

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
WATER SUPPLY BANK RENTAL AGREEMENT

This is to certify that: ATLANTA GOLD CORPORATION
2417 BANK DRIVE SUITE 101
BOISE ID 83705-2572

filed an application to rent water from the Water Supply Bank ("Bank"). The Idaho Water Resource Board ("Board"), being authorized to operate a Bank and to contract by and through the Director of the Idaho Department of Water Resources ("Director, Department") for rental of water from the Bank, agrees to rent water as follows:

Summary of Water Rights or Portions Rented from the Bank

Water Right	Priority Date	Source	Tributary	Rented Rate	Annual Rented Volume	Acre Limit	Total Rented Acres
63-02539	5/1/1866	Montezuma Creek	Middle Fork Boise River	0.46 cfs	80.5 af	NA	23.0 ac
63-32572	5/1/1866	Montezuma Creek	Middle Fork Boise River	0.46 cfs	80.5 af	NA	23.0 ac
Total Annual Combined Limit				NA	57.5 af*	NA	23.0 ac

*The volume of water under this rental agreement is limited to 57.5 af due to the change in nature of use.

Annual Combined Rental Totals 0.92 cfs 57.5 af NA NA

Term of Rental: April 22, 2014 to December 31, 2014
Rental Fee: \$1,368.50

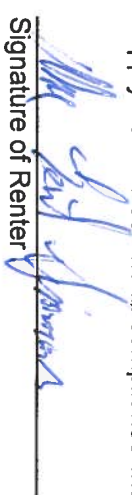
The fee for rental of the above-described water is \$1,368.50 per year. Ten percent (\$136.85) will go to the Department for administrative costs, and the remainder will be paid to the lessor(s).

No rental fees will be refunded once the fee is collected and the start date for a Rental Agreement has passed.
Detailed water right conditions are attached.

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

WATER SUPPLY BANK RENTAL AGREEMENT

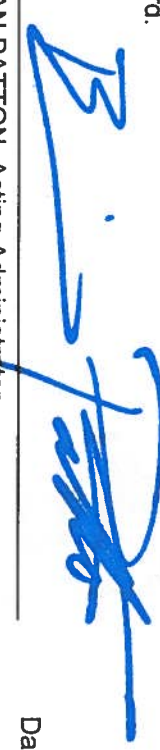
The undersigned renter agrees to use the water rented under this agreement in accordance with the Water Supply Bank rules and in compliance with the limitations and conditions of use described in this agreement:

Signature of Renter  Printed Name and Title* Brian Patton, Acting Administrator Date June 17, 2014

Signature of Renter _____ Printed Name and Title* _____ Date _____

*Please provide title of signatory if signing on behalf of a company or organization or with power of attorney

Having determined that this agreement satisfied the provisions of Idaho Code § 42-1763 and IDAPA 37.02.03.030 (Water Supply Bank Rule 30), for the rental and use of water under the terms and condition herein provided, and none other, I hereby execute this Rental Agreement on behalf of the Idaho Water Resource Board.

By  Date June 17, 2014
BRIAN PATTON, Acting Administrator
Idaho Water Resource Board

