

STAFF REPORT
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08/23/19
PRC 9390.2
V. Perez

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

APPLICANT:

Rascal Lithium LLC

AREA, LAND TYPE AND LOCATION:

Approximately 520 acres of State-owned school land (State Parcel Number 163-004; Assessor's Parcel Number 039-270-01), located within Section 16, Township 23 South, Range 44 East, MDM, approximately 8 miles south of Ballarat, Inyo County (State parcel; see Exhibits A and B, attached). The State parcel is in a remote region in Panamint Valley.

BACKGROUND:

On April 20, 2017, the Commission approved issuance of a 2-year mineral prospecting permit (permit), PRC 9390.2, to Robert G. Wetzel to prospect for both metallic and non-metallic minerals, specifically targeting lithium deposits (through geological mapping and rock sampling by hand collection only) on the State parcel ([Item C82, April 20, 2017](#)). The original permit expired on April 30, 2019. A newly formed company, Rascal Lithium LLC, is now seeking a 1-year permit to continue mineral exploration on the State parcel.

For the last 7 years, efforts have been made to explore both state and federal lands throughout the Panamint Valley for lithium potential by conducting geologic mapping and rock sampling by hand collection. More recently, these exploration efforts have evolved into separate applications filed both with the U.S. Bureau of Land Management (BLM) and Inyo County to perform exploratory drilling on federal land and Commission-managed land located 5 miles north of this State parcel, known generally as the Panamint Valley exploration project. These activities are undertaken to determine if and where lithium deposits exist in commercially valuable quantities. Information on the importance and uses of lithium is found in The States Best Interests section below. This proposed prospecting permit now before the Commission, would allow the Applicant to continue low-intensity geologic mapping and rock sampling to evaluate the State parcel as a possible candidate for future, more intensive exploration, such as exploratory drilling—an activity that, if sought by the Applicant, would require

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comprehensive analysis under the California Environmental Quality Act (CEQA) and issuance of a new permit under a separate application.

PROPOSED PROSPECTING ACTIVITIES:

The Applicant is seeking authorization for the limited purpose of fieldwork involving geological mapping and rock sampling over the 520-acre State parcel for a period of 1-year. Approximately 20 to 50 samples, each weighing 2 to 6 pounds, using a 16-inch-long hand pick tool will be collected per day (see Exhibit C). No other surface disturbance is authorized. Vehicle access shall be limited to established roads, and additional access shall be on foot. The samples will be placed in sample bags, carried to the vehicle in a backpack, and taken to a laboratory in Sparks, Nevada. The samples will be analyzed for the presence of both metallic and non-metallic minerals and elements, including lithium.

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. The permitted activities will not provide sufficient economic evidence to prove discovery of a commercially valuable mineral deposit. More intensive prospecting and assays, such as trenching and drilling will be required to prove quantity, quality, and economic feasibility to establish commerciality. Such activities are not addressed in this permit and will require additional environmental review pursuant to CEQA. The proposed permit before the Commission will allow the Applicant to conduct initial prospecting to determine whether further exploration is warranted.

The State parcel is located within a sensitive biological area in the Panamint Valley. The BLM considers the federal lands within the Panamint Valley to be an Area of Critical Environmental Concern (ACEC) known as the Panamint/Argus ACEC Lake Unit. Because the ACEC is a federal classification of lands, the State's parcel is outside of that classification, but the State parcel appears to have a similar biological character to the adjacent ACEC lands. If more intensive exploration is proposed, the Commission would consider the neighboring use of lands and the project's cumulative impacts, if any, arising from the surrounding activities.

ASSOCIATED LITHIUM EXPLORATION PROJECTS IN THE PANAMINT VALLEY:

The proposed permit is part of a consolidated effort to explore lithium mineral potential in the Panamint Valley. Other exploratory proposals involve drilling exploratory wells on other state and federal lands.

