

STAFF REPORT

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08/23/19

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R. Lee

CONSIDER APPLICATION FOR A PROSPECTING PERMIT FOR PRECIOUS METALS AND MINERALS OTHER THAN OIL, GAS, GEOTHERMAL RESOURCES, OR SAND AND GRAVEL

APPLICANT:

Lincoln Gold US Corp.

AREA, TYPE LAND AND LOCATION:

Approximately 607.52 acres of State fee-owned school land (State Parcel No. 245-004; Assessor's Parcel Number 050-320-018), located within Section 16, T15S, R21E, SBM, within the Cargo Muchachos Mountains, Imperial County, approximately 14 miles northwest of Yuma, Arizona (State parcel) (see Exhibits A and B, attached).

BACKGROUND:

Gold mining began in the Cargo Muchachos Mountains as early as 1780. Mining significantly expanded after the Southern Pacific Railroad's line connected Yuma, Arizona, to the Pacific Coast. As a result, several major gold-producing mines were established between the late 19th and early 20th centuries, such as the Cargo Muchacho, Tumco, Pasadena, and the American Girl mines, located near the State parcel.

The State parcel was first mapped in a federal survey of the township in 1857. Title to the parcel did not pass to the State until March 1965 when the section itself was surveyed. On June 28, 1965, the U.S. Bureau of Land Management certified that the 607.52-acre State parcel was free of any valid preexisting claims. Within Section 16 containing the State parcel, 32.48 acres had been granted by the federal government as patented mining claims prior to 1965, identified as mineral survey 3246 and a portion of mineral survey 4266. Those claims are privately held and not considered part of the State parcel.

No record of a mineral extraction lease for the State parcel exists. However, there are several shafts and adits (horizontal passages) present on the parcel that likely existed before the 1965 conveyance to the State. Under the Commission's Abandoned Mine Program, several of the abandoned mine features have been remediated but additional work remains.

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Lincoln Gold US Corp. (Lincoln Gold) is the American branch of the Lincoln Mining Group, a mining corporation headquartered in Vancouver, British Columbia, Canada. Lincoln Gold currently operates two sites in the United States: The Pine Grove Project in Lyon County, Nevada, and the Oro Cruz Project in Imperial County, California. The State parcel proposed for this permit is located 1 mile east of the Oro Cruz Project. The Oro Cruz Project is an existing open pit and underground mine with exposed gold mineralization. Mining has occurred at this site since the 1890s with at least 210,000 ounces of gold produced. Staff understands that the Oro Cruz Project is currently dormant as production ceased in 1996. Since 2010, the Applicant has obtained 151 federal lode mining claims within the Oro Cruz Project area. The Commission recently authorized a prospecting permit for Lincoln Gold to conduct geologic mapping and rock sampling with handheld tools on a nearby school lands parcel (Permit No. PRC 9551.2) ([Item 83, June 28, 2019](#)). Staff understands that exploration undertaken under Permit No. PRC 9551.2 is associated with the Applicant's larger holdings within the Oro Cruz Project.

For this proposed permit, activities will be limited to fieldwork involving geological mapping and sampling with handheld tools (see Exhibit B of Exhibit C, attached). The proposed permit will authorize prospecting on the State parcel to collect approximately 50 to 100 total rock samples per day, each weighing 2 to 5 pounds, using a 16-inch-long hand pick. Depending on favorable geology and sampling results, up to 200 soil samples may be taken with a shovel that will be approximately 1 foot in depth and 100 feet apart. All access will be on foot, except for a personal pickup truck driven on existing roads. The proposed prospecting activities are not anticipated to create any potential for environmental impacts on the State parcel or the surrounding sites.

The samples will be placed in sample bags, carried to the vehicle in a backpack, and taken to a laboratory in Reno, Nevada. The samples will be analyzed for the presence of gold and various other minerals.

As an initial prospecting step, geologic mapping and rock sampling are necessary to determine whether the State parcel has any mineral value and potential for more intensive prospecting. Rock sampling alone cannot provide enough data to prove the existence of commercially valuable minerals. Only by subsequent exploratory planning and more intensive investigation, such as exploratory drilling, can mineral potential be adequately proven to justify the Commission considering a future mineral extraction lease. Exploratory drilling, if it were later proposed to occur, requires extensive California Environmental Quality Act (CEQA) review due to potential impacts from the proposed activities. Exploratory drilling is not authorized by this permit and a drilling proposal would require the lead agency, likely Imperial County, to prepare a CEQA document

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analyzing the impacts of such a project, the effect of additionally ascertainable future projects that could arise from the work, and any cumulative impacts in the larger Oro Cruz Project area. The proposed permit before the Commission now, will allow the Applicant to perform geologic mapping and rock sampling to determine whether further, more intensive exploration is warranted.

TERM OF PROPOSED PERMIT:

The primary term of the proposed permit is 2 years commencing September 1, 2019, through August 31, 2021. The Commission, in its discretion, may extend the term for one additional period not to exceed 1 year. Pursuant to Public Resources Code section 6891, the term of this permit cannot exceed a total of 3 years.

