Permit No. 80589

THE STATE OF NEVADA

PERMIT TO APPROPRIATE WATER

Name of Permittee:	**KINSLEY RESOURCES, INC**
Source:	**UNDERGROUND**
Basin:	**ANTELOPE VALLEY (WHITE PINE & ELKO) NORTHERN PART**
Manner of Use:	**MINING AND MILLING**
Period of Use:	**JANUARY 1ST THROUGH DECEMBER 31ST**
Priority Date:	**02/17/2011**

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APPROVAL OF STATE ENGINEER

This is to certify that I have examined the foregoing application, and do hereby grant the same, subject to the following limitations and conditions:

This permit is issued subject to existing rights. It is understood that the amount of water herein granted is only a temporary allowance and that the final water right obtained under this permit will be dependent upon the amount of water actually placed to beneficial use. It is also understood that this right must allow for a reasonable lowering of the static water level. This well shall be equipped with a two (2) inch opening for measuring depth to water. If the well is flowing, a valve must be installed and maintained to prevent waste. A totalizing meter must be installed and maintained in the discharge pipeline near the point of diversion and accurate measurements must be kept of water placed to beneficial use. The totalizing meter must be installed before any use of water begins, or before the Proof of Completion of Work is filed. The State retains the right to regulate the use of the water herein granted at any and all times.

The Permittee shall keep monthly records of the amount of water pumped from this well and the records must be submitted to the State Engineer on an annual basis within 30 days after the end of each calendar year:

A. The total volume of water pumped from this well in acre-feet.

B. The maximum flow rate from this well in cubic feet per second.

C. The volume of water consumptively used for milling and mining in acre-feet.

D. The amount of water diverted for other uses, if any, in acre-feet.

E. The amount of water lost through evaporation or other system loses project wide.

This permit does not extend the permittee the right of ingress and egress on public, private or corporate lands.

The manner of use of water under this permit is by nature of its activity a temporary use and any application to change the manner of use granted under this permit will be subject to additional determination and evaluation with respect to the permanent effects on existing rights and the resource within the groundwater basin. Water under this permit, upon conclusion of the project, shall revert back to the groundwater source.

(Continued on Page 2)

The issuance of this permit does not waive the requirements that the permit holder obtain other permits from State, Federal and local agencies.

If any water under this permit is cancelled or not put to beneficial use, it will revert to the groundwater source.

The point of diversion and place of use are as described on the submitted application to support this permit.

The amount of water to be appropriated shall be limited to the amount which can be applied to beneficial use, **and not to exceed 1.0 cubic feet per second or 550.00 acre-feet annually.**

Work must be prosecuted with reasonable diligence and proof of completion of work shall be filed on or before: **May 29 2013**

Water must be placed to beneficial use and proof of the application of water to beneficial use shall be filed on or before: **May 29 2015**

Map in support of proof of beneficial use shall be filed on or before: **N/A**

IN TESTIMONY WHEREOF, I, JASON KING, P.E.,

State Engineer of Nevada, have hereunto set my hand and the seal of my office, this 29th day of **May**, A.D. **2012**

P.E.

State Engineer

Completion of work filed _____

Proof of beneficial use filed _____

Cultural map filed _____

Certificate No. _____ Issued _____

Application No. 80589

APPLICATION FOR PERMIT TO APPROPRIATE THE PUBLIC WATERS OF THE STATE OF NEVADA

THIS SPACE FOR OFFICE USE ONLY

Date of Filing in State Engineer's Office FEB 17 2011

Returned to applicant for correction _____

Corrected Application filed _____ Map filed FEB 17 2011

The applicant KINSLEY RESOURCES, INC.

1745 S. Pebble Beach Drive (Street Address or P.O. Box) of Crescent City (City or Town)

California, 95531 (State and ZIP Code) hereby make(s) application for permission to appropriate the public waters of the State of Nevada, as hereinafter stated. (If applicant is a corporation, give date and place of incorporation; if a copartnership or association, give names of members.)

Incorporated on May 15, 2007 in the state of Nevada - Entity No. E0342692007-5

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1. The source of water is underground source (Antelope Valley 186b)
   Name of the stream, lake, underground, spring or other sources.
2. The amount of water applied for is 1.0 CFS
   One second foot equals 448.83 gallons per minute.
   (a) If stored in a reservoir give the number of acre-feet _____
3. The water is to be used for mining, milling and domestic purposes.
   Irrigation, power, mining, commercial, domestic or other use. Must be limited to one major use.
4. If use is for:
   (a) Irrigation, state number of acres to be irrigated _____
   (b) Stockwater, state number and kind of animals _____
   (c) Other use (describe fully in No. 12) See response in No. 12 below.
   (d) Power:
      (1) Horsepower developed _____
      (2) Point of return of water to stream _____

Revised 07/09

1863-EL

5. The water is to be diverted from its source at the following point: (Describe as being within a 40-acre subdivision of public survey, and by course and distance to a found section corner. If on unsurveyed land, it should be so stated.)

Within the NW¼NW¼ of Section 1, T.26N., R67E., M.D.B. & M., or at a point from which the ~~NE~~ NW corner of said Section 1, bears N 43° 42' W, a distance of 585 feet.

WHR PER TELECON 2/22/11

6. Place of use: (Describe by legal subdivision. If on unsurveyed land, it should be so stated)

See attached.

7. Use will begin about January 1st (Month and Day) and end about December 31st (Month and Day) of each year.

8. Description of proposed works. (Under the provisions of NRS 535.010 you may be required to submit plans and specifications of your diversion or storage works.) (State manner in which water is to be diverted, i.e. diversion structure, ditches and flumes, drilled well with a pump and motor, etc.)

Drilled well with pump, motor and pipeline.

9. Estimated cost of works: $100,000

10. Estimated time required to construct works: Three (3) years

(If the well is complete, describe works.)

11. Estimated time required to complete the application of water to beneficial use: Five (5) years

12. Provide a detailed description of the proposed project and its water usage (use attachments if necessary): (Failure to provide a detailed description may cause a delay in processing.)

Water is to be used for heap leaching, materials processing, dust suppression and control, with nominal domestic use, in support of Applicant's mining purposes.

13. Miscellaneous remarks:

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STATE ENGINEER'S OFFICE

Robert O. Anderson, P.E., CFM, WRS
Type or print name clearly

Robert O. Anderson
Signature, applicant or agent

R.O. ANDERSON ENGINEERING, INC.
Company Name

P.O. Box 2229
Street Address or PO Box

Minden, NV 89423
City, State, ZIP Code

randerson@ROAnderson.com
E-mail Address

775.782.2322
Phone No. Ext.

APPLICATION MUST BE SIGNED BY THE APPLICANT OR AGENT

Revised 07/09 $300 FILING FEE AND SUPPORTING MAP MUST ACCOMPANY APPLICATION

80589

Question No. 6 – Proposed Place of Use:

All of Sections 13, 14, 23, 24, 25, 26 and 36, T. 27 N., R. 67 E., M.D.B. & M.; all those portions of Sections 18, 19, 30 and 31, T. 27N., R. 68 E., M.D.B. & M. lying within Antelope Valley (Northern) Hydrographic Basin and; those portions of Section 6 and Section 7, T. 26 N., R. 68 E., M.D.B. & M. lying within Antelope Valley (Northern) Hydrographic Basin; and, all of Section 1, together with those portions of Sections 12 and 13, of T. 26 N., R. 67 E., M.D.B. & M. lying within Antelope Valley (Northern) Hydrographic Basin.

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