFT _____

BRIEF EXPLANATION OF MAINTENANCE HRS:
Gas used Butterfly set up
cut cap

EMPLACED STEEL: _____

OTHER CHARGES: _____

USING: HRS _____ FT _____

DRILLER / SUPERVISOR REMARKS & APPROVAL:
Jason Dawsons DATE 3-7-97

CLIENTS REMARKS: _____

CLIENTS APPROVAL OF CHARGES: _____ DATE 3/13

HOLE ID _____ DEPTH _____ ITEM ID _____ DIESEL GALS _____ GAS GALS _____

DATELINE DRILLING, INC. 3650 N. Grant Creek Road, Missoula, MT 59802 • 406-542-1010 • 1-800-223-9624

FRANS NAME: Timothy Stewart
 CONTRACT NO: _____

FIG NO: 2330
 SERVICE UNIT: 50

LOCATION OF WORK: Site
 PIC/SUPV: SC

DATE: 3-11-98
 OTHER: _____

DATE	HOLE ID	ANGL	FOOTAGE		HOLE DEPTH	MOVING		WATER INJECT	INJECT DEPTH	TRAVEL		HOLE PITS	DRILL HRS		STANDBY	STUCK HOURS		MAINTENANCE		
			CHGE	NOCH		CHGE	NOCH			CHGE	NOCH		CHGE	NOCH		CHGE	NOCH	CHGE	NOCH	
3/11/98	1501	160	800'		850-930	2		60'	850-950		4		5	1						
TOTAL FOR DAY											4		5	1						

PERSONNEL EMPLOYED:
 DRILLER: Bob Duggins
 HELPER: WILLIAM BERTHOUSIER
 SAMPLER: MICHAEL SHIPPERSON
 SUPERVISOR: _____

SHIFT INFORMATION:
 TIME SHIFT STARTED: 6:30
 TIME SHIFT ENDED: 6:30
 DAY SHIFT: _____
 NIGHT SHIFT: _____

BRIEF EXPLANATION OF MAINTENANCE HRS:
2.0 hrs of hole

REPLACED STEEL: _____

OTHER CHARGES: _____

CEMENT: _____

CASING: _____

OTHER: 4 Bags quick set

SUPPLIES	NO. ID	DEPTH	ITEM ID	DIESEL GALS	GAS GALS

DRILLER/SUPERVISOR REMARKS & APPROVAL:

SIGN: [Signature] DATE: 3-11-98

CLIENTS REMARKS: The drill did not work today. We should be as windy as ever. One hour of SK 45 is OK
 CLIENTS APPROVAL OF CHARGES: [Signature] DATE: 3/15

Table with columns: PROPERTY, DRILLING NOTES, STATE COUNTY, HOLE #, DDH RCMT, NORTHING EASTING ELEVATION, LITHOLOGY, ALTERNATION, STRUC, VEINING, MINERALIZATION, COMMENTS, LOCATION, PG OF, GRAPHIC, ALT, LITH.

PROPERTY 6 nearby ATTA. - owned by S. Koch, French JIM #

DRILLING NOTES

STATE COAHUILTEQUILA COUNTY, Mexico. HOLE # RCMT50-5 DDH RCMT50-5

NORTHING EASTING ELEVATION. LITHOLOGY: Ool. Sil., Sa., Sh., Ls., Lm., Cr., Tl., Rhy., And., Bas., G., N.Y.D.

ALTERATION: Av., S., Si., Py., Pr., Ch., S., Si., Py., Pr.

STRUC: S.V., C.V., D., N.Y.D.

VEINING: Ce, Sil, Sul, Fe, etc.

MINERALIZATION: Lm, Py, Ch, S, Si, Fe, etc.

COMMENTS: Various geological observations and notes.

LOCATION: Various site locations and coordinates.

PG OF, GRAPHIC, ALT, LITH: Final data and classification columns.

DATELINE DRILLING, INC. 3630 N. Grant Creek Road, Missoula, MT 59802 • 408-542-1010 • 1-800-223-8824

CLIENT NAME: Tombstone

FIG. NO. 0330
SERVICE UNIT: 56

LOCATION OF WORK: Walt
PICKUP NO. Walt

DATE: 3-26-98
OTHER:

DATE	HOLE ID	ANGL	FOOTAGE CHGE	MOVING CHGE	MOVING MOUCH	WATER REJECT	IN-BOF DEPTH	TRAVEL CHGE	TRAVEL MOUCH	HOLE FLUID	DRILLERS CHGE	DRILLERS MOUCH	STANDBY CHGE	STANDBY MOUCH	STUCK HOURS CHGE	STUCK HOURS MOUCH	MAINTENANCE CHGE	MAINTENANCE MOUCH
3-26-98	1505-A	90	170	170	170	200	1.60	3	3	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60
TOTAL FOR DAY																		
170 W 30																		

PERSONNEL EMPLOYED:

DRILLER	PD	POINT
<u>Garson Davis</u>	X	
<u>Helper Tom Killburn</u>	X	
<u>Sampler Tom</u>	C	

SHIFT INFORMATION:

TIME SHIFT STARTED 6:00
TIME SHIFT ENDED 8:00
DAY SHIFT
NIGHT SHIFT

BRIEF EXPLANATION OF MAINTENANCE HERE:

5 Weld Cross Bars in Laminator
Take water buggy down
to water tank to load P.P

DRILLER'S SUPERVISOR REMARKS & APPROVAL:

Lost Bolters on Bit Head to Trip
for new bit
30' chgs allowed

DATE 3-26-98

CLIENT'S REMARKS:

30' chgs for footage? why???
Bit OK

CLIENT'S APPROVAL OF CHARGES:

Garson

DATE

HOLE NO	DEPTH	REMED	DIESEL GALS	GAS GALS
<u>20-460</u>	<u>8.60</u>	<u>5.11</u>	<u>1.50</u>	
		<u>8.78</u>		

DATELINE DRILLING, INC. 3650 N Giant Creek Road, Missoula, MT 59802 • 406-542-1010 • 1-800-223-9824

FIRM NAME: Tombstone FIG NO: 0-330 LOCATION OF WORK: White Ore DATE: 3-16-98
 CONTRACT NO: _____ SERVICE UNIT: 5-6 PICKUP NO: P-6 OTHER: _____

DATE	HOLE ID	ANGC	FOOTAGE		HOLE DEPTH	ACQUIRING		WATER		INJECT		TRAVEL		HOLE		DRILLERS		STANDOFF		STUCK HOURS		MAINTENANCE	
			CHGE	MOCH		CHGE	MOCH	REQT	DEPTH	CHGE	MOCH	PLUG	CHGE	MOCH	CHGE	MOCH	CHGE	MOCH	CHGE	MOCH	CHGE	MOCH	
3-18		-40	340	20	0-340	1		340	20-340	2	1	1/2		1	6 1/2								2
TOTAL FOR DAY			340	20		1		340						1	6 1/2								2

PERSONNEL EMPLOYED:
 DRILLER Debra Davis PD _____
 HELPER Mike Scott PORT _____
 SAMPLER Tom Host _____
 SUPERVISOR _____

SHIFT INFORMATION:
 TIME SHIFT STARTED 6:30
 TIME SHIFT ENDED 9:30
 DAY SHIFT _____
 NIGHT SHIFT _____

BRIEF EXPLANATION OF MAINTENANCE HRS:
Butler Eq. Antenna Repair
Repair 2 to Air System

REPLACED STEEL: _____
 OTHER CHARGES: _____
 CEMENT: _____
 CASING: HRS 1 hr surface M. 20
 OTHER _____
 SUPPLIER _____

DRILLER / SUPERVISOR REMARKS & APPROVAL:
0-330 Sub 20' surface casing
0-340 Sub 20' Break DATE 3/16/98
 SIGN Debra Davis
 CLIENT'S REMARKS: Trill every column. Moulding the
 CLIENT'S APPROVAL OF CHANGES: _____
 DATE _____

DATELINE DRILLING, INC. 3850 N. Grant Creek Road, Missoula, MT 59802 • 406-542-1010 • 1-800-228-9824

FIRMS NAME: Tombstone
 CONTRACT NO. _____

PROJ NO. D-330
 SERVICE UNIT: S-6

LOCATION OF WORK: U-1-0-a
 PERM NO. P-6

DATE: 3-17-98
 OTHER: _____

DATE	HOLE ID	HOLE DEPTH	FOOTAGE		MOVING	WATER INJECT	INJECT DEPTH	TRAVEL		ROPE PLUG	DRILL HRS		STANDBY	STACK HOURS		MAINTENANCE		
			CHGE	MOCH				CHGE	MOCH		CHGE	MOCH		CHGE	MOCH	CHGE	MOCH	CHGE
3-18		360.000	210	150	210	210	360.000	2	1		0.2							2.4
TOTAL FOR DAY			240	240														2.4

PERSONNEL EMPLOYED

DRILLER	FD	POINT
<u>Jason Davies</u>	/	
<u>Kevin Anderson</u>	/	
<u>Tom</u>	/	

SHIFT INFORMATION

TIME SHIFT STARTED 6:30
 TIME SHIFT ENDED 9:30
 DAY SHIFT _____
 NIGHT SHIFT _____

BRIEF EXPLANATION OF MAINTENANCE HRS

Sampling and final dump
settling up P-2 w/ final
winning etc

REPLACED STEEL

OTHER CHARGES:

CEMENT: _____

CASING: HRS _____

OTHER:

SUPPLIES:

HOLE ID	DEPTH	ITEM ID	DIESEL GALS	GAS GALS
<u>160-100</u>	<u>1600</u>	<u>1600000</u>	<u>100</u>	

DRILLER / SUPERVISOR REMARKS & APPROVAL:

360-550' Body broken. Plugged. In between
and 2.5' SSP. From solid sand recovery.
 SIGN: Jason Davies DATE: 3-17-98

CLIENTS REMARKS:

Final. Very clean, Feels ok
3/17/98

CLIENTS APPROVAL OF CHARGES:

DATE _____

DATELINE DRILLING, INC. 3650 N. Grant Creek Road, Missoula, MT 59802 - 408-542-1010 • 1-800-223-9124

PIZOM NAME: Tombstone
 CONTRACT NO: _____

PIZOM NO: D-300
 SERVICE UNIT: 516

LOCATION OF WORK: 1091 E
 PIZOM NO: P16

DATE: 5-25-98
 OTHER: _____

DATE	HOLE ID	ANGL	FOOTAGE		HOLE DEPTH	MORNING		MIDNIGHT		INJECT		TRAVEL		HOLE		DRILL HRS		STANDBY		STUCK-HOURS		MAINTENANCE	
			CHGE	MOCH		CHGE	MOCH	CHGE	MOCH	CHGE	MOCH	CHGE	MOCH	CHGE	MOCH	CHGE	MOCH	CHGE	MOCH	CHGE	MOCH	CHGE	MOCH
3-23-98	Rd. A	90	0	0	290	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
TOTAL FOR DAY					290																		1

PERSONNEL EMPLOYED:

DRILLER	PO	POINT
HELPER		
SAMPLER		
SUPERVISOR		

SHIFT INFORMATION:

TIME SHIFT STARTED: 8:00
 TIME SHIFT ENDED: 4:00
 DAY SHIFT _____
 NIGHT SHIFT _____

BRIEF EXPLANATION OF MAINTENANCE HRS:
Part Swivel on top
head

REPLACED STEEL: _____

OTHER CHARGES: _____

CLIENT: _____

CASING: HRS. 1 Hour able to drill in Paul 1300

OTHER: _____

SUPPLIES:

HOLE ID	DEPTH	ITEM ID	DIESEL GALS
<u>190</u>	<u>500</u>	<u>Spade Bit</u>	<u>150</u>
<u>190</u>	<u>500</u>	<u>Spade Bit</u>	<u>150</u>

DRILLER / SUPERVISOR REMARKS & APPROVAL:
Top Contact Hammer, Spout a
1091 E 1091 E
1091 E 1091 E
 DATE: 3-25-98

CLIENT'S REMARKS: Call you for

CLIENT'S APPROVAL OF CHANGES: _____ DATE: _____

DATELINE DRILLING, INC. 3650 N. Grant Creek Road, Missoula, MT 59802 • 406-542-1010 • 1-800-223-9824

PERMITS NAME: T2-12605 CONTRACT NO: D-330 LOCATION OF WORK: Unit DATE: 3-29-98
 PICKUP NO: P-11 SERVICE UNIT: S-6 OTHER:

DATE	HOLE ID	ANGL	FOOTAGE CHGE	HOLE DEPTH	MOVING CHGE	WATER INJECT	INJECT DEPTH	TRAVEL CHGE	HOLE PLUG	DRILL HRS CHGE	STATIONARY CHGE	STUCK HOURS CHGE	MAINTENANCE CHGE
3-29	R-1-15	-20						4				118	
TOTAL FOR DAY													
4													
118													

PERSONNEL EMPLOYED:
 DRILLER: Jason
 HELPER: Tom
 SAMPLER: Tom
 SUPERVISOR: _____

SHIFT INFORMATION:
 TIME SHIFT STARTED: 6:00
 TIME SHIFT ENDED: 10:00
 DAY SHIFT _____
 NIGHT SHIFT _____

BRIEF EXPLANATION OF MAINTENANCE HRS:
Working on water pump

REPLACED STEEL: _____

OTHER CHARGES: _____

CEMENT: _____

CASING: HAS _____ FT.

OTHER SUPPLIES: _____

HOLE ID: _____ DEPTH: _____ ITEM ID: _____ DIESEL GALS: 120 GAS GALS: _____

DRILLER SUPERVISOR REMARKS & APPROVAL:
Drilled relief hole tripped out
weighted pipe back on
signatures followed DATE: 3-29-98

CLIENTS REMARKS: stuck hole - off shift

CLIENTS APPROVAL OF CHARGES: _____ DATE: _____

DATE/TIME DRILLING INC. 3650 N Grant Creek Road, Missoula, MT 59802 • 406-542-1010 • 1-800-223-9804

FRAS NAME: Tombstone

CONTRACT NO: _____
RPN NO: D350
SERVICE UNIT: 56

LOCATION OF WORK: Leile
RICKER NO: AP6

DATE: 3-29-98
OTHER: _____

DATE	HOLE ID	AVG	FOOTAGE CHGE	MOUCH	HOLE DEPTH	MOORING CHGE	MOUCH	WATER BARREL	INJECT DEPTH	TRAVEL CHGE	MOUCH	HOLE PLUS	DRILL HRS CHGE	MOUCH	STANDBY CHGE	MOUCH	SUCK HOURS CHGE	MOUCH	MAINTENANCE CHGE	MOUCH
3-29-98										8										
TOTAL FOR DAY																				

PERSONNEL EMPLOYED:
 DRILLER: Deagan Deagan PD POINT
 HELPER: Tom Tom PD POINT
 SAMPLER: _____ PD POINT
 SUPERVISOR: _____ PD POINT

SHIFT INFORMATION:
 TIME SHIFT STARTED _____
 TIME SHIFT ENDED _____
 DAY SHIFT _____
 NIGHT SHIFT _____

BRIEF EXPLANATION OF MAINTENANCE HRS:

REPLACED STEEL: _____
 OTHER CHARGES: _____
 CEMENT: _____
 CASING: HRS _____ FT. _____
 OTHER: _____
 SUPPLIES: HOLE ID _____ DISYH _____ ITEM ID _____
 DIESEL OIL _____
 GAS OIL _____

DRILLER/SUPERVISOR REMARKS & APPROVAL:
Drop all logs and chase down
logs
 SON Deagan Deagan DATE 3-29-98
 CLIENTS REMARKS: port Pul
SWF at 3600
 CLIENTS APPROVAL OF CHANGES: _____ DATE _____

DATELINE DRILLING, INC. 3650 N. Grant Creek Road, Missoula, MT 59802 • 406-542-1010 • 1-800-223-9824

FIRM NAME: Tombstone FIG. NO. D330 SERVICE UNIT: 66 LOCATION OF WORK: WGLL DATE: 3-25-98
 CONTRACTING: Tom B Stone PICKUP NO.: P16 OTHER: _____

DATE	HOLE ID	ANGL	FOOTAGE CHGE	MOCH	HOLE DEPTH	MOVING CHGE	MOCH	WATER INJECT	INJECT DEPTH	TRAVEL CHGE	MOCH	SOLE PLUG	DRILL CHGE	MOCH	STANDBY CHGE	MOCH	STUCK HOURS CHGE	MOCH	MAINTENANCE CHGE	MOCH
3-25-98		90	240	✓	90-240	1	✓	200	60-100	3	✓	✓	✓	6	✓	✓	5	✓	✓	✓
TOTAL FOR DAY																				
(240)																				
1																				
3																				
6																				
5																				

PERSONNEL EMPLOYED: DRILLER Jason Downes PD POINT
HELPER Tom Robinson
SAMPLER Tom
 SUPERVISOR: _____
 REPLACED STEEL: _____
 OTHER CHARGES: _____
 CEMENT: _____
 CASING: HRS 1 LESS TO SET SETS 300 FT.
 OTHER SUPPLIES: _____
 HOLE ID: _____ DEPTH: _____ ITEM ID: 100 DIESEL GALS: 200
50% Fuel GAS GALS: _____
 DATE: _____

DRILLER SUPERVISOR REMARKS & APPROVAL: Could not get P.P.P. not stuck, moved
off hole to top of project and get water meter
from Gordon & found DATE: 3-25-98

CLIENTS REMARKS: Relief Able drilled 2 1/2 hrs, 1 hr more
Book ok. GATE 3/25/98

CLIENTS APPROVAL OF CHARGES: _____ DATE: _____

DATE: _____



SILVER STATE SURVEYS, INC.

CUSTOMER: TOMESTONE EXPLORATION
 MINE SITE: GRASSY MOUNTAIN
 HOLE NO.: TSO#7
 DATE: 4-1-98

TIE IN COORDINATES
 ELEVATION: 0
 NORTH+/SOUTH: 0
 EAST+/WEST: 0

SURVEY CERTIFIED BY

Richard A. ...

PROJECTED DEPTH: 600 TO 840 FT.

MEAS DEPTH (FEET)	TRUE VERTICAL DEPTH (FEET)	TRUE VERTICAL SECTION (FEET)	INC. (DEG)	DIRECTION (AZIMUTH)	RECTANGULAR COORDINATES N+/- E+/-W- (FEET)	DOGGED 100 FT (DEGREES)	CLOSURE DISTANCE (FEET)	CLOSURE BEAR (DEG)
0	0.00	0.00	-61.44	162.63	0.00	0.00	0.00	0.00
50	43.78	24.15	-60.80	161.39	-22.97	7.46	24.15	162.00
100	87.62	48.19	-61.71	162.53	-45.83	14.91	48.19	161.98
150	131.72	71.76	-62.05	161.26	-68.23	22.23	71.76	161.95
200	175.81	95.32	-61.69	164.15	-90.73	29.23	95.32	162.14
250	220.01	118.69	-62.54	164.26	-113.23	35.60	118.69	162.55
300	264.38	141.73	-62.58	163.27	-135.35	42.04	141.73	162.74
350	308.48	165.29	-61.19	164.30	-157.98	48.62	165.29	162.89
400	351.95	189.99	-59.57	161.77	-181.60	55.84	189.99	162.91
450	395.37	214.78	-61.00	163.47	-205.25	63.25	214.78	162.87
500	439.34	238.58	-62.13	162.35	-228.01	70.24	238.58	162.88
510	448.19	243.23	-62.45	160.64	-232.42	71.72	243.23	162.85
600	527.74	285.33	-61.75	162.89	-272.41	84.88	285.33	162.69
840	739.40	398.46	-62.00	163.00	-380.57	118.06	398.46	162.76

DRILLING NOTES

LINE	RUN	CORE	% REC	NOTES	# OF	TEST	COLOR	LITHOLOGY	STRUCTURE	ALTERATION	SPECIALIZATION	TESTING	COMMENTS	GRAPHIC
1	100	100	100	100	1	100	100	100	100	100	100	100	100	100
2	100	100	100	100	1	100	100	100	100	100	100	100	100	100
3	100	100	100	100	1	100	100	100	100	100	100	100	100	100
4	100	100	100	100	1	100	100	100	100	100	100	100	100	100
5	100	100	100	100	1	100	100	100	100	100	100	100	100	100
6	100	100	100	100	1	100	100	100	100	100	100	100	100	100
7	100	100	100	100	1	100	100	100	100	100	100	100	100	100
8	100	100	100	100	1	100	100	100	100	100	100	100	100	100
9	100	100	100	100	1	100	100	100	100	100	100	100	100	100
10	100	100	100	100	1	100	100	100	100	100	100	100	100	100
11	100	100	100	100	1	100	100	100	100	100	100	100	100	100
12	100	100	100	100	1	100	100	100	100	100	100	100	100	100
13	100	100	100	100	1	100	100	100	100	100	100	100	100	100
14	100	100	100	100	1	100	100	100	100	100	100	100	100	100
15	100	100	100	100	1	100	100	100	100	100	100	100	100	100
16	100	100	100	100	1	100	100	100	100	100	100	100	100	100
17	100	100	100	100	1	100	100	100	100	100	100	100	100	100
18	100	100	100	100	1	100	100	100	100	100	100	100	100	100
19	100	100	100	100	1	100	100	100	100	100	100	100	100	100
20	100	100	100	100	1	100	100	100	100	100	100	100	100	100
21	100	100	100	100	1	100	100	100	100	100	100	100	100	100
22	100	100	100	100	1	100	100	100	100	100	100	100	100	100
23	100	100	100	100	1	100	100	100	100	100	100	100	100	100
24	100	100	100	100	1	100	100	100	100	100	100	100	100	100
25	100	100	100	100	1	100	100	100	100	100	100	100	100	100
26	100	100	100	100	1	100	100	100	100	100	100	100	100	100
27	100	100	100	100	1	100	100	100	100	100	100	100	100	100
28	100	100	100	100	1	100	100	100	100	100	100	100	100	100
29	100	100	100	100	1	100	100	100	100	100	100	100	100	100
30	100	100	100	100	1	100	100	100	100	100	100	100	100	100
31	100	100	100	100	1	100	100	100	100	100	100	100	100	100
32	100	100	100	100	1	100	100	100	100	100	100	100	100	100
33	100	100	100	100	1	100	100	100	100	100	100	100	100	100
34	100	100	100	100	1	100	100	100	100	100	100	100	100	100
35	100	100	100	100	1	100	100	100	100	100	100	100	100	100
36	100	100	100	100	1	100	100	100	100	100	100	100	100	100
37	100	100	100	100	1	100	100	100	100	100	100	100	100	100
38	100	100	100	100	1	100	100	100	100	100	100	100	100	100
39	100	100	100	100	1	100	100	100	100	100	100	100	100	100
40	100	100	100	100	1	100	100	100	100	100	100	100	100	100
41	100	100	100	100	1	100	100	100	100	100	100	100	100	100
42	100	100	100	100	1	100	100	100	100	100	100	100	100	100
43	100	100	100	100	1	100	100	100	100	100	100	100	100	100
44	100	100	100	100	1	100	100	100	100	100	100	100	100	100
45	100	100	100	100	1	100	100	100	100	100	100	100	100	100
46	100	100	100	100	1	100	100	100	100	100	100	100	100	100
47	100	100	100	100	1	100	100	100	100	100	100	100	100	100
48	100	100	100	100	1	100	100	100	100	100	100	100	100	100
49	100	100	100	100	1	100	100	100	100	100	100	100	100	100
50	100	100	100	100	1	100	100	100	100	100	100	100	100	100

