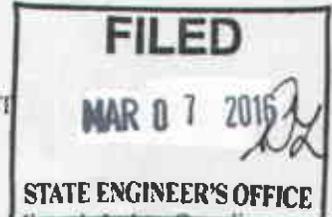


IN THE OFFICE OF THE STATE ENGINEER OF THE STATE OF NEVADA

IN THE MATTER OF APPLICATION NUMBER 85746
FILED BY Rockwood Lithium Inc.
ON December 18, 2015



PROTEST



Comes now Emeraldal Minerals, LLC, a Nevada limited liability company, and Pure Energy Minerals Ltd., a Canadian company

Printed or typed name of protestant

whose post office address is 602 Park Point Dr., Ste. 110, Golden CO 80401, and 355 Burrard St., Ste. 1780, Vancouver BC, Can. V6C2G8

Street No. or PO Box, City, State and ZIP Code

whose occupation is mineral exploration, processing and development and protests the granting

of Application Number 85746, filed on December 18, 2015

by Rockwood Lithium Inc. for the

waters of an underground source situated in hydrographic basin 143, Esmeralda

an underground source 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 attachment "A" hereto for specific information, but generally stated the application fails to satisfy NRS 533.370 in that it interferes with existing mining rights and claims of the Protestants, interferes with existing water right applications that Esmeralda Minerals filed to facilitate operations on Protestants' own mining claims that are adjacent to claims operated by the Applicant, threatens to prove detrimental to the public interest by virtue of its manner of use and places of use, and threatens to prove detrimental to the public interest in that the basis for the application is vague and illusory in its purpose and intent and the issuance of a "super permit" here would provide no real beneficial purpose for the State and would prejudice the rights of the public and other water rights and property owners, and the proposed place of use identified in the super permit is not coextensive with Applicant's plan of operation boundary map as shown on its filings with the BLM for its mine plans and Environmental Assessment.

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

Alex J. Flangas
Agent or protestant

Alex J. Flangas, Holland & Hart LLP

Printed or typed name, if agent

Address

5441 Kietzke Lane, 2nd floor

Street No. or PO Box

State of Nevada

Reno, Nevada 89511

City, State and ZIP Code

County of Washoe

775-327-3000

Phone Number

Subscribed and sworn to before me on March 7, 2016

by Alex J. Flangas

aflangas@hollandhart.com

E-mail

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Cynthia L. Kelb
Signature of Notary Public Required



Notary Stamp or Seal Required

+ \$30 FILING FEE MUST ACCOMPANY PROTEST. PROTEST MUST BE FILED IN DUPLICATE.
ALL COPIES MUST CONTAIN ORIGINAL SIGNATURE.

ATTACHMENT "A"

To the Protest of Esmeralda Minerals LLC and Pure Energy Minerals Ltd. to Application No. 85746 of Rockwood Lithium Inc. filed December 18, 2015.

The Protestants, Esmeralda Minerals LLC (hereinafter "EM") and Pure Energy Minerals Ltd. (hereinafter "Pure Energy"), collectively "Protestants," raise several issues to the application of Rockwood Lithium Inc. (hereinafter "Rockwood"), outlined and discussed below. EM is a wholly owned subsidiary company of Pure Energy.

Discussion of grounds and basis for protest:

1. Background of Protestants' interests and plans for operations in the area: Operations:

Protestants' hold certain options to acquire placer mining claims for the locatable mineral lithium in the area immediately adjacent to the area being mined by Rockwood. The Protestants have themselves paid thousands of dollars in option fees over the last few years to acquire and maintain those options, and the mining claims themselves have been maintained in good standing with the BLM and the State of Nevada.

Consistent with the options held by Protestants, the Protestants have applied for and acquired permits to drill certain exploratory wells to identify the lithium deposits that exist on the placer mining claims for which they hold option rights, and have identified significant sources of lithium present in the areas of their mining claims. Attached hereto as **Exhibit "1"** is a map showing the location of Protestant's lithium claim areas that are under option. In addition, Exhibit 1 also shows the area where Rockwood Lithium hold mining claims for lithium, and also shows where Rockwood proposed application 85746 proposed to *expand* its place of use to include areas of land further onto the mining claims owned by Protestants.

2. Basis for Protest:

(a) Rockwood's application interferes with existing mining rights of the Protestants.