ROYALTY:

Royalty payable under this proposed permit is 20 percent of the gross value of the minerals secured from the State parcel that are sold, or otherwise disposed of, or held for sale, or other disposition during the term of the permit.

STAFF ANALYSIS AND RECOMMENDATION:

Authority:

Public Resources Code sections 6005, 6216, 6217.5, 6890, 6891, 6895, and 8701.

State's Best Interests Analysis:

The Applicant is primarily seeking precious metals and will be required to conduct prospecting on the State parcel in a safe and efficient manner. It is anticipated that there will be no disturbance to any vegetation or items of historical or archaeological significance. To ensure that the prospecting activities will not affect any wildlife or vegetation, staff has added certain permit conditions (see Exhibit B of Exhibit C, attached). The State parcel is characterized by an arid, sparsely vegetated varying terrain, with a topographic relief of approximately 1,200 feet, at an elevation of about 800 feet.

The Applicant is required to submit quarterly royalty statements including the prospecting activities completed during the period. No drilling is permitted on the State parcel under this permit. Such activities would require an amendment to the permit and further environmental review pursuant to CEQA. There are currently no other interests or applications to conduct prospecting on this State parcel.

Pursuant to Public Resources Code section 6895, upon discovery of commercially valuable mineral deposits, the successful exploration may

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result in a Commission-authorized preferential lease. If authorized, the preferential lease would allow for responsible extraction of valuable minerals deposits and generate royalty revenue for the California State Teachers' Retirement System.

Climate Change:

As stated in *Safeguarding California Plan: 2018 Update* (California Natural Resources Agency 2018), climate change is projected to increase the frequency and severity of natural disasters related to flooding, fire, drought, extreme heat, and storms. The permit area is open lands with moderate to low vegetation fuels, and are vulnerable to the above events, including dust storms and flash flooding from thunderstorms. The permitted lands and surrounding land may be vulnerable to these weather events; however, these projected climate change effects are not expected to affect the uses of the permitted lands using hand tools to collect rock samples, prospecting for gold and other minerals, or to conduct geological mapping.

Conclusion:

For all the reasons above, staff believes the issuance of this permit is in the State's best interests and recommends approval of this permit.

OTHER PERTINENT INFORMATION:

1. This proposed permit was originally agendized on the Commission's June 28, 2019, meeting. Prior to the meeting, a commenter informed staff of their belief that they held some private title over the State parcel. Staff removed the item ([Item 84, June 28, 2019](#)) from the agenda to investigate the claim and confirm the State's title. After communicating with the commenter and conducting a review of historic title documentation, the Commission's title, boundary, and legal staff agree that the State holds clear, fee title to the State parcel and that the Commission may appropriately grant an entitlement to prospect. Expressly excepted from the permit and the State parcel's land description are preexisting U.S. Mineral Survey Numbers 3246 and 4266. The issuance of a permit will not authorize any disturbance to those lands and therefore will not prejudice the rights of those landowners and mineral rights owners
2. Approval or denial of the application is a discretionary action by the Commission. Each time the Commission approves or rejects a use of State school lands, it exercises legislatively delegated authority and responsibility as trustee of the State's school lands as authorized by law. Upon expiration or termination of the permit, a new permit or extension of any previous permit shall be at the sole discretion of the Commission.

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3. This action is consistent with the Commission's Strategic Plan, Strategy 1.1, to deliver the highest levels of public health and safety in the protection, preservation and responsible economic lands use and resources; and Strategy 2.1, to optimize returns for the responsible development and State school lands use and resources, both onshore and offshore.
4. Staff recommends that the Commission find that this activity is exempt from the requirements of CEQA as a categorically exempt project. The project is exempt under Class 6, Information Collection; California Code of Regulations, title 2, section 2905, subdivision (e)(3).

Authority: Public Resources Code section 21084 and California Code of Regulations, title 14, section 15300 and California Code of Regulations, title 2, section 2905.

5. Pursuant to Public Resources Code section 6890, the permit has been approved by the Office of the Attorney General as compliant with the applicable provisions of the law.

EXHIBITS:

- A. Land Description
- B. Site and Location Map
- C. Mineral Prospecting Permit

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a categorically exempt project, Class 6, Information Collection; California Code of Regulations, title 2, section 2905, subdivision (e)(3).

STATE'S BEST INTERESTS:

Find that the proposed permit is in the best interests of the State.

AUTHORIZATION:

Authorize the issuance of a mineral prospecting permit to Lincoln Gold US Corp., for a 2-year term beginning September 1, 2019, for precious metals and minerals other than oil, gas, geothermal resources, sand and gravel, within the State parcel, as described in Exhibit A and shown on Exhibit B (for reference purposes only) attached and by this reference made a part hereof.

