

IN THE OFFICE OF THE STATE ENGINEER OF THE STATE OF NEVADA

IN THE MATTER OF APPLICATION NUMBER, 77553  
FILED BY: KOBEH VALLEY RANCH LLC (C/O GENERAL MOLY, INC.)  
ON NOVEMBER 3, 2008, TO APPROPRIATE THE  
WATERS OF UNDERGROUND (EUREKA COUNTY)

FILED  
MAY 01 2009  
STATE ENGINEER'S OFFICE

PROTEST

RECEIVED  
2009 MAY - 1 PM 3:33  
STATE ENGINEER'S OFFICE

Comes now EUREKA COUNTY  
Printed or typed name of protestant

whose post office address is P.O. BOX 677, EUREKA, NEVADA 89316  
Street No. Or P.O. Box, City, State and Zip Code.

whose occupation is POLITICAL SUBDIVISION and protests the granting  
of Application Number 77553 filed on NOVEMBER 3, 2008

by KOBEH VALLEY RANCH LLC (c/o General Moly, Inc.) to appropriate the  
waters of UNDERGROUND situated in EUREKA  
Underground or name of stream, lake, spring or other source

County, State of Nevada, for the following reasons and on the following grounds, to wit:

SEE EXHIBIT "A" ATTACHED

THEREFORE the Protestant requests that the application be DENIED  
Denied, issued subject to prior rights, etc., as the case may be

and that an order be entered for such relief as the State Engineer deems just and proper.

Signed [Signature]  
Agent or protestant

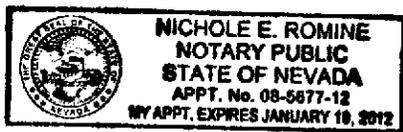
J.P. "JIM" ITHURRALDE, CHAIRMAN, CO. COMMISSIONERS  
Printed or typed name, if agent

Address P.O. Box 677  
Street No. or P.O. Box No.

EUREKA, NEVADA 89316  
City, State and Zip Code No.

Subscribed and sworn to before me this 30 day of March 2009

[Signature]  
Notary Public



State of NEVADA

County of EUREKA

**\$25 FILING FEE MUST ACCOMPANY PROTEST. PROTEST MUST BE FILED IN DUPLICATE.  
ALL COPIES MUST CONTAIN ORIGINAL SIGNATURE.**

*[Handwritten initials]*

## Exhibit "A"

### Eureka County Protest to Kobeh Valley Ranch LLC Application No. 77553

1. This change application was filed to change the point of diversion of change application 75997 previously filed by this applicant for use by General Moly, Inc. for a mining project. Eureka County protested the previous change application. Eureka County refers to and incorporates by reference its protest and the evidence on file with the State Engineer's office submitted for the protest hearing held October 13-October 17, 2008 with regard to change application 75997. The State Engineer approved Application 75997 in Ruling 5966 issued March 26, 2009. Eureka County filed a petition for judicial review challenging Ruling 5966 issued by the State Engineer which is currently pending in the Seventh Judicial District Court. The previous grant of change application 75997 may not be upheld if the State Engineer's Ruling is vacated by the Court.
2. General Moly's model, which the State Engineer determined in Ruling 5966 was "suitable for estimating impacts at this time" is not technically adequate as publically admitted by the Applicant the same day the Ruling was issued. In a press release dated March 26, 2009, General Moly acknowledged that its technical hydrologic studies were not adequate. The press release states in pertinent part: "Following recent discussions with the Bureau of Land Management (BLM) related to the Company's hydrologic studies of both pit lake geochemistry and regional hydrology, the Company determined that additional analysis and data acquisition will be conducted to improve the technical adequacy of the studies. Although this further work does not indicate a concern related to ultimate permit receipt, the Company now expects to receive its Record of Decision (ROD) approximately mid-year 2010." Thus, the model previously relied upon by the State Engineer to grant change application 75997 is not adequate and cannot be used as a basis to approve pending Application 77553. As the State Engineer has acknowledged in other proceedings pending before him, it is preferable to have consistent models and an important consideration is preparation of a completed, thoroughly reviewed model for the State Engineer's use in his proceeding.
3. The proposed point of diversion for application 77553 is located in the Kobeh Valley Hydrographic Basin approximately 1,500 feet west of the basin boundary that separates Kobeh Valley from Diamond Valley. The application requests a diversion rate of approximately 1,000 gallons per minute and an annual duty of approximately 571 acre-feet per year.