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
APPLY BANK RENTAL AGREEMENT
WATER USE DETAILS

LOCATION OF POINT(S) OF DIVERSION

MONTEZUMA CREEK NW¼SE¼NE¼ Sec. 11 TWP 05N RGE 11E ELMORE County

BENEFICIAL USE

MINING

SEASON OF USE

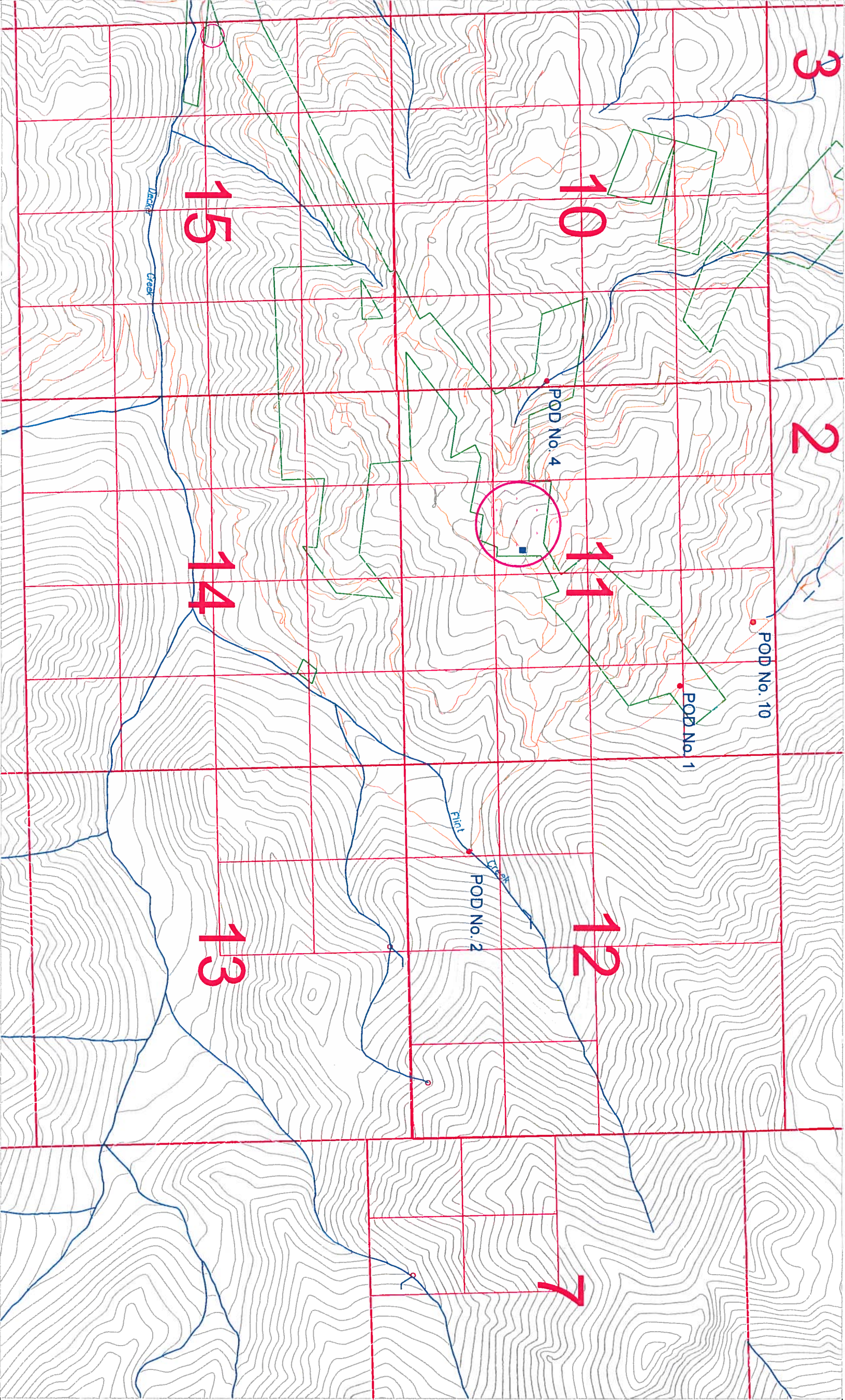
01/01 TO 12/31

RENTER'S PLACE OF USE: MINING

		Sec		NE				NW				SW				SE				Totals
Twp	Rge			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
05N	11E	11										X						X		

CONDITIONS APPLICABLE TO ALL RENTED WATER RIGHTS

1. The use of water under this agreement shall be subject to the provisions of Idaho Code § 42-1766.
2. Rental of the specified right from the bank does not, in itself, confirm the validity of the right or any elements of the water right, or improve the status of the right including the notion of resumption of use. It does not preclude the opportunity for review of the validity of this water right in any other department application process.
3. Use of water under this agreement does not constitute a dedication of the water to renter's place of use, and upon expiration of this agreement, the points of diversion and place of use of the water shall revert to those authorized under the water right and/or again be available to rent from the bank.
4. This rental does not grant any right-of-way or easement to use the diversion works or conveyance works of another party.
5. Use of water under this agreement shall not prejudice any action of the Department in its consideration of an application for transfer or permit filed by the applicant for this same use.
6. Renter agrees to comply with all applicable state and federal laws while using water under this agreement.
7. Renter agrees to hold the Board, the Director and the state of Idaho harmless from all liability on account of negligent acts of the renter while using water.
8. Renter acknowledges and agrees that the Director may terminate diversion of water if the Director determines there is not a sufficient water supply for the priority of the right or portion thereof being rented.
9. Failure of the renter to comply with the conditions of this agreement is cause for the Director to rescind approval of the rental agreement.
10. The water rented under this agreement is appurtenant to irrigation of 23 acres.
11. Use of water under this agreement will be regulated by a watermaster with responsibility for the distribution of water among appropriators within a water district. At the time of this approval, this water right is within State Water District No. 63.