EXHIBIT A

W 41001

LAND DESCRIPTION

That certain parcel of State School Land in Imperial County, State of California, more particularly described as follows:

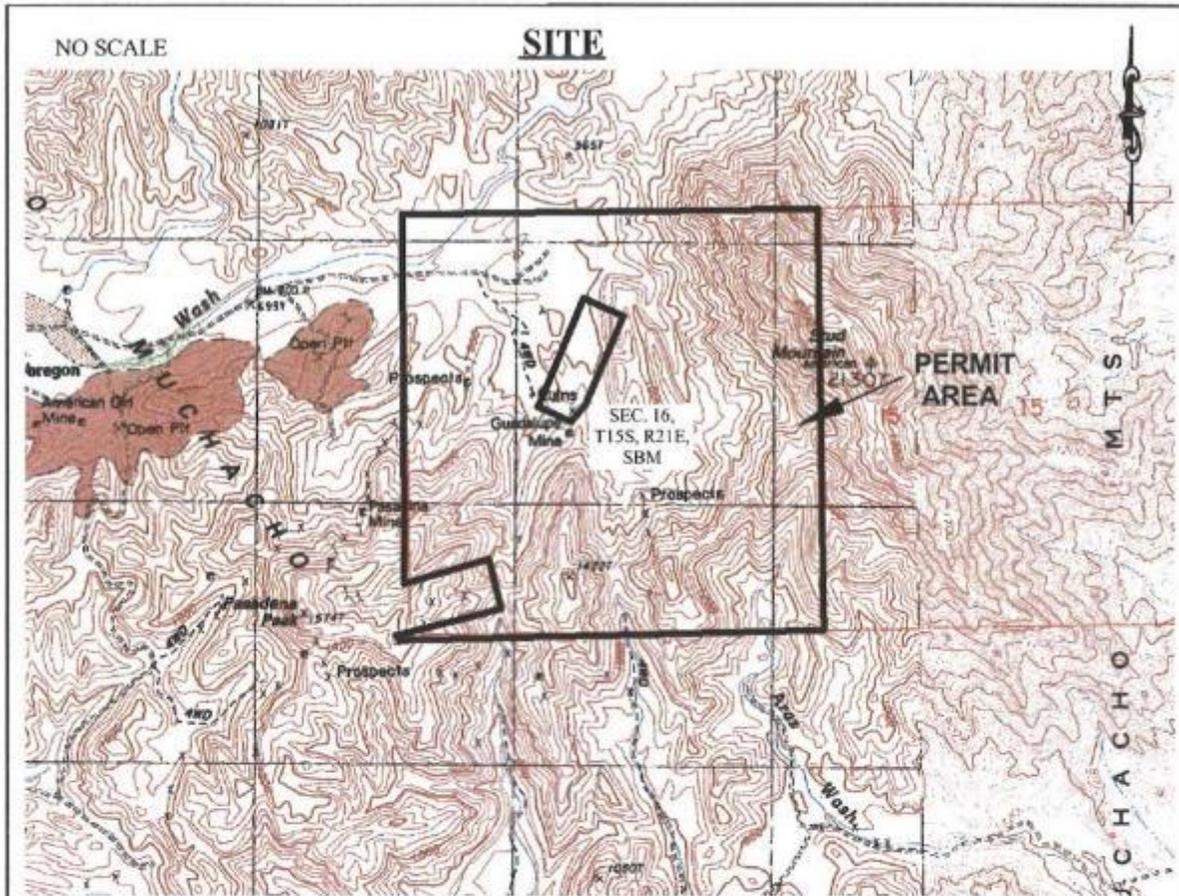
All Section 16, Township 15 South, Range 21 East, San Bernardino Meridian, as shown on that Official Dependent Resurvey and Survey Plat approved March 25, 1965.

EXCEPTING THEREFROM that land patented by the U.S. under Mineral Survey Numbers 3246 and 4266.

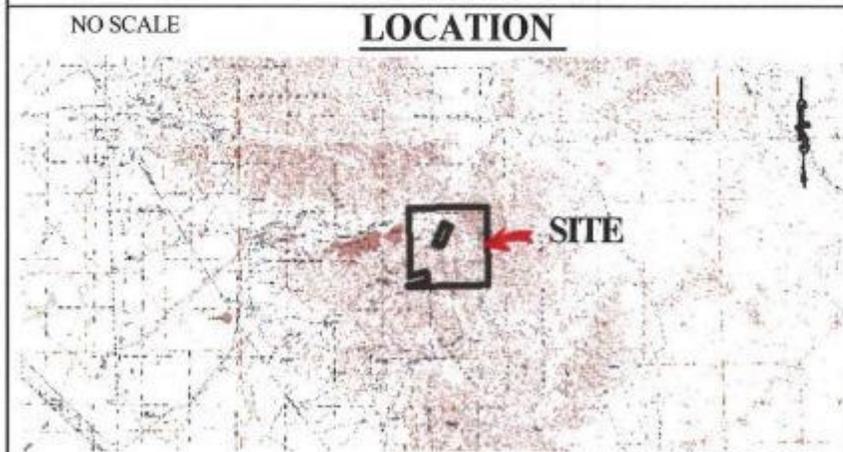
END OF DESCRIPTION

Prepared 05/28/2019 by the California State Lands Commission Boundary Unit.