State Lands – Application to Drill Two Exploratory Wells, Permit No. PRC 9385.2

On December 6, 2016, a prospecting permit was issued to Robert G. Wetzel to

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perform geologic mapping and rock sampling (PRC 9385.2), about 5 miles to the north of the State parcel ([Item C56, December 6, 2016](#)). In October 2018, Battery Mineral Resources California (BMR), an entity associated with the Applicant, applied to Inyo County for a conditional use permit to perform exploratory drilling for two separate drilling locations, to a depth no greater than 2,000 feet, within the permit area described in Permit No. PRC 9385.2. Inyo County will be the lead agency for CEQA review. BMR applied to the Commission in December 2018 for a new permit to drill two wells in the PRC 9385.2 permit area. The Commission, as a CEQA responsible agency, cannot consider BMR's application until Inyo County makes the appropriate CEQA findings, adopts the appropriate CEQA document and issues its conditional use permit.

Commission staff will work with Inyo County, as the CEQA lead agency, to provide comments and ensure that the CEQA analysis will adequately analyze BMR's proposed project and the cumulative impacts of associated projects, if any, so the Commission may act as a responsible agency when approving or denying BMR's exploratory drilling application. Staff does not expect the Commission to consider BMR's prospecting permit application until mid-2020.

Federal Lands – Panamint Valley Lithium Exploration Project

On August 8, 2019, the BLM issued a Finding of No Significant Impact (FONSI) under the National Environmental Policy Act (NEPA) and authorized BMR to drill four exploration bore holes on federal lands across the Panamint Valley to search for lithium brine. Each of the proposed exploration bore holes will take 3 weeks to drill and include the installation of a 3-inch casing to allow brine sampling. After sampling the brine, each hole will be plugged and abandoned. In February 2019, the BLM released an Environmental Assessment that identified potential environmental effects with regards to spreading invasive weeds, affecting National Conservation Lands, affecting an ACEC, affecting the habitat of Special Status Animal Species and Special Status Plant Species, affecting visual resources, and affecting Lands with Wilderness Characteristics. The FONSI concluded that no identified environmental effects meet the definition of significance. Overall, the proposed exploratory drilling would result in 1 acre of ground disturbance. Although the purpose of the Panamint Valley Lithium exploration project is to locate commercially valuable deposits of lithium brine for purposes of future leasing and commercial mineral extraction, such a project, if it were proposed, would require additional authorization by the BLM and further environmental review under NEPA.

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TERM OF PROPOSED PERMIT:

The primary term of the proposed permit is 1 year with a September 1, 2019, effective date. However, the Commission, in its discretion, may extend the term for two additional periods not to exceed 1 year each.

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, 6301, 6890, 6891, and 8701; California Code of Regulations, title 2, sections 2200, 2201, and 2202.

State's Best Interest Analysis:

The Applicant is primarily seeking lithium, an alkali metal, used in ceramics and electronics, such as cell phones and laptops. The metal is also used to produce batteries needed in hybrid and electric cars and energy storage systems. As the State seeks to reduce its carbon footprint, the lithium interest and demand has grown. The California Energy Commission recently hosted the California lithium recovery initiative to seek technological breakthroughs in the recovery of lithium from geothermal brine and other sources to assist our country in its renewable energy expansion. The California Energy Commission recognizes the criticality of lithium as California, under SB 100 (De León, Chapter 312, Statutes of 2018), seeks to achieve 100 percent fossil free renewable energy by 2045.

The recommended permit authorization requires the Applicant to prospect the State parcel in a safe and efficient manner. No disturbance to items of historical or archaeological significance is anticipated. To ensure that the prospecting activities will not adversely affect wildlife, permit conditions require keeping any vehicles to established roads, avoiding tortoises and their burrows, removing all litter, and refraining from bringing dogs or firearms onto the State parcel (see Exhibit C, attached). The State parcel is vacant, nearly flat, and sparsely vegetated at an elevation of about 1,000 feet. There is no evidence of previous mining or prospecting activities on the State parcel and the area is not currently known to contain minerals in commercial quantities.