LITHOLOGY

STRUCTURE

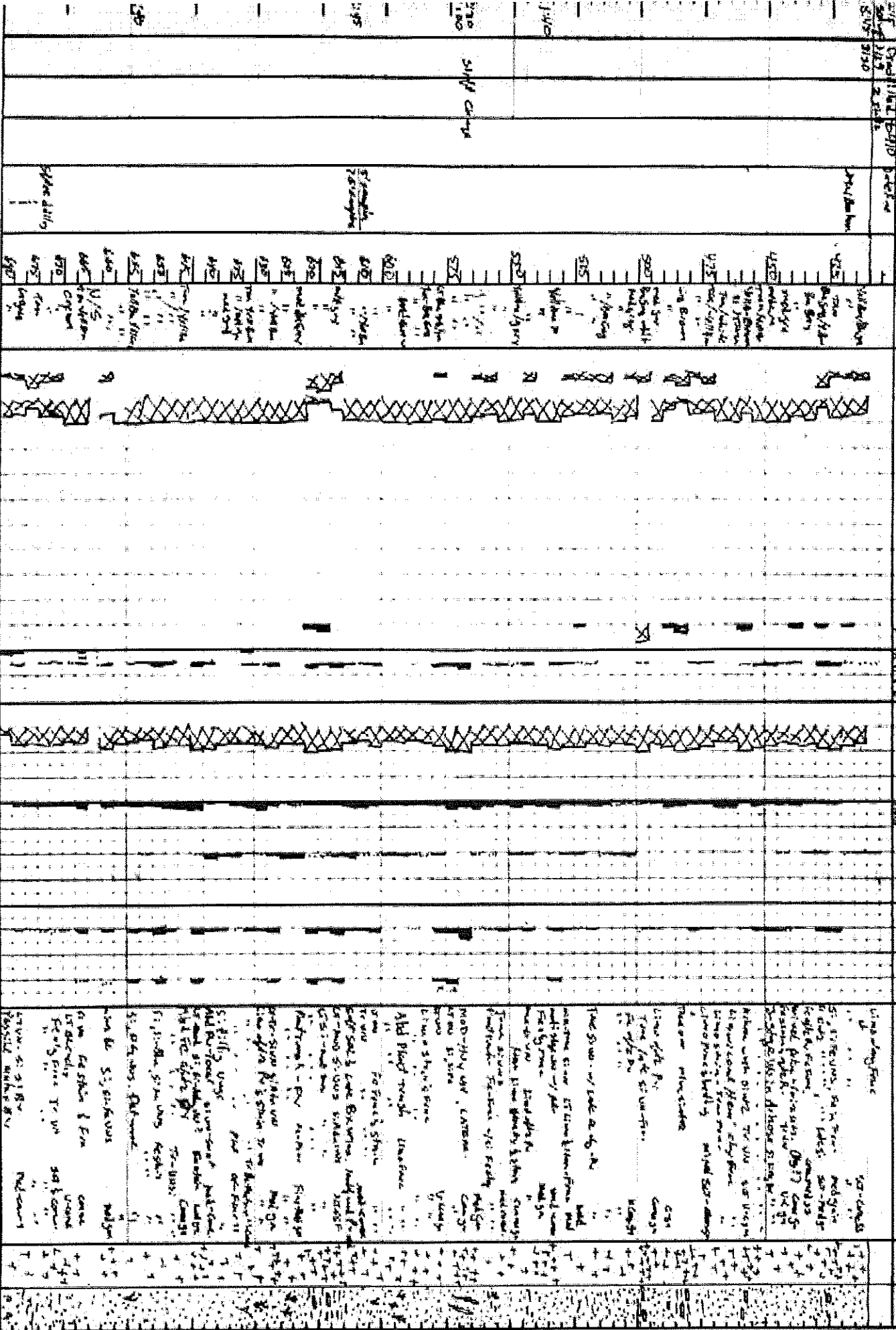
ALTERATION

SPECIALIZATION

TESTING

COMMENTS

GRAPHIC



DATELINE DRILLING, INC. 3650 N. Grant Creek Road, Missoula, MT 59902 • 406-542-1010 • 1-800-223-9824

RIGS NAME: Trailblazer RIG NO: D130 SERVICE UNIT: SG LOCATION OF WORK: Dung Hill DATE: 2/10/15
 CONTRACT NO: _____ PICKUP NO: F-11 OTHER: _____

DATE	HOLE ID	ANGL	FOOTAGE FEET	HOCH	HOLE DEPTH	MOONING CHGE	HOUSH	WATER INJECT	INJECT DEPTH	TRAVEL CHGE	HOCH	HOLE FLUE	DRILL CHGE	HRS HOCH	STANDBY CHGE	HOCH	STUCK-HOURS CHGE	HOCH	MAINTENANCE CHGE	HOCH
2/10/15	TR-7	45°	400		120-170	✓	✓	Yes	120-170		3 1/2	✓	✓	11.1	✓	✓	✓	✓	✓	✓
(Very fluid gravel)																				
DI. H. J.																				
TOTAL FOR DAY (400) Change A																				

PERSONNEL EMPLOYED
 DRILLER: T. K. PO: _____ POINT: _____
 HELPER: A. L. C.
 SAMPLER: B. K.
 SUPERVISOR: _____

SHIFT INFORMATION:
 TIME SHIFT STARTED: 12:30 PM
 TIME SHIFT ENDED: 2:30 PM
 DAY SHIFT: 16 hrs
 NIGHT SHIFT: _____

BRIEF EXPLANATION OF MAINTENANCE HRS:
All 4 rollers of 2 rollers of Allis
power drill

REPLACED STEEL: _____
 OTHER CHARGES: _____
 CEMENT: _____
 CASING: _____ HRS: _____ FT: _____

DRILLER/SUPERVISOR REMARKS & APPROVAL: 12:30 - 12:30 2.10/12:00 - 1:00 D. J. / 1:00 - 2:00
W. B. / 2:00 - 5:00 D. J. / 5:00 - 6:00 T. K. / 6:00 - 6:30 T. K. / 6:30 - 7:00
8:00 T. K. / 9:00 - 12:00 D. J. / 12:00 - 2:00 T. K. / 2:00 - 2:30

OTHER SUPPLIES: 1 Bag Mud / 7-rod in mud wash pit.
 HOLE ID: _____ DEPTH: _____ ITEM ID: _____
 DIESEL GALS: _____ GAS GALS: _____

CLIENTS REMARKS: No work. Food OK Gift 1/15
 CLIENTS APPROVAL OF CHARGES: _____ DATE: _____



SILVER STATE SURVEYS, INC.

CUSTOMER: TOMESTONE EXPLORATION

MINING SITE: GRASSY MOUNTAIN

HOLE NO.: TSD#8

DATE: 4-1-98

TE IN COORDINATES

ELEVATION: 0

NORTH/SOUTH: 0

EAST/WEST: 0

PROJECTED DEPTH: 700 TO 840 FT.

SURVEY CERTIFIED BY

Paul D. ...

MEAS DEPTH	TRUE VERTICAL DEPTH	TRUE VERTICAL SECTION	INCL (DEGS)	DIRECTION (AZIMUTH)	RECTANGULAR COORDINATES N+/- E+/- W+/-	BOUGER 100/FT	CLOSURE DISTANCE	CLOSURE ERR
(FEET)	(FEET)	(FEET)	(DEGS)	(AZIMUTH)	(FEET)	(DEGS)	(FEET)	(DEGS)
0	0.00	0.00	-57.01	160.14	0.00	0.00	0.00	0.00
50	42.21	26.80	-58.15	158.78	-25.10	9.40	2.71	26.80
100	84.56	53.38	-57.62	159.79	-49.96	18.80	1.51	53.38
150	126.68	80.32	-57.18	161.42	-75.37	27.74	1.96	80.32
200	168.81	107.23	-57.66	162.32	-100.96	36.12	1.36	107.23
250	210.91	134.20	-57.02	161.47	-126.60	44.51	1.57	134.20
300	252.84	161.43	-56.97	161.02	-152.39	53.27	0.50	161.43
350	294.51	189.07	-55.93	161.46	-178.56	62.15	2.14	189.07
400	335.65	217.47	-54.81	163.47	-205.65	70.70	3.20	217.47
450	376.71	245.98	-55.60	163.19	-232.98	78.89	1.61	245.98
500	418.69	273.11	-58.64	162.59	-258.92	86.87	6.11	273.11
550	461.78	298.47	-60.36	164.25	-283.24	94.12	3.83	298.47
600	505.48	322.74	-61.50	164.43	-306.63	100.67	2.29	322.74
650	549.49	346.44	-61.84	164.59	-329.50	107.01	0.70	346.44
700	593.67	369.81	-62.35	165.15	-352.09	113.12	1.15	369.81
840	718.05	434.00	-63.00	165.20	-414.21	129.56	0.46	434.00

PROPERTY GAMESBY MW owned by G. Rob. Farnell CR #	STATE OREGON COUNTY Multnomah	HOLE # RCMT60-6 CRH	DDH CRH	NORTHING EASTING ELEVATION	ALTERATION		TOTAL DEPTH BEARING ANGLE	LOCATION	PG # OF 2
					STRUC	VEINING			
DRILLING NOTES MEIRUM CORE % REC NOTES	COLOR	LITHOLOGY		ALTERATION	MINERALIZATION	VEINING	COMMENTS	GRAPHIC	
		Q	U					ALT	LITH
Drilling Duffin Packed 2/8-2/17		Q1	U1	Q1	U1				
	Dark grey " "	Q2	U2	Q2	U2		red clay " "		
	Yellowish white " "	Q3	U3	Q3	U3		orange " "		
	Grey " "	Q4	U4	Q4	U4		SO " "		
	Dark grey " "	Q5	U5	Q5	U5		red " "		
	Dark grey " "	Q6	U6	Q6	U6		red " "		
	Dark grey " "	Q7	U7	Q7	U7		red " "		
	Dark grey " "	Q8	U8	Q8	U8		red " "		
	Dark grey " "	Q9	U9	Q9	U9		red " "		
	Dark grey " "	Q10	U10	Q10	U10		red " "		
	Dark grey " "	Q11	U11	Q11	U11		red " "		
	Dark grey " "	Q12	U12	Q12	U12		red " "		
	Dark grey " "	Q13	U13	Q13	U13		red " "		
	Dark grey " "	Q14	U14	Q14	U14		red " "		
	Dark grey " "	Q15	U15	Q15	U15		red " "		
	Dark grey " "	Q16	U16	Q16	U16		red " "		
	Dark grey " "	Q17	U17	Q17	U17		red " "		
	Dark grey " "	Q18	U18	Q18	U18		red " "		
	Dark grey " "	Q19	U19	Q19	U19		red " "		
	Dark grey " "	Q20	U20	Q20	U20		red " "		
	Dark grey " "	Q21	U21	Q21	U21		red " "		
	Dark grey " "	Q22	U22	Q22	U22		red " "		
	Dark grey " "	Q23	U23	Q23	U23		red " "		
	Dark grey " "	Q24	U24	Q24	U24		red " "		
	Dark grey " "	Q25	U25	Q25	U25		red " "		
	Dark grey " "	Q26	U26	Q26	U26		red " "		
	Dark grey " "	Q27	U27	Q27	U27		red " "		
	Dark grey " "	Q28	U28	Q28	U28		red " "		
	Dark grey " "	Q29	U29	Q29	U29		red " "		
	Dark grey " "	Q30	U30	Q30	U30		red " "		
	Dark grey " "	Q31	U31	Q31	U31		red " "		
	Dark grey " "	Q32	U32	Q32	U32		red " "		
	Dark grey " "	Q33	U33	Q33	U33		red " "		
	Dark grey " "	Q34	U34	Q34	U34		red " "		
	Dark grey " "	Q35	U35	Q35	U35		red " "		
	Dark grey " "	Q36	U36	Q36	U36		red " "		
	Dark grey " "	Q37	U37	Q37	U37		red " "		
	Dark grey " "	Q38	U38	Q38	U38		red " "		
	Dark grey " "	Q39	U39	Q39	U39		red " "		
	Dark grey " "	Q40	U40	Q40	U40		red " "		
	Dark grey " "	Q41	U41	Q41	U41		red " "		
	Dark grey " "	Q42	U42	Q42	U42		red " "		
	Dark grey " "	Q43	U43	Q43	U43		red " "		
	Dark grey " "	Q44	U44	Q44	U44		red " "		
	Dark grey " "	Q45	U45	Q45	U45		red " "		
	Dark grey " "	Q46	U46	Q46	U46		red " "		
	Dark grey " "	Q47	U47	Q47	U47		red " "		
	Dark grey " "	Q48	U48	Q48	U48		red " "		
	Dark grey " "	Q49	U49	Q49	U49		red " "		
	Dark grey " "	Q50	U50	Q50	U50		red " "		

FIRMS NAME: _____ RIG NO: _____ LOCATION OF WORK: _____ DATE: _____
 CONTRACT NO: _____ SERVICE UNIT: _____ PICKUP NO: _____ OTHER: _____

DATE	HOLE ID	ANGL	FOOTAGE		HOLE DEPTH	MOVING		WATER INJECT	INJECT DEPTH	TRAVEL		HOLE PLUG	DRILL HRS		STANDBY CHGE	NOCH	
			CHGE	NOCH		CHGE	NOCH			CHGE	NOCH		CHGE	NOCH			
	180-9																
TOTAL FOR DAY																	

PERSONNEL EMPLOYED: _____
 DRILLER: _____
 HELPER: _____
 SAMPLER: _____
 SUPERVISOR: _____

SHIFT INFORMATION:
 TIME SHIFT STARTED: _____
 TIME SHIFT ENDED: _____
 DAY SHIFT: _____
 NIGHT SHIFT: _____

REPLACED STEEL: _____
 OTHER CHARGES: _____
 CEMENT: _____
 CASING: _____ HRS: _____ FT: _____

DRILLER / SUPERVISOR REMARKS & APPROVAL: _____

SIGN: _____

CLIENT'S REMARKS: _____

CLIENTS APPROVAL OF CHARGES: _____ DATE: _____

SUPPLIES	HOLE ID	DEPTH	ITEM ID	DIESEL GALS	GAS GALS

FIRM NAME: Zenith RIG NO: D330 LOCATION OF WORK: Bozeman, Montana DATE: _____
 CONTRACT NO: _____ SERVICE UNIT: SC PICKUP NO: P-11 OTHER: _____

DATE	HOLE ID	ANGL	FOOTAGE CHGE	MOUCH	HOLE DEPTH	MOVING CHGE	NOUCH	WATER INJECT	INJECT DEPTH	TRAVEL CHGE	NOUCH	HOLE PLUG	DRILL HRS	STANDBY
													NOUCH	NOUCH
11/14	750-9	60°	130		240-330	✓	✓	240-330		3 1/2		✓	8 1/2	✓
(Vap produced - (Casing) (Liner) (2 ft. long))														
TOTAL FOR DAY (130) Casing 11 ft. NO 1 Day 11/14														

PERSONNEL EMPLOYED:
 DRILLER: Tom Williams PD: _____ POINT: _____
 HELPER: Mark C
 SAMPLER: Robert R

SHIFT INFORMATION:
 TIME SHIFT STARTED: 1:00 BRIEF EXPLANATION OF M: Change and in
 TIME SHIFT ENDED: 2:30 2:00 up line
 DAY SHIFT: _____
 NIGHT SHIFT: 13 1/2

REPLACED STEEL: _____

OTHER CHARGES:
 CEMENT: _____ FT: _____
 CASING: _____ HRS: _____

OTHER: 11 Days M.A. 1 casing and 1 1/2 ft.
 SUPPLIES: _____
 HOLE ID: _____ DEPTH: _____ ITEM ID: _____
 DIESEL GALS: _____ GAS GALS: _____

DRILLER / SUPERVISOR REMARKS & APPROVAL: 1:00 - 2:30 M.A. 11/14
11/14
 SIGN: [Signature]

CLIENTS REMARKS: [Signature]
 CLIENTS APPROVAL OF CHARGES: _____ DATE: _____

FIRMS NAME Tomlinson

RIG NO. D330

LOCATION OF WORK Downy Mountain

DATE _____

CONTRACT NO. _____

SERVICE UNIT 36

PICKUP NO. P-11

OTHER _____

DATE	HOLE ID	ANGL	FOOTAGE		HOLE DEPTH	MOVING		WATER INJECT	INJECT DEPTH	TRAVEL		HOLE PLUG	DRILL HRS NO/CH	STANDBY CHGE NO/CH
			CHGE	NO/CH		CHGE	NO/CH			CHGE	NO/CH			
8/1/85	T30-9	60°	175	1	517510	1 hr	hr	no	10-300	3 hr	no	no	1 hr	1
	(Fractured zone 1-1) Plugged													
TOTAL FOR DAY (175) (175) 1 hr														

PERSONNEL EMPLOYED:

DRILLER Tom K. Collins
 HELPER Alvin
 SAMPLER D. R. ...
 SUPERVISOR _____

SHIFT INFORMATION

TIME SHIFT STARTED 6:30
 TIME SHIFT ENDED 2:30
 DAY SHIFT _____
 NIGHT SHIFT 14 hr

BRIEF EXPLANATION OF MR. Charles J. ...

REPLACED STEEL _____

OTHER CHARGES _____

CEMENT _____

CASING HRS. _____

FT. _____

DRILLER / SUPERVISOR REMARKS & APPROVAL: 2:30 D-11 / 3:30-4:00 ...
Drill 30 ft / 11:00-12:30 ...

OTHER: 1 Range M.D.

SUPPLIES: _____

CLIENTS REMARKS: no more time 4:11

HOLE ID _____

DEPTH _____

ITEM ID _____

DIESEL GALS _____

GAS GALS _____

CLIENTS APPROVAL OF CHARGES: _____

DATE _____

Mailing List for Extension PFO Copies

PFO Date: June 12, 2012

Copies Mailed

**Application G-11847
Permit G-10994**

By: _____
On: _____

Original mailed to Applicant:

Seabridge Gold Corp
172 King Street E
Toronto, Ontario, Canada M5A 1J3

Bill Wagener, President and CEO
Calico Resources USA Corp
122 A Street East
PO Box Q
Vale, OR 97918

Copies sent to:

1. WRD - App. File G-11847/ Permit G-10994
2. WRD - Watermaster District 9, Ron Jacobs

Fee paid as specified under ORS 536.050 to receive copy:

3. None

Receiving via e-mail (10 AM Tuesday of signature date)

(DONE BY EXTENSION SPECIALIST)

4. Martha O. Pagel, Schwabe, Williamson & Wyatt, Agent.
Email: mpagel@schwabe.com

CASEWORKER: JWG



Oregon

John A. Kitzhaber, MD, Governor

Water Resources Department

North Mall Office Building
725 Summer Street NE, Suite A
Salem, OR 97301-1271
503-986-0900
FAX 503-986-0904

February 21, 2012

REFERENCE: Application for Extension of Time

Dear Extension of Time Applicant:

The Water Right Services Division has received your application for an extension of time for **APPLICATION FILE #: G-11847 (Permit G-10094)**. Your application will be reviewed in the future. Following the review, you will receive a Proposed Final Order either approving or rejecting the extension of time request. A 45-day protest period begins upon issuance of the Proposed Final Order. After the protest period closes, a Final Order is issued.

If you are interested in having your application reviewed sooner, you may pay to have your file processed immediately, using the Reimbursement Authority program, which is described at: http://www.wrd.state.or.us/OWRD/mgmt_reimbursement_authority.shtml

You may continue the use of water under your water right until the Water Resources Department formally takes action on your extension application. If your permit includes conditions, water use reporting, water level measurement reporting, etc., you are required to comply with the conditions.

Any additional development that occurs after the expired completion date, identified on the permit or an extension order, can only be claimed upon an approved extension application.

If you have questions concerning your extension of time application, please contact Jerry Gainey (503) 986-0812. For general information about the Water Resources Department, you may contact the Water Resources' Customer Service Group at (503) 986-0801 or you may access the Department's website at: www.wrd.state.or.us.

Connie Vance

From: Mary Rohling
Sent: Wednesday, January 04, 2012 12:09 PM
To: Connie Vance
Cc: Tim Wallin; Ken Smith; Kathy Boles
Subject: RE: Application G-11847

Connie,

My concern is that it is still not tied to the order tab as covered in the previous emails. I will forward the last email after I'm done sending this. Please take special note of the first sentence (in bold type) in my last email dated 12/28 and let me know if you still have questions on tying the order via the Order Tab.

Mary F. Rohling
Water Rights Technician
Information Services Division
Oregon Water Resources Department
725 Summer St. NE, Suite A
Salem, OR 97301
(503)986-0865
www.wrd.state.or.us

From: Connie Vance
Sent: Wednesday, January 04, 2012 11:17 AM
To: Mary Rohling
Cc: Tim Wallin
Subject: Application G-11847

I consulted Jonnine about the special order Spov 85 page 818 for this application. She was as confused as me but she figured it out and she said it was good to go now.

Connie

Connie Vance
Water Right Support
725 Summer St., NE, Suite A
Salem, OR 97301
phone 503-986-0810
fax 503-986-0901
e-mail: Connie.R.Vance@ wrd.state.or.us

Connie Vance

From: Mary Rohling
Sent: Wednesday, December 28, 2011 9:54 AM
To: Connie Vance
Cc: Kathy Boles; Ken Smith; is_data_techs
Subject: RE: Please Scan RE: Scanned Special Order

Thanks for scanning in the Certificates, Connie.

The reason that I did not see the special order is that you did not tie it to the snapshot via the Order tab as Kathy instructed below.

Connie - It appears to me that this FO for Extension of Time is your responsibility. So, as long as you tie it in the Order Tab and update the Workflow we should be good to go. Thanks

Final Order Extension of Time Application G-11847 Permit G-10994 SPOV 85 page 818

So, although you scanned it as a special order and scanned it to the folder, when I queried Special Order V85 P818 in Wris, I came up with nothing.

In regards to your question, when an order is a Special Order with Volume and Page Numbers, it should be tied to the Order Tab.

I don't see a problem with scanning it also to the folder although it is redundant, perhaps we should run it by Kathy. For this particular right there is already Extension Documents scanned to the Folder without volume and page numbers (final orders). My group does not work with Extensions so I feel somewhat limited in instructing you to scan to both places with a special order.