SECTION 16, TOWNSHIP 15 SOUTH, RANGE 21
EAST, SAN BERNARDINO MERIDIAN



MAP SOURCE: USGS QUAD

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

Exhibit B

W 41001
LINCOLN GOLD US
CORPORATION
APN 050-320-018
MINERAL PROSPECTING
PERMIT
IMPERIAL COUNTY



TS/05/28/19

EXHIBIT C

W 41001
PRC

CALIFORNIA STATE LANDS COMMISSION

MINERAL PROSPECTING PERMIT

Permit to Prospect for Precious Metals and Minerals other than Oil, Gas,
Geothermal Resources, Sand, and Gravel

This mineral prospecting permit (Permit) is made and entered into pursuant to Division 6 of the California Public Resources Code, by and between the State of California, acting through the California State Lands Commission (Commission), and Lincoln Gold US Corp. (Permittee), whose mailing address is: 912 North Division Street, Carson City, NV 89703.

The Commission grants a mineral prospecting permit to Permittee for that certain parcel of State land, and designated as the "Permitted Land," situated in the County of Imperial, State of California, and more particularly described as follows:

Section 16, T15S, R21E, SBM, Imperial County, containing 607.52 acres, as described in Exhibit A, subject to any valid easements and rights-of-way.

1. The term of this Permit shall commence on September 1, 2019, (the effective date) and shall continue for 2 years. The Commission may extend the term of this Permit for no more than 1 additional year, so that the term of this Permit, including all additional periods, shall not exceed a total of 3 years.

2. Permittee shall have the exclusive right, subject to the provisions of paragraph 24(a), to prospect for precious metals, and other minerals except oil, gas, other hydrocarbons, geothermal resources, sand, and gravel. Permittee's mineral prospecting activities shall be confined to those information gathering techniques described in Exhibit B of this Permit.

3. A Notice of Exemption (Categorical Exemption, Class 6, information collection (14 California Code of Regulations section 2905)) was issued for this Permit and is on file in the office of the Commission. Permittee shall comply with all conditions and limitations on its operations as set forth in Exhibit B of this Permit. Any additional activities not specifically allowed in Exhibit B will require additional environmental review pursuant to the California Environmental Quality Act, Public Resources Code section 21000, et seq. (CEQA).

4. Additional provisions which amend, supplement, or supplant the provisions of this Permit are included in Exhibits B and C of this Permit. If a provision in this Permit is inconsistent with a provision in Exhibit B or C, the provision in Exhibit B or C shall control.

5. (a)(1) Permittee shall pay to the Commission a royalty of 20 percent of the gross value of all minerals produced, extracted, shipped, used, or sold under this Permit, until this Permit terminates or is superseded by the issuance of a mineral lease as provided in paragraph 15. The gross value upon which the royalty rate is based shall not be less than the reasonable fair market value, as fixed by the Commission, of any mineral resources extracted from the Permitted Land.

(a)(2) Royalties shall be paid on a permit-quarter basis and shall be due and payable by the 25th day of the month following the quarter in which the minerals are sold. A permit quarter is a period of 3 consecutive calendar months, with the first permit quarter being the first 3 months after the Permit's Effective Date, and every 3-month period thereafter being a permit quarter.

(b) Royalties that are not paid when due shall bear simple interest from the day following the due date until they are paid at the rate of 1½ percent per month. The Commission may assess the Permittee a penalty of not more than 5 percent of any such royalties that are not paid when due.

(c) All payments required to be made under this Permit shall be made to the Commission at the address as set forth in paragraph 6.

6. All notices to be given under this Permit shall be in writing and shall be mailed with the United States postal service as registered or certified mail, postage prepaid, return receipt requested, or delivered by a private overnight delivery company or in person to the parties at the addresses set forth below. All notices shall be effective upon receipt.

To the Commission: California State Lands Commission
301 E. Ocean Boulevard, Suite 550
Long Beach, CA 90802

To the Permittee: Lincoln Gold US Corp.
Jeffrey L. Wilson
912 North Division Street
Carson City, NV 89703

The addresses to which notices shall be sent may be changed by written notice given by one party to the other in any manner provided above.

7. Permittee represents to the Commission by its execution of this Permit that it is qualified to hold the Permit under Division 6 of the California Public Resources Code. If the Commission determines that Permittee is not so qualified, this Permit shall terminate automatically, and Permittee shall be liable to the Commission for all proceeds and/or minerals extracted, produced, or sold from the Permitted Land and for all other matters for which he is in default under this Permit.

8. Within 90 days of the Effective Date of this Permit, Permittee shall mark each corner of the Permitted Land with a substantial monument constructed of rock or wood. Within the same 90 days, Permittee shall post a notice in a conspicuous location on the Permitted Land stating that this mineral prospecting permit has been issued and describing the Permitted Land.

9. All operations under this Permit shall be conducted in accordance with approved and accepted mining and exploration methods and practices, and with due regard for the protection of life and property, preservation of the environment and the conservation of natural resources.