The hydrogeologic investigations and the groundwater model prepared by the applicant's consultants in support of the mine's groundwater rights applications concluded that the geologic materials comprising the mountains that separate the two basins are characterized as relatively impermeable and that the groundwater flow from Kobeh to Diamond Valley through the mountains is trivial. Comparison of the proposed point of diversion to the information provided in *Hydrogeology and Numerical Modeling of the Mount Hope Area, Including Kobeh, Diamond and Pine Valleys, Eureka County, Nevada*. Prepared for General Moly, Inc. (Interflow Hydrology, Cordilleran Hydrology, Inc. and Environmental Simulations, Inc., June 2008) (Exhibit 116) shows the proposed well site is located in the mountains in an area where the model incorporated low values for hydraulic conductivity.

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Because a well yield of 1,000 gpm is possible only if the geologic materials exhibit relatively high transmissivity (and, by extension, moderate to high hydraulic conductivity), one can only conclude that the model does not accurately portray the current interpretation of the conditions in the aquifer at this locale.

A cursory review of the USGS topographic quadrangle for the well site and vicinity leads to speculation why this particular point of diversion was selected. Several parallel northwest-southeast trending linear features are easily discerned from the topographic map and the proposed point of diversion appears to be aligned with these features (represented as heavy dashed lines on the attached map). These features appear to extend through the mountain range into Diamond Valley to the general location of Stinking Springs and it is possible that the springs owe their presence to these features. The suggestion is that the mine's consultants now believe that significant secondary permeability exists in the rocks at this locale; otherwise there would be little reason to propose construction of a well. If so, there now appears to be justification for groundwater flow from Kobeh Valley to Diamond Valley in this area. A well located along this trend appears to be ideally located to intercept this flow.

If the proposed point of diversion is based on new data that support moderate to high values for hydraulic conductivity in the mountains, as opposed to low hydraulic conductivity represented in the model, the model should be revised to reflect this change and the model run to assess the impact of groundwater extractions so close to Diamond Valley.

4. Kobeh Valley is a designated basin. The perennial yield of the basin is approximately 16,000 acre-feet per year, which assumes that the natural groundwater discharge (phreatophyte evapotranspiration) from the basin can be captured over the long term per a study prepared for General Moly. In Kobeh Valley, most naturally recharged groundwater is discharged by phreatophytic vegetation on the valley floor, with a reconnaissance-level evapotranspiration estimate by the USGS of 15,000 acre-feet per year. The proposed use will not be capturing phreatophytic discharge. The valley floor phreatophytic vegetation will continue to occur notwithstanding the mine's pumping. The groundwater discharged in the Kobeh Valley hydrographic basin by phreatophytic vegetation and applicant's pumping will total approximately 26,300 acre-feet per year. In addition, General Moly's model simulates 1,900 acre-feet per year inflow from Kobeh Valley to Diamond Valley. These total amounts are in excess of the perennial yield of the basin and result in an overdraft situation for the basin. Granting the change application will cause the basin to be over pumped to the detriment of the basin and prior existing water rights holders.
5. Existing USGS reports suggest that Kobeh Valley may provide underground flow to Diamond Valley. The applicant's groundwater model simulates such an underflow also. Sustained over pumping in Kobeh Valley is likely to reduce that amount and affect prior existing municipal water rights held by Eureka County and Devils Gate GID that supply the majority of the population in Diamond Valley. The Diamond Valley Regional Flow System is being studied at the present time by the USGS. The grant of any further

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applications for the mine's project should be not be considered until the USGS study is complete and the additional analysis and data acquisition that will be conducted as described in Paragraph 2 above by the applicant to improve the technical adequacy of the applicant's studies is complete.