The first argument against application 85746 is that it interferes with existing mining rights of the Protestants, and the prospective water rights of Protestants in connection with the applications just filed by Protestants to acquire water to facilitate the mining of their lithium deposits located on the claims under their control. As demonstrated in the map attached as **Exhibit "1,"** the proposed "place of use" that Rockwood has identified in its new map expands the place of use to an area further onto the placer mining claims that are currently under the control of Protestants, and by the terms of the "super permit" would suggest a right to sink a well anywhere within the place of use identified in Rockwood's application. Clearly, the expansion of that place of use to include the lithium placer mining claims of the Protestants here would directly interfere with the rights of the Protestants to access the lithium that exists on their own mining claims if Rockwood were allowed to drill wells either on the mining claims already

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controlled by Protestants, or even if Rockwood were to simply drill in a closer proximity to the mining claim boundary than the *existing* wells already in existence that Rockwood uses for accessing the lithium brine in those areas.

Under the current permitting process, all wells in that area currently utilized by Rockwood are identified and known to the parties (both Rockwood and the Protestants), and if Rockwood wanted to make an application to change its points of diversion or place of use it would have to file a specific application if it should propose to move a well anywhere beyond a 300 foot radius of the existing site of the well (per current State Division of Water Resources guidelines and permitting Statutes and regulations). Protestants would be protected in such event in that they would be notified of such an application and would have the right to review the application, consider the effect of any such well on their own mining operation and facilities, and determine the effects that would ensue from the proposed move of this point of diversion. Thereafter, if warranted, the Protestants could file the necessary protests to the State Engineer to protest that proposed application.

Here, because Rockwood has proposed a "super permit," the transparency and notice of where Rockwood might place any new wells is completely eliminated. If the State chooses to grant the "super permit" as requested by Rockwood, then Rockwood would no longer have to make separate application for changes in locations of wells, but rather could locate new wells "anywhere" in the new place of use – and thus could potentially place a well in a location that has a material adverse effect on the Protestants' mining operation and water use before Protestants would have any opportunity to notify the State and ascertain the full impact of the effect of that well on the mining claims and interests held by the Protestants.

The overlap shown on **Exhibit "1"** demonstrates that the area of influence that any pumping Rockwood may have should it locate wells closer to the boundary of the mining claims controlled by these Protestants would immediately impact the mining claims and rights of the Protestants, to the detriment of the Protestants. Since the "super permit" would allow Rockwood to eliminate the requirement to report such activity to the State at the time it was locating such wells until after the wells were already in place and being pumped, the granting of the permit would remove the only protection that these Protestants have to compel a review of Rockwood's activities in the area.

(b) Rockwood's application interferes with existing water rights of Protestants.

As of the date of filing this protest, Esmeralda Minerals, LLC, one of the Protestants, has filed applications for the appropriation of water rights in basin 143 to allow for the appropriation of sufficient water to facilitate the extraction of lithium from the placer mining claims it and Pure Energy Minerals Ltd. control under the options they hold that are adjacent to the claims owned and operated by Rockwood. Notably, the process of extraction of lithium from the geothermal brine utilized by these Protestants is much more environmentally sound and consumes significantly less water than does the process that has historically been used by Rockwood Lithium for its processing of lithium from these same types of source materials. The applications filed by protestants are intended to allow the pumping of water, but to facilitate the re-capture of

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the majority of that water resulting in the *consumption* of a relatively small amount of water from the basin.

These water right applications are helpful to facilitate the mining operation for the efficient extraction of the lithium from the brine that underlies the physical location of the placer claims currently under options held by the Protestants. The super permit filed by Rockwood would directly interfere with those applications in that the place of use in the Rockwood applications would overlap with the place of use identified in the applications filed by Esmeralda Minerals, and would create a conflict in the extraction of the lithium brine in those areas because it would be difficult for Esmeralda to be allowed to locate a well without knowing where Rockwood's wells were to be located on its property or in connection with Rockwood's "place of use," since the terms of the super permit do not require Rockwood to identify the locations of its wells and instead consider the general location of Rockwood's "place of use" to be an acceptable location for wells – should Rockwood decide to locate wells in any location within those places of use. This works a substantial prejudice to Esmeralda Minerals, because Esmeralda is not able to physically locate a well on its applications without knowing whether it will suffer interference with its well because Rockwood is not obligated to identify the location of its wells under the super permit.