10. This Permit is issued subject to all existing valid rights in the Permitted Land at the Permit's Effective Date. If the Permitted Land has been sold by the Commission subject to a reserved mineral interest, Permittee shall abide by whatever conditions and limitations are prescribed by law, including California Public Resources Code section 6401, governing the extraction and production of minerals from and the occupancy and use of the surface of such land.

11. The Commission reserves whatever right it may have to grant to any person, upon such terms as it may determine, easements, rights of way, permits, leases or other interests in the Permitted Land, including easements for tunnels or wells bored through or in the Permitted Land. However, the Commission shall not grant interests which unreasonably interfere with or endanger Permittee's operation under this Permit.

12. (a) Permittee shall keep accurate records of its operations under this Permit and shall file with the Commission no later than the 25th day of the month following each permit quarter, a detailed accounting statement for permit operations including, but not limited to, information showing the amount or gross value derived, earned or attributable to all minerals produced, extracted, shipped, used, or sold, and the amount of royalty due.

(b) Royalties shall be paid when the accounting statement is submitted.

(c) At the Commission's request, Permittee shall provide more detailed statements and explanatory materials to aid the Commission in interpreting and evaluating Permittee's accounting statement.

(d) All accounting statements are subject to audit and revision by the Commission. Permittee shall allow the Commission to inspect at all reasonable times all Permittee's books, records and accounts relating to operations under this Permit, including, but not limited to, the development, production, sale, use or shipment of minerals. Permittee waives whatever statutory, common law, or other rights he may have to object to such inspection.

13. Permittee shall supply to the Commission within 30 days of their completion, or the completion of any recorded portion of them, all physical and factual exploration results, logs, surveys, and any other data in any form resulting from operations under this Permit or from any surveys, tests or experiments conducted on the Permitted Land by Permittee, or by any person or entity acting with the consent of Permittee or with information or data provided by Permittee. Permittee shall supply to the Commission within 30 days of their completion, or the completion of any recorded portion of them, the results of all geological, geophysical, or chemical tests, experiments, reports and studies, interpretive or factual, irrespective of whether the results of such tests, experiments, reports and studies contain sensitive, proprietary, or confidential information or trade secrets. Permittee waives whatever rights or objections Permittee might have to prevent disclosure of any such tests, experiments, reports or studies except that all such data and documents supplied by Permittee shall be deemed to have been "obtained in confidence" for purposes of California Government Code section 6254 subdivision (e), and may be disclosed to other persons only with the written consent of Permittee or upon a determination by the State or a court that their disclosure is in the public interest.

14. Permittee shall comply with all valid laws of the United States and of the State of California and with all valid ordinances of cities and counties applicable to Permittee's operations including, but not limited to, all applicable provisions of the California Public Resources Code and the California Code of Regulations. In Permittee's employment practices connected with its operations under this Permit, Permittee shall not discriminate against any person because of race, color, religion, sex, national origin, physical disability, sexual orientation, AIDS or AIDS related condition, marital status, or age.

15. Upon establishing to the satisfaction of the Commission that commercially valuable deposits of minerals have been discovered on the Permitted Land, Permittee shall have preferential rights to a lease, provided that:

(a) The Commission complies with the provisions of California Environmental Quality Act when authorizing the scope and method of proposed mineral extraction upon the lease.

(b) Royalty payments to the Commission for minerals produced, extracted, shipped, used, or sold under the mineral lease are to be determined according to the guidelines set forth in Exhibit C of this Permit.

(c) The annual rental under the mineral lease shall be not less than \$1 per acre. The annual rental shall be due and payable on the anniversary of the Effective Date of the mineral lease, except the first year's rental which shall be due 30 days after the Effective Date of the mineral lease.

(d) The right to lease, sell, or otherwise dispose of whatever right, title, or interest the Commission has in the surface of the land included within the mineral lease, insofar as the surface is not required by Permittee for its operations under the mineral lease, is reserved to the Commission.

16. (a) Permittee shall pay, when due, all taxes and assessments lawfully assessed and levied under the laws of the State of California and of any political subdivision of the State of California, and of the United States of America, against any and all improvements, property, or assets of Permittee situated upon the Permitted Land, or other rights of Permittee arising out of the Permit. Such taxes include possessory interest taxes imposed by a city or county on the permitted interest. The payment of any such taxes by Permittee shall not reduce the amount of consideration due the Commission under this Permit.

(b) Permittee understands that the permitted interest, and if a mineral lease is ultimately issued, the leasehold interest, may be a possessory interest subject to property taxation, and that Permittee is solely responsible for paying all property taxes levied on such possessory interests as provided above.

17. At all times and with respect to all operations under this Permit, Permittee shall carry worker's compensation insurance fully covering all its employees.

18. Permittee may at any time make and file with the Commission a written relinquishment of all rights under this Permit, pursuant to California Public Resources Code Section 6804.1. The relinquishment shall be effective as of the date of its filing, subject to the continued duty of Permittee to comply with all permit obligations that have accrued prior to such filing.

