



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Bill Brancard
Director
Mining and Minerals Division

May 8, 2007

Mr. Juan Velasquez
Strathmore Resources, (U.S.) Ltd.
4001 Office Court, Suite 602
Santa Fe, NM 87507

RE: Permit Approval, Roca Honda Exploration Project, Permit No. MK014EM

Dear Mr. Velasquez:

This letter acknowledges the approval of the Minimal Impact Exploration Permit Application for the Roca Honda exploration project, Permit No. MK014EM.

The Roca Honda exploration project is located approximately 22 miles northeast of Grants, McKinley County, New Mexico, in Section 16, T13N, R8W. The project area consists of mineral leases on New Mexico State Trust Land. The proposed exploration consists of four mud-rotary drill holes, 12 inches in diameter and up to 2,200 feet deep. The application states a total of 1.7 acres will be disturbed. Surface disturbance will include the construction of four drill pads (120 ft. x 150 ft.) and associated sumps (15 ft. x 20 ft. x 8 ft.) for drilling fluids. Existing roads will be used.

When all drilling and testing activities are complete, the mud pits will be allowed to dry out, then backfilled and re-contoured to approximate the original topography and to reduce erosion. Following contouring, topsoil will be placed in approximately six-inch lifts. The closed mud pits will be seeded with an appropriate certified weed-free seed mixture beneficial to wildlife. Following the revegetation and restoration activities, monitoring will be conducted to assure successful establishment of vegetation and stabilization of the site. Revegetated areas that have not become established by the end of the growing season will be treated (mulching, contouring, waterbars, etc.) to prevent erosion and site degradation. All drill holes will be developed as monitoring wells, and left in place after exploration activities have ceased, with approval from the landowner or under the authority of a mine permit.

The following sections of this permit outline the findings of fact and stipulations related to permit approval.

Findings of Fact:

1. The application is complete and demonstrates that the proposed operation and

reclamation will meet the requirements of reclamation, as identified in Part 1, Section 19.10.1.7.R. (1) of the New Mexico Mining Act Rules (the Rules). Reclamation of the disturbed area will be initiated as soon as possible, and will be completed within two years following the completion or abandonment of the exploration operation, unless the disturbed area is included within a complete permit application for a new mining operation.

2. The applicant has paid the permit fee in the amount of \$100.00, as determined by Part 2 of the Rules.

3. The applicant has signed a statement indicating he agrees to comply with the reclamation requirements of the permit, Part 3 of the Rules, and the New Mexico Mining Act (the Act) and allows the Director to enter the permit area, without delay, for the purpose of conducting inspections during exploration and reclamation.

4. The applicant has certified that he is not in violation of the Act or Section 19.10.3.302 NMAC of the Rules.

Approval of this permit is contingent upon the following stipulations:

1. You are responsible for properly plugging and abandoning all drill holes. For dry holes, you must backfill with cuttings or clean native fill and then install a non-metallic plug 10 feet below the ground surface and backfill with concrete to within 1 foot of ground surface. The remaining hole shall be backfilled with topsoil or cuttings and re-vegetated. If you encounter groundwater, the wells shall be sealed pursuant to the Office of the State Engineer's Rules and Regulations Governing Well Driller Licensing, Construction, Repair, and Plugging of Wells, 19.27.4 NMAC (see 19.27.4.36, Requirements for Mine Drill Holes that Encounter Water).

2. The permittee shall close and abandon all drill holes, including all wells, within 2 years of date of permit issuance, unless documentation is provided from the landowner that:

- a. the landowner wants the wells left in place, and MMD approves;
- b. the permittee has submitted a mining permit application to MMD that includes the wells;
- c. Or the permittee has received a renewal for an exploration operation, pursuant to 19.10.4.405 of the New Mexico Mining Act Rules.

3. All drill core cuttings that show radioactive readings in excess of the immediate background surface readings will either be removed from the site for appropriate disposal or storage, or buried no less than 3 feet below ground surface to insure that the radiation readings are the same, or close, to background readings.