Mary F. Rohling
Water Rights Technician
Information Services Division
Oregon Water Resources Department
725 Summer St. NE, Suite A
Salem, OR 97301
(503)986-0865
www.wrd.state.or.us

From: Connie Vance
Sent: Wednesday, December 28, 2011 9:07 AM
To: Mary Rohling; Kim French-Gorski
Cc: Kathy Boles; Ken Smith; is_data_techs
Subject: RE: Please Scan RE: Scanned Special Order

The certificates are scanned.

**The Final Order Extension of Time Application G-11847 Permit G-10994 SPOV 85 page 818 was scanned as an Extension FO Issued. It was also scanned as a special order. So, which should I have done?
Connie**

Connie Vance
Water Right Support
725 Summer St., NE, Suite A
Salem, OR 97301
phone 503-986-0810

fax 503-986-0901

e-mail: Connie.R.Vance@wrд.state.or.us

From: Mary Rohling
Sent: Wednesday, December 28, 2011 7:30 AM
To: Connie Vance; Kim French-Gorski
Cc: Kathy Boles; Ken Smith; is_data_techs
Subject: Please Scan RE: Scanned Special Order

Hi,

I noticed that **Final Order Extension of Time Application G-11847 Permit G-10994 SPOV 85 page 818** is still not scanned and tied in Wris.

Also, I received copies of the following Certificates this morning and found that none of them are scanned. Please let me know as soon as they are so I can move them to Complete status in Wris and have them available online.

~~Cert 87357~~
~~Cert 87278~~
~~Cert 87317~~
~~Cert 87329~~

Thank you,
Mary

Mary F. Rohling
Water Rights Technician
Information Services Division
Oregon Water Resources Department
725 Summer St. NE, Suite A
Salem, OR 97301
(503)986-0865
www.wrд.state.or.us

From: Kathy Boles
Sent: Monday, December 19, 2011 11:11 AM
To: Kim French-Gorski
Cc: Connie Vance; Mary Rohling
Subject: RE: Scanned Special Order

Thanks Kim!

Connie - It appears to me that this FO for Extension of Time is your responsibility. So, as long as you tie it in the Order Tab and update the Workflow we should be good to go. Thanks
Final Order Extension of Time Application G-11847 Permit G-10994 SPOV 85 page 818

As always, if you need assistance, please let me know.

Kathy

From: Kim French-Gorski
Sent: Monday, December 19, 2011 11:05 AM
To: Kathy Boles; Mary Rohling
Cc: Connie Vance
Subject: RE: Scanned Special Order

Oops, I misread the email. I only do the new extension applications and PFO's. Connie has been doing the FO's.

Sorry, Kim

From: Kathy Boles
Sent: Monday, December 19, 2011 7:12 AM
To: Mary Rohling
Cc: Connie Vance; Kim French-Gorski
Subject: RE: Scanned Special Order

Mary,

Yes I do. Jonnine scanned and tied the (**EXTENSION OF TIME FOR PERMITS**) orders to the permit AND updated the workflow to reflect the extension in WRIS. I would assume Connie or Kim would be doing these.

Connie or Kim - Your thoughts?

Kathy

From: Mary Rohling
Sent: Friday, December 16, 2011 1:53 PM
To: Kathy Boles
Cc: Connie Vance; Mary Rohling
Subject: RE: Scanned Special Order

Hi Kathy,

The data group has never been copied on these type of final orders (**EXTENSION OF TIME FOR PERMITS**) before, probably because there is no updating of Wris status.

Do you know who was doing them? When we find them in Wris the order is tied and Workflow updated but not by our group.

Thanks,

Mary

Mary F. Rohling
Water Rights Technician
Information Services Division
Oregon Water Resources Department
725 Summer St. NE, Suite A
Salem, OR 97301
(503)986-0865
www.wrd.state.or.us

From: Connie Vance
Sent: Friday, December 16, 2011 1:10 PM
To: Mary Rohling
Subject: Scanned Special Order

The following special order has been scanned:

Final Order Extension of Time Application G-11847 Permit G-10994 SPOV 85 page 818

Enjoy your weekend.

Connie

Connie Vance
Water Right Support
725 Summer St., NE, Suite A
Salem, OR 97301
phone 503-986-0810
fax 503-986-0901
e-mail: Connie.R.Vance@ wrd.state.or.us

Mailing List for FO Withdrawing Copies

Note: Include a copy of the "Important Notice" document along with the original copy of the Final Order being sent to the permit holder.

FO Date: December 15, 2011

Copies Mailed

Application G-11847

By: Connie Vance

Permit G-10994

On: 12/16/2011

Original mailed to permit holder

Seabridge Gold Corporation ✓
c/o Rudi P. Fronk, President & CEO
106 Front Street E, Suite 400
Toronto, Ontario M5A 1E1, Canada

Calico Resources ✓
c/o Andy Guadielle
P.O. Box Q
Vale, OR 97918

Martha Pagel ✓
Schwabe Williamson & Wyatt
530 Center Street, NE
Salem, OR 97301

Copies sent to:

1. WRD - App. File G-11847/ Permit G-10994 ✓
2. WRD - Watermaster District 9, Ron Jacobs ✓
3. WRD - ER Acting Regional Manager, Rick Lusk ✓
4. WRD - Jerry Sauter ✓

Receiving via e-mail (10 AM day of signature date)

(DONE BY EXTENSION SPECIALIST) None

CASEWORKER: JWG

BEFORE THE OREGON WATER RESOURCES DEPARTMENT

IN THE MATTER OF SUPERSEDING FINAL)
ORDER ON EXTENSION OF TIME FOR) ORDER
PERMIT G-10994 IN THE NAME OF)
SEABRIDGE GOLD CORPORATION)

Oregon Water Resources Department issued a Superseding Final Order denying an application for an extension of time for Permit G-10994 to complete construction or complete application of water to beneficial use on November 7, 2011.

The permit holder provided additional information and requested reconsideration of the order on December 5, 2011.

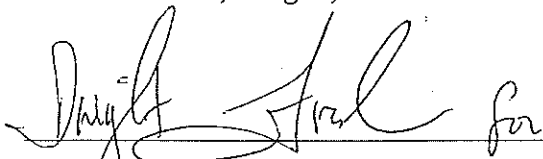
Oregon Administrative Rule 137-004-0080(5) states "within 60 calendar days after the date of the order, the agency may, on its own initiative, reconsider the final order." Pursuant to this rule, the Department has reconsidered the superseding final order issued November 7, 2011.

Pursuant to 137-004-0080(8) the Department is withdrawing the superseding final order issued November 7, 2011.

Order

It is hereby ORDERED that the Superseding Final Order on G-10994, dated November 7, 2011 is of no further force or effect.

Dated at Salem, Oregon, on December 15, 2011.



E. Timothy Wallin, Water Rights Program Manager
for Phillip C. Ward, Director, OWRD

This is a final order in other than contested case. This order is subject to judicial review under ORS 183.484. Any petition for judicial review must be filed within the 60- day time period specified by ORS 183.484(2). Pursuant to ORS 536.075 and ORS 137-004-0080 you may either petition for judicial review or petition the Director for reconsideration of this order. A petition for reconsideration may be granted or denied by the Director, and if no action is taken within 60 days following the date the petition was filed, the petition shall be deemed denied.

PROTEST PROGRAM MEETING

Date: 12-8-11 PM, TW, TP, DF

4/2-18-11

NYT
Sleep research
short wave sleep
5-9/11

1. Management update to Coordinator:
2. City of Brookings
3. Town of Lakeview
4. ISWR evals - *evulsion*
5. Confederated Tribes

Alliance -
Carol Russell?

Seabridge - Doug W needs to know; Tom will let Doug know



MARTHA O. PAGEL

Admitted in Oregon and Washington

Direct Line: Salem 503-540-4260; Portland 503-796-2872

E-Mail: mpagel@schwabe.com

RECEIVED
OVER THE COUNTER

December 5, 2011

BY HAND DELIVERY

Mr. Phil Ward
Director
Oregon Water Resources Department
725 Summer St NE Ste A
Salem, OR 97301-1271

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DEC 05 2011

WATER RESOURCES DEPT
SALEM, OREGON

Re: Petition for Reconsideration and Withdrawal of Superseding Final Order Denying
Extension of Time for Permit G-10994 (Seabridge Gold Corp.)
Our File No.: 124158/183676

Dear Phil:

This Petition for Reconsideration is filed pursuant to ORS 536.075, ORS 183.484 and OAR 137-004-0080 on behalf of Seabridge Gold Corp. ("Seabridge") and Calico Resources USA Corp. ("Calico") to request reconsideration and withdrawal of the above-referenced Superseding Final Order ("Final Order") issued by the Oregon Water Resources Department ("OWRD") on November 7, 2011.

I. Introduction

A. Project Background

The water right permit in question relates to the Grassy Mountain gold mining project in Malheur County. This project has had a long and complicated history since the late 1980s when the water right permit was first secured by Atlas Precious Metals, Inc. (Atlas). Soon after Atlas leased the project site to Newmont, which contemplated use of open pit, cyanide heap leach mining operations to develop the site. This plan sparked a highly charged public debate regarding state regulatory authority that led to the eventual enactment of ORS 517.952 – 517.989, a process for inter-agency review of applications for chemical process mining to be coordinated by the Oregon Department of Geology and Mineral Industries (DOGAMI).

Newmont began the state process in the early 1990s, but never finished. Instead, Atlas re-acquired the project after termination of the Newmont lease in 1996. In 1997, Atlas obtained an extension of the water right permit for the period from 1998 until 2008, and began exploration drilling in early 1998. However, in September, 1998, Atlas was forced into bankruptcy – an unforeseen occurrence spurred by liabilities at another mining site not connected with the Grassy Mountain project. As a result of the bankruptcy, further development by Atlas was stopped until the project was acquired by Seabridge in 2003. At that time, and continuing through approximately 2008, the price of gold did not justify re-starting the state regulatory process for chemical process mining. Since then, there has been a sustained increase to the point where mining operations are now economically feasible. In early 2011, Calico secured an option on the project with an intention to operate a closed, underground mining system that does not involve the use of open pit mining or cyanide heap leaching. As a result, for the first time the project is now on the brink of moving forward in a way that can offer substantial economic benefits to the community with significantly reduced environmental impacts in comparison to prior project plans.

B. Permit Extension Application

In May, 2011, Seabridge and Calico submitted an application for extension of the water right permit. Unfortunately, in preparing the extension application and in subsequent interaction with OWRD, neither Seabridge nor Calico was familiar with the Oregon extension process. As a result, the companies did not fully understand the nature of the OWRD review process and the type of information that would be needed to justify approval of the extension application. As described further below, there is substantial additional information that could have been provided to address OWRD review criteria and that we believe would have led to very different findings.

To compound the problem, Seabridge and Calico did not receive notice or a copy of the Proposed Final Order issued by OWRD in August, 2011. In fact, neither company was aware of the existence of the PFO until issuance of the Final Order denying the extension. If they had received timely notice of the proposed action, the companies would have realized and responded to the need to file a protest and provide additional information to assist in evaluating the application. Because they did not receive notice of the PFO, they were unable to meet the protest deadline, and unable to correct mistakes in the record.

II. Standing

Seabridge has been the holder of Permit G-10994 since 2003. Seabridge has entered into an option agreement granting Calico an option to develop a gold mine on the property covered by the permit (See Attachment A). The ground water permit is needed to support mining operations. As the permit holder and option holder, Seabridge and Calico (together, the “Petitioners”) each have a direct interest in the requested extension of Permit G-10994. The Final Order denying the extension adversely affects Petitioners and their ability to proceed with development of the mining project. Because Petitioners are adversely affected and aggrieved by the Final Order, and would be entitled to judicial review under ORS 183.484, they are also entitled to petition for reconsideration under OAR 137-004-0080(1).

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WATER RESOURCES DEPT
SALEM, OREGON



III. Specific Grounds for Reconsideration and Supporting Argument

A petition for reconsideration must “set forth the specific grounds for reconsideration” and “may be supported by a written argument.” OAR 137-004-0080. Petitioners submit the following grounds and supporting arguments in favor of reconsideration:

A. Petitioners did not receive the Proposed Final Order and therefore had no opportunity to file a protest and request a contested case hearing.

OWRD issued the Proposed Final Order (“PFO”) on August 23, 2011. The application file indicates that the Department mailed a copy of the PFO to Seabridge that same day, presumably by regular mail through the U.S. Postal Service. *See* OAR 690-315-0050(3) (“The Department shall mail the proposed final order...to the applicant...”). As a general rule, documents sent by regular mail are presumed to have been received by the addressee, subject to evidence to the contrary. *See* OAR 137-003-0520(9). Here, the mailing was addressed to Seabridge’s office in Toronto, Canada, but Seabridge never received it. Petitioners suspect the missing PFO could be related to a Canadian postal strike earlier that summer that continued to disrupt Canadian mail deliveries for some time thereafter. (See Attachments B and C – letters from Seabridge and Calico). In any event, Petitioners did not receive a copy of the PFO or learn of its issuance until after the protest period had expired.

Those who are affected by agency actions “have a right to be informed of their rights and remedies with respect to the actions.” ORS 183.415(1). Through no fault of their own, Petitioners were denied rights of due process, including an opportunity to protest the PFO prior to issuance of the Final Order. That fact alone is sufficient to support reconsideration of the Final Order.

B. The Final Order is based on findings from the Proposed Final Order that are erroneous and that could have been corrected if Petitioners had received timely notice of the Proposed Final Order.

The PFO upon which the Final Order was based contains findings that are based on a lack of adequate information in the file. If the Petitioners had received timely notice of the issuance of the PFO and the opportunity to file a protest, they could have provided additional information to support corrected findings. For example:

Finding #12 and Finding #13 indicate no beneficial use of water was made and no work was accomplished during the previous extension time limits. In fact, water was used at the site for exploration drilling during the period of the last extension, prior to the Atlas bankruptcy, and has since been used for on-going drilling operations, dust control, fire control and human consumption needs.

Finding #15 and Finding #18 indicate the permit holder has invested \$55,000 toward the projected cost of \$150,000 for complete development of the project. In fact, a project of this size could easily involve expenditures in the range of \$100 to \$150 million, and the Petitioners have already expended more than \$1 million toward the effort.

DEC 05 2011

WATER RESOURCES DEPT
SALEM, OREGON

Mr. Phil Ward
December 5, 2011
Page 4

Finding #19 states no other economic interests depending on completion of the project have been identified. In fact, the project is expected to provide a much-needed and rare opportunity for substantial economic value to Malheur County.

Finding #22 states that delay in the development of this project was not caused by any other governmental requirements. In fact, full scale mining operations cannot occur until the project is authorized by DOGAMI and other state agencies pursuant to the coordinated, interagency review process described in ORS 517.952 – 517.989. That process was originally initiated by Newmont in the early 1990s, but was suspended by Newmont prior to the last extension period. When Atlas obtained an extension for the period from 1998 to 2008, we understand the intention was to begin again with the state permitting process, but that plan was stalled because of the Atlas bankruptcy.

Finding #23 states the Department has not identified any unforeseen events over which the permit holder had no control which delayed development under the permit. In fact, two key events occurred that had a significant impact on permit development: First, Atlas was forced into bankruptcy in 1998 due to liabilities from other operations not connected with the Grassy Mountain project. Second, the price of gold dropped considerably during the time period between 1997 and 2008 when the last permit extension was in effect.

If Petitioners had received a copy of the PFO when it was issued, they would have been able to respond to the above proposed findings and provide additional information to correct the record.

C. Petitioners are prepared to submit additional evidence showing reasonable diligence within the last extension period.

If OWRD is willing to grant reconsideration, Petitioners are prepared to provide additional information that could have been provided earlier in the process to supplement and clarify the extent of diligence during the last extension period. As indicated above, there is a substantial amount of information that could have been provided to address specific review criteria for the permit extension. Attachment D is a letter from Calico Project Manager Andy Gaudielle that outlines key activities that occurred during the last extension period, and other factors that could be considered by OWRD in reaching the ultimate conclusion of whether there is good cause to approve the extension.

The letter from Mr. Gaudielle confirms an on-going commitment by Petitioners and their predecessors to develop the site for gold mining, despite serious unforeseen circumstances. For example, in early 1998, Tombstone Exploration optioned the project site from Atlas and constructed nine exploration holes on the site, which required use of water under the permit and allowed collection of hydro-geologic data, at an estimated cost of about \$750,000. Not long after that exploration work was done, the unforeseen Atlas bankruptcy brought further work to a halt until the property was acquired by Seabridge in 2003. At that time, even though economic conditions did not justify proceeding with the regulatory process for full mining operations, Seabridge (and later, Calico) took necessary steps to preserve the mining claims and their ability

to develop the site in the future by making payments of about \$395,000 to original locators of the Grassy Mountain claims in order to preserve the option of developing the mine, and paying annual assessment fees to the Bureau of Land Management totaling about \$236,500. As described in Attachment D, during the period from 1997 through 2008, the companies involved in the project (Atlas, Seabridge and Calico) have continued to use ground water at the site for exploration and site maintenance activities and have spent nearly \$2 million in evaluating, protecting, and pursuing the mining opportunities.

Development of the Grassy Mountain gold mining project offers a rare opportunity for substantial economic development and family wage jobs in remote Malheur County. For the first time in more than 20 years the project is close to becoming a reality. The strengthening price of gold in recent years has opened the door to the use of mining practices that will substantially lessen the potential environmental impacts and increase the likelihood of final regulatory approvals. Calico has already met with local, state and federal officials to begin discussions for completing the regulatory process that will allow full scale mining operations and complete use of water under permit.

III. Conclusion

For the reasons above, Petitioners respectfully request that the Final Order be reconsidered and withdrawn, and ask OWRD to issue a Superseding Proposed Final Order. Seabridge is entitled to receive notice of the PFO and an opportunity to be heard before issuance of a final order. And as described above, Seabridge and Calico are prepared to submit additional evidence of good cause for an extension, including evidence demonstrating reasonable diligence during the last extension period from October 1, 1997 through October 1, 2008.

I will be the contact person for both Seabridge and Calico on this reconsideration request. Copies of any OWRD correspondence or orders should be directed to Seabridge and Calico at the following updated addresses:

Seabridge Gold
c/o Rudi P. Fronk, President & CEO
106 Front St. East, Suite 400
Toronto, Ontario M5A 1E1, Canada

Calico Resources
c/o Andy Gaudielle
PO Box Q
Vale, OR 97918

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WATER RESOURCES DEPT
SALEM, OREGON



Mr. Phil Ward
December 5, 2011
Page 6

Thank you for your attention to this request. If you have any questions, or need additional information, please let me know.

Sincerely,



Martha O. Pagel

MOP:kdo

Enclosures

cc: (all w/encls.)
Dwight French, OWRD
Seabridge Gold Corp
Andy Gaudielle, Calico Resources

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WATER RESOURCES DEPT
SALEM, OREGON

S&W

SEABRIDGE GOLD

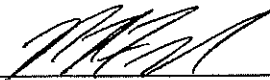
Seabridge Gold Inc. and Seabridge Gold Corp. Authorization

Effective April 19, 2011

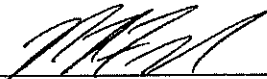
Seabridge Gold Inc. and its wholly owned subsidiary Seabridge Gold Corp. (Seabridge) have entered into an Option Agreement with Calico Resources Corp. (Calico) whereby Calico has an Option to acquire 100% of Seabridge's interest in its Grassy Mountain Project (Project) located in Malheur County Oregon. Calico will be conducting exploration, environmental data collection, development, maintenance and other related activities on the Project area.

Seabridge owns Water Rights Application No. G-11847, Water Permit No. G-10994, Exploration Permits No. 23-0195 and No. 23-0224, and controls various lands and other rights associated with the Project. Seabridge hereby authorizes Calico to utilize all permits, lands, rights controlled by Seabridge and to conduct all activities which are allowed by these permits, lands and rights.

The authorization by Seabridge will remain in force until further notice and can only be rescinded in writing by Seabridge.



Rudi P. Fronk, President & CEO
Seabridge Gold Inc.



Rudi P. Fronk, President
Seabridge Gold Corporation

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WATER RESOURCES DEPT
SALEM, OREGON



CALICO
RESOURCES

November 8, 2011

Dwight French, Administrator
Water Rights and Adjudication Division
Oregon Water Resources Department
725 Summer St. NE, Suite A
Salem, OR 97301-1271

Dear Mr. French,

I am the President & CEO of Calico Resources Corp. (Calico). I received the Final Order from the Oregon Water Resources Dept. denying the extension application from Seabridge Gold Inc. (Seabridge) via email on November 4, 2011.

Since Calico, as the operator of the project, caused Seabridge to file extension application I contacted Ms. Gloria Trujillo of Seabridge, who is responsible for all correspondence regarding the Grassy Mountain Project. She informed me that Seabridge did NOT receive the Proposed Final Order issued by OWRD in August, 2011. As a result, Calico did not have notice of the proposed denial, and did not have an opportunity to work with Seabridge in filing a protest. I have had numerous dealings with Ms. Trujillo regarding the project and have found her to be both diligent and timely in the handling of correspondence and in executing requests. If she says Seabridge did not receive the correspondence then I believe her. More importantly, Calico did not receive the Proposed Final Order and therefore could not respond within the protest period.

Calico also has an office in Vancouver, BC and both during and in the aftermath of the Canadian postal strike I can confirm that mail service was disrupted and a number of mailings went missing.

Please feel free to contact me if you need additional information. You can reach me on my Mobile at 303 517 8764.

Best regards,

William S. Wagener
President & CEO

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WATER RESOURCES DEPT
SALEM, OREGON

www.calicoresources.com

TSXV:CKB

OTCQX:GVXHF

2300-1066 West Hastings St. Vancouver, B.C. Canada V6E 3X2

TEL: 604-681-6855

FAX: 604-684-0279

SEABRIDGE GOLD

November 7, 2011

Dwight French, Administrator
Water Rights and Adjudication Division
Oregon Water Resources Department
725 Summer St. NE, Suite A
Salem, OR 97301-1271

Dear Mr. French,

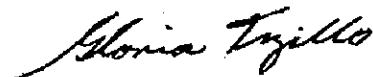
I am the Assistant Corporate Secretary of Seabridge Gold Inc.'s (Seabridge) and am located at the Toronto office. The Final Order from the Oregon Water Resources Dept. (OWRD) denying our extension application was received in our office on November 4, 2011.

However, we did NOT receive the Proposed Final Order issued by OWRD in August, 2011. As a result, we did not know that OWRD was proposing to deny the application and were not aware of the opportunity to file a protest. Every document that we received in conjunction with the extension application has been filed in our office and forwarded to Calico Resources Corp., the operator of the property. No such notice of the Proposed Final Order was in the file. Our office is small in both size and work force and all matters associated with the Grassy Mountain project are directed to me so it is unlikely that the document was delivered to our office but not directed to me.