19. The Permittee may make at any time a written quitclaim or relinquishment of all rights under this permit or of any portion thereof comprising a 10-acre parcel or multiple thereof in a compact form as provided in Public Resources Code section 6804.1. The quitclaim or relinquishment shall be effective when it is filed with the Commission, subject to the continued obligation of the Permittee and its surety to pay all accrued rentals and royalties, to abandon all mineral extraction sites into or through the Permitted Land to be quitclaimed or relinquished in a manner approved in writing by the State and to restore such lands in accordance with Paragraph 20 and all other terms of this permit and to the Commission's then current regulations and standards. At the

option of the Commission, the Permittee may be required to place all mineral extraction sites in condition for suspension instead of abandoning them. The Permittee shall then be released from all obligations thereafter accruing under the permit with respect to the lands quitclaimed or relinquished. However, the quitclaim or relinquishment shall not release the Permittee or its surety from any liability for breach of any obligation of this permit with respect to which the Permittee is in default at the time of the Commission's acceptance of the quitclaim.

20. At the expiration of this permit or upon its sooner quitclaim or other termination, the Permittee shall surrender the Permitted Lands free of contamination and with all improvements, structures and fixtures in good order and condition, or at the option of the Commission, Permittee shall, within 90 days, remove some or all of the improvements, structures, and fixtures placed upon the Permitted Lands and restore the lands, in whole or in part, to their natural conditions at no cost to the Commission. The Permittee shall not be denied the right to remove any mining, development and production equipment having a reuse or salvage value. This Paragraph shall survive the termination of the permit.

21. (a) Permittee shall indemnify, hold harmless and, at the option of the Commission, defend, except in matters involving title, the State of California, any of its agencies, boards, or commissions, or any of its officers, agents and employees, against any and all claims, demands, causes of action, or liability of any kind which may be asserted against or imposed upon the State of California, or any of its agencies, boards, or commissions, or any of its officers, agents or employees, by any third person or entity arising out of or connected with Permittee's operations under this Permit, or the use by Permittee or its agent, employees or contractors of the Permitted Land. Without limiting the generality of the foregoing, such indemnification shall include any claim, demand, cause of action or liability of any kind asserted against or imposed upon the State of California, or any of its agencies, boards, or commissions, or any of its officers, agents, or employees, arising out of or connected with any alleged or actual violation by Permittee, its agents, employees, or contractors, of the property, personal or contractual rights of any third person or entity. This provision shall not be construed to require Permittee to indemnify the Commission for any alleged negligence or other wrongful act of the Commission, or any of its officers, agents, or employees, except to the extent that such negligence or other wrongful act is alleged to consist of the issuance of this Permit, the adoption and enforcement of the provisions of the Permit or the failure of the Commission to enforce adequately any such provisions.

(b) At the option of the Commission, Permittee shall procure and maintain liability, property damage or other insurance for the benefit of the Commission in an amount satisfactory to the Commission.

(c) Permittee is advised that the Permitted Lands may contain underground workings in the form of shafts, adits, or other features from past mineral exploration and development. By initialing below, Permittee acknowledges the existence of such mine workings and that such workings may pose numerous dangers to

Permittee's health and safety while working in their vicinity or by entering them. Permittee assumes all risk of injury, property damage, or death by entering and working within such mine workings, and agrees to hold harmless the Commission to the extent described in paragraph (a) above.

_____Permittee Initials

(d) Permittee is advised that the Permitted Land may have patented mining claims within the boundaries of the Permitted Land. Permittee agrees to respect any private property and not to trespass on, or prospect on, or otherwise interfere with any patentee's use of such property. Permittee assumes all risk of injury, property damage, or death by entering and working within such patented mining claims, and agrees to hold harmless the Commission to the extent described in paragraph (a) above. Additionally, Permittee shall indemnify and hold harmless the Commission to the extent described in paragraph (a) above against any claims asserted by any patentee(s) arising from any activity by Permittee within such patented mining claims.

_____Permittee Initials

22. Disturbance of historic resources found within the Permitted Land is prohibited. Generally, anything found on the Permitted Land that is artificial or not naturally occurring and is estimated to be over 45 years old may be a historic resource. Historic resources that may be found within the Permitted Land may include, but are not limited to, mining camps, cabins, refuse dumps, structures, mines, treasure troves of previously mined ore, headframes, timbers, bottles, and cans. Native American artifacts including, but not limited to, projectile points (arrowheads), spear points, all other stone artifacts (including flakes), cairns, pottery, petroglyphs, pictographs, baskets, shell, and bead items, shall be left undisturbed. If resources are discovered that may be considered historic, Permittee shall take a photograph and provide GPS coordinates if possible, and report the discovery to Permittee's contact at the Commission for further guidance.

23. Before discovery of a commercially valuable deposit of minerals, the Commission may cancel this Permit upon the failure of Permittee, after 30 days' written notice and demand for performance, to exercise due diligence and care in the prosecution of the mineral prospecting work in accordance with the terms and conditions of this Permit. After discovery of a commercially valuable deposit of minerals, the Commission may cancel this Permit only upon the failure of Permittee, after 90 days' written notice and demand for performance, to comply with any of the provisions of this Permit.