- Legend**
- Point of Diversion
 - ~ Stream
 - Road
 - Place of Use
 - Patented Claim Boundary
 - Water Tanks

Location: Portions of Townships 5 N, & Sections 2, 3, 7, 10, 11, 12, 13, 14 & 15 E, BM

Atlanta Gold Application to Rent Water

RECEIVED
APR 22 2014
DEPARTMENT OF
WATER RESOURCES

This application must be prepared in accordance with the minimum requirements listed to be acceptable for processing by the Department. Incomplete applications will be returned.

Name of Renter(s) Atlanta Gold Corporation

Mailing Address 2417 Bank Drive, Suite 101, Boise, ID 83705-2572

Phone 208-424-3343

Email esimmons@atlantagold.com

A. DESCRIPTION OF WATER SOUGHT FOR RENT

1. <u>Maximum Flow Rate (cf/s)</u>	<u>Maximum Volume (ac-ft)</u>	<u>Nature of Use</u>	<u>Period of Use</u>
0.92		mining exploration	01/01/14 to 12/31/14

	_____	to _____
	_____	to _____
Total:	<u>0.92</u>	

2. Source of water Flint, Quartz & Montezuma Creeks tributary to Middle Fork Boise River

3. Point(s) of Diversion: & Adit Drainage Water

3. Point(s) of Diversion:
& Aalt Drainage water

TWP	RGE	SEC	GOVT LOT	1/4	1/4	1/4	County
5N	11E	11	SE	NE			Elmore
5N	11E	12	SW	SW			Elmore
5N	11E	10	NE	SE			Elmore
5N	11E	11	NW	NE			Elmore

4. Lands to be irrigated or place of use:

[illegible]

If the use is for irrigation, show total number of acres proposed through rental.

Total Acres _____

B. OWNERSHIP

1. Do you own the land at the proposed point of diversion? Yes ☒ No ☒

If no, list owner, contact information, and attach a copy of the agreement or other written authority to use the proposed point of diversion.

PODS #2 & #10 are located on U.S. Forest Service land (see Attachment A)

2. Do you own the land at the proposed place of use? Yes ☒ No ☐

If no, list owner, contact information, and attach a copy of the agreement or other written authority to use the proposed place of use

C. MAP

Attach a map identifying the proposed point(s) of diversion, place(s) of use, and water diversion and distribution system details as described by this application in section A. Include legal description labels. (see Attachment B)

D. GENERAL INFORMATION

1. Please provide a description of the proposed diversion system.
n/a

2. Describe any other water rights diverted through the same point(s) of diversion or used for the same purpose(s) as described above.
n/a

3. Will the proposed place of use receive water from any other source? Yes ☐ No ☒
If yes, describe. _____

4. If the proposed use is not for irrigation, please provide a detailed description of the proposed use and how you determined the amount of water required. Attach additional sheets if needed. (see Attachment A) _____

5. Are there any other applications pending before the Department, such as an application for permit or transfer, for the same use(s) proposed by this rental? Yes ☐ No ☒
If yes, describe. _____

6. Was this rental application submitted in response to a Notice of Violation or a pending Notice of Violation? Yes ☐ No ☒
If yes, describe. _____

E. RENTAL TERM

Do you wish to rent water from the Board's bank for more than one (1) year? Yes ☒ No ☐
If yes, please specify the number of years desired through proposed rental. THROUGH 2016 w/ 1st

I hereby assert that the information contained in this application is true to the best of my knowledge. I understand that any willful misrepresentations made in this application may result in rejection of the application or cancellation of an approval.