One possible explanation is the Canadian postal strike which lasted from June 15th to June 28th. Even though the document you sent was after the strike ended, the mail was disrupted for quite some time and a number of mailings went missing.

Please feel free to contact me if you need additional information.

Best regards,



Gloria Trujillo
Assistance Corporate Secretary
Seabridge Gold Inc.

cc: Rudi P. Fronk, Seabridge
Bill Wagener, Calico Resources

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WATER RESOURCES DEPT
SALEM, OREGON



CALICO
RESOURCES

15 November 2011

Martha Pagel
Schwabe, Williamson and Wyatt
530 Center Street NE
Suite 400
Salem, OR 97301

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WATER RESOURCES DEPT
SALEM, OREGON

Dear Martha:

As per your request I have researched activities taken by Atlas Minerals, Newmont Gold, Seabridge Gold and/or their contractors or predecessors (the "Companies") to advance the Grassy Mountain Project during the years 1997-2008. What follows is a summary of my findings.

Claims Patented – On August 17, 2001 the government of The United States of America issued three (3) patents on claims to Sherry and Yates Inc., the original locators of the Grassy Mountain gold deposit (See attached document). The claims patented covered 61.983 acres, including the Poison Springs 24, Poison Springs 25 and Poison Springs 35 lode mining claims. Subsequently, nine (9) mill site claims were awarded nearby the three lode claims. By awarding the patents the Federal government transferred ownership of the land and minerals found on that land to the locators.

Payments and Assessments – In order to maintain the then three unpatented claims as well as the remaining 181 unpatented claims, the Companies paid annual assessment fees to the Federal government every year from 1997 to 2008. The total assessment payments made are estimated at \$ 236,500.

Additionally, the Companies made annual lease payments to the Bishop Trust, owner of the more than 1300 acre private tract west of the mineral claims. The total payments to the Bishop trust during the period are estimated at \$ 338,500. These leases allow the Companies to explore for and develop mineral deposits on the land as well as use the land for constructing structures in support of mining operations e.g. waste rock stockpiles, offices, mills etc.

Finally, the Companies have made payments in the amount of \$ 395,000 during the period to Sherry and Yates Inc., in order to preserve the option of developing a mining operation on Grassy Mountain patented claims.

Attached you will find a spreadsheet that summarizes payments made by the Companies between 1997 and 2008.

Exhibit D
Page 1 of 13

Exploration Drilling – In 1998 Tombstone Exploration optioned the Grassy Mountain Project from Atlas Minerals. During the first four months of that year Tombstone drilled nine exploration holes to further sample the Grassy Mountain deposit. Below is a table summarizing the drilling completed:

Hole Number	Start Date	Completion Date	Total Depth Drilled
TSO-1	18 February 1998	28 February 1998	800 feet
TSO-2	22 February 1998	12 March 1998	783 feet
TSO-3	1 March 1998	3 March 1998	950 feet
TSO-4	6 March 1998	11 March 1998	930 feet
TSO-5	10 March 1998	27 March 1998	765 feet
TSO-6	28 March 1998	29 March 1998	760 feet
TSO-7	29 March 1998	31 March 1998	840 feet
TSO-8	1 April 1998	3 April 1998	810 feet
TSO-9	1 April 1998	3 April 1998	810 feet

Though there are no water use records available for this drilling program, Calico Resources recently completed a drilling program of similar scope. During Calico's program, it is estimated, based on the footage drilled, the types of drills used and the ground conditions, that approximately 475,000 gallons of water were consumed. It can be assumed that a comparable amount of water was required during the 1998 drilling. Additionally, it is likely that some water was used for dust suppression and possibly road and drilling pad construction on what was then BLM administered land.

Some hydrogeologic data was gathered during the 1998 program. Hydrogeologic Data Sheets are available for seven of the nine holes drilled (see attached documents). No water was encountered in those seven holes.

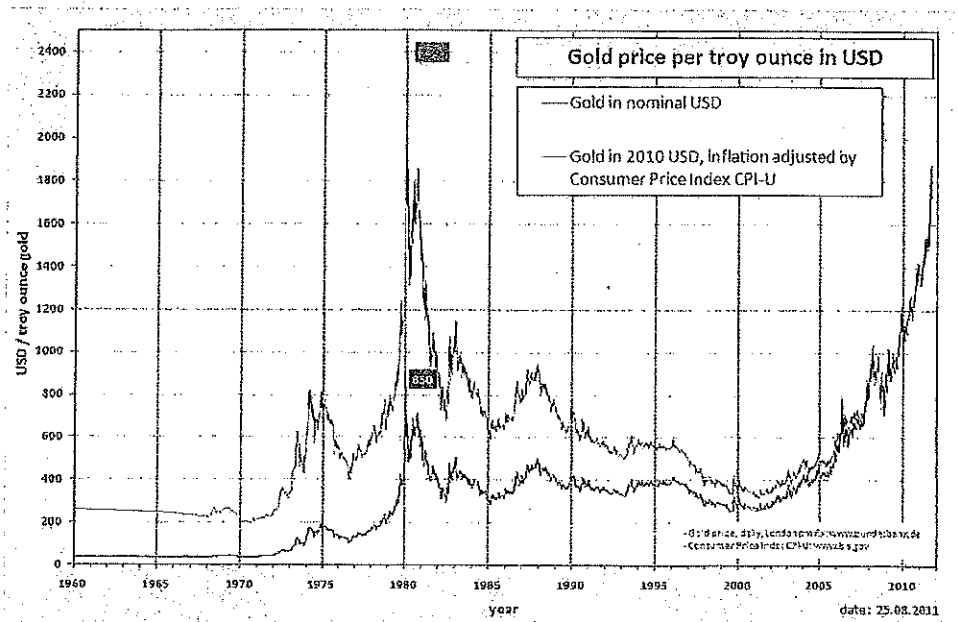
In 1998, a total of approximately 7,448 feet of exploration drilling was completed. Based on the fully burdened costs of Calico's recent drilling program, it can be estimated that the Companies spent more than \$750,000 to complete the earlier program.

Project Economics – The economic feasibility of the Grassy Mountain Project was negatively impacted by the low gold prices that existed during much of the period between 1997 and 2008. Below is a graph of gold prices over the last fifty years, in inflated 2010 USD and in USD "dollars of the day". It can be seen that during the years 1997 to 2004, gold prices were the lowest they have been in the last thirty years.

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WATER RESOURCES DEPT
SALEM, OREGON



Regulatory Reporting – In 2007 Seabridge Gold commissioned and issued a NI 43-101 compliant Technical Report as required by the Canadian Government for reporting mineral resources. The document was generated quantifying the gold resources then known to be present on the property based on the historical exploration results developed during the 1990's. Typically, the production of this kind of document costs about \$50,000.

Company Financials – During the period of low metal prices discussed above, Atlas Minerals tried to option and/or sell assets it was not operating. In 2002 Seabridge Gold attempted to option the Grassy Mountain project from Atlas. Subsequently, Atlas declared bankruptcy and in 2004 Seabridge was able to acquire the property. However, with gold prices still at historical lows, Seabridge chose to hold and not develop the project until gold prices strengthened sufficiently to improve the Grassy Mountain economics.

After a period of sustained strengthening of gold prices, Seabridge Gold optioned the property to Calico Resources in early 2011. Since acquiring the option on the property Calico has diligently moved the project forward by: delivering 2,000,000 shares to Seabridge as required by the option agreement; updating and releasing it's own NI 43-101 Report in June of 2011; mobilizing a team of geologists, landmen, attorneys and project management specialists to review the condition and extent of existing intellectual property already generated on the project; re-initiating environmental data collection in anticipation of re-starting the mine permitting process; conducting it's own exploration drilling program; mobilizing resources to re-start the mine permitting process. To date Calico has expended over \$1.0M on the project and is continuing its exploration and development investments.

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DEC 05 2011

In summary, the Grassy Mountain project has involved a continuous progression of activities that, in total, have served to move the project forward. During the period 1997-2008, the Companies put the ground water available at the Grassy Mountain Project site to beneficial use in their efforts to progress the project. Furthermore, during that period the Companies spent several millions of dollars evaluating and keeping the project viable. Now Calico Resources continues to move the project forward and is counting on the State of Oregon to extend the water right application submitted in August in order to provide the project a readily available source of water for future exploration, construction and mine operation.

Please contact me if you require additional information.

Sincerely,



Andy Gaudielle
Project Manager – Grassy Mountain Project
Calico Resources USA Corp.

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DEC 05 2011

WATER RES. DIVISION DEPT
SALEM, OREGON

OR-46998

The United States of America

To all to whom these presents shall come, Greeting:

WHEREAS,

SHERRY AND YATES INC.

did on March 23, 1993, duly enter and pay for certain lode mining claims or premises, known as the Poison Springs 24, Poison Springs 25, and Poison Springs 35, lode mining claims, and is entitled to a patent under the General Mining Laws, R.S. 2325, as amended (30 U.S.C. 29), designated and described as:

Mineral Survey No. 1004, located within Section 8, Township 22 South, Range 44 East, Willamette Meridian, Malheur County, Oregon, the said claims being more particularly described in the official field notes and depicted on the official plats which are expressly made a part of this patent and copies of which are attached hereto.

The premises herein granted contain 61.983 acres.

NOW KNOW YE, that pursuant to the laws aforesaid there is hereby granted by the UNITED STATES OF AMERICA, unto said Sherry and Yates Inc. and to their successors, the said premises hereinbefore described; **TO HAVE AND TO HOLD** said mining premises, together with all the rights, privileges, immunities, and appurtenances of whatsoever nature there unto belonging, unto the said claimants above named and to their heirs and assigns, forever; and

EXCEPTING AND RESERVING TO THE UNITED STATES from the land so granted:

1. A right-of-way thereon for ditches or canals constructed by the authority of the United States, Act of August 30, 1890 (26 Stat. 391; 43 U.S.C. 945).
2. All Leasing Act minerals (including geothermal steam and associated geothermal resources) in the land described above and the right of the United States, its lessees, permittees, and licensees to enter upon the land, prospect for, drill for, mine, treat, store, transport, and remove the same, and to use so much of the surface and subsurface of said lands as may be necessary for such purposes, and whenever reasonably necessary, for the purpose of prospecting for, drilling for, mining, treating, storing, transporting, and removing Leasing Act minerals on and from other lands; in accordance with the provisions of the Act of August 13, 1954, as amended (30 U.S.C. 521 et seq. and 1002).



IN TESTIMONY WHEREOF, the undersigned officer of the Bureau of Land Management, in accordance with the provisions of the Act of June 17, 1948 (62 Stat. 476), has, in the name of the United States, Caused these letters to be made Patent, and the Seal of the Bureau to be hereunto affixed.

GIVEN under my hand, in The City of Washington, District of Columbia the seventeenth day of August in the year of our Lord two thousand and one of the Independence of the United States the two hundred and twenty-sixth.

By *Nina Rose Hatfield*

Patent Number 36-2001-0141

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WATER RESOURCES DEPT
SALEM, OREGON

Exhibit D
Page 5 of 13

GRASSY MOUNTAIN
LEASE AGREEMENT AND CLAIM COSTS 1997 THROUGH 2008

Lease Agreements

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL
Sherry & Yates Inc. Agreement	20,000.00	20,000.00	20,000.00	40,000.00	40,000.00	40,000.00	40,000.00	25,000.00	30,000.00	35,000.00	40,000.00	45,000.00	395,000.00
Bishop I Agreement	30,000.00	30,000.00	30,000.00	4,000.00	6,000.00	40,000.00	20,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	310,000.00
Bishop II Agreement	3,000.00	3,000.00	500.00	500.00	500.00	4,000.00	2,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	28,500.00
													735,500.00

Unpatented Claim Fees - BLM

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL
Poison Springs Claims - Sherry & Yates Inc.	4,000.00	4,000.00	4,000.00	4,000.00	3,700.00	3,700.00	3,700.00	3,700.00	4,625.00	4,625.00	4,625.00	4,625.00	49,300.00
Bishop Claims - Bishop I	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	750.00	750.00	750.00	750.00	7,800.00
Don Millisite Claims	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	1,125.00	1,125.00	1,125.00	1,125.00	11,700.00
Frog Claims	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	14,375.00	14,375.00	14,375.00	14,375.00	149,500.00
Poison Springs - A Claims	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,750.00	1,750.00	1,750.00	1,750.00	18,200.00
													236,500.00

3 Patented Poison Springs Claims

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL
Malheur County Real Property Tax					95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	760.00

970,760.00 TOTAL

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SALEM, OREGON

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSTONE BLM SERIAL NO: OR 47008
 PROJECT NAME: GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-1
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 800; BORE HOLE SIZE (DIAMETER): 5/8"

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy MTN. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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WATER RESOURCES DEPT
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HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMRSTONE BLM SERIAL NO: 0847008
 PROJECT NAME: GRASSY MTD. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-3
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 950 ANGLE: 5/8; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. IGS - Grassy MTD. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSSTONE BLM SERIAL NO: OR 47008
PROJECT NAME: GRASSY MTU. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-5
LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
TOTAL DEPTH: 765'; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TSO-Grassy MTU, Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSTONE BLM SERIAL NO: OR 47008
 PROJECT NAME: GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-6
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 760; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy MTN. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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WATER RESOURCES DEPT
 SALEM, OREGON

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSTONE BLM SERIAL NO: OR 47008
 PROJECT NAME: GRASSY MTR. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-7
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 840 Feet; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. IGS - Grassy MTR, Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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WATER RESOURCES DEPT
 SALT LAKE COUNTY

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSTONE BLM SERIAL NO: OR 47008

PROJECT NAME: GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-8
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 810' Arge; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy Mtn. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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WATER RESOURCES DEPT
 SALEM, OREGON

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSSTONE BLM SERIAL NO: 0R47008
 PROJECT NAME: GRASSY MTU. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-9
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 810 Angle: Angle; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy MTU. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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WATER RESOURCES DEPT
 SALEM, OREGON



G-11847

Equitable Center, 530 Center St., NE, Suite 400, Salem, OR 97301 | Phone 503.540.4262 | Fax 503.399.1645 | www.schwabe.com

MARTHA O. PAGEL

Admitted in Oregon and Washington

Direct Line: Salem 503-540-4260; Portland 503-796-2872

E-Mail: mpagel@schwabe.com

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OVER THE COUNTER

December 5, 2011

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WATER RESOURCES DEPT
SALEM, OREGON

BY HAND DELIVERY

Mr. Phil Ward
Director
Oregon Water Resources Department
725 Summer St NE Ste A
Salem, OR 97301-1271

Re: Petition for Reconsideration and Withdrawal of Superseding Final Order Denying
Extension of Time for Permit G-10994 (Seabridge Gold Corp.)
Our File No.: 124158/183676

Dear Phil:

This Petition for Reconsideration is filed pursuant to ORS 536.075, ORS 183.484 and OAR 137-004-0080 on behalf of Seabridge Gold Corp. ("Seabridge") and Calico Resources USA Corp. ("Calico") to request reconsideration and withdrawal of the above-referenced Superseding Final Order ("Final Order") issued by the Oregon Water Resources Department ("OWRD") on November 7, 2011.

I. Introduction

A. Project Background

The water right permit in question relates to the Grassy Mountain gold mining project in Malheur County. This project has had a long and complicated history since the late 1980s when the water right permit was first secured by Atlas Precious Metals, Inc. (Atlas). Soon after Atlas leased the project site to Newmont, which contemplated use of open pit, cyanide heap leach mining operations to develop the site. This plan sparked a highly charged public debate regarding state regulatory authority that led to the eventual enactment of ORS 517.952 – 517.989, a process for inter-agency review of applications for chemical process mining to be coordinated by the Oregon Department of Geology and Mineral Industries (DOGAMI).

Newmont began the state process in the early 1990s, but never finished. Instead, Atlas re-acquired the project after termination of the Newmont lease in 1996. In 1997, Atlas obtained an extension of the water right permit for the period from 1998 until 2008, and began exploration drilling in early 1998. However, in September, 1998, Atlas was forced into bankruptcy – an unforeseen occurrence spurred by liabilities at another mining site not connected with the Grassy Mountain project. As a result of the bankruptcy, further development by Atlas was stopped until the project was acquired by Seabridge in 2003. At that time, and continuing through approximately 2008, the price of gold did not justify re-starting the state regulatory process for chemical process mining. Since then, there has been a sustained increase to the point where mining operations are now economically feasible. In early 2011, Calico secured an option on the project with an intention to operate a closed, underground mining system that does not involve the use of open pit mining or cyanide heap leaching. As a result, for the first time the project is now on the brink of moving forward in a way that can offer substantial economic benefits to the community with significantly reduced environmental impacts in comparison to prior project plans.

B. Permit Extension Application

In May, 2011, Seabridge and Calico submitted an application for extension of the water right permit. Unfortunately, in preparing the extension application and in subsequent interaction with OWRD, neither Seabridge nor Calico was familiar with the Oregon extension process. As a result, the companies did not fully understand the nature of the OWRD review process and the type of information that would be needed to justify approval of the extension application. As described further below, there is substantial additional information that could have been provided to address OWRD review criteria and that we believe would have led to very different findings.

To compound the problem, Seabridge and Calico did not receive notice or a copy of the Proposed Final Order issued by OWRD in August, 2011. In fact, neither company was aware of the existence of the PFO until issuance of the Final Order denying the extension. If they had received timely notice of the proposed action, the companies would have realized and responded to the need to file a protest and provide additional information to assist in evaluating the application. Because they did not receive notice of the PFO, they were unable to meet the protest deadline, and unable to correct mistakes in the record.

II. Standing

Seabridge has been the holder of Permit G-10994 since 2003. Seabridge has entered into an option agreement granting Calico an option to develop a gold mine on the property covered by the permit (See Attachment A). The ground water permit is needed to support mining operations. As the permit holder and option holder, Seabridge and Calico (together, the “Petitioners”) each have a direct interest in the requested extension of Permit G-10994. The Final Order denying the extension adversely affects Petitioners and their ability to proceed with development of the mining project. Because Petitioners are adversely affected and aggrieved by the Final Order, and would be entitled to judicial review under ORS 183.484, they are also entitled to petition for reconsideration under OAR 137-004-0080(1).

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SALEM, OREGON



III. Specific Grounds for Reconsideration and Supporting Argument

A petition for reconsideration must “set forth the specific grounds for reconsideration” and “may be supported by a written argument.” OAR 137-004-0080. Petitioners submit the following grounds and supporting arguments in favor of reconsideration:

A. Petitioners did not receive the Proposed Final Order and therefore had no opportunity to file a protest and request a contested case hearing.

OWRD issued the Proposed Final Order (“PFO”) on August 23, 2011. The application file indicates that the Department mailed a copy of the PFO to Seabridge that same day, presumably by regular mail through the U.S. Postal Service. *See* OAR 690-315-0050(3) (“The Department shall mail the proposed final order...to the applicant...”). As a general rule, documents sent by regular mail are presumed to have been received by the addressee, subject to evidence to the contrary. *See* OAR 137-003-0520(9). Here, the mailing was addressed to Seabridge’s office in Toronto, Canada, but Seabridge never received it. Petitioners suspect the missing PFO could be related to a Canadian postal strike earlier that summer that continued to disrupt Canadian mail deliveries for some time thereafter. (See Attachments B and C – letters from Seabridge and Calico). In any event, Petitioners did not receive a copy of the PFO or learn of its issuance until after the protest period had expired.

Those who are affected by agency actions “have a right to be informed of their rights and remedies with respect to the actions.” ORS 183.415(1). Through no fault of their own, Petitioners were denied rights of due process, including an opportunity to protest the PFO prior to issuance of the Final Order. That fact alone is sufficient to support reconsideration of the Final Order.

B. The Final Order is based on findings from the Proposed Final Order that are erroneous and that could have been corrected if Petitioners had received timely notice of the Proposed Final Order.

The PFO upon which the Final Order was based contains findings that are based on a lack of adequate information in the file. If the Petitioners had received timely notice of the issuance of the PFO and the opportunity to file a protest, they could have provided additional information to support corrected findings. For example:

Finding #12 and Finding #13 indicate no beneficial use of water was made and no work was accomplished during the previous extension time limits. In fact, water was used at the site for exploration drilling during the period of the last extension, prior to the Atlas bankruptcy, and has since been used for on-going drilling operations, dust control, fire control and human consumption needs.

Finding #15 and Finding #18 indicate the permit holder has invested \$55,000 toward the projected cost of \$150,000 for complete development of the project. In fact, a project of this size could easily involve expenditures in the range of \$100 to \$150 million, and the Petitioners have already expended more than \$1 million toward the effort.

Finding #19 states no other economic interests depending on completion of the project have been identified. In fact, the project is expected to provide a much-needed and rare opportunity for substantial economic value to Malheur County.

Finding #22 states that delay in the development of this project was not caused by any other governmental requirements. In fact, full scale mining operations cannot occur until the project is authorized by DOGAMI and other state agencies pursuant to the coordinated, interagency review process described in ORS 517.952 – 517.989. That process was originally initiated by Newmont in the early 1990s, but was suspended by Newmont prior to the last extension period. When Atlas obtained an extension for the period from 1998 to 2008, we understand the intention was to begin again with the state permitting process, but that plan was stalled because of the Atlas bankruptcy.

Finding #23 states the Department has not identified any unforeseen events over which the permit holder had no control which delayed development under the permit. In fact, two key events occurred that had a significant impact on permit development: First, Atlas was forced into bankruptcy in 1998 due to liabilities from other operations not connected with the Grassy Mountain project. Second, the price of gold dropped considerably during the time period between 1997 and 2008 when the last permit extension was in effect.

If Petitioners had received a copy of the PFO when it was issued, they would have been able to respond to the above proposed findings and provide additional information to correct the record.

C. Petitioners are prepared to submit additional evidence showing reasonable diligence within the last extension period.

If OWRD is willing to grant reconsideration, Petitioners are prepared to provide additional information that could have been provided earlier in the process to supplement and clarify the extent of diligence during the last extension period. As indicated above, there is a substantial amount of information that could have been provided to address specific review criteria for the permit extension. Attachment D is a letter from Calico Project Manager Andy Gaudielle that outlines key activities that occurred during the last extension period, and other factors that could be considered by OWRD in reaching the ultimate conclusion of whether there is good cause to approve the extension.