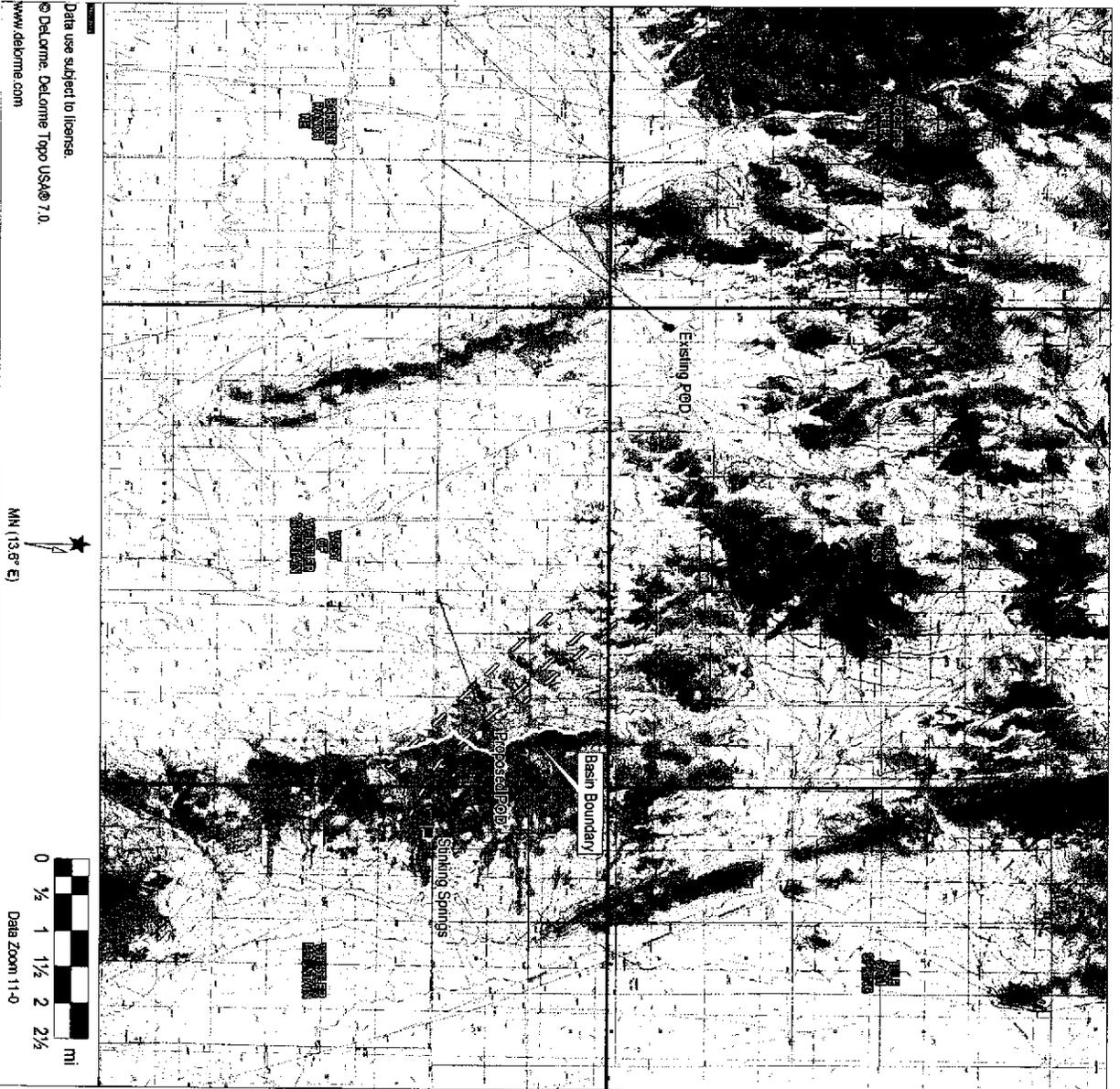
6. Sustained over-pumping in Kobeh Valley is likely to impact irrigation and stockwatering water right holders, impact domestic well owners and surface water flows in Kobeh Valley. Sustained over-pumping in Kobeh Valley may impact irrigation and stockwatering water rights, domestic well owners and surface water rights in Diamond Valley and Pine Valley. The owners of these rights contribute to the long-term economic viability of the greater Eureka community; therefore, unless adequately mitigated, such impacts may prove detrimental to the health and welfare of Eureka County.
7. Hydrologic properties of the proposed point of diversion are not known. The mine is currently determining and analyzing the proposed points of diversions for all of its wells and whether the pumping will be from the alluvial aquifer or the carbonate aquifer. Therefore, impacts associated with sustained pumping of substantial water rights at the proposed point of diversion listed in this application and for the applicant's points of diversions for its overall groundwater pumping for its project are not known. General Moly's outdated model report relied upon by the State Engineer in issuing his Ruling 5966 acknowledges that on a regional scale there will be impacts to existing surface water and underground water rights from its then proposed plan of pumping. General Moly's most recent Form 8-K filed with the Securities and Exchange Commission (Date of Earliest Event Reported: March 26, 2009) states in part on page 16 with regard to the Mt. Hope Permitting Requirements under the section entitled *Plan of Operations Approval –Bureau of Land Management*: "Other significant potential impacts include effects of groundwater pumping on existing water rights and/or surface water flows. . .". This Form 8-K was filed after the evidence was submitted for and the protest hearing held on October 13-October 17, 2008 and should be considered by the State Engineer in determining whether to grant change application 77553.