If this application is approved, the applicant agrees to the following:

1. The use of water under this agreement shall be subject to the provisions of Section 42-1766, Idaho Code.
2. Renter shall comply with all applicable state and federal laws while using water under this agreement.
3. Renter shall hold the Board, the Director, and the state of Idaho harmless from all liability on account of negligent acts of the renter.
4. The Director may terminate diversion of water if the Director determines there is not a sufficient water supply for the priority of the right or portion thereof being rented.
5. Failure of the renter to comply with the conditions of this agreement is cause for the Director to rescind approval of the rental agreement.
6. Renter is not authorized to use water proposed by this application until the rental fees are paid in full and the renter receives an executed copy of the agreement signed by the Director.

Signature of Applicant Wm. Ernest Simmons Wm. Ernest Simmons, President & CEO Date 3-18-2014

Signature of Applicant _____ Printed Name and Title* _____ Date _____

*Please provide title of signatory if signing on behalf of a company or organization or with power of attorney

ATTACHMENT A

**APPLICANT: ATLANTA GOLD CORPORATION
APPLICATION TO RENT WATER FROM
THE WATER SUPPLY BANK**

B.1. – Ownership

The Points of Diversion (PODs) #2 and #10 are located on Federal Lands managed by the U.S. Forest Service. These PODs were previously approved by the USFS. The contact information for the U.S. Forest Service (USFS), Boise National Forest, Idaho City Ranger District, is Brant Peterson, District Ranger, Highway 21, milepost 38.5, P.O. Box 129, Idaho City, ID 83631. PODs #1 and #4 are located on patented mining claims owned by Atlanta Gold Corporation.

D.4. – Proposed Use

The applicant seeks to rent a total of 0.92 cubic feet per second as a combined flow from Flint Creek, Quartz Creek, Montezuma Creek & Adit drainage water; all located south of the town of Atlanta, Idaho. The purpose of the program is to determine excavation Best Management Practices (BMPs) for mining the Atlanta lode deposit and to evaluate process procedures and equipment necessary to maximize recovery of precious metals and byproduct construction materials suitable for use in Atlanta.

The applicant will collect a bulk sample from an existing disturbed area and process the sample on site using a beneficiating process similar to an enhanced placer recovery system with a gravity recovery system and water.



State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street • P.O. Box 83720 • Boise, Idaho 83720-0098
Phone: (208) 287-4800 • Fax: (208) 287-6700 • Web Site: www.idwr.idaho.gov

GARY SPACKMAN
Director

C.L. "BUTCH" OTTER
Governor

June 30, 2014

ATLANTA GOLD CORPORATION
2417 BANK DR STE 101
BOISE ID 83705-2572

RE: RENTAL OF WATER FROM THE WATER SUPPLY BANK
WATER RIGHT NO(S). 63-02539 AND 63-32572

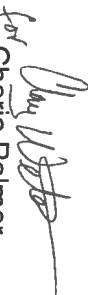
Dear Renter:

Please find enclosed a receipt in the amount of **\$1,368.50** and a copy of a fully executed Water Supply Bank Rental Agreement in connection with the rental of 57.5 acre-feet of water for mining during 2014. Upon receipt of this fully executed agreement, you are authorized to divert water in compliance with the conditions of water use described in the agreement.

Pursuant to the Water Supply Bank Rules, 90% or \$1,231.65 of the rental fee will be paid to the lessor(s) and 10% or \$136.85 will be retained by the Department to offset administrative costs.

If you have any questions, please contact me at (208) 287-4944.

Sincerely,

for 
Cherie Palmer
Senior Water Resource Agent
WSB Process Point of Contact

Enclosure(s): Receipt No. C099016
Rental Agreement (copy)

c: Sascha Marston – Fiscal
Rachel Sommer – IDWR Western Regional Office
Rex Barrie – State Water District No. 63

MEMO

TO: 63-2539 and 63-32572

FROM: Cherie Palmer

DATE: June 30, 2014

RE: WSB Watermaster Comment

Today I spoke with Rex Berrie, the watermaster for water district 63 and had some comments in regard to Atlanta Gold's rental application.

The applicant requested that we approve a rental agreement for 5 years. However, Rex told me that a measurement order is in the process is in the middle of being issued for water users above the reservoir. The order would impact this rental agreement.

In order to provide maximum flexibility for the district, the preference is to approve a rental agreement for one year at a time for the sake of the impending measurement order and the possibility of shortage. Please note that water this year is abundant in the area of the rental.