The letter from Mr. Gaudielle confirms an on-going commitment by Petitioners and their predecessors to develop the site for gold mining, despite serious unforeseen circumstances. For example, in early 1998, Tombstone Exploration optioned the project site from Atlas and constructed nine exploration holes on the site, which required use of water under the permit and allowed collection of hydro-geologic data, at an estimated cost of about \$750,000. Not long after that exploration work was done, the unforeseen Atlas bankruptcy brought further work to a halt until the property was acquired by Seabridge in 2003. At that time, even though economic conditions did not justify proceeding with the regulatory process for full mining operations, Seabridge (and later, Calico) took necessary steps to preserve the mining claims and their ability

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WATER RESOURCES DEPT
SALEM, OREGON



to develop the site in the future by making payments of about \$395,000 to original locators of the Grassy Mountain claims in order to preserve the option of developing the mine, and paying annual assessment fees to the Bureau of Land Management totaling about \$236,500. As described in Attachment D, during the period from 1997 through 2008, the companies involved in the project (Atlas, Seabridge and Calico) have continued to use ground water at the site for exploration and site maintenance activities and have spent nearly \$2 million in evaluating, protecting, and pursuing the mining opportunities.

Development of the Grassy Mountain gold mining project offers a rare opportunity for substantial economic development and family wage jobs in remote Malheur County. For the first time in more than 20 years the project is close to becoming a reality. The strengthening price of gold in recent years has opened the door to the use of mining practices that will substantially lessen the potential environmental impacts and increase the likelihood of final regulatory approvals. Calico has already met with local, state and federal officials to begin discussions for completing the regulatory process that will allow full scale mining operations and complete use of water under permit.

III. Conclusion

For the reasons above, Petitioners respectfully request that the Final Order be reconsidered and withdrawn, and ask OWRD to issue a Superseding Proposed Final Order. Seabridge is entitled to receive notice of the PFO and an opportunity to be heard before issuance of a final order. And as described above, Seabridge and Calico are prepared to submit additional evidence of good cause for an extension, including evidence demonstrating reasonable diligence during the last extension period from October 1, 1997 through October 1, 2008.

I will be the contact person for both Seabridge and Calico on this reconsideration request. Copies of any OWRD correspondence or orders should be directed to Seabridge and Calico at the following updated addresses:

Seabridge Gold
c/o Rudi P. Fronk, President & CEO
106 Front St. East, Suite 400
Toronto, Ontario M5A 1E1, Canada

Calico Resources
c/o Andy Gaudielle
PO Box Q
Vale, OR 97918

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WATER RESOURCES DEPT
SALEM, OREGON



Mr. Phil Ward
December 5, 2011
Page 6

Thank you for your attention to this request. If you have any questions, or need additional information, please let me know.

Sincerely,



Martha O. Pagel

MOP:kdo
Enclosures

cc: (all w/encs.)
Dwight French, OWRD ✓
Seabridge Gold Corp
Andy Gaudielle, Calico Resources

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WARDEN RESOURCES DEPT
SALSM, ONEFOON



SEABRIDGE GOLD

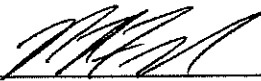
Seabridge Gold Inc. and Seabridge Gold Corp. Authorization

Effective April 19, 2011

Seabridge Gold Inc. and its wholly owned subsidiary Seabridge Gold Corp. (Seabridge) have entered into an Option Agreement with Calico Resources Corp. (Calico) whereby Calico has an Option to acquire 100% of Seabridge's interest in its Grassy Mountain Project (Project) located in Malheur County Oregon. Calico will be conducting exploration, environmental data collection, development, maintenance and other related activities on the Project area.

Seabridge owns Water Rights Application No. G-11847, Water Permit No. G-10994, Exploration Permits No. 23-0195 and No. 23-0224, and controls various lands and other rights associated with the Project. Seabridge hereby authorizes Calico to utilize all permits, lands, rights controlled by Seabridge and to conduct all activities which are allowed by these permits, lands and rights.

The authorization by Seabridge will remain in force until further notice and can only be rescinded in writing by Seabridge.



Rudi P. Fronk, President & CEO
Seabridge Gold Inc.



Rudi P. Fronk, President
Seabridge Gold Corporation

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WATER RESOURCES DEPT
SALISBURY, ONTARIO



November 8, 2011

Dwight French, Administrator
Water Rights and Adjudication Division
Oregon Water Resources Department
725 Summer St. NE, Suite A
Salem, OR 97301-1271

Dear Mr. French,

I am the President & CEO of Calico Resources Corp. (Calico). I received the Final Order from the Oregon Water Resources Dept. denying the extension application from Seabridge Gold Inc. (Seabridge) via email on November 4, 2011.

Since Calico, as the operator of the project, caused Seabridge to file extension application I contacted Ms. Gloria Trujillo of Seabridge, who is responsible for all correspondence regarding the Grassy Mountain Project. She informed me that Seabridge did NOT receive the Proposed Final Order issued by OWRD in August, 2011. As a result, Calico did not have notice of the proposed denial, and did not have an opportunity to work with Seabridge in filing a protest. I have had numerous dealings with Ms. Trujillo regarding the project and have found her to be both diligent and timely in the handling of correspondence and in executing requests. If she says Seabridge did not receive the correspondence then I believe her. More importantly, Calico did not receive the Proposed Final Order and therefore could not respond within the protest period.

Calico also has an office in Vancouver, BC and both during and in the aftermath of the Canadian postal strike I can confirm that mail service was disrupted and a number of mailings went missing.

Please feel free to contact me if you need additional information. You can reach me on my Mobile at 303 517 8764.

Best regards,


William S. Wagener
President & CEO

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WATER RESOURCES DEPT
SALEM, OREGON

www.calicoresources.com | TSXV: CKB | OTCQX: CVXHF

2300-1066 West Hastings St. Vancouver, B.C. Canada V6E 3X2 | TEL: 604.681.6855 | FAX: 604.684.0279

SEABRIDGE GOLD

November 7, 2011

Dwight French, Administrator
Water Rights and Adjudication Division
Oregon Water Resources Department
725 Summer St. NE, Suite A
Salem, OR 97301-1271

Dear Mr. French,

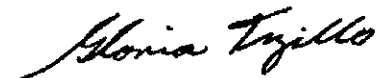
I am the Assistant Corporate Secretary of Seabridge Gold Inc.'s (Seabridge) and am located at the Toronto office. The Final Order from the Oregon Water Resources Dept. (OWRD) denying our extension application was received in our office on November 4, 2011.

However, we did NOT receive the Proposed Final Order issued by OWRD in August, 2011. As a result, we did not know that OWRD was proposing to deny the application and were not aware of the opportunity to file a protest. Every document that we received in conjunction with the extension application has been filed in our office and forwarded to Calico Resources Corp., the operator of the property. No such notice of the Proposed Final Order was in the file. Our office is small in both size and work force and all matters associated with the Grassy Mountain project are directed to me so it is unlikely that the document was delivered to our office but not directed to me.

One possible explanation is the Canadian postal strike which lasted from June 15th to June 28th. Even though the document you sent was after the strike ended, the mail was disrupted for quite some time and a number of mailings went missing.

Please feel free to contact me if you need additional information.

Best regards,



Gloria Trujillo
Assistance Corporate Secretary
Seabridge Gold Inc.

cc: Rudi P. Fronk, Seabridge
Bill Wagener, Calico Resources

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DEC 05 2011

WATER RESOURCES DEPT
SALEM, OREGON

106 FRONT STREET EAST, SUITE 400, TORONTO, ONTARIO M5A 1E1 CANADA
TEL. 416-367-9292 FAX. 416-367-2711 WWW.SEABRIDGEGOLD.NET

Exhibit C
Page 1 of 1



15 November 2011

Martha Pagel
Schwabe, Williamson and Wyatt
530 Center Street NE
Suite 400
Salem, OR 97301

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WATER RESOURCES DEPT
SALEM, OREGON

Dear Martha:

As per your request I have researched activities taken by Atlas Minerals, Newmont Gold, Seabridge Gold and/or their contractors or predecessors (the "Companies") to advance the Grassy Mountain Project during the years 1997-2008. What follows is a summary of my findings.

Claims Patented – On August 17, 2001 the government of The United States of America issued three (3) patents on claims to Sherry and Yates Inc., the original locators of the Grassy Mountain gold deposit (See attached document). The claims patented covered 61.983 acres, including the Poison Springs 24, Poison Springs 25 and Poison Springs 35 lode mining claims. Subsequently, nine (9) mill site claims were awarded nearby the three lode claims. By awarding the patents the Federal government transferred ownership of the land and minerals found on that land to the locators.

Payments and Assessments – In order to maintain the then three unpatented claims as well as the remaining 181 unpatented claims, the Companies paid annual assessment fees to the Federal government every year from 1997 to 2008. The total assessment payments made are estimated at \$ 236,500.

Additionally, the Companies made annual lease payments to the Bishop Trust, owner of the more than 1300 acre private tract west of the mineral claims. The total payments to the Bishop trust during the period are estimated at \$ 338,500. These leases allow the Companies to explore for and develop mineral deposits on the land as well as use the land for constructing structures in support of mining operations e.g. waste rock stockpiles, offices, mills etc.

Finally, the Companies have made payments in the amount of \$ 395,000 during the period to Sherry and Yates Inc., in order to preserve the option of developing a mining operation on Grassy Mountain patented claims.

Attached you will find a spreadsheet that summarizes payments made by the Companies between 1997 and 2008.

Exhibit D
Page 1 of 13

Exploration Drilling – In 1998 Tombstone Exploration optioned the Grassy Mountain Project from Atlas Minerals. During the first four months of that year Tombstone drilled nine exploration holes to further sample the Grassy Mountain deposit. Below is a table summarizing the drilling completed:

Hole Number	Start Date	Completion Date	Total Depth Drilled
TSO-1	18 February 1998	28 February 1998	800 feet
TSO-2	22 February 1998	12 March 1998	783 feet
TSO-3	1 March 1998	3 March 1998	950 feet
TSO-4	6 March 1998	11 March 1998	930 feet
TSO-5	10 March 1998	27 March 1998	765 feet
TSO-6	28 March 1998	29 March 1998	760 feet
TSO-7	29 March 1998	31 March 1998	840 feet
TSO-8	1 April 1998	3 April 1998	810 feet
TSO-9	1 April 1998	3 April 1998	810 feet

Though there are no water use records available for this drilling program, Calico Resources recently completed a drilling program of similar scope. During Calico's program, it is estimated, based on the footage drilled, the types of drills used and the ground conditions, that approximately 475,000 gallons of water were consumed. It can be assumed that a comparable amount of water was required during the 1998 drilling. Additionally, it is likely that some water was used for dust suppression and possibly road and drilling pad construction on what was then BLM administered land.

Some hydrogeologic data was gathered during the 1998 program. Hydrogeologic Data Sheets are available for seven of the nine holes drilled (see attached documents). No water was encountered in those seven holes.

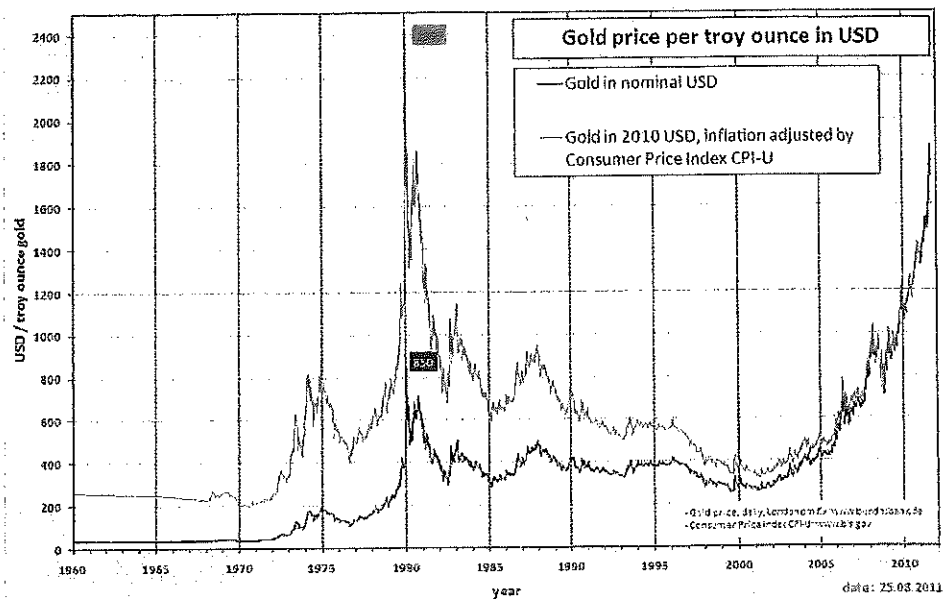
In 1998, a total of approximately 7,448 feet of exploration drilling was completed. Based on the fully burdened costs of Calico's recent drilling program, it can be estimated that the Companies spent more than \$750,000 to complete the earlier program.

Project Economics – The economic feasibility of the Grassy Mountain Project was negatively impacted by the low gold prices that existed during much of the period between 1997 and 2008. Below is a graph of gold prices over the last fifty years, in inflated 2010 USD and in USD "dollars of the day". It can be seen that during the years 1997 to 2004, gold prices were the lowest they have been in the last thirty years.

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WARRANTS AND DEPT
CALICO, INCORP



Regulatory Reporting – In 2007 Seabridge Gold commissioned and issued a NI 43-101 compliant Technical Report as required by the Canadian Government for reporting mineral resources. The document was generated quantifying the gold resources then known to be present on the property based on the historical exploration results developed during the 1990's. Typically, the production of this kind of document costs about \$50,000.

Company Financials – During the period of low metal prices discussed above, Atlas Minerals tried to option and/or sell assets it was not operating. In 2002 Seabridge Gold attempted to option the Grassy Mountain project from Atlas. Subsequently, Atlas declared bankruptcy and in 2004 Seabridge was able to acquire the property. However, with gold prices still at historical lows, Seabridge chose to hold and not develop the project until gold prices strengthened sufficiently to improve the Grassy Mountain economics.

After a period of sustained strengthening of gold prices, Seabridge Gold optioned the property to Calico Resources in early 2011. Since acquiring the option on the property Calico has diligently moved the project forward by: delivering 2,000,000 shares to Seabridge as required by the option agreement; updating and releasing it's own NI 43-101 Report in June of 2011; mobilizing a team of geologists, landmen, attorneys and project management specialists to review the condition and extent of existing intellectual property already generated on the project; re-initiating environmental data collection in anticipation of re-starting the mine permitting process; conducting it's own exploration drilling program; mobilizing resources to re-start the mine permitting process. To date Calico has expended over \$1.0M on the project and is continuing its exploration and development investments.

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DEC 05 2011

In summary, the Grassy Mountain project has involved a continuous progression of activities that, in total, have served to move the project forward. During the period 1997-2008, the Companies put the ground water available at the Grassy Mountain Project site to beneficial use in their efforts to progress the project. Furthermore, during that period the Companies spent several millions of dollars evaluating and keeping the project viable. Now Calico Resources continues to move the project forward and is counting on the State of Oregon to extend the water right application submitted in August in order to provide the project a readily available source of water for future exploration, construction and mine operation.

Please contact me if you require additional information.

Sincerely,



Andy Gaudielle
Project Manager – Grassy Mountain Project
Calico Resources USA Corp.

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WATER RESOURCES DEPT
SALEM, OREGON

The United States of America

To all to whom these presents shall come, Greeting:

WHEREAS,

SHERRY AND YATES INC.

did on March 23, 1993, duly enter and pay for certain lode mining claims or premises, known as the Poison Springs 24, Poison Springs 25, and Poison Springs 35, lode mining claims, and is entitled to a patent under the General Mining Laws, R.S. 2325, as amended (30 U.S.C. 29), designated and described as:

Mineral Survey No. 1004, located within Section 8, Township 22 South, Range 44 East, Willamette Meridian, Malheur County, Oregon, the said claims being more particularly described in the official field notes and depicted on the official plats which are expressly made a part of this patent and copies of which are attached hereto.

The premises herein granted contain 61.983 acres.

NOW KNOW YE, that pursuant to the laws aforesaid there is hereby granted by the UNITED STATES OF AMERICA, unto said Sherry and Yates Inc. and to their successors, the said premises hereinbefore described; **TO HAVE AND TO HOLD** said mining premises, together with all the rights, privileges, immunities, and appurtenances of whatsoever nature there unto belonging, unto the said claimants above named and to their heirs and assigns, forever; and

EXCEPTING AND RESERVING TO THE UNITED STATES from the land so granted:

1. A right-of-way thereon for ditches or canals constructed by the authority of the United States, Act of August 30, 1890 (26 Stat. 391; 43 U.S.C. 945).

2. All Leasing Act minerals (including geothermal steam and associated geothermal resources) in the land described above and the right of the United States, its lessees, permittees, and licensees to enter upon the land, prospect for, drill for, mine, treat, store, transport, and remove the same, and to use so much of the surface and subsurface of said lands as may be necessary for such purposes, and whenever reasonably necessary, for the purpose of prospecting for, drilling for, mining, treating, storing, transporting, and removing Leasing Act minerals on and from other lands; in accordance with the provisions of the Act of August 13, 1954, as amended (30 U.S.C. 521 et seq. and 1002).



IN TESTIMONY WHEREOF, the undersigned officer of the Bureau of Land Management, in accordance with the provisions of the Act of June 17, 1948 (62 Stat. 476), has, in the name of the United States, Caused these letters to be made Patent, and the Seal of the Bureau to be hereunto affixed.

GIVEN under my hand, in The City of Washington, District of Columbia the seventeenth day of August in the year of our Lord two thousand and one of the Independence of the United States the two hundred and twenty-sixth.

By Nina Rose Hatfield

Patent Number 36-2001-0141

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WATERBURY, VERMONT

GRASSY MOUNTAIN
LEASE AGREEMENT AND CLAIM COSTS 1997 THROUGH 2008

Lease Agreements

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL
Sherry & Yates Inc. Agreement	20,000.00	20,000.00	20,000.00	40,000.00	40,000.00	40,000.00	40,000.00	25,000.00	30,000.00	35,000.00	40,000.00	45,000.00	395,000.00
Bishop I Agreement	30,000.00	30,000.00	30,000.00	4,000.00	6,000.00	40,000.00	20,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	310,000.00
Bishop II Agreement	3,000.00	3,000.00	500.00	500.00	500.00	4,000.00	2,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	28,500.00
													733,500.00

Unpatented Claim Fees - BLM

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL
Poison Springs Claims - Sherry & Yates Inc.	4,000.00	4,000.00	4,000.00	4,000.00	3,700.00	3,700.00	3,700.00	3,700.00	4,625.00	4,625.00	4,625.00	4,625.00	49,300.00
Bishop Claims - Bishop I	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	750.00	750.00	750.00	750.00	7,800.00
Don Millsite Claims	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	1,125.00	1,125.00	1,125.00	1,125.00	11,700.00
Frog Claims	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	14,375.00	14,375.00	14,375.00	14,375.00	149,500.00
Poison Springs - A Claims	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,750.00	1,750.00	1,750.00	1,750.00	18,200.00
													236,500.00

3 Patented Poison Springs Claims

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL
Malheur County Real Property Tax					95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	760.00

970,760.00 TOTAL

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WATER RESOURCES DEPT
SALMON, OREGON

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS TOMBSSTONE BLM SERIAL NO: 0247008
 PROJECT NAME: GRASSY MTR. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-1
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 800; BORE HOLE SIZE (DIAMETER): 5/8"

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy MTR. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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 WATER RESOURCES DEPT
 CALUM, INDIAN

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSTONE BLM SERIAL NO: 0247008
 PROJECT NAME GRASSY MTU. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-3
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 950 ANGLE; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy MTU. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>	_____	_____	_____	_____	_____
ZONE INTERVAL:	<u>N/A</u>	_____	_____	_____	_____	_____
ESTIMATED YIELD:	<u>0</u>	_____	_____	_____	_____	_____

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DEC 05 2011

WATER RESOURCES DEPT
 SALEM, OREGON

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ARAS/TOMBSTONE BLM SERIAL NO: OR 47008
 PROJECT NAME: GRASSY MTU. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-5
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 765; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy MTU, Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>	_____	_____	_____	_____	_____
ZONE INTERVAL:	<u>N/A</u>	_____	_____	_____	_____	_____
ESTIMATED YIELD:	<u>0</u>	_____	_____	_____	_____	_____

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DEC 05 2011

WATER RESOURCES DEPT
 SALEM, OREGON

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSTONE BLM SERIAL NO: 0247008
 PROJECT NAME: GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-6
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 760; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy MTN. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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 DEC 05 2011
 WATER RESOURCES DEPT
 PALM SPRING

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSSTONE BLM SERIAL NO: 0847008
 PROJECT NAME: GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-7
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 840 Arkle; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy Mtn. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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 WATER RESOURCES DEPT
 SALEM, OREGON

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATLAS/TOMBSTONE BLM SERIAL NO: OR 47008
 PROJECT NAME: GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-8
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 810' Angle; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. TGS - Grassy MTN. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

RECEIVED

DEC 05 2011

WATER RESOURCES DEPT
 SALEM, OREGON

HYDROGEOLOGIC DATA SHEET

COMPANY/OPERATOR: ATAS/TOMBSTONE BLM SERIAL NO: 0247008
 PROJECT NAME: GRASSY MTN. IS THE DATA PROPRIETARY OR CONFIDENTIAL? YES; NO

NAME OF DRILL HOLE: TSO-9
 LOCATION: T. 22 S., R. 44 E.; SECTION 8; SW 1/4 NW 1/4 1/4
 TOTAL DEPTH: 810 Angle; BORE HOLE SIZE (DIAMETER): 5/8

GEOLOGIC FORMATION/SEQUENCE ENCOUNTERED FROM SURFACE TO T.D.

1. IGS - Grassy MTN. Formation 7.
2. _____ 8.
3. _____ 9.
4. _____ 10.
5. _____ 11.
6. _____ 12.

WATER BEARING ZONES/SATURATED ZONES

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
DEPTH ENCOUNTERED:	<u>N/A</u>					
ZONE INTERVAL:	<u>N/A</u>					
ESTIMATED YIELD:	<u>0</u>					

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DEC 05 2011

WATER RESOURCES DEPT
 SALPM, OREGON



WATERWATCH

PROTECTING NATURAL FLOWS IN OREGON RIVERS

November 22, 2011

Patricia McCarty
Water Resources Department
725 Summer Street NE, Suite A
Salem, OR 97301

RE: Withdrawal of Protest and Request for Refund of Protest Fees,
Extension of Time for Application G-12971 in the name of Arrowood Development, LLC, Highlands at
Broken Top Community Association and Tetherow Golf Course, LLC

Dear Ms. McCarty,

WaterWatch of Oregon hereby withdraws its Protest to an Extension of Time for Application G-12971, Permit G-12494. As discussed with you over the phone, while WaterWatch believes that the WRD has a legal duty to require groundwater mitigation on extensions of time in the Deschutes River Basin, we will pursue this matter in another forum.

With regard to the currently unpermitted storage reservoirs (see Amended Application for Extension of Time, page 7), it is our understanding from our meeting on August 10, 2011 that WRD and Martha Pagel would take the required steps to ensure that the storage reservoirs come into compliance with both the permitting statutes and the Deschutes Mitigation Rules. We request written confirmation of this.