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The Applicant is required to submit quarterly royalty statements including the completed prospecting activities during the period. No drilling is permitted on the State parcel under the terms of the permit. There are currently no other interests or applications to prospect this State parcel. The Applicant's prospecting permit, PRC 9390, was going to be considered at the Commission's June 28, 2019, meeting (Item 85, June 28, 2019). On June 24, 2019, staff received a letter in opposition from the Center for Biological Diversity (CBD), and Friends of the Inyo. The letter objected to the use of a CEQA categorical exemption for information collection on the basis that use of a categorical exemption was inappropriate given the ecologically sensitive nature of the State parcel and the failure to analyze cumulative impacts from associated projects on other state and federal lands. In response, staff pulled item 85 from the agenda, and on July 26, 2019, held a phone conference with of CBD. After consideration of the concerns raised and the scope of the proposed prospecting activities, staff believe that use of the CEQA categorical exemption is appropriate.

The State parcel exists in the middle of an established ACEC, which means that identified impacts could more easily rise to the level of significance which, if that occurred, may make reliance on a categorical exemption inappropriate (14 Cal. Code of Regs., §15300.2). Additionally, because staff is aware of the Panamint Valley exploration project, identified impacts with the proposed permit could, in conjunction with those projects, cumulatively, and over time, rise to a level of significance. Here, however, there is no substantial evidence that the permit activities, under consideration, create impacts nor those that have a possibility of rising to the level of significance due to either the unique character of the land or circumstances of the proposed or other pending projects.

Staff believes the proposed permit is an activity consistent with the CEQA categorical exemption adopted by the Commission for surface geological surveys where minimal or no disturbance occurs (tit. 2, Cal. Code of Regulations, § 2905(e)(3)). This exemption has long been used for permits to conduct geological mapping and rock sampling. The Applicant proposes to travel in a vehicle on established roads, with all other access on foot. Approximately 20 to 50 rock samples, each weighing 2 to 6 pounds will be collected each field day using a 16-inch long hand pick tool (equating to roughly 1.8 cubic feet of material, a day, maximum) over a 520-acre area. The Applicant will not bring dogs or firearms onto the State parcel, shall observe, so as not to disturb tortoises and their burrows, and shall contain and remove all litter. BLM Designated Route P170 provides direct vehicular access to the State parcel. Any disturbance to land within

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the State parcel, if it occurred, would be minimal and from the collection of rocks capable of being carried by hand. Staff have identified no impacts with the proposed activities and no impacts that could intensify to a level of significance due to the environmental character of the land or the nearby exploratory projects. Therefore, staff's recommendation to apply the CEQA categorical exemption for information collection is appropriate.

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 State parcel consists of open lands with moderate to low vegetation fuels that are vulnerable to the above events, including dust storms, flash flooding from thunderstorms, and to a lesser extent, wildland fires. The State parcel and surrounding land may be vulnerable to these weather events; however, these projected climate change effects are not expected to affect the permitted uses on the State parcel.

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.

PREREQUISITE CONDITIONS, FEES, AND EXPENSES:

1. The Applicant submitted the required filing fee, acreage deposit, and the approximate expense deposit.
2. The State parcel is currently not known to contain commercially valuable mineral deposits.
3. This permit does not provide for a performance bond or other security device in favor of the Commission due to its limited scope of field work, geologic mapping, and sampling with handheld tools.

OTHER PERTINENT INFORMATION:

1. Approval or denial of the permit application is a discretionary action by the Commission. Each time the Commission approves or rejects a use of school lands, it exercises legislatively delegated authority and responsibility as trustee of the school lands as authorized by law. Upon expiration or prior termination of the permit, a new permit or an extension of any previous permit shall be at the Commission's sole discretion.

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2. 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 school land use and resources, both onshore and offshore.
3. 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.

4. 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, shown in Exhibit C, to Rascal Lithium LLC for a 1-year term beginning September 1, 2019, for lithium and minerals other than oil, gas, geothermal resources, or sand and gravel, within the State parcel, as described in Exhibit A, Land

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Description, and shown on Exhibit B, Site and Location Map (for reference purposes only) attached and by this reference made a part hereof.

