

THE STATE OF NEVADA

CERTIFICATE OF APPROPRIATION OF WATER

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WHEREAS, William J. Reich, Agent has presented to the State Engineer of the State of Nevada Proof of Application of Water to Beneficial Use, from an underground source through a drilled well, pump, and distribution system for mining, milling and domestic purposes. The point of diversion of water from the source is as follows:

NE¼ SE¼ Section 12, T.43N., R.68E., M.D.B.&M., or at a point from which the SW corner of said Section 12 bears S. 62°58' W., a distance of 5,595.0 feet situated in Elko County, State of Nevada.

NOW KNOW YE, That the State Engineer, under the provisions of NRS 533.425, has determined the date, source, purpose, amount of appropriation, and the place where such water is appurtenant, as follows:

Name of appropriator: Challenger Gold, Inc.
Source: Underground
Manner of Use: Mining, Milling and Domestic
Amount of appropriation: 0.0891 c.f.s., but not to exceed 0.33 million gallons annually
Period of use: January 1st to December 31st of each year
Date of priority of appropriation: \*April 26, 1994

Description of the works of diversion, manner and place of use:

Water is developed by means of a drilled well, 966 feet deep, 6 5/8 inch casing, via a 7½ H.P. submersible pump, thence through a distribution system to the Indian Springs Project for mining, milling (exploration) and domestic purposes located within Sections 10 and 11, T.43N., R.68E., M.D.B.&M.

\*The date of priority was established in accordance with NRS 533.395(3) by the Cancellation Rescission Hearing on May 2, 1994.

This certificate is issued subject to the terms of the permit.

The right to water hereby determined is limited to the amount which can be beneficially used, not to exceed the amount above specified, and the use is restricted to the place and for the purpose as set forth herein.

IN TESTIMONY WHEREOF, I, R. MICHAEL TURNIPSEED, State Engineer of Nevada, have hereunto set my hand and the seal of my office, this 13th day of April, A.D. 1998.

[Handwritten signature of R. Michael Turnipseed, P.E.]
State Engineer