In addition, the overlap of place of use is detrimental in that it purports to allow Rockwood to "use" the property of Protestants, when in fact there is no legal right for Rockwood to physically make use of the property of Protestants property under any legal theory. Rockwood does not have easements or mining claims, nor does Rockwood have patented title to the land upon which it seeks to *expand its place of use*. Nonetheless, the application for the super permit portends to expand the place of use to a boundary even farther onto the mining claims for which only the Protestants hold the options (*see Exhibit "1"*).

(c) There is no need or purpose for the "super permit," and thus the granting of the super permit would threaten to prove detrimental to the public interest.

A review of the circumstances in which the State Engineer has previously issued "super permits" appears to reveal that, in every other instance, the super permit was utilized to facilitate the dewatering of areas subject to a mine plan where a mining company held almost all of the mining rights in the area, and no other water right applicants were in a position to be adversely affected by the operation of the dewatering program changing the regular permitting to a "super permitting" process. The permitting involved nearly double the number of permits at issue in Rockwood's situation, and for each one the applicant was required to submit pumpage data and information, keeping the State well advised of the details of the pumping and the groundwater levels, and monitoring the information on a well-by-well basis. The *purpose* of the implementation of the super permit, it would appear, was to facilitate a more streamlined process to reduce some of the required paperwork and to employ a more simplified, yet *still transparent process*, for demonstrating the dewatering that was occurring in each basin.

A review of the circumstances under which the State has issued "super permits" shows that they have all involved dewatering projects where mining companies were interested in moving groundwater away from the ore body, and in circumstances where there was no direct

adverse impact to other right holder in the immediate vicinity of the water right applications -- certainly no adverse impact to other *mining claim or water right holders*:

Order No(s)	Date Issued	Hydrographic Area (Region No-Basin No)	Project (Owner)	Basin Status (AFA)			Duty of Active MM Permits	Number of Active MM Permits
				Yield	Committed	Difference		
1233	12/20/2013	Big Smoky Valley, Northern Part (10-137B)	Round Mountain and Gold Hill Mine Areas (Kinross / Barrick)	65,000.00	57,619.08	7,380.92	15,469.94	57
1143, 1189, 1198A	4/29/1998, 12/15/2008, 11/18/2009	Steptoe Valley (10-179)	Robinson Mine (KGHM)	70,000.00	118,194.26	-48,194.26	42,394.39	41
1082, 1082A, 1189, 1082B	10/6/1993, 8/23/2007, 6/4/2008, 1/5/2010	Crescent Valley (04-054)	Cortez Hills, Gold Acres, Cortez Pipeline and South Pipeline Mine Areas (Barrick Joint Venture)	16,000.00	18,839.95	-2,839.95	14,828.01	65
1085	1/21/1994	Clovers Area (04-064)	Lone Tree Mine (Newmont) INACTIVE	72,000.00	37,684.00	6,476.76	4,497.56	12
1086	1/21/1994	Pumpnickel Valley (04-065)			6,237.47		1,688.15	13
1087, 1232	12/30/1993, 12/12/2013	Kelley Creek (04-066)			21,601.77		15,739.66	88
1055, 1265	4/1/1992, 10/1/2015	Maggie Creek (04-051)	Gold Quarry Mine (Newmont)	4,000.00	13,539.36	-9,539.36	10,855.63	45
1038, 1132, 1133	3/29/1991, 7/1/1997, 7/1/1997	Boulder Flat (04-061)	Goldstrike (Barrick)	30,000.00	73,133.27	-43,133.27	22,782.17	112
Clayton Valley (10-143)			Rockwood					24

As shown in the table, the sheer number of permits in nearly every other case far exceeds the number of permits at issue in the case of Rockwood's application No. 85746, with the one exception of the permits at Lone Tree Mine; the reason for that number is so low is that a number of those permits have been cancelled and Lone Tree is currently inactive. And, as is evident from the chart, the use of the super permit process was only to facilitate dewatering and management of basins where there was extensive monitoring and reporting for the individual wells involved prior to the issuance of the super permit.

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Here, in direct contrast, Rockwood does not engage in such monitoring and reporting – at least the current permits that are on file do not require such, and thus there is no “savings” to the State or to the applicant in that regard.