4. No drilling and no storage of fuels or chemicals will take place within any drainage areas that are in the permit area.

5. All areas where vegetation is disturbed, including the access road, will be reseeded by broadcast with the following pure live seed mixture: Blue Gramma; Indian ricegrass; Western wheatgrass; Pubescent wheatgrass; Intermediate wheatgrass; Antelope bitterbush; Four-wing saltbush; and Small burnet. The seed will be sown immediately after reclamation while the soil

surface is still friable, or if sown after rains have sealed the surface, the seed will be raked into the soil.

6. All mud pits constructed shall have at least one side at a 3:1 slope, to allow for a wildlife escape route, or fenced in accordance with New Mexico Game and Fish wildlife fence procedures.

7. All mud pits shall be constructed in a manner that minimizes the possibility for overflow or blowouts during storm events.

8. All drill pads, mud pits, and access roads will be smoothed out and contoured to match the surrounding topography within 2 years of date of permit issuance, unless:

- a. documentation is provided from the landowner that the landowner wants these features left in place and MMD approves;
- b. the permittee has submitted a mining permit application to MMD that includes these features;
- c. Or the permittee has received a renewal for an exploration operation, pursuant to 19.10.4.405 of the New Mexico Mining Act Rules.

9. If any cultural resources are uncovered during drilling activities, all work should cease within the area of discovery, the remains should be protected in place, and the Office of Cultural Affairs should be notified.

10. Any changes or amendments to the approved permit must be approved prior to implementation.

11. A minimum setback of 100 feet from any watercourse within the area will be required. (Watercourse means any channel having definable beds and banks capable of conducting generally confined runoff from adjacent lands. During floods, water may leave the confining beds and banks, but under normal flows, water is confined within the channel. A watercourse may be perennial, intermittent, or ephemeral.)

12. No excavation or filling shall take place within an ephemeral watercourse until the required permits are obtained from the U.S. Army Corps of Engineers.

The issuance of this permit does not relieve you from the responsibility of complying with other state and federal requirements and standards, including, but not limited to, obtaining all necessary approvals from federal land management agencies prior to conducting mining activities on federal lands.

Since the permit area is on State land, the expiration or termination of the State Land Office's authorization to conduct exploration operations on the property automatically suspends the permittee's authority to continue exploration operations on the property. This does not include reclamation operations by the permit issued under 19.10.3 NMAC.

This permit is valid for one year from the date of approval (Section 19.10.4.405.A (1) NMAC of the New Mexico Mining Act Rules). Also, at the end of the project you will need to file a

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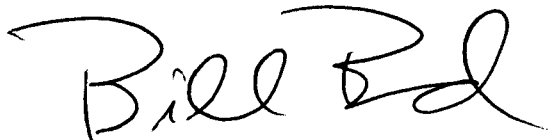
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termination report based on the requirements of Section 407 of the Rules. If you decide to continue exploration activities beyond that period, you must renew the permit at least 30 days before the date of expiration (Section 19.10.4.405.C (2) NMAC). Please be advised that you are obligated to maintain your site based on the commitments in your permit application and any follow-up correspondence.

If you have any questions, please contact James Hollen of my staff, at (505) 476-3436.

Sincerely,

A handwritten signature in black ink that reads "Bill Brancard". The signature is stylized with large, sweeping loops and a long horizontal stroke at the end.

Bill Brancard

Director

Mining and Minerals Division

cc: Karen Garcia, Bureau Chief, Mine Reclamation Bureau
Holland Shepherd, Program Manager, MARP
Mary Ann Menetrey, Program Manager, MECS/NMED
Lisa Kirkpatrick, Chief, Conservation Services Division, NMDG&F
Laura Watchempino, Pueblo of Acoma Water Office
Dallas Rippy, NMSLO
Michelle Ensey, NMOCA
Andrew Core, NMOSE
Mine File MK014EM