Pursuant to the ORS 536.050, WaterWatch of Oregon hereby requests that the Department agree to return protest fee paid in the above matters as a result of our withdrawal of our protest. In support of this request, WaterWatch states as follows:

1. The protest was not referred to contested case, so work required by the Department on this protest has been very limited.
2. WaterWatch had good grounds for the protests and believes that the protest would have resulted in at least some necessary change to the final order.

Based on the foregoing, a return of the protests fees paid by WaterWatch would be in the interest of fairness to the public.

Sincerely,

Kimberley Priestley

11-28-11

Dwight,

Request for refund
of protest fees by
WaterWatch -
Cascades-Tetherow

Patricia

11-28-11

No per DF

Mailing List for Extension FO Copies

Note: Include a copy of the "Important Notice" document along with the original copy of the Final Order being sent to the permit holder.

FO Date: November 7, 2011

Copies Mailed

Application G-11847
Permit G-10994

By: Connie Dancer
On: 11/7/2011

Original mailed to permit holder

Seabridge Gold Corporation ✓
106 Front Street E, Ste 400
Toronto, Ontario M5A 1E1

Copies sent to:

1. WRD - App. File G-11847/ Permit G-10994 ✓
2. WRD - Watermaster District 9, Ron Jacobs ✓
3. WRD - ER Acting Regional Manager, Rick Lusk ✓
4. WRD - Jerry Sauter ✓

Fee paid as specified under ORS 536.050 to receive copy:

5. None

Receiving via e-mail (10 AM day of signature date)

(DONE BY EXTENSION SPECIALIST)

None

CASEWORKER: JWG

**Oregon Water Resources Department
Water Right Services Division**

Water Rights Application
Number G-11847

**Superseding Final Order
Extension of Time for Permit Number G-10994
Permit Holder: Seabridge Gold Corporation**

Appeal Rights

This is a final order in other than a contested case. This order is subject to judicial review under ORS 183.484. A request for judicial review must be filed within the 60 day time period specified by ORS 183.484(2). Pursuant to ORS 536.075 and OAR 137-004-0080 you may either file for judicial review, or petition the Director for reconsideration of this order. A petition for reconsideration may be granted or denied by the Director, and if no action is taken within 60 days following the date the petition was filed, the petition shall be deemed denied.

Application History

Permit G-10994 was issued by the Department on April 5, 1990 to Atlas Precious Metals, Inc. On December 2, 2003, the permit was assigned to Seabridge Gold Corporation. The permit called for completion of construction by October 1, 1992 and complete application of water to beneficial use by October 1, 1993. Five prior permit extensions have been granted for Permit G-10994. The most recent extension request resulted in the completion dates for construction and full application of water being extended from October 1, 1997 to October 1, 2008. On May 25, 2011, Seabridge Gold Corporation submitted to the Department an Application for Extension of Time for Permit G-10994. In accordance with OAR 690-315-0050(2), on August 23, 2011, the Department issued a Proposed Final Order proposing to deny the time to complete construction to October 1, 2018 and the time to fully apply water to beneficial use to October 1, 2018. The protest period closed October 7, 2011, in accordance with OAR 690-315-0060(1). No protest was filed.

On October 28, 2011, the Department issued a Final Order which incorrectly indicated the Department issued a Proposed Final Order proposing to extend the time to complete construction to October 1, 2018 and the time to fully apply water to beneficial use to October 1, 2018.

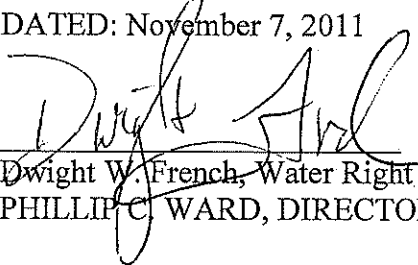
The Department finds that the October 28, 2011 Final Order requires modification to correct the scrivener's error.

The applicant has not demonstrated good cause for the permit extension pursuant to ORS 537.230, ORS 539.010(5), and OAR 690-315- 0040(2).

Order

This document supersedes the October 28, 2011 Final Order. The extension of time for Application G-11847, Permit G-10994, therefore, is denied.

DATED: November 7, 2011


Dwight W. French, Water Right Services Administrator, *for*
PHILLIP C. WARD, DIRECTOR

-
- If you have any questions about statements contained in this document, please contact Jerry Gainey at (503) 986-0812.
 - If you have other questions about the Department or any of its programs, please contact our Water Resources Customer Service Group at (503) 986-0900
-

Mailing List for Extension FO Copies

Note: Include a copy of the "Important Notice" document along with the original copy of the Final Order being sent to the permit holder.

FO Date: October 28, 2011

Copies Mailed

**Application G-11847
Permit G-10994**

By: *Connie Vance*
On: 10/28/2011

Original mailed to permit holder

Seabridge Gold Corporation
106 Front Street E, Ste 400
Toronto, Ontario M5A 1E1 ✓

Copies sent to:

1. WRD - App. File G-11847/ Permit G-10994 ✓
2. WRD - Watermaster District 9, Ron Jacobs ✓
3. WRD - ER Acting Regional Manager, Rick Lusk ✓
4. WRD - Jerry Sauter ✓

Fee paid as specified under ORS 536.050 to receive copy:

5. None

Receiving via e-mail (10 AM day of signature date)

(DONE BY EXTENSION SPECIALIST)

None

CASEWORKER: JWG

**Oregon Water Resources Department
Water Right Services Division**

Water Rights Application
Number G-11847

**Final Order
Extension of Time for Permit Number G-10994
Permit Holder: Seabridge Gold Corporation**

Appeal Rights

This is a final order in other than a contested case. This order is subject to judicial review under ORS 183.484. A request for judicial review must be filed within the 60 day time period specified by ORS 183.484(2). Pursuant to ORS 536.075 and OAR 137-004-0080 you may either file for judicial review, or petition the Director for reconsideration of this order. A petition for reconsideration may be granted or denied by the Director, and if no action is taken within 60 days following the date the petition was filed, the petition shall be deemed denied.

Application History

Permit G-10994 was issued by the Department on April 5, 1990 to Atlas Precious Metals, Inc. On December 2, 2003, the permit was assigned to Seabridge Gold Corporation. The permit called for completion of construction by October 1, 1992 and complete application of water to beneficial use by October 1, 1993. Five prior permit extensions have been granted for Permit G-10994. The most recent extension request resulted in the completion dates for construction and full application of water being extended from October 1, 1997 to October 1, 2008. On May 25, 2011, Seabridge Gold Corporation submitted to the Department an Application for Extension of Time for Permit G-10994. In accordance with OAR 690-315-0050(2), on August 23, 2011, the Department issued a Proposed Final Order proposing to extend the time to complete construction to October 1, 2018 and the time to fully apply water to beneficial use to October 1, 2018. The protest period closed October 7, 2011, in accordance with OAR 690-315-0060(1). No protest was filed.


The Department adopts and incorporates by reference the Proposed Final Order dated August 23, 2011.

The applicant has not demonstrated good cause for the permit extension pursuant to ORS 537.230, ORS 539.010(5), and OAR 690-315-0040(2).

Order

The extension of time for Application G-11847, Permit G-10994, therefore, is denied.

DATED: October 28, 2011



Dwight W. French, Water Right Services Administrator, for
PHILLIP C. WARD, DIRECTOR

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- If you have any questions about statements contained in this document, please contact Jerry Gainey at (503) 986-0812.
 - If you have other questions about the Department or any of its programs, please contact our Water Resources Customer Service Group at (503) 986-0900
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**Oregon Water Resources Department
Water Right Services Division**

Application for Extension of Time

In the Matter of the Application for an Extension of Time)
for Permit G-10994, Water Right Application G-11847) PROPOSED FINAL ORDER
in the name of Seabridge Gold Corporation)

Permit Information

Application File G-11847 Permit G-10994

Basin: 12 – Malheur Lake / Watermaster District 9
Date of Priority: 8/29/1988

Authorized Use of Water

Source of Water: Two wells, supplemented by waters from an open pit mine
within the Negro Rock Canyon Basin
Purpose of Use: Mining/Industrial Uses
Maximum Rate: 2 Cubic Feet per Second (cfs)

**This Extension of Time request is being processed in accordance with Oregon
Administrative Rule Chapter 690, Division 315**

Please read this Proposed Final Order in its entirety.

This Proposed Final Order applies only to Permit G-10994, water right Application G-11847.
A copy of Permit G-10994 is enclosed as Attachment 1.

Summary of Proposed Final Order for Extension of Time

The Department proposes to:

- deny an extension of time for complete construction of the water system from October 1, 2008 to October 1, 2018.
- deny an extension of time to apply water to full beneficial use from October 1, 2008 to October 1, 2018.

ACRONYM QUICK REFERENCE

Department – Oregon Department of Water Resources
PFO – Proposed Final Order

Units of Measure

cfs – cubic feet per second
gpm – gallons per minute

AUTHORITY

Generally, see **ORS 537.630** and **OAR Chapter 690 Division 315**.

ORS 537.630(1) provide in pertinent part that the Oregon Water Resources Department (Department) may, for good cause shown, order an extension of time within which: irrigation or other works shall be completed; the well or other means of developing and securing ground water shall be completed; or the right perfected. In determining the extension, the Department shall give due weight to the considerations described under ORS 539.010(5) and to whether other governmental requirements relating to the project have significantly delayed completion of construction or perfection of the right.

ORS 539.010(5) provides in pertinent part that the Water Resources Director, for good cause shown, may extend the time within which the full amount of the water appropriated shall be applied to a beneficial use. This statute instructs the Director to consider: the cost of the appropriation and application of the water to a beneficial purpose; the good faith of the appropriator; the market for water or power to be supplied; the present demands therefore; and the income or use that may be required to provide fair and reasonable returns upon the investment.

OAR 690-315-0040 provides in pertinent part that the Water Resources Department shall make findings to determine if an extension of time may be approved to complete construction and/or apply water to full beneficial use.

FINDINGS OF FACT

Background

1. Permit G-10994 was granted by the Department on April 5, 1990 to Atlas Precious Metals, Inc. On December 2, 2003, the permit was assigned to Seabridge Gold Corporation. The permit authorizes the use of up to 2 cfs of water from two Wells, supplemented by waters from an open pit mine for mining/industrial uses. The permit specified construction of the water system was to be completed by October 1, 1992, and complete application of water was to be made on or before October 1, 1993.
2. Five prior permit extensions have been granted for Permit G-10994. The most recent extension request resulted in the completion dates for construction and full application of water being extended from October 1, 1997 to October 1, 2008.
3. The permit holder submitted an "Application for Extension of Time" to the Department on May 25, 2011 requesting the time to complete construction of the water system and the time to apply water to full beneficial use under the terms and conditions of Permit G-10994 be extended from October 1, 2008 to October 1, 2018. This is the first permit extension requested for Permit G-10994.
4. Notification of the Application for Extension of Time for Permit G-10994 was published in the Department's Public Notice dated May 31, 2011. No public comments were received regarding the extension application.
5. On November 28, 2003, a progress report was received as required by the previous extension order from the permit holder's consultant. The Department notified the permit holder on February 24, 2004, that diligence toward completion of the project and/or compliance with the terms and conditions of the permit and extension was questionable. Also, because diligence was questionable, the notification indicated an additional extension of time for Permit # G-10994 will likely not be approved by the Department.

Review Criteria [OAR 690-315-0040]

The time limits to complete construction and/or apply water to full beneficial use may be extended if the Department finds that the permit holder has met the requirements set forth under OAR 690-315-0040. This determination shall consider the applicable requirements of ORS 537.230¹, 537.248², 537.630³ and/or 539.010(5)⁴.

¹ORS 537.230 applies to surface water permits only.

²ORS 537.248 applies to reservoir permits only.

³ORS 537.630 applies to ground water permits only.

⁴ORS 539.010(5) applies to surface water and ground water permits.

Complete Extension of Time Application [OAR 690-315-0040(1)(a)]

6. On May 25, 2011, the Department received a completed Application for Extension of Time and the fee specified in ORS 536.050 from the permit holder.

Start of Construction [OAR 690-315-0040(1)(b) and 690-315-0040(5)]

7. Actual construction of the well began prior to the April 5, 1991 deadline specified in the permit.

Duration of Extension [OAR 690-315-0040(1)(c)]

Under OAR 690-315-0040(1)(c), in order to approve an extension of time for water use permits the Department must find that the time requested is reasonable and the applicant can complete the project within the time requested.

8. As of May 25, 2011, the remaining work to be completed consists of exploratory drilling, dust suppression, begin milling operations, completing construction of the water system and applying water to full beneficial use.
9. Due to the reasons outlined in findings #5 and #8 above, the permit holder will not be able to comply with the terms and conditions of Permit G-10994 by October 1, 2018.
10. Based on the Department's review of the record for Permit G-10994, the permit holder could complete construction of the water system and to accomplish the application of water to beneficial use under the terms and conditions of Permit G-10994.

Good Cause [OAR 690-315-0040(1)(d)]

The Department's determination of good cause shall consider the requirements set forth under OAR 690-315-0040(2).

Reasonable Diligence of the Appropriator [OAR 690-315-0040(2)(a)]

The Department's determination of reasonable diligence shall consider the requirements set forth under OAR 690-315-0040(3)(a-d). In accordance with OAR 690-315-0040(3), the Department shall consider, but is not limited to, the following factors when determining whether the applicant has demonstrated reasonable diligence in previous performance under the permit:

Amount of Construction [OAR 690-315-0040(3)(a)]

11. Work was accomplished within the time allowed in the permit or previous extension as follows:
 - a. Construction of the wells began December 5, 1988, which was prior to the deadline specified in the permit for actual construction to begin.

Beneficial Use of Water [OAR 690-315-0040(3)(b)]

12. No beneficial use of water was made during the permit or previous extension time limits.

Compliance with Conditions [OAR 690-315-0040(3)(c)]

13. The water right permit holder's conformance with the permit or previous extension conditions.
- a. The Department has considered the permit holder's compliance with conditions, and has identified the following concerns: (1) No work having been accomplished under and after the last extension period.

Financial Investments [OAR 690-315-0040(3)(d)]

14. Financial investments made toward developing the beneficial water use.
- a. As of May 25, 2011, the permit holder has invested approximately \$55,000, which is approximately 27 percent of the total projected cost for complete development of this project. The permit holder anticipates an additional \$150,000 investment is needed for the completion of this project.

Cost to Appropriate and Apply Water to a Beneficial Purpose [OAR 690-315-0040(2)(b)]

15. As of May 25, 2011, the permit holder has invested approximately \$55,000 which is approximately 27 percent of the total projected cost for complete development of this project. The permit holder anticipates an additional \$150,000 investment is needed for the completion of this project.

Good Faith of the Appropriator [OAR 690-315-0040(2)(c)]

16. The Department has found good faith of the appropriator under Permit G-10994.

The Market and Present Demands for Water [OAR 690-315-0040(2)(d-e)]

The Department's determinations of market and present demand for water or power to be supplied shall consider the requirements set forth under OAR 690-315-0040(4)(a-f). In accordance with OAR 690-315-0040(4), the Department shall consider, but is not limited to, the following factors when determining the market and the present demand for water or power to be supplied:

17. The amount of water available to satisfy other affected water rights and scenic waterway flows; special water use designations established since permit issuance, including but not limited to state scenic waterways, federal wild and scenic rivers, serious water management problem areas or water quality limited sources established under 33 U.S.C. 1313(d); or the habitat needs of sensitive, threatened or endangered species, in consultation with the Oregon Department of Fish and Wildlife [OAR 690-315-0040(4)(a-c)].
- a. The amount of water available to satisfy other affected water rights and scenic waterway flows was determined at the time of issuance of Permit G-10994; furthermore, water availability for other affected water rights and scenic waterway flows after the permit was issued is determined at such time that such application for a new water right is submitted. The point of appropriation for Permit G-10994, located within the Negro Rock Canyon Basin, is not located

within a limited or critical ground water area. Negro Rock Canyon is not located within or above any state or federal scenic waterway, however it is located within an area ranked "low" for stream flow restoration needs as determined by the Department in consultation with the Oregon Department of Fish and Wildlife, and is not located within a Sensitive, Threatened or Endangered Fish Species Area as identified by the Department in consultation with Oregon Department of Fish and Wildlife. Negro Rock Canyon is not listed by the Department of Environmental Quality as a water quality limited stream.

18. Economic investment in the project to date [OAR 690-315-0040(4)(d)].
 - a. As of May 25, 2011, the permit holder has invested approximately \$55,000.
19. Other economic interests dependent on completion of the project [OAR 690-315-0040(4)(e)].
 - a. None have been identified.
20. Other factors relevant to the determination of the market and present demand for water and power [OAR 690-315-0040(4)(f)].
 - a. None have been identified.

Fair Return Upon Investment [OAR 690-315-0040(2)(f)]

21. Use and income from the permitted water development results in reasonable returns upon the investment made to date.

Other Governmental Requirements [OAR 690-315-0040(2)(g)]

22. Delay in the development of this project was not caused by any other governmental requirements.

Unforeseen Events [OAR 690-315-0040(2)(h)]

23. The Department has not identified any unforeseen events over which the permit holder had no control and which delayed development under Permit G-10994.

CONCLUSIONS OF LAW

1. The applicant is entitled to apply for an extension of time to complete construction and/or completely apply water to the full beneficial use pursuant to ORS 537.630(1).
2. The applicant has submitted a complete extension application form and the fee specified in ORS 536.050, as required by OAR 690-315-0040(1)(a).
3. The applicant complied with begin actual construction timeline requirements pursuant to ORS 537.630 as required by OAR 690-315-0040(1)(b) and OAR 690-315-0040(5).

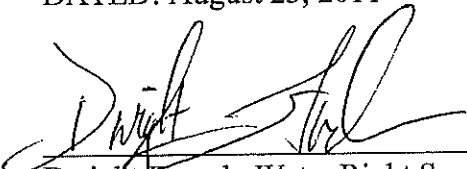
4. Completion of construction and full application of water to beneficial use can be accomplished by October 1, 2018⁵, as required by OAR 690-315-0040(1)(c).
5. The Department has considered the reasonable diligence and good faith of the appropriator, the cost to appropriate and apply water to a beneficial purpose, the market and present demands for water to be supplied, the financial investment made and fair and reasonable return upon the investment, the requirements of other governmental agencies, and unforeseen events over which the permit holder had no control, whether denial of the extension will result in undue hardship to the applicant and whether there are no other reasonable alternatives for meeting water use needs, any other factors relevant to a determination of good cause, and has determined that the applicant has shown that good cause exists for an extension of time to apply water to full beneficial use pursuant to OAR 690-315-0040(1)(d).

Proposed Order

Based upon the foregoing Findings of Fact and Conclusions of Law, the Department proposes to issue an order to:

- deny an extension of time for complete construction of the water system from October 1, 2008 to October 1, 2018, and
- deny an extension of time to apply water to full beneficial use from October , 2008 to October 1, 2018.

DATED: August 23, 2011


Dwight French, Water Right Services
Administrator

*If you have any questions,
please check the information
box on the last page for the
appropriate names and
phone numbers.*

⁵Pursuant to ORS 537.630(4), upon the completion of beneficial use of water allowed under the permit, the permittee shall hire a certified water rights examiner to survey the appropriation. Within one year after the complete application of water to a beneficial use (or by the date allowed for the complete application of water to a beneficial use), the permittee shall submit a map of the survey and a new or revised claim of beneficial use as deemed appropriate by the Department.

**Oregon Water Resources Department
Water Right Services Division**

Application for Extension of Time

In the Matter of the Application for an Extension of Time)
for Permit G-10994, Water Right Application G-11847) PROPOSED FINAL ORDER
in the name of Seabridge Gold Corporation)

Permit Information

Application File G-11847 Permit G-10994

Basin: 12 – Malheur Lake / Watermaster District 9

Date of Priority: 8/29/1988

Authorized Use of Water

Source of Water: Two wells, supplemented by waters from an open pit mine
within the Negro Rock Canyon Basin

Purpose of Use: Mining/Industrial Uses

Maximum Rate: 2 Cubic Feet per Second (cfs)

**This Extension of Time request is being processed in accordance with Oregon
Administrative Rule Chapter 690, Division 315**

Please read this Proposed Final Order in its entirety.

This Proposed Final Order applies only to Permit G-10994, water right Application G-11847.
A copy of Permit G-10994 is enclosed as Attachment 1.

Summary of Proposed Final Order for Extension of Time

The Department proposes to:

- deny an extension of time for complete construction of the water system from October 1, 2008 to October 1, 2018.
- deny an extension of time to apply water to full beneficial use from October 1, 2008 to October 1, 2018.

ACRONYM QUICK REFERENCE

Department – Oregon Department of Water Resources
PFO – Proposed Final Order

Units of Measure

cfs – cubic feet per second
gpm – gallons per minute

AUTHORITY

Generally, see **ORS 537.630** and **OAR Chapter 690 Division 315**.

ORS 537.630(1) provide in pertinent part that the Oregon Water Resources Department (Department) may, for good cause shown, order an extension of time within which: irrigation or other works shall be completed; the well or other means of developing and securing ground water shall be completed; or the right perfected. In determining the extension, the Department shall give due weight to the considerations described under ORS 539.010(5) and to whether other governmental requirements relating to the project have significantly delayed completion of construction or perfection of the right.

ORS 539.010(5) provides in pertinent part that the Water Resources Director, for good cause shown, may extend the time within which the full amount of the water appropriated shall be applied to a beneficial use. This statute instructs the Director to consider: the cost of the appropriation and application of the water to a beneficial purpose; the good faith of the appropriator; the market for water or power to be supplied; the present demands therefore; and the income or use that may be required to provide fair and reasonable returns upon the investment.

OAR 690-315-0040 provides in pertinent part that the Water Resources Department shall make findings to determine if an extension of time may be approved to complete construction and/or apply water to full beneficial use.

FINDINGS OF FACT

Background

1. Permit G-10994 was granted by the Department on April 5, 1990 to Atlas Precious Metals, Inc. On December 2, 2003, the permit was assigned to Seabridge Gold Corporation. The permit authorizes the use of up to 2 cfs of water from two Wells, supplemented by waters from an open pit mine for mining/industrial uses. The permit specified construction of the water system was to be completed by October 1, 1992, and complete application of water was to be made on or before October 1, 1993.
2. Five prior permit extensions have been granted for Permit G-10994. The most recent extension request resulted in the completion dates for construction and full application of water being extended from October 1, 1997 to October 1, 2008.
3. The permit holder submitted an "Application for Extension of Time" to the Department on May 25, 2011 requesting the time to complete construction of the water system and the time to apply water to full beneficial use under the terms and conditions of Permit G-10994 be extended from October 1, 2008 to October 1, 2018. This is the first permit extension requested for Permit G-10994.
4. Notification of the Application for Extension of Time for Permit G-10994 was published in the Department's Public Notice dated May 31, 2011. No public comments were received regarding the extension application.
5. On November 28, 2003, a progress report was received as required by the previous extension order from the permit holder's consultant. The Department notified the permit holder on February 24, 2004, that diligence toward completion of the project and/or compliance with the terms and conditions of the permit and extension was questionable. Also, because diligence was questionable, the notification indicated an additional extension of time for Permit # G-10994 will likely not be approved by the Department.