More importantly, Rockwood’s application is completely inapposite to the “dewatering” aspect of the super permit process that was used by the applicants in every other situation described above. Here, Rockwood is actually using *mining by virtue of the pumping of the brine itself*, which means that Rockwood is pumping the lithium out of the same resource that Protestants are attempting to reach through their placer mining claims. By making its mining processes even less transparent (by virtue of the use of a “super permit” that would allow Rockwood to eliminate the need to identify the places where it would sink its new wells and where it would choose to pull from the resource), Rockwood could directly interfere in the rights of Protestants to protect their own lithium wells. Under the current permits, Protestants at least have the protection of knowing when Rockwood would make an application to change points of diversion, and could protect themselves and their resource – or at least attempt to do so. Under the veil of a “super permit,” no one will know where Rockwood decides to sink the next well.

Thus, there is no *need* for a super permit under the current circumstances, and no benefit is derived from the use of a super permit under these conditions.

Additionally, the use to which Rockwood has put the water in Basin 143 is barely a “beneficial use.” Rockwood’s current use is the most inefficient of all possible mining methods that could possibly generate the recovery of lithium. Essentially, Rockwood simply pumps lithium-saturated water onto the ground, pours chemicals onto the lithium after it and the groundwater have been extracted, and then allows the water to evaporate. There could not possibly be a more inefficient, wasteful method of “using” water, or a more environmentally-unfriendly manner of use imaginable. And, had Rockwood simply *continued* this use, it might have been difficult to protest.

However, Rockwood has chosen to make a request to *expand* its inefficient, wasteful and environmentally harmful practice – and for that it must ask *permission* of the State Division of Water Resources. Thus, Rockwood opens itself up to this question: does the expanded use “threaten to prove detrimental to the public interest”? The answer, almost certainly, is “yes.”

In light of new technologies available, as demonstrated by the applications of Esmeralda Minerals LLC and described in detail in the materials identified with Pure Energy Minerals Ltd. on its site, there has been a significant improvement in the recovery of lithium at a much-reduced water consumption rate than anything like what Rockwood Lithium is proposing here. The current state of technology allows for recovery of twice as much lithium consuming a fraction of the water that Rockwood currently uses. It would be a travesty to approve an expansion of the waste of water to facilitate an old, out-of-date technology for mining lithium when known technology exists to limit the waste of such a precious resource, the water in the basin.

While it may not be directly possible to simply curtail Rockwood’s use under existing Nevada water law principles, it is possible to deny Rockwood’s new application under NRS 533.370 in that Rockwood’s application “threatens to prove detrimental to the public interest”

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because it is wasteful and limits public oversight of the full extent of Rockwood's wasteful practices even more if a "super permit" were to be granted, allowing Rockwood the right to drill even more wells in even more locations without controls or oversight by the State or other potential users or Protestants in the nearby vicinity, who, under the old permits, would have been allowed to protest changes in points of diversion and changes in places of use.

(d) Application 85746 should be denied because Rockwood's proposed place of use boundary in that Application does *not* coincide with an approved plan of operations boundary for its lithium mining projects.

Previously, the State Engineer has only approved "super permit" applications when the place of use boundary either coincided with or was located within an approved "plan of operation" boundary that had been approved by the BLM for the mining operation. In the present case, a review of the Environmental Assessment for Rockwood's Geothermal Exploration Project dated December 2012, as well as the Final Environmental Assessment for Chemetall Foote Corporation's expansion of the lithium operation for the Silver Peak, NV, Electric Drive Vehicle Battery and Component Manufacturing Initiative, dated September 2010, both reveal that the boundary identified for Rockwood's mining operation is not co-extensive with the proposed 'place of use' that has been identified in its 'super permit' application here; in fact, the proposed place of use for the super permit is somewhat more extensive than the plan of operation boundary.

This is not surprising, given that the proposed place of use extends onto land that is not owned or controlled by Rockwood, as was previously explained in the prior grounds for protest identified in Section (c), above, but it nonetheless creates a problem for Rockwood's application that calls into question whether the State Engineer can properly act on that application at this time. The proposed place of use, if approved, would seemingly give Rockwood the right to pump lithium brine – essentially the right to "mine" for lithium – outside the boundaries of its approved plan of operation, something that is clearly beyond the rights that the State Engineer should grant by virtue of the use of a "super permit" process.

Instead, at the very least, Rockwood should be required to limit its application to the boundary of its approved "plan of operations" for its mine plan so that that "place of use" would be co-extensive with, and not exceed, that boundary. As presently identified and published for consideration, the application is inaccurate and cannot be properly considered before the State Engineer at this time.

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