EXHIBIT A

PRC 9390.2

LAND DESCRIPTION

All those State School Lands situate in the County of Inyo, State of California, more particularly described as follows:

E $\frac{1}{2}$ of the NW $\frac{1}{4}$, NW $\frac{1}{4}$ of the NW $\frac{1}{4}$, NE $\frac{1}{4}$, N $\frac{1}{2}$ of the SE $\frac{1}{4}$, SE $\frac{1}{4}$ of the SE $\frac{1}{4}$, N $\frac{1}{2}$ of the SW $\frac{1}{4}$, SW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Fractional Section 16, Township 23 South, Range 44 East, Mount Diablo Base and Meridian as shown on Official Government township plat approved September 17, 1857.

END OF DESCRIPTION

Prepared 03/28/2019 by the California State Lands Commission Boundary Unit.



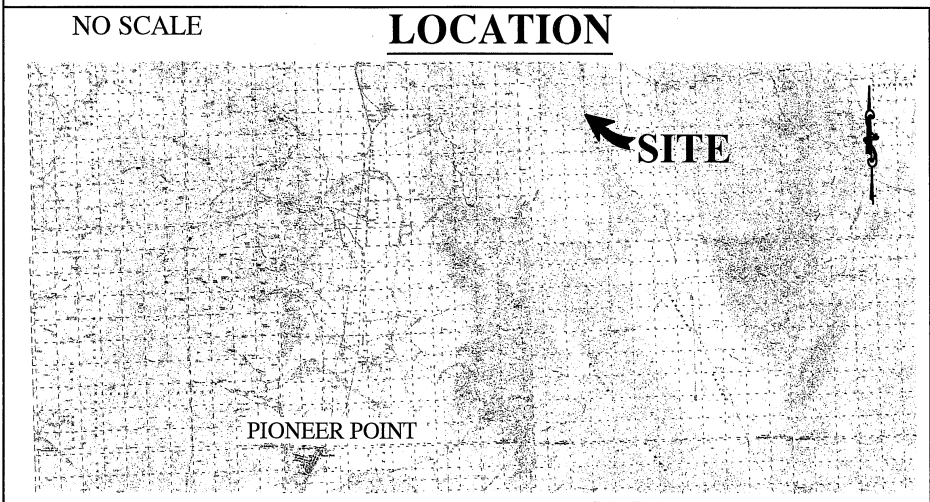
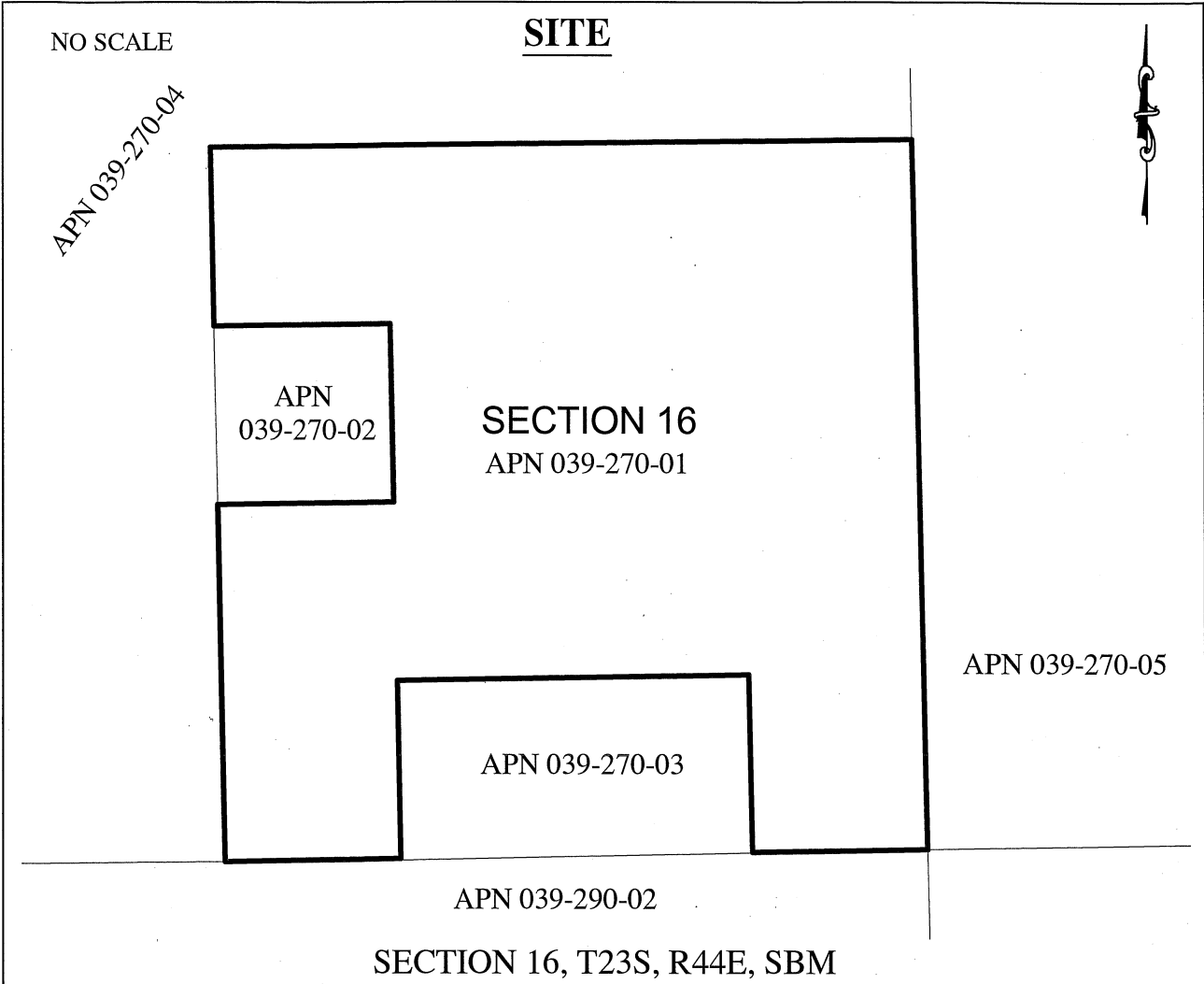


