

RECEIVED

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Indent. No. TP-77-34

JAN 19 2012

STATE OF IDAHO DEPARTMENT OF
WATER RESOURCES

FEB 09 2012

DEPARTMENT OF
WATER RESOURCESAPPLICATION FOR TEMPORARY APPROVAL OF WATER APPROPRIATION
(5 AF or less)Name of Applicant Midas Gold, Inc. (MGI) Phone 206-730-0228Address 13876 Highway 55 McCall, ID 83638 Email Small@midasgoldinc.com1. Source of water Surface Water see remarks Tributary to South Fork of Salmon River2. Location of point of diversion* 1/4 1/4 Sec. Township , Range B.M.,
County Valley3. Location of place of use** 1/4 1/4 Sec. Township , Range B.M.,
County Valley4. Proposed use of water: Exploration Drilling. See enclosed map, table, and cover letter.

5. Amount of water:

Maximum rate of diversion cfs or 14 350 ^{HR} gpm.Maximum daily volume: 20000 gal/day AF; Total volume 5 AF.6. Duration of diversion: From Feb 1st, 2012 to Feb 1st, 2013
Day-month Day-month7. Proposed diverting works Pumps in Fiddle Creek, Hennessy Creek, Yellow Pine Pit8. Who owns the property at the requested point of diversion? Midas Gold, Inc.9. Describe the arrangement allowing access to the water 10. Remarks * Three points of diversions proposed: Fiddle Creek (T18N, R09E, Sec 10, NWNE), Yellow Pine pit (T18N, R09E, Sec 3, SENE), Hennessy Creek (T18N, R09E, Sec 3, SWNE)

** See attached map

I hereby acknowledge that I assume all risk if the diversion and use of the water under this approval injures other water rights. I certify this is a temporary use and that I am not seeking a continuing right to use water.

Jan 19th, 2012
DateHoward W. Small
ApplicantReceived by MP Date 1-19-12 Time 1:15 pm
\$50.00 fee received by MP # W039855 Date 1-19-12
Watermaster Comments received? Date

Action of the Director of the Department of Water Resources

This is to certify that the Department has examined this application for temporary approval to use water under the provision of Section 42-202a Idaho Code, and has determined that:

The application for temporary approval should be Approved since

- 1. The temporary approval can be properly administered*
- 2. Other water sources are not readily available*
- 3. The approval is in the public interest*
- 4. The approval will not injure know public values associated with the water source or any known water rights.*
- 5. Comments have been sought from the US Forest Service, Idaho Dept. of Fish & Game, and Idaho Department of Environmental Quality.*

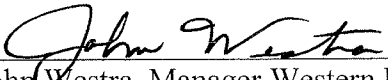
Approval is subject to the following conditions:

1. Diversion and use of water under this approval is subject to all valid existing water rights.
2. The applicant assumes all risk for the use of water under this approval and injury to other water rights.
3. This approval authorizes a maximum diversion volume of **5.0 acre-feet** and a maximum diversion rate of **350 gallons per minute**.
4. This approval does not grant a right-of-way across the land of another, does not create a continuing right to use the water, and may not be used in connection with a use which requires a continuing water supply.
5. The Department may cancel this approval at any time if the Department identifies injury to other water rights.
6. This approval commences on **February 7, 2012** and expires on **February 1, 2013**.

7. The holder of this temporary permit shall not divert at a rate or in a manner that will significantly reduce the flow in the water source or otherwise adversely affect fish, wildlife or other public values. At no time shall the diversion rate exceed 25% of the total creek flow.
8. A ¼ inch mesh screen shall cover the pump intake.
9. Direct discharge of waste flow/material into any stream or draw is not authorized. Discharge and processing of slurry/waste materials will comply with Forest Service and related regulatory agency permits and regulations.
10. The water use approved herein is subject to and shall conform to the terms of the approved Forest Service Plan of Operations for this location.
11. Site activities must comply with Idaho Water Quality Standards

Application for Temporary Water Appropriation No. TP-77-34 in the name of Midas Gold Inc. is hereby approved.

Dated this 7th day of February, 2012



John Westra, Manager Western Region

Cc: S. Spencer, Forest Service

January 19, 2012

Mr. John Westra
2735 Airport Way
Boise, ID 83705

RE: Application for Temporary Approval of Water Appropriation

Dear John:

We have attached an application for temporary approval of water appropriation that we are filing on behalf of Midas Gold, Inc (MGI). The intended water use is exploration drilling on unpatented and patented mineral claims in the Stibnite Yellow Pine District in central Idaho as part of the Golden Meadows Exploration Project.