24. (a) The Commission reserves the right to issue additional exploratory rights, permits and leases on and in the Permitted Land for the purpose of exploring for, prospecting for, or extracting oil, gas, other hydrocarbons, geothermal resources, sand, or gravel from this mineral prospecting permit, provided that the activities conducted under such additional exploratory rights, permits or leases do not unreasonably interfere with or endanger Permittee's operation under this Permit. The

reserved exploratory rights shall include, but are not limited to, the right to conduct surveys, tests or experiments using any geological, geophysical, geochemical, or other method, including core drilling, for the purpose of determining the presence of such mineral resources on or in the Permitted Land. Permittee shall allow the Commission, the Commission's permittees or lessees, and any other persons authorized by the Commission, at such party's sole risk and expense, to enter upon the Permitted Land in order to conduct such exploratory, prospecting and extraction activities.

(b)(1) The Commission, or persons authorized by the Commission, shall have the right to go upon the Permitted Land at all reasonable times for the purposes of inspecting the Permitted Land and Permittee's operations, placing signs upon the property, responding to a fire, taking police action, and protecting the premises. Entry by the Commission, or by persons authorized by the Commission, shall not give Permittee any right to charge the Commission or subject the Commission to liability for any loss of occupation or quiet enjoyment.

(b)(2) Entry by the Commission for the purposes of responding to a fire, taking police action, or protecting the premises shall not give Permittee any right of action against the Commission for compensation arising from property or economic damage Permittee suffers as a result of these activities by the Commission.

25. The obligations imposed upon Permittee under this Permit shall be suspended when Permittee is prevented from complying with them by wars, riots, acute and unusual labor or material shortages, acts of God, laws, rules, and regulations of any federal, state, county or municipal agency, or by other unusual conditions that are beyond the control of Permittee and/or the Commission.

26. Permittee shall perform all work under this Permit with due regard for the preservation of the Permitted Land and the environmental impact of its operations in accordance with the following terms and conditions:

(a) Permittee shall conduct all its operations under this Permit in a manner that will eliminate, as far as practicable, dust, particulate matter, noise, vibration, and noxious odors. Permittee shall keep operating sites neat, clean and safe and shall control dust to prevent its widespread deposition. Permittee shall remove promptly all materials determined by the Commission to be detrimental to vegetation that are deposited on trees and other vegetation.

(b) Permittee shall conduct all operations disturbing the soil surface, including, but not limited to, road building, construction of facilities and movement of heavy equipment, in a manner that will not result in unreasonable damage to trees and plant cover, soil erosion or degradation of waters of the State, including fish and aquatic life habitats.

(c) Permittee may maintain existing roads and bridges upon the Permitted land to allow for safe access of personnel, vehicles and equipment.

(d) The above obligations are in addition to and not limits upon all statutes, rules, regulations, restrictions, mitigation measures and other measures to which Permittee is subject that are designed to restrict, limit, modify or minimize the environmental impact of the operations under this Permit.

27. If Permittee fails to comply with any of the provisions of this Permit or with any regulations or laws applicable the operations under this Permit, the Commission may cancel this Permit following 90 days' written notice to Permittee setting forth the grounds for the cancellation. If this Permit is cancelled, Permittee shall still comply with the conditions specified in paragraphs 18 and 19 for surrendering the Permitted Land.

28. The Commission's waiver of any default or breach of any term, covenant or condition of this Permit shall not constitute a waiver of any other default or breach whether of the same or any other term, covenant, or condition of this Permit, regardless of the Commission's knowledge of such other defaults or breaches. The acceptance by the Commission of any monies due under this Permit shall not constitute a waiver of any preceding default or breach, other than the failure of Permittee to pay the particular monies accepted, nor shall acceptance of monies after termination of this Permit constitute a reinstatement, extension or renewal of this Permit.

29. The covenants and conditions in this Permit shall apply to and bind the heirs, successors, executors, administrators and assigns of the parties.

30. As provided in California Public Resources Code section 6804, Permittee may assign, sublease, or transfer this Permit or any interest in it only with prior written Commission authorization. The consent to the transfer of any interest in this Permit shall not be deemed a consent to any subsequent assignment, sublease, occupancy or use by another person. Any assignment, sublease, or transfer without the Commission's consent, whether voluntary or by operation of law, shall be void and transfer no rights to the purported transferee. This provision shall not prevent Permittee from subcontracting parts of the work to be performed under this Permit without Commission approval, so long as Permittee remains fully responsible to the Commission for compliance with all obligations under this Permit. Upon approval of any assignment, sublease or transfer, the assignee, sublessee, or transferee shall be bound by the terms of this Permit to the same extent as if such transferee were the original Permittee, any conditions in the assignment, sublease, or transfer to the contrary notwithstanding.

31. This Permit does not require Permittee to post a bond or other financial security for the current permitted activities. Should more intensive activities be pursued under a permit amendment, a bond or financial security may be required at that time. This requirement shall be separate from any other bonding requirements to which Permittee is subject.