Review Criteria [OAR 690-315-0040]

The time limits to complete construction and/or apply water to full beneficial use may be extended if the Department finds that the permit holder has met the requirements set forth under OAR 690-315-0040. This determination shall consider the applicable requirements of ORS 537.230¹, 537.248², 537.630³ and/or 539.010(5)⁴.

¹ ORS 537.230 applies to surface water permits only.

² ORS 537.248 applies to reservoir permits only.

³ ORS 537.630 applies to ground water permits only.

⁴ ORS 539.010(5) applies to surface water and ground water permits.

Complete Extension of Time Application [OAR 690-315-0040(1)(a)]

6. On May 25, 2011, the Department received a completed Application for Extension of Time and the fee specified in ORS 536.050 from the permit holder.

Start of Construction [OAR 690-315-0040(1)(b) and 690-315-0040(5)]

7. Actual construction of the well began prior to the April 5, 1991 deadline specified in the permit.

Duration of Extension [OAR 690-315-0040(1)(c)]

Under OAR 690-315-0040(1)(c), in order to approve an extension of time for water use permits the Department must find that the time requested is reasonable and the applicant can complete the project within the time requested.

8. As of May 25, 2011, the remaining work to be completed consists of exploratory drilling, dust suppression, begin milling operations, completing construction of the water system and applying water to full beneficial use.
9. Due to the reasons outlined in findings #5 and #8 above, the permit holder will not be able to comply with the terms and conditions of Permit G-10994 by October 1, 2018.
10. Based on the Department's review of the record for Permit G-10994, the permit holder could complete construction of the water system and to accomplish the application of water to beneficial use under the terms and conditions of Permit G-10994.

Good Cause [OAR 690-315-0040(1)(d)]

The Department's determination of good cause shall consider the requirements set forth under OAR 690-315-0040(2).

Reasonable Diligence of the Appropriator [OAR 690-315-0040(2)(a)]

The Department's determination of reasonable diligence shall consider the requirements set forth under OAR 690-315-0040(3)(a-d). In accordance with OAR 690-315-0040(3), the Department shall consider, but is not limited to, the following factors when determining whether the applicant has demonstrated reasonable diligence in previous performance under the permit:

Amount of Construction [OAR 690-315-0040(3)(a)]

11. Work was accomplished within the time allowed in the permit or previous extension as follows:
 - a. Construction of the wells began December 5, 1988, which was prior to the deadline specified in the permit for actual construction to begin.

Beneficial Use of Water [OAR 690-315-0040(3)(b)]

12. No beneficial use of water was made during the permit or previous extension time limits.

Compliance with Conditions [OAR 690-315-0040(3)(c)]

13. The water right permit holder's conformance with the permit or previous extension conditions.
- a. The Department has considered the permit holder's compliance with conditions, and has identified the following concerns: (1) No work having been accomplished under and after the last extension period.

Financial Investments [OAR 690-315-0040(3)(d)]

14. Financial investments made toward developing the beneficial water use.
- a. As of May 25, 2011, the permit holder has invested approximately \$55,000, which is approximately 27 percent of the total projected cost for complete development of this project. The permit holder anticipates an additional \$150,000 investment is needed for the completion of this project.

Cost to Appropriate and Apply Water to a Beneficial Purpose [OAR 690-315-0040(2)(b)]

15. As of May 25, 2011, the permit holder has invested approximately \$55,000 which is approximately 27 percent of the total projected cost for complete development of this project. The permit holder anticipates an additional \$150,000 investment is needed for the completion of this project.

Good Faith of the Appropriator [OAR 690-315-0040(2)(c)]

16. The Department has found good faith of the appropriator under Permit G-10994.

The Market and Present Demands for Water [OAR 690-315-0040(2)(d-e)]

The Department's determinations of market and present demand for water or power to be supplied shall consider the requirements set forth under OAR 690-315-0040(4)(a-f). In accordance with OAR 690-315-0040(4), the Department shall consider, but is not limited to, the following factors when determining the market and the present demand for water or power to be supplied:

17. The amount of water available to satisfy other affected water rights and scenic waterway flows; special water use designations established since permit issuance, including but not limited to state scenic waterways, federal wild and scenic rivers, serious water management problem areas or water quality limited sources established under 33 U.S.C. 1313(d); or the habitat needs of sensitive, threatened or endangered species, in consultation with the Oregon Department of Fish and Wildlife [OAR 690-315-0040(4)(a-c)].
- a. The amount of water available to satisfy other affected water rights and scenic waterway flows was determined at the time of issuance of Permit G-10994; furthermore, water availability for other affected water rights and scenic waterway flows after the permit was issued is determined at such time that such application for a new water right is submitted. The point of appropriation for Permit G-10994, located within the Negro Rock Canyon Basin, is not located

within a limited or critical ground water area. Negro Rock Canyon is not located within or above any state or federal scenic waterway, however it is located within an area ranked "low" for stream flow restoration needs as determined by the Department in consultation with the Oregon Department of Fish and Wildlife, and is not located within a Sensitive, Threatened or Endangered Fish Species Area as identified by the Department in consultation with Oregon Department of Fish and Wildlife. Negro Rock Canyon is not listed by the Department of Environmental Quality as a water quality limited stream.

18. Economic investment in the project to date [OAR 690-315-0040(4)(d)].
 - a. As of May 25, 2011, the permit holder has invested approximately \$55,000.
19. Other economic interests dependent on completion of the project [OAR 690-315-0040(4)(e)].
 - a. None have been identified.
20. Other factors relevant to the determination of the market and present demand for water and power [OAR 690-315-0040(4)(f)].
 - a. None have been identified.

Fair Return Upon Investment [OAR 690-315-0040(2)(f)]

21. Use and income from the permitted water development results in reasonable returns upon the investment made to date.

Other Governmental Requirements [OAR 690-315-0040(2)(g)]

22. Delay in the development of this project was not caused by any other governmental requirements.

Unforeseen Events [OAR 690-315-0040(2)(h)]

23. The Department has not identified any unforeseen events over which the permit holder had no control and which delayed development under Permit G-10994.

CONCLUSIONS OF LAW

1. The applicant is entitled to apply for an extension of time to complete construction and/or completely apply water to the full beneficial use pursuant to ORS 537.630(1).
2. The applicant has submitted a complete extension application form and the fee specified in ORS 536.050, as required by OAR 690-315-0040(1)(a).
3. The applicant complied with begin actual construction timeline requirements pursuant to ORS 537.630 as required by OAR 690-315-0040(1)(b) and OAR 690-315-0040(5).

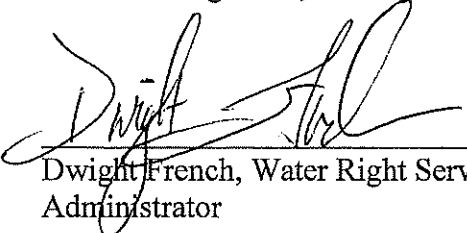
4. Completion of construction and full application of water to beneficial use can be accomplished by October 1, 2018⁵, as required by OAR 690-315-0040(1)(c).
5. The Department has considered the reasonable diligence and good faith of the appropriator, the cost to appropriate and apply water to a beneficial purpose, the market and present demands for water to be supplied, the financial investment made and fair and reasonable return upon the investment, the requirements of other governmental agencies, and unforeseen events over which the permit holder had no control, whether denial of the extension will result in undue hardship to the applicant and whether there are no other reasonable alternatives for meeting water use needs, any other factors relevant to a determination of good cause, and has determined that the applicant has shown that good cause exists for an extension of time to apply water to full beneficial use pursuant to OAR 690-315-0040(1)(d).

Proposed Order

Based upon the foregoing Findings of Fact and Conclusions of Law, the Department proposes to issue an order to:

- deny an extension of time for complete construction of the water system from October 1, 2008 to October 1, 2018, and
- deny an extension of time to apply water to full beneficial use from October , 2008 to October 1, 2018.

DATED: August 23, 2011


Dwight French, Water Right Services
Administrator

*If you have any questions,
please check the information
box on the last page for the
appropriate names and
phone numbers.*

⁵Pursuant to ORS 537.630(4), upon the completion of beneficial use of water allowed under the permit, the permittee shall hire a certified water rights examiner to survey the appropriation. Within one year after the complete application of water to a beneficial use (or by the date allowed for the complete application of water to a beneficial use), the permittee shall submit a map of the survey and a new or revised claim of beneficial use as deemed appropriate by the Department.

Proposed Final Order Hearing Rights

1. Under the provisions of OAR 690-315-0100(1) and 690-315-0060, the applicant or any other person adversely affected or aggrieved by the proposed final order may submit a written protest to the proposed final order. The written protest must be received by the Water Resources Department no later than **October 7, 2011**, being 45 days from the date of publication of the proposed final order in the Department's weekly notice.
2. A written protest shall include:
 - a. The name, address and telephone number of the petitioner;
 - b. A description of the petitioner's interest in the proposed final order and if the protestant claims to represent the public interest, a precise statement of the public interest represented;
 - c. A detailed description of how the action proposed in the proposed final order would adversely affect or aggrieve the petitioner's interest;
 - d. A detailed description of how the proposed final order is in error or deficient and how to correct the alleged error or deficiency;
 - e. Any citation of legal authority supporting the petitioner, if known;
 - f. Proof of service of the protest upon the water right permit holder, if petitioner is other than the water right permit holder; and
 - g. The applicant or non-applicant protest fee required under ORS 536.050.
3. Within 60 days after the close of the period for requesting a contested case hearing, the Director shall:
 - a. Issue a final order on the extension request; or
 - b. Schedule a contested case hearing if a protest has been submitted, and:
 - 1) Upon review of the issues, the Director finds there are significant disputes related to the proposed agency action; or
 - 2) The applicant submits a written request for a contested case hearing within 30 days after the close of the period for submitting protests.

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- If you have any questions about statements contained in this document, please contact Jerry Gainey at 503-986-0812.
 - If you have questions about how to file a protest or if you have previously filed a protest and you want to know the status, please contact Patricia McCarty at 503-986-0819.
 - If you have any questions about the Department or any of its programs, please contact our Water Resources Customer Service Group at 503-986-0801.
 - Address any correspondence to : Water Right Services Division
 725 Summer St NE, Suite A
Fax: 503-986-0901 Salem, OR 97301-1266
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Oregon

John A. Kitzhaber, MD, Governor

Water Resources Department
North Mall Office Building
725 Summer Street NE, Suite A
Salem, OR 97301-1271
503-986-0900
FAX 503-986-0904

May 31, 2011

REFERENCE: Application for Extension of Time

Dear Extension of Time Applicant:

The Water Rights Section has received your application for an extension of time for **APPLICATION FILE#: G-11847 (PERMIT#: G-10994)**. Your application will be reviewed in the near future. Following the review, you will receive a Proposed Final Order either approving or rejecting the extension of time request. A 45-day protest period begins upon issuance of the Proposed Final Order. After the protest period closes, a Final Order is issued.

If you have questions concerning your extension of time application, please contact Jerry Gainey at (503) 986-0812. For general information about the Water Resources Department, you may contact the Water Resources' Customer Service Group at (503) 986-0801 or you may access the Department's Internet home page at: "www.wrd.state.or.us".

Extension PFO Checklist for
Other than Muni or Quasi-Municipal
 Water Use Permits
 (OAR 690-315-0010 through OAR 690-315-0060)

Application: G- 11847 Permit: G- 10994 Permit Amendment? No Yes T- _____ pending approved

Permit Holder's Name: Seabridge Gold Corporation

Permit Holder's Mailing Address: 106 Front St E, Suite 400, Toronto , Ontario CANADA, M5A 1E1 email none

Phone Number: none given

POD Location: Township 22S Range 44E Section/QQ LOT 3 & SENW, SEC 5; NWSE, SEC 8

Drainage Basin: 12 County: Malheur Watermaster District: 9 Watermaster: Ron Jacobs

Date Permit was issued: 4/5/1990
 Date of PN: 5/31/2011

Priority Date: 11/15/1988 and November 15, 1988

Source: Two Wells, Supplemented by Waters from an Open Pit Mine within the Negro Rock Canyon Basin

Use: Mining/Industrial Uses

"Q": 2.0 cfs

Orig "A" Date: April 5, 1991

Orig "B" Date: 10/1/1992

Orig "C" Date: 10/1/1993

Extension request rec'd: May 25, 2011

Last Authorized "B" Date: 10/1/2008

Last Authorized "C" Date: 10/1/2008

Request Number (1, 2, 3...): 6th

Proposed "B" Date: 10/1/2018

Proposed C Date: 10/1/2018

Conditions of Permit:

Condition Met?	Condition Not Met?	Permit Condition
<input type="checkbox"/>	<input type="checkbox"/>	A date
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	

Factors to consider in determining "Reasonable Diligence" [OAR 690-315-0040(3)]:

Yes No

- Work was accomplished within the time allowed in the permit or previous extension
- Water right permit holder conformed with the permit or previous extension conditions
- Financial investments were made toward developing the beneficial water use.
 - Amount Invested to date: ~~\$90,000~~ * \$5,000 See Pwr Update
 - Estimated Remaining Cost: \$150,000 * no new investment since 6-1-1997
- Beneficial use made of the water during the permit or previous extension time limits
 - Permit holder has beneficially used 0.0 cfs gpm af of the total permitted quantity of water on _____ acres

GW REVIEW: Y N _____

MITIGATION REVIEW: Y N

Has the applicant pursued perfection of the right in good faith and with reasonable diligence? Yes No

Determination of the market and the present demand for water or power to be supplied:

Identify the closest surface water or localized water basin. Negro Rock Canyon

Ground Water Permits: Is the POA located...

Surface Water Permits: Is the POD located...

Yes No

- above a state scenic waterway? Name _____ Source: OWRD "Areas Above State Scenic Waterways" Map
- within a stream segment designated as a federal wild and scenic river? Source: www.rivers.gov/wildriverslist.html
- within a sensitive, threatened or endangered species area Source: "/gisdata/dev/projects/salmon/div33map.aml"
- within a critical or limited Ground Water Area? Name of area _____
- within a Withdrawn Area? Name of area _____
- in a waterbody listed on the DEQ Section 303(d) List of Water Quality Limited Areas? Date added to list _____
- within an area ranking low / moderate / high / highest for stream flow restoration needs Source: OWRD "Streamflow Restoration Needs" Maps (by region)

Based on the written record, can the Department make a finding of "Good Cause" to approve the extension request?

Yes... "Good Cause" can be found. Approval of Extension Request

No ... "Good Cause" cannot be found. Denial of Extension Request

Conditions to be included in Extension PFO (if applicable)? Yes No

(NOTE: Check the file record for documentation to add a condition(s) at the extension stage.)

5-year Progress Report Checkpoints (Years: _____)

Other: _____

Footnote regarding Claim of Beneficial Use. Choose the appropriate language below and insert as a footnote in the PFO:

COBU Requirement - Surface/Ground Water - on or prior to July 9, 1987

"For permits applied for or received on or before July 9, 1987, upon complete development of the permit, you must notify the Department that the work has been completed and either: (1) Hire a water right examiner certified under ORS 537.798 to conduct a survey, the original to be submitted as required by the Water Resources Department, for issuance of a water right certificate; or (2) Continue to appropriate water under the water right permit until the Water Resources Department conducts a survey and issues a water right certificate under ORS 537.250 or 537.625."

COBU Requirement - Surface Water - post July 9, 1987

"Pursuant to ORS 537.230(4), upon the completion of beneficial use of water allowed under the permit, the permit holder shall hire a certified water rights examiner to survey the appropriation. Within one year after the complete application of water to a beneficial use (or by the date allowed for the complete application of water to a beneficial use), the permit holder shall submit a map of the survey and the claim of beneficial use."

COBU Requirement - Ground Water - post July 9, 1987

"Pursuant to ORS 537.630(4), upon the completion of beneficial use of water allowed under the permit, the permit holder shall hire a certified water rights examiner to survey the appropriation. Within one year after the complete application of water to a beneficial use (or by the date allowed for the complete application of water to a beneficial use), the permit holder shall submit a map of the survey and the claim of beneficial use."

NOTES:

This is the 6th extension request. In 2008 diligence was found questionable (see 2-24-204 letter from Lisa Juul to Seabridge God Corp). The letter states that an additional extension of time will likely not be approved by the Dept. According to the extension application, the last work was accomplished 6/1/1997. No work was accomplished during the last extension period was 10-1-1997 to 10-1-2008. No work has been accomplished since the permit was assigned to Seabridge on 12/2/2003.

Extension "PFO" Dates

Mailing / Issuance Date: _____ **Protest Deadline Date:** _____

Reviewer's Name: _____ **Date:** _____

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By FAX
2011

JUN 02 2011



Oregon Water Resources Department
725 Summer Street NE, Suite A
Salem Oregon 97301
(503) 986-0900
www.wrd.state.or.us

Application for
Extension of Time
for a Water Right Permit
(Non-Municipal / Non-Quasi-municipal Water Use)

TO THE DIRECTOR OF THE OREGON WATER RESOURCES DEPARTMENT

*A separate extension application must be submitted for each permit as per
OAR 690-315-0020(2).*

*This application and a summary of review criteria and procedures that are generally applicable to this
application are available at <http://www.wrd.state.or.us/OWRD/PUBS/forms.shtml>.*

I, SEABRIDGE GOLD CORPORATION

NAME OF PERMIT HOLDER [OAR 690-315-0020(1) and (3)(a)]

106 FRONT ST. E., STE. 400 TORONTO STATE ONTARIO ZIP M5A 1E1 CANADA
ADDRESS CITY STATE ZIP

PHONE _____ E-MAIL ADDRESS _____

the permit holder of: Application Number G-11847
Permit Number G-10994
[OAR 690-315-0020(3)(b)]

do hereby request that the time in which to:

- complete construction (of diversion/appropriation works and/or purchase and installation of the equipment necessary to the use of water), which time now expires on October 1, 2008, be extended to October 1, 2018.
- N/A (Check this box if the permit does not specify a date by when construction must be completed.)

and/or the time in which to:

- apply water to full beneficial use under the terms and conditions of the permit, which time now expires on October 1, 2008, be extended to October 1, 2018.

Ann Reece

From: Ann Reece
Sent: Thursday, June 02, 2011 8:30 AM
To: 'Pat Woodcock'
Subject: RE: Extension of Time

Thank you, Pat. I have added the corrections/amendments to the original extension application.

Best Regards,
Ann Reece

Water Rights Services Division
Oregon Water Resources Department
725 Summer St. NE Suite A
Salem, OR 97301
503-986-0827
receal@wrd.state.or.us

From: Pat Woodcock [mailto:pat@fmtc.com]
Sent: Thursday, June 02, 2011 8:23 AM
To: Ann Reece
Subject: FW: Extension of Time

Hi Ann, I can't open this attachment but hopefully this has everything you requested. There was talk of some additional changes so they made those and initialed them as well.

From: B Wagener [mailto:BWagener@calicoresources.com]
Sent: Thursday, June 02, 2011 8:58 AM
To: pat@CK3LLC.net
Subject: FW: Extension of Time

Hi Pat,

Revised signature pages.

Bill Wagener



President & CEO
Calico Resources Corp.
615-800 W Pender Street
Vancouver, BC
V6C 2V6 Canada
Phone/Fax: +1 604 684 0279

Mobile: +1 303 517 8764

Email: bwagener@calicoresources.com

From: Gloria Trujillo [mailto:gloria@seabridgegold.net]

Sent: Wednesday, June 01, 2011 1:25 PM

To: B Wagener

Subject: RE: Extension of Time

Here are the scans for your records. The Fedex envelope will be delivered by 10 am your time tomorrow.

From: B Wagener [mailto:BWagener@calicoresources.com]

Sent: Wednesday, June 01, 2011 3:13 PM

To: Gloria Trujillo

Subject: RE: Extension of Time

Hi Gloria,

Yes – please have the changes for both days initialed and courier to me in castle Rock. I will put the package together with your check and send to OWRD. Good catch – thank you!!!

Bill Wagener



President & CEO

Calico Resources Corp.

615-800 W Pender Street

Vancouver, BC

V6C 2V6 Canada

Phone/Fax: +1 604 684 0279

Mobile: +1 303 517 8764

Email: bwagener@calicoresources.com

From: Gloria Trujillo [mailto:gloria@seabridgegold.net]

Sent: Wednesday, June 01, 2011 12:49 PM

To: B Wagener

Subject: RE: Extension of Time

It actually looks like these pages will replace the ones yesterday so I think we should initial the changes made both days...correct?

From: B Wagener [mailto:BWagener@calicoresources.com]

Sent: Wednesday, June 01, 2011 2:31 PM

To: Gloria Trujillo

Subject: RE: Extension of Time

Let me check.

Bill Wagener



President & CEO

Calico Resources Corp.

615-800 W Pender Street

Vancouver, BC

V6C 2V6 Canada

Phone/Fax: +1 604 684 0279

Mobile: +1 303 517 8764

Email: bwagener@calicoresources.com

From: Gloria Trujillo [mailto:gloria@seabridgegold.net]

Sent: Wednesday, June 01, 2011 12:23 PM

To: B Wagener

Subject: RE: Extension of Time

Importance: High

Mr Wagener,

Just to be sure – this page also changed from “Drilled (9) Monitoring Wells in 1997” to “There is no knowledge of any work...”. Should we initial in front of this last sentence as well?

Thank you,
Gloria

From: B Wagener [mailto:BWagener@calicoresources.com]

Sent: Wednesday, June 01, 2011 11:15 AM

To: Gloria Trujillo

Subject: Extension of Time

Hi Gloria,

It looks like we need to do this again, sorry for the inconvenience. These attachments show where to initial. My next email will contain a “clean version” for initialing. Please have the pages initialed, scanned and email the pages to me. Call if you wish to discuss either on my mobile below or on 1 303 459 4007.

Thanks

Bill Wagener



President & CEO

Calico Resources Corp.

615-800 W Pender Street

Vancouver, BC

V6C 2V6 Canada

Phone/Fax: +1 604 684 0279

Mobile: +1 303 517 8764

Email: bwagener@calicoresources.com



Oregon Water Resources Department
725 Summer Street NE, Suite A
Salem Oregon 97301
(503) 986-0900
www.wrd.state.or.us

the page
5/5

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MAY 25 2011

Application for WATER RESOURCES DEPT
SALEM, OREGON

Extension of Time
for a Water Right Permit
(Non-Municipal / Non-Quasi-municipal Water Use)

TO THE DIRECTOR OF THE OREGON WATER RESOURCES DEPARTMENT

A separate extension application must be submitted for each permit as per
OAR 690-315-0020(2).