There are four valid water rights associated with the project area; however, these water rights do not cover all of the proposed drill areas as their place of use. The temporary nature of drilling and the ongoing shift in location does not lend itself for a transfer of the existing water rights and would require another transfer process once operations shift from exploration to mining and processing.

IDWR approved a temporary approval of water appropriation associated with the man camp well (under water right 77-7141) on 18 November 2011. To allow greater flexibility and easier access to deliver water to drilling areas, we would like to amend the approved application and add a second point of diversion (POD). This point of diversion is an 8-inch well associated with water right 77-7285 (T18N, R09E, Sec 15, SENE). MGI does not currently use the water right associated with this well. The water under this right would be used for drilling at the following drilling locations: Hangar, DMEA, Sparky's Revenge, Scout, IPG and North.

The temporary approval of water appropriation associated with the wells would serve the southern portion of the project area. Pumping to and/or trucking water to drilling areas to the north would be very challenging; therefore, we are submitting the attached application, which would provide more flexibility in terms of the temporary nature of water needs and ongoing changes in location. There are no other existing wells within the project area, so the points of diversion on this application are from surface water. The points of diversion were selected to be within close proximity to the drilling areas.

- **Fiddle Creek (T18N, R09E, Sec 10, NWNE)**
This POD would serve East Fiddle, Fiddle, and Sizzle drilling areas.
- **Yellow Pine pit (T18N, R09E, Sec 3, SENE)**
This POD would serve the Monday, Yellow Pine, Clark, and Homestake drill areas.
- **Hennessy Creek (T18N, R09E, Sec 3, SWNE)**
This POD will serve the Monday, Yellow Pine, and Clark drill areas.

Mr. Westra
January 19, 2012
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The total amount of water from all three points of diversion will not exceed a rate of ³⁵⁰~~14~~ gallons per minute or 20,000 gallons per day. The total annual volume will not exceed 5 Ac-ft.

Please give me a call at (208) 387-7087 if you have any questions.

Best Regards,



Manuel Rauhut

Attachment

Cc: Howard Small
Anne Labelle
Bob Barnes
John Meyer

Table 1. Summary of Drilling Activities for 2011/2012 Winter Drilling

Prospect	Figure ID (Attachment A)	No. of Holes ¹	No. of Pads	No. of Sumps	Heli-portable LF-70 platform	Permit Status	Land Ownership	Disturbed Area (ft ²) ²
DMEA	Site 1	25	20	5	No	Permitted/New	Private	640
Hangar Flats	Site 2	30	22	10	Yes	Permitted/New	Private	8,430
North	Site 3	10	8	0	No	Permitted	Forest Service	0
East Fiddle	Site 4	5	5	2	No	New	Forest Service	256
Exit	Site 5	10	5	3	No	New	Forest Service	384
IPG	Site 6	5	5	3	No	Permitted/New	Forest Service	384
Monday	Site 7	10	5	2	No	New	Private	256
Scout	Site 8	3	3	3	Yes	Permitted/New	Forest Service	1,179
Sparky's Revenge	Site 9	2	1	1	No	Permitted	Private	128
West End	Site 10	25	14	5	Yes ³	Permitted/New	Private	5,340
YP-CT-HS	Site 11	50	25	25	Yes ³	Permitted/New	Private	9,825
Fiddle	Site 12	10	5	2	No	New	Private	256
Sizzle	Site 13	5	5	5	No	New	Private	640
Yellow Pine	Site 14	6	6	NA	No	New	Forest Service	0
Meadow Creek	Site 15	15	15	NA	No	New	Forest Service	0
Total Forest Service Land Disturbance								2,203ft² 0.05 acres
Total Private Land Disturbance								25,515ft² 0.59 acres

¹ Given time constraints and winter conditions the anticipated number of holes for winter 2011/2012 is approximately 100.² For tracked drill rig sites, disturbance is based on sumps only (8WX16LX8D ft). For sites with heli-portable LF-70s, disturbance is based on a 25X15-foot platform and a 3WX6LX3D-foot sump. Thus, tracked rig sites = 128ft² X sumps. Heli-portable rig sites = 375ft² X pads + 18ft² X sumps.³ Tracked drill rig or heli-portable rig; for estimation of disturbance, heli-portable rig assumed.