32. This Permit is issued upon the application of Permittee and is entered into without a formal title determination. This Permit shall not be construed as establishing the extent of the Commission's claim to or interest in the Permitted Land. The Commission does not warrant the title to the Permitted Land or any right Permittee may have to possession or to quiet enjoyment of it.

33. If any provision of this Permit is judicially determined to be invalid, it shall be considered deleted from this Permit and shall not invalidate the remaining provisions.

34. Time is of the essence in this Permit.

This agreement shall become binding only when it is approved by the Commission and is duly executed by the Commission and by Permittee.

CALIFORNIA STATE LANDS COMMISSION

Dated: _____

MARINA VOSKANIAN, P.E., CHIEF
MINERAL RESOURCES MANAGEMENT

PERMITTEE*

Dated: _____

By: _____

Title

Address

City and State

* In executing this document, corporations shall provide a certified copy of the resolution or other document authorizing the execution of this document on behalf of the corporation.

Approved as to form:
Xavier Becerra
Attorney General, State of California

By: _____
Andrew Vogel
Deputy Attorney General

Dated: _____

EXHIBIT A

W 41001

LAND DESCRIPTION

That certain parcel of State School Land in Imperial County, State of California, more particularly described as follows:

All Section 16, Township 15 South, Range 21 East, San Bernardino Meridian, as shown on that Official Dependent Resurvey and Survey Plat approved March 25, 1965.

EXCEPTING THEREFROM that land patented by the U.S. under Mineral Survey Numbers 3246 and 4266.

END OF DESCRIPTION

Prepared 05/28/2019 by the California State Lands Commission Boundary Unit.



EXHIBIT B

(Additions, Deletions, and Modifications)

Mineral prospecting will be for gold and precious metals on approximately 607.52 acres of State fee-owned school land. Mineral prospecting activities authorized under this Permit shall be limited to field work involving geological mapping and rock sampling. Approximately 50 to 100 samples, each weighing 2 to 5 pounds, using a 16-inch long hand pick tool will be collected per day. Up to 200 soil samples at 100 ft. apart and one foot deep will be collected per day. No other surface disturbance is authorized. Exploratory drilling is not authorized by this Permit. Vehicle access shall be limited to existing roads and jeep trails. Additional access shall be on foot.

To insure the prospecting will not have any effect on the threatened desert tortoise, which is expected to be present on the Permitted Land, Permittee shall adhere strictly to the following conditions:

1. Permittee shall not bring dogs or firearms onto the site.
2. Permittee will minimize the number of vehicles on location to be used only on established roads and observe a 15 mile per hour speed limit. The vehicles shall be in proper working order and free of any fluid leaks to ensure tortoise do not ingest harmful fluids.
3. Permittee shall not touch or handle any tortoises.
4. Permittee shall check under and around any parked vehicle prior to moving the vehicle. If a tortoise is under it, the vehicle shall not be moved until the tortoise leaves the vicinity of the vehicle.
5. Permittee shall not take samples from rock piles that could reasonably be sheltering a tortoise or burrow.
6. If any tortoise or burrow is spotted on the Permitted Land, Permittee shall not pursue activities within a 25-foot radius of the animal or burrow.
7. Permittee shall contain all trash, litter and debris and remove them from the site to avoid attracting predators such as ravens or coyotes. Additionally, Permittee shall not leave on the site any rope, cord, twine or other material that may entangle tortoise.

Any leasing of the Permitted Land for mineral resource development under California Public Resources Code section 6895, or any change in mineral prospecting activities from those permitted above, including any proposed exploratory drilling program, will require preparation of appropriate environmental documentation in accordance with the

provisions of the California Environmental Quality Act, Public Resources Code section 21000, et seq. Such leasing, or change in mineral prospecting activities, shall not be allowed unless and until all necessary environmental approvals of the proposed mineral resource development or change in mineral prospecting activities are obtained from the Commission and from responsible agencies under California Public Resources Code section 21002.1. It is understood that after considering such documentation, the Commission, or a responsible agency, may disapprove such leasing or other mineral prospecting activities, or require certain mitigation measures on grounds that one or more significant effects on the environment would occur if leasing or any change in permitted mineral prospecting activities were allowed.

Neither the existence of this Permit nor any reliance by Permittee upon this Permit shall in any way affect the discretion of the Commission or any other public agency in giving or denying such environmental approvals or in imposing any appropriate mitigation measures. The denial of such approvals or the imposition of such mitigation measures by the Commission or any other public agency shall not be a force majeure condition under paragraph 25 of this Permit or a basis for damages or any other claim against the Commission or any other public agency.

The provisions of this Exhibit B shall prevail over any and all other provisions of this Permit that are contrary to or inconsistent with them.

EXHIBIT C

(Preferential Lease Royalty Formula)

Royalty payable under any preferential State mineral extraction lease issued hereunder shall not be less than 10 percent of the gross value of all mineral production from the Leased Land, less any charges approved by the Commission made or incurred with respect to transporting or processing the State's royalty share of production. The determination of the royalty and charges shall be at the discretion of the Commission and as set forth in the State mineral extraction lease.