This application and a summary of review criteria and procedures that are generally applicable to this
application are available at http://www.wrd.state.or.us/OWRD/PUBS/forms.shtml.

I, SEABRIDGE GOLD CORPORATION

NAME OF PERMIT HOLDER [OAR 690-315-0020(1) and (3)(a)]

106 FRONT ST. E., STE. 400 TORONTO ONTARIO M5A 1E1 CANADA
ADDRESS CITY STATE ZIP

PHONE E-MAIL ADDRESS

the permit holder of: Application Number G-11847
Permit Number G-10994
[OAR 690-315-0020(3)(b)]

do hereby request that the time in which to:

[X] complete construction (of diversion/appropriation works and/or purchase and installation of the
equipment necessary to the use of water), which time now expires on October 1, 1997, be
extended to October 1, 2018,

[] N/A (Check this box if the permit does not specify a date by when construction must be completed.)

and/or the time in which to:

[X] apply water to full beneficial use under the terms and conditions of the permit, which time now
expires on October 1, 1997, be extended to October 1, 2018.

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WATER RESOURCES DEPT
SALEM, OREGON

Before submitting your Application for Extension of Time, make sure the following items are included:

- This completed Application for Extension of Time.
- Statutory fee of \$500.
- Signature page (last page of this Application for Extension of Time).
- All supporting documentation and/or evidence referenced in the Application for Extension of Time.

MAIL COMPLETED APPLICATION

along with the

\$500 STATUTORY FEE TO:

**Water Resources Department
Attn: Water Right Permit Extensions
725 Summer Street NE, Suite A
Salem, Oregon 97301**



GENERAL TIPS:

- Permit holders of municipal or quasi-municipal water use permits DO NOT use this form. The correct form is *Application for Extension of Time for Municipal and Quasi-Municipal Water Use Permits*, available at the following link:
<http://www.wrd.state.or.us/OWRD/PUBS/forms.shtml#other>
- Request the reasonable amount of time necessary to fully complete the water construction project and/or to fully use the permitted quantity of water under the terms and conditions of your permit. Should this request be approved, it will be OWRD's expectation that you will complete your project within the new time period allowed. Future extensions may not be granted.
- A separate Application for Extension of Time must be submitted for each permit. OAR 690-315-0020(2).
- An instruction sheet (Instructions for Filling Out Extension of Time Application for Permits) provides details that will help you answer each question on the application. Permit extensions are evaluated under OAR Chapter 690, Division 315. These rules may be viewed at:
<http://www.wrd.state.or.us/OWRD/LAW/index.shtml>.

- You may provide OWRD with any additional information or evidence that will aid us in making our decision. Please note that OWRD may require other information that is necessary to evaluate the application. OAR 315-0020(3)(n).
- After careful review of the Application for Extension of Time, you may contact OWRD at (503) 986-0900, to ask questions and request assistance from a Permit Extensions Specialist in the Water Rights and Adjudications Division.
- Once an Application for Extension of Time is received by OWRD, it will be reviewed for completeness. OWRD will return any incomplete or deficient applications to the applicant. OAR 690-315-0040(1)(a).

Reference Materials Needed to Complete this Application:

- The water right permit. If needed, a copy of the water right permit can be downloaded from the Department's Website at <http://www.wrd.state.or.us> (find the link to the Water Rights Information System (WRIS)). Or, a copy of the permit (or other documents) may be requested by water right application number from the Water Rights Division at 503-986-0900 (copy fees will apply).
- Documentation which demonstrates compliance with permit conditions (for example, well construction logs; static water level measurement reports; annual water use reports; ODFW fish screen certification; a plan to monitor the effect of water use on ground water aquifers utilized under the permit; etc.).

Answer the Following Questions to Complete this Application for Extension of Time

[OAR 690-315-0020(3)(d)]

1. Did the actual construction of the water system/well drilling begin within the time specified in the permit? Yes No



TIP: Not all permits specify a date by which construction was to begin.

Date construction began is: 12-05-1988

Details of construction: Drilled two (2) production wells (see attached well logs) and installed 7,000 l.f. of temporary pipeline.

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SALEM, OREGON

2. Permits typically contain standard or special conditions that must be satisfied to lawfully develop and use permitted water. In the development of this water right, have you satisfied the conditions contained in your permit? Yes No

2-A) Describe how you have complied with each condition contained in the original permit [and, if applicable, each condition contained in any order approving a permit amendment and/or a final order approving a prior extension of time]. Include the date when the condition was satisfied.



TIP: The instruction sheet for the Application for Extension of Time provides an explanation of the typical conditions that must be addressed in this question.

CHART-A

Condition No.	Date Satisfied	Describe How Permit Condition Has Been Satisfied
1	3/31/1989	Completed Construction of Well No. 1 in accordance with General Standards for the Construction and Maintenance of Water Wells in Oregon.
1	12/1/1989	Constructed Well No. 2 in accordance with General Standards for the Construction and Maintenance of Water Wells in Oregon.

** Condition No: Hand-number each condition on a copy of your permit (and, if applicable, permit amendment and prior extension).

2-B) If you have NOT complied with all applicable conditions, explain the reasons why and indicate with a date certain (in the near future) when compliance will occur.

CHART-B

Condition No.	Date Will Comply	Explain Why Each Permit Condition Has NOT Been Satisfied
2	10/1/2018	Seabridge Gold Corporation was not the original applicant for this permit to appropriate the public waters, and was not aware that the conditions of the permit had not been satisfied until recently. Seabridge Gold Corporation acquired the lands from Atlas in 2003.

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SALEM, OREGON

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WATER RESOURCES DEPT
SALEM, OREGON

** Condition No: Hand-number each condition on a copy of your permit (and, if applicable, permit amendment and prior extension.

[OAR 690-315-0020(3)(e)]

3. Provide evidence of physical progress made toward completion of the water system, and of progress made toward making beneficial use of water within the permitted time period (CHART-C); and if applicable, within the time period of the most recent extension granted (CHART-D).

3-A) CHART-C (below) must be completed for all Application for Extension of Time requests. Use chronological order.

CHART-C

DATE	WORK ACCOMPLISHED BEFORE PERMIT WAS ISSUED <i>List any work done before the permit was issued - eg. well drilled.</i>	COST
12/10/1988	Drilled Production Well #1	\$10,000.00
12/1/1989	Drilled Production Well #2	\$10,000.00

DATE	WORK ACCOMPLISHED AFTER PERMIT WAS ISSUED and PRIOR TO DATE SPECIFIED IN PERMIT FOR COMPLETE APPLICATION OF WATER <i>List work/actions done during the permitted time period.</i>	COST
	Date the permit was signed - find date above signature on last page of permit.	
4/5/1990	Permit issued by William H. Young	\$0.00
	Date the permit specified "Actual Construction Work" shall begin ("A-Date") -not all permits contain this date.	
4/5/1993	Mineral Expolorations	Unknown
10/1/1993	Date the permit specified complete application of water to the use shall be made ("C-Date") - all permits contain this date.	

CHART-C (continued)

DATE	WORK ACCOMPLISHED AFTER "C-DATE" COMPLETE ONLY IF THIS IS YOUR 1st APPLICATION FOR EXTENSION OF TIME <i>List work done after the date specified in the permit for complete application of water up to the date of this Application for Extension of Time</i>	COST
6/1/1997	Drilled Nine (9) Monitoring Wells	\$35,000.00

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JUN 02 2011

By Fax
ALR

WATER RESOURCES DEPT	
SALEM, OREGON	
Total Cost for Chart-C: \$55,000.00	

* If exact cost is not known, you must provide your best estimate.

3-B) If this is not your 1st Application for Extension of Time request, fill out CHART-D below (in addition to CHART-C above). Use chronological order.

CHART-D

DATE	WORK ACCOMPLISHED DURING THE LAST EXTENSION PERIOD <i>List all work done during the last authorized extension period.</i>	COST
10/1/1997	"Extended From" date for complete application of water used in the 1 st (or the most recent) Application for Extension of Time.	
	There is no knowledge of any work having been accomplished during this extension period.	
10/1/2008	"Extended To" date for complete application of water resulting from the 1 st (or the most recent) Application for Extension of Time.	

CHART-D (Continued)

DATE	WORK ACCOMPLISHED AFTER THE LAST EXTENSION PERIOD EXPIRED <i>List all work done after the last authorized date for complete application of water up to the date of this Application for Extension of Time.</i>	COST
	There is no knowledge of any work having been accomplished after the last extension period expired.	
Total Cost of Chart-D:		NA

* If exact cost is not known, you must provide your best estimate.

s/s

Total Cost for Chart-C		\$55,000.00

* If exact cost is not known, you must provide your best estimate.
 3-B) If this is not your 1st Application for Extension of Time request, fill out CHART-D below (in addition to CHART-C above). Use chronological order.

CHART-D

DATE	WORK ACCOMPLISHED DURING THE LAST EXTENSION PERIOD <i>List all work done during the last authorized extension period.</i>	COST
10/1/1996	"Extended From" date for complete application of water used in the 1 st (or the most recent) Application for Extension of Time.	
	Drilled (9) Monitoring Wells in 1997	\$35,000.00
10/1/1997	"Extended To" date for complete application of water resulting from the 1 st (or the most recent) Application for Extension of Time.	

CHART-D (Continued)

DATE	WORK ACCOMPLISHED AFTER THE LAST EXTENSION PERIOD EXPIRED <i>List all work done after the last authorized date for complete application of water up to the date of this Application for Extension of Time.</i>	COST
	There is no knowledge of any work having been accomplished after the last extension period expired.	
Total Cost of Chart-D		NA

* If exact cost is not known, you must provide your best estimate.

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JUN 02 2011

By Fax
w

WATER RESOURCES DEPT
SALEM, OREGON

4. Cost of project to date: \$55,000.00
(The total combined cost from CHART-C and CHART-D)

[OAR 690-315-0020(3)(e)(B)]

5. Provide evidence of the maximum rate (or duty, if applicable) of water diverted for beneficial use under this permit and/or prior extensions of time (if any) made to date.



TIP: Report the rate used to date. Unless full beneficial use has been made, this rate will be less than the rate authorized on the permit.

5-A) For Surface Water Permit Extensions (e.g. S-XXXX or R-XXXX):



TIP: Report the rate in the same units of measurement as specified in the permit.

Maximum rate used to date = 0 cfs (cubic feet per second) or,

Maximum rate used to date = 0 gpm (gallons per minute) or,

Acre-feet stored to date = 0 AF

5-B) For Ground Water Permit Extensions (e.g. G-XXXX):



TIP: Include information from ALL wells that pertain to this permit, including drilled wells not currently used.

CHART-E

Well # as Identified on Permit	Water User's Well #	Has this well been drilled?	Well/Log Number e.g. MORR 50473	Well/Tap Number e.g. #27566 or N/A	IF DRILLED			If yes, provide the Permit, Certificate, or Transfer No.
					Is the actual drilled location authorized on this permit or on a permit amendment? (See 5.C below)	Maximum instantaneous rate used from this well - under this permit only (GFS or GPM)	Is this well authorized or utilized under additional water rights?	
1	1	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Math 2275		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Unknown	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	- -
2	2	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Math 2276		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Unknown	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	- -
		Yes <input type="checkbox"/> No <input type="checkbox"/>			Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>	- -
		Yes <input type="checkbox"/> No <input type="checkbox"/>			Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>	- -
Total instantaneous rate from all wells utilized under this permit						Unknown		

5-C) If the drilled location of a well is not authorized on this permit, please specify its location below, or provide a map showing its location. Has or will a permit amendment application been/be filed? Yes No

S/S

4. Cost of project to date: _____
(The total combined cost from CHART-C and CHART-D)

[OAR 690-315-0020(3)(e)(B)]

5. Provide evidence of the maximum rate (or duty, if applicable) of water diverted for beneficial use under this permit and/or prior extensions of time (if any) made to date.



TIP: Report the rate used to date. Unless full beneficial use has been made, this rate will be less than the rate authorized on the permit.

5-A) For Surface Water Permit Extensions (e.g. S-XXXX or R-XXXX):



TIP: Report the rate in the same units of measurement as specified in the permit.

Maximum rate used to date = 0 cfs (cubic feet per second) or,

Maximum rate used to date = 0 gpm (gallons per minute) or,

Acre-feet stored to date = 0 AF

5-B) For Ground Water Permit Extensions (e.g. G-XXXX):



TIP: Include information from ALL wells that pertain to this permit, including drilled wells not currently used.

CHART-E

Well # as identified on Permit	Water User's Well #	Has this well been drilled?	IF DRILLED					
			Well Log Number e.g. MORR 50473	Well Tag Number e.g. #27566 or: N/A	Is the actual drilled location authorized on this permit or on a permit amendment? (See 6-C below)	Maximum instantaneous rate used from this well under this permit only (CFS or GPM)	Is this well authorized or utilized under additional water rights?	If yes, provide the Permit, Certificate or Transfer No.
1	1	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Malh 2275		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Unknown	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	- -
2	2	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Malh 2276		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Unknown	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	- -
		Yes <input type="checkbox"/> No <input type="checkbox"/>			Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>	- -
		Yes <input type="checkbox"/> No <input type="checkbox"/>			Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>	- -
Total instantaneous rate from all wells utilized under this permit						Unknown		

5-C) If the drilled location of a well is not authorized on this permit, please specify its location below, or provide a map showing its location. Has or will a permit amendment application been/be filed? Yes No

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WATER RESOURCES DEPT
SALEM, OREGON

If a Permit Amendment Application has been filed: Transfer No. T-_____

Well #1: Actual location: Location on Well Log is different from Permit

Well #2: Actual location: Location on Well Log is different from Permit

[OAR 690-315-0020(3)(e)(C)]

6. Provide the total number of acres irrigated to date under this permit (if applicable).

Total acres irrigated to date: NA

Ground Water Permits: Please specify which wells are being utilized for this irrigation.

Well #NA AcresNA Well #NA AcresNA

Well #NA AcresNA Well #NA AcresNA

[OAR 690-315-0020(3)(j)]

7. Provide a summary of your future plans and schedule to complete the construction of the water system, and/or apply water to full beneficial use under the terms and conditions of the permit.

CHART-F

APPROXIMATE DATE RANGE (projected)	WORK OR ACTION TO BE ACCOMPLISHED (projected)	ESTIMATED COST (projected)
7/1/2011	Exploratory Drilling & Dust suppression	\$50,000.00
7/1/2015	Begin Milling Operations	\$100,000.00
Year: 2018	Date intend to apply water to full beneficial use under the terms and conditions of this permit.	
Total Cost		\$150,000.00

[OAR 690-315-0020(3)(g)]

8. Estimated remaining cost to complete the project: \$150,000.00
(The total cost from CHART-F)

[OAR 690-315-0020(3)(h)]

9. List the reasons why the project was not constructed, and/or water was not beneficially used within permit time limits. Provide supporting information for the reason(s) that best fits your circumstances (A, B, C or D).

9-A) The project is of a size and scope that was originally planned to be phased in over a time frame longer than the one allowed in the permit.

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SALEM, OREGON

The previous owner performed a minimum amount of explorations due to the price of gold back in the 90's. Since then the price of gold has made further explorations and mining operations feasible.

9-B) **The financial resources needed to develop the project precluded completion of the project within authorized time frames.**

NA

9-C) **Good faith attempts to comply with permit conditions and/or acquire permits from other agencies, or otherwise comply with government regulations, delayed completion of the project.**

NA

9-D) **Acts of God or other unforeseen events delayed full development of the water system and use of water within the authorized time frames.**

NA

10. **Justify the time requested to complete the project and/or apply the water to full beneficial use.** [OAR 690-315-0020(3)(k)] Your justification should combine information from your answers from Questions 2-B, 7, 8, and 9 of this Application for Extension of Time, and should also include any other information or evidence to establish that the requested amount of time is sufficient and that you will be able to complete the project within the amount of time requested.

Because of the amount of work that is required to fully develop the proposed mining activities a substantial amount of time and resources will be required.

11. **Provide any other information you wish OWRD to consider while evaluating your Extension of Time Application.**

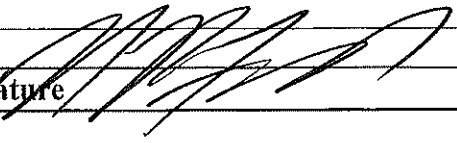
Seabridge Gold Corporation was unaware that the conditions of the permit had not been satisfied prior to purchase.

I am the permit holder, or have authorization from the permit holder, to apply for an extension of time under this permit. I understand that false or misleading statements in this extension application are grounds for OWRD to suspend processing of the request and/or reason to deny the extension.

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SALEM, OREGON

Signature		Date	May 11, 2011
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Instructions for Filling Out Extension of Time Application For Water Right Permits

The following instructions are numbered to correspond with the APPLICATION FOR EXTENSION OF TIME. Each question is shown in italics, followed by guidance that may help you respond to the question. When reviewing these instructions, it will be helpful to have a copy of your water right permit at hand.

If needed, a copy of the water right permit can be downloaded from the Department's Website at <http://www.wrd.state.or.us> (find the link to the Water Rights Information System (WRIS). Or, a copy of the permit (or other documents) may be requested by water right application number from the Water Rights Division at 503-986-0900 (copy fees will apply).

- 1. Did the actual construction of the water system /well drilling begin within the time specified in the permit? [yes/no]*

Date construction began is: _____

Details of construction: _____

The following information will help you answer these questions.

Actual Construction - any physical work performed toward completion of the water system which demonstrates the water right permit holder's good faith and intention to complete the project with reasonable diligence. Actual construction does not include planning a diversion system, formulating a business plan, securing financing, letting contracts, purchasing but not installing equipment, or surveying. OAR 690-315-0020(3)(d)(A)and(B).

Each water right permit contains specific dates by which permit holders are to have completed a certain level of development of the right. Generally, these dates appear toward the end of a permit. Among the dates that may be cited are the following:

- A. **A-date:** Actual construction work shall begin on or before [date certain];
- B. **B-date:** Construction shall be completed on or before [date certain];
- C. **C-date:** Complete application of the water shall be made on or before [date certain]

STATE OF OREGON

COUNTY OF MALHEUR

PERMIT TO APPROPRIATE THE PUBLIC WATERS

THIS PERMIT IS HEREBY ISSUED TO

ATLAS PRECIOUS METALS, INC.
743 HORIZON COURT, SUITE 202
GRAND JUNCTION, COLORADO 81506

303-243-5800

to use the waters of TWO WELLS, SUPPLEMENTED BY WATERS FROM AN OPEN PIT MINE, in the MALHEUR RIVER BASIN for MINING/INDUSTRIAL USES.

This Permit is issued approving Application G-11847. The date of priority is AUGUST 29, 1988 for the two wells and NOVEMBER 15, 1988 for the open pit mine. The use is limited to not more than 2.0 CUBIC FEET PER SECOND, or its equivalent in case of rotation, measured at the well.

The wells and open pit mine are located as follows:

LOT 3 AND SE 1/4 NW 1/4, SECTION 5, T 22 S, R 44 E, W.M.; NW 1/4 SE 1/4, SECTION 8, T 22 S, R 44 E, W.M.; WELL 1 - 691 FEET SOUTH AND 994 FEET EAST; WELL 2 - 1798 FEET SOUTH AND 1083 FEET EAST, BOTH FROM S 1/4 CORNER, SECTION 32, T 21 S, R 44 E, W.M.; OPEN PIT MINE - 2262 FEET NORTH AND 37 FEET EAST FROM S 1/4 CORNER, SECTION 8, T 22 S, R 44 E.

Although declared herein to be a supplemental supply from the open pit mine, in the interest of prudent use of waters, use from the open pit mine may be exercised at times when water is available at the two wells, provided the total quantity diverted from all sources does not exceed the limitation allowed herein.

This permit is issued subject to the maintenance and use of adequate treatment facilities to remove the sediment before returning the water to the stream.

The use shall conform to such reasonable rotation system as may be ordered by the proper state officer.

A description of the proposed place of use under the permit is as follows:

SECTIONS 12, 13 AND 14

SECTIONS 22, 23, 24, 25, 26, 27, AND 28

E 1/2 E 1/2
SECTION 31

SECTIONS 32, 33, 34, 35 AND 36
TOWNSHIP 21 SOUTH, RANGE 44 EAST, W.M.

SECTIONS 7, 18 AND 19

W 1/2 W 1/2
SECTION 30
TOWNSHIP 21 SOUTH, RANGE 45 EAST, W.M.

E 1/2
SECTIONS 1
TOWNSHIP 22 SOUTH, RANGE 44 EAST, W.M.

E 1/2
SECTIONS 12 AND 13

SECTION 24

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WATER RESOURCES DEPT
SALEM, OREGON

N 1/2
SECTION 25
TOWNSHIP 22 SOUTH, RANGE 43 EAST, W.M.

W 1/2
SECTION 2

SECTIONS 3, 4, 5, 6, 7, 8, 9 AND 10

W 3/4
SECTION 15

SECTIONS 16, 17, 18 AND 19

N 3/4
SECTIONS 20 AND 21

N 1/2
SECTION 30
TOWNSHIP 22 SOUTH, RANGE 44 EAST, W.M.

#1

The well shall be constructed in accordance with the General Standards for the Construction and Maintenance of Water Wells in Oregon. The works shall be equipped with a usable access port, and may also include an air line and pressure gauge adequate to determine water level elevations in the well at all times. When required by the department, the permittee shall install and maintain a weir, meter, or other suitable measuring device, and shall keep a complete record of the amount of ground water withdrawn.

#2

Prior to receiving a certificate of water right, the permit holder shall submit the results of a pump test meeting the department's standards, to the Water Resources Department. The Director may require water level or pump test results every ten years thereafter.

Actual construction work shall begin on or before APRIL 5, 1991, and shall be completed on or before October 1, 1992. Complete application of the water shall be made on or before October 1, 1993.

B+C ext to 10-1-96
Failure to comply with any of the provisions of this permit may result in action including, but not limited to, restrictions on the use, civil penalties, or cancellation of the permit.

This permit is for beneficial use of water without waste. The water user is advised that new regulations may require use of best practical technologies or conservation practices to achieve this end.

By law, the land use associated with this water use must be in compliance with statewide land-use goals and any local acknowledged land-use plan.

The use of water shall be limited when it interferes with any prior surface or ground water rights.

Issued this date, APRIL 5, 1990.

7/s/ WILLIAM H. YOUNG

Water Resources Department
William H. Young
Director

"B" Extended to October 1, 1993

B+C Ext. 10-1-94, 10-1-95

ext. BC 97

C 08

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Application G-11847 Water Resources Department PERMIT G-10994
Basin 10 Volume 2A Negro Rock Canyon & Tribs. Wells District 9
G-11847-WJO