Exhibit B
 PRC 9390.2
 RASCAL LITHIUM LLC
 APN 039-270-01
 MINERAL PROSPECTING
 PERMIT
 INYO COUNTY



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 C

PRC 9390.2

CALIFORNIA STATE LANDS COMMISSION

MINERAL PROSPECTING PERMIT

Permit to Prospect for Lithium 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 Rascal Lithium LLC (Permittee), whose mailing address is: 2850 Mesa Alta Ln., Arroyo Grande, CA 93420.

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 Inyo, State of California, and more particularly described as follows:

Section 16, Township 23 South, Range 44 East, Mount Diablo Base and Meridian, Inyo County, containing 520 acres more or less (APN 039-270-01), particularly 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 1 year. The Commission may extend the term of this Permit for no more than 2 additional years, 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 lithium, and 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
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To the Permittee:	Rascal Lithium LLC Robert G. Wetzel 2850 Mesa Alta Ln. Arroyo Grande, CA 93420
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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 the Permittee 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 it 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 the 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 paragraph 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
DIVISION

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

PRC 9390.2

LAND DESCRIPTION

All those State School Lands situate in the County of Inyo, State of California, more particularly described as follows:

E $\frac{1}{2}$ of the NW $\frac{1}{4}$, NW $\frac{1}{4}$ of the NW $\frac{1}{4}$, NE $\frac{1}{4}$, N $\frac{1}{2}$ of the SE $\frac{1}{4}$, SE $\frac{1}{4}$ of the SE $\frac{1}{4}$, N $\frac{1}{2}$ of the SW $\frac{1}{4}$, SW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Fractional Section 16, Township 23 South, Range 44 East, Mount Diablo Base and Meridian as shown on Official Government township plat approved September 17, 1857.

END OF DESCRIPTION

Prepared 03/28/2019 by the California State Lands Commission Boundary Unit.



EXHIBIT B

(Additions, Deletions, and Modifications)

Mineral prospecting will be for lithium and minerals on approximately 520 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 20 to 50 samples, each weighing 2 to 6 pounds, using a 16-inch long hand pick tool 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 ensure 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.