MEMORANDUM

To: Water Right(s). 63-2539 and 63-32572

From: Brian Ragan

Date: June 30, 2014

Re: Review & Analysis of Application to Rent Water from the State Water Supply Bank

PURPOSE/NARRATIVE:

On April 22, 2014 IDWR received an application from Atlanta Gold Corporation to rent water from the WSB for a period of one-year. The applicant proposes to use 0.92 CFS of surface water from Flint, Quartz and Montezuma Creeks in addition to mine adit drainage water to evaluate Best Management Practices for gold extraction via water flushing and gravity recovery.

On Tuesday June 17th, 2014 Cherie Palmer and Brian Ragan met with the applicant, Earnest Simmons, at the IDWR State Office to discuss his application. Out of this meeting came the following permit amendments:

- Only POD #1 shown on the map as being in Montezuma Creek will be used to divert the water. This POD is located on land owned by Atlanta Gold Corp.
- The term of the rental was revised from one-year to three years through 2016

Additional information provided by applicant is:

- POD's #4 and #10 are considered recovery points which capture water flowing off site which is then pumped back up to the site where it is re-treated in their treatment system.
- Water infiltrating through the site is captures and routed underground through the Monarch Tunnel which discharges at POD #10.

AUTHORITY TO FILE: Wm. Earnest Simmons (signatory) is listed as the current President and Director of Atlanta Gold Corp. as per the Idaho Secretary of State Business Entity webpage.

WATER RIGHT VALIDITY: Water rights 63-2539 and 63-32572 are leased into the WSB though 2016. These rights have a combined limit of 25-acres.

The acres are calculated by: 0.92 cfs / 0.04 cfs per acre = 23 acres.

The volume of irrigation water is calculated by: 23 acres X 3.5 afa = 80.5 af.

The rental volume for mining is calculated by: 23 acres X 2.5 afa = 57.5 af.

Water Right	Rented Rate (cfs)	Rented Volume (af)	Rented Acres (ac)
63-2539	0.46	80.5	23
63-32572	0.46	80.5	23
TOTALS	0.92	80.5*	23

*Limited to 57.5 acre-feet/acre. This is due to the change in use from irrigation to mining. The consumptive use requirement is 2.5 afa and will be used rather than the headgate requirement of 3.5 afa.

INJURY TO OTHER WATER RIGHTS: No injury is apparent.

The applicant has an NPDES permit with DEQ and treats water back to the creek after the mining use occurs. So this use is not completely considered non-consumptive. There shouldn't be any injury issues within the irrigation season of use or the off season. ~cp

ENLARGEMENT OF USE: No enlargement is evident through the rental.

LOCAL PUBLIC INTEREST: Review staff has no information to suggest this application is inconsistent with the local public interest.

BENEFICIAL USE/CONSERVATION OF WATER RESOURCES: The rental appears consistent with the conservation of water resources in Idaho.

DEPARTMENT STAFF OR WATERMASTER COMMENTS: The rented right(s) are subject to Water District # 63 (Boise River).
Steve Lester and Rex Berrie had concerned about a multi-year rental. See attached phone memo.

Palmer, Cherie

From:	Palmer, Cherie
Sent:	Monday, June 30, 2014 11:51 AM
To:	Sutcliffe, Lorna
Subject:	Refund Request