State of Idaho

DEPARTMENT OF WATER RESOURCES

Western Region, 2735 Airport Way • Boise, Idaho 83705-5082

Phone: (208) 334-2190 • Fax: (208) 334-2348 • Web Site: www.idwr.idaho.gov

January 23, 2012

C. L. "BUTCH" OTTER
Governor

Steve Spencer, Water Use Specialist
USDA Forest Service
1805 Highway 16 RM 5
Emmett ID 83617

GARY SPACKMAN
Interim Director

Leslie Freeman, Water Shed Coordinator
Department of Environmental Quality
PO Box 4654
McCall ID 83638

Dale Allen
Idaho Fish & Game
McCall Regional Office
555 Deinhard LN
McCall ID 83638

**RE: Comments: Temporary Water Appropriation Approval
Midas Gold Inc. – Stibnite Yellow Pine.**

Dear Agencies

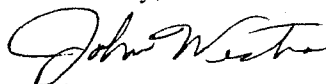
Attached is a copy of a temporary water appropriation application and cover letter received from Midas Gold Inc for mining exploration. The points of diversion are Fiddle Creek, Hennessy Creek, and Yellow Pine Pit all on patented lands. The project location is Golden Meadows Exploration Project in the Stibnite Yellow Pine District, see map and legal descriptions. The project is located in the Middle Fork Salmon River Basin and the Wild and Scenic River Designation.

A set of draft conditions of approval is also attached for your review. Please note draft condition #10, #11, #13 & 14.

If you choose to submit comments/concerns regarding the application, please present them to this office by **February 3, 2012.**

Should you have questions, please contact me at the Western Regional Office, phone 334-2190.

Sincerely,



John Westra, Manager

Enclosures: Application, Draft conditions,

Westra, John

From: Spencer, Steven M -FS [sspencer@fs.fed.us]
Sent: Wednesday, February 01, 2012 2:49 PM
To: Westra, John
Cc: Egnew, Jim -FS
Subject: Midas Gold - Approval of Temporary Appropriation

John,

With respect to your 1/23/12 letter to me concerning possible comments on the temporary water appropriation for Midas Gold Inc - Stibnite Yellow Pine, the company is moving rapidly toward submitting a mining plan of operations to the Forest Service. We have no comments to add or objections to the approval of the temporary appropriation. Inclusion of condition 11, that "the water use approved herein is subject to and shall conform to the terms of the Forest Service approved Plan of Operations for this location" sufficiently links the Departments approval of water use to the Forest Service approval of mining activities to the common benefit of the parties.

Thank you for working with us on this matter. If you have any questions about it please contact me.

Steve Spencer
USDA Forest Service
1805 Hwy 16 Rm 5
Emmett, ID 83617

Phone: 208-365-7055
Email: sspencer@fs.fed.us

Review Memorandum

Application for Temporary Approval of Water Right

Applicant: Midas Gold Inc.

From: J. Westra Date: 02/07/12



Background

The application is for mining exploration. Proposed beneficial use would commence on February 07, 2012. The application is part of the Plan of Operations plan for the Forest Service pending approval—Stibnite Mine (Yellow Pine).

Review Criteria

Proper Administration:

The mine company has other water rights #77-7122 (.33cfs) E Fork Salmon, #77-7141, 77-7282 both ground water for mining. Locally, there are no other active water rights in the area. The Application is in the Salmon River Wild & Scenic Waters Designation basin 77 with water sources (P/Ds) from tributary creeks to the E. Fork of the Salmon River. The pumping rate of 350 gpm is to fill transport trucks enroute to the drilling sites; volume can be tracked by number of loads. The temporary use can properly be administered.

Other sources of Water not Available

The location is in a very remote mountain area—not public land surveyed. There is little for roads and drill pads are remote and hard to access. No other local close sources available.

Public interest and Public values associated with the source.

It is in the State and Federal public/economic interests to have mining activity. The place of use location is on Forest Service public lands. Points of diversion are on patented lands—Midas Gold.

Water District—No water District or regulation for surface water.

Requested comments-attached

Forest Service—email letter--OK

DEQ—no response

F&F—no response.

Special Conditions:

- Commencement and expiration dates
- Forest Service recommendations
- diversion –no more than 25% max. of stream
- No direct waste discharge into streams—follow state water quality standards.