The pit dewatering requires pumping of additional water from Diamond Valley, currently over appropriated and over pumped. Propagation of the cone of depression from the proposed point of diversion must be adequately determined prior to granting the application. The applicant acknowledges that Eureka County should be involved in the review of all hydrologic data offered in support of its project. General Moly has acknowledged that Eureka County should be involved in this additional study and modeling and the development of an effective monitoring and mitigation plan.

8. The proposed point of diversion for this application lies in Basin 139, while the proposed place of use may ultimately include portions of Basin 153 (Diamond Valley) and Basin 53 (Pine Valley); therefore the application may call for a transfer of ground water out of the source basin for use in another basin. Compliance with the requirements of NRS 533.370(6) must be met.

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9. The works necessary to achieve beneficial use of the subject water rights are substantial and costly. While the instant application is for only a portion of the water rights needed for the Mt. Hope Mine Project, General Moly requires 11,300 afa of water rights to operate its Mt. Hope Mine Project. The State Engineer found in Ruling 5966 that the applicant provided proof satisfactory to the State Engineer that there is a reasonable expectation of the financial ability to construct the work and apply the water to the intended beneficial use with reasonable diligence and of its good faith intention to construct any work necessary to apply the water to the intended beneficial use, to actually construct the work and apply the water to the intended beneficial use with reasonable diligence. Since the hearing evidence was presented, the Applicant has issued numerous press releases regarding the project and its financial situation. On March 26, 2009, General Moly announced further cash conservation efforts to preserve its current cash balance. In a newspaper article dated November 7, 2008, General Moly's chief executive officer indicated that the project might be put on hold in early 2009. At the close of the stock market trading on May 1, 2009, General Moly's stock price was \$1.52 a share, down from a 52 week high of \$9.69 per share. The 52 week low for General Moly shares was \$0.64 per share. General Moly's most recent Form 8-K filed with the Securities and Exchange Commission (Date of Earliest Event Reported: March 26, 2009) indicates interim financing is not in place. In addition, there is no reasonable probability that the financing necessary for the project (estimated costs of over \$1 billion) is available to General Moly to go forward with the project or is forthcoming. The applicant has not shown the State Engineer proof satisfactory of its financial ability and reasonable expectation actually to construct the work and apply the water to the intended beneficial use with reasonable diligence.
10. The manner of use of water under the subject application is by nature of its activity a temporary use. Because it is a temporary use, any permit granted should be subject to a restriction that at the end of the mining use, the water will revert back to the source. As of June 16, 2008, General Moly's consultant's report indicated that a majority of the water sought to be pumped would come from groundwater storage. The State Engineer has previously recognized that water sought to be appropriated from groundwater storage is not a permanent water right.
11. The subject change application seeks to change a previously filed change application that changed the manner of use from irrigation at a consumptive use duty of 2.3 acre feet/acre. Permit 75997 has not been issued as of the date of filing of this protest. The limitation of the consumptive use duty of 2.3 acre-feet/acre should be maintained if Application 77553 is granted.
12. Should this protest result in a hearing before the State Engineer, Eureka County requests that any such hearing be held in Eureka to facilitate access by protestant.



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