Hi Lorna,

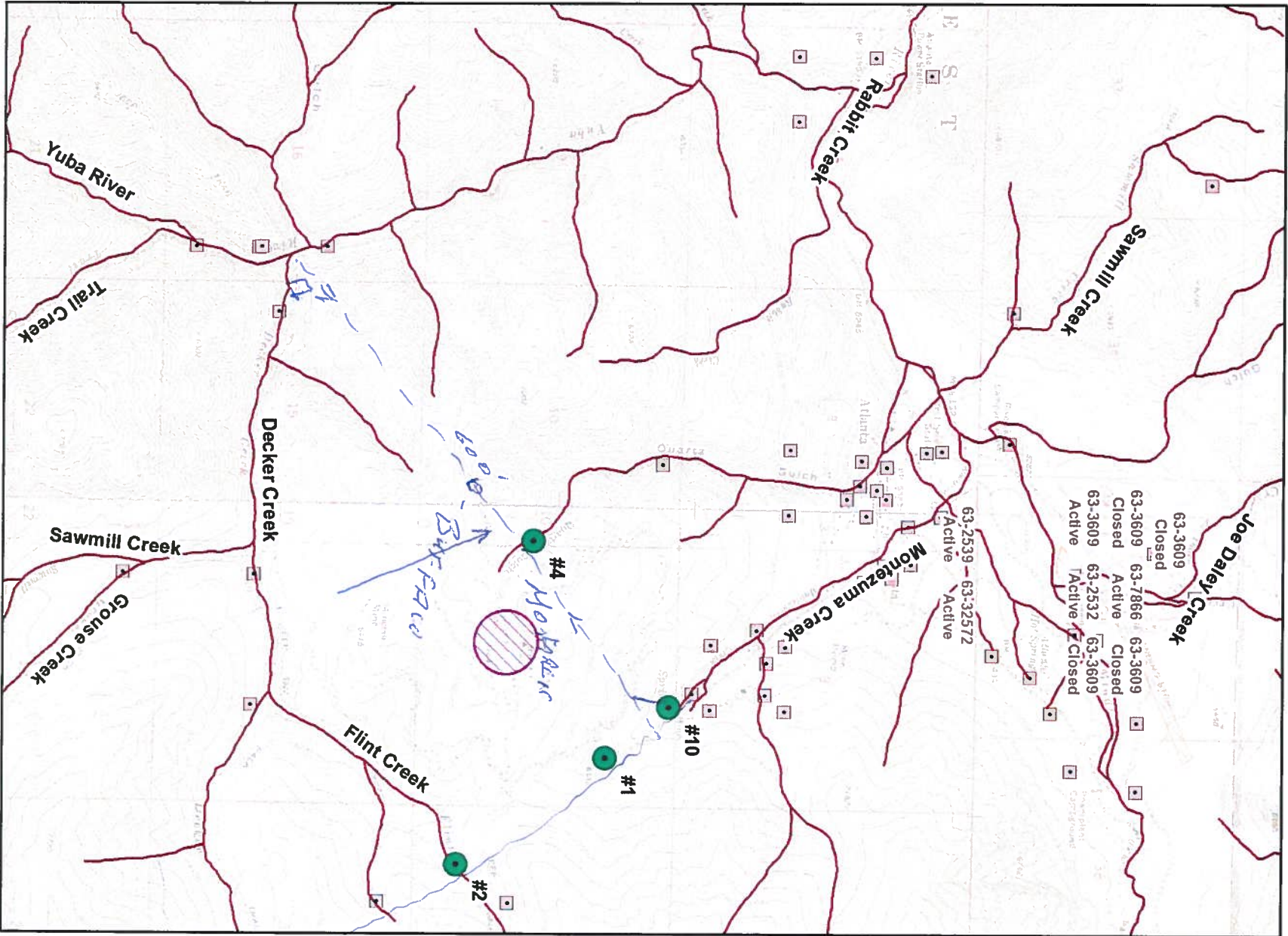
Could you please initiate a refund for receipt #C098721 in full?

Here is the information:

Atlanta Gold Corporation
2417 Bank Dr STE 101
Boise ID 83702-2572

In the amount of \$250.

Thank you.





State of Idaho

DEPARTMENT OF WATER RESOURCES

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Phone: (208) 287-4800 • Fax: (208) 287-6700 • Website: www.idwr.idaho.gov

C.L. BUTCH OTIER
Governor

GARY SPACKMAN
Director

May 15, 2014

ATLANTA GOLD CORPORATION
2417 BANK DR STE 101
BOISE ID 83705-2572

RE: APPLICATION(S) TO RENT WATER FROM THE WATER SUPPLY BANK

Dear Applicant:

The Idaho Department of Water Resources (Department) acknowledges receipt of your application(s) to rent water for from the Water Supply Bank (Bank). The Department will review your application(s) as time allows. If your application cannot be processed for the initial year specified on the application, it is possible that it may be approved for subsequent years.

Filing a rental application does not authorize diversion and use of water. It is unlawful to use water without a valid water right or an approved Water Supply Bank rental agreement. **You are not authorized to divert any water for the purposes described in your application until you have paid the rental fee and you and the Department have both signed and executed a rental agreement.**

You can check the status of your rental application by reviewing the Department's processing spreadsheet, accessible from the Water Supply Bank's website at:
http://www.idwr.idaho.gov/WaterManagement/WaterRights/WaterSupply/ws_default.htm

Regards,

Cherie Palmer
Sr. Water Resource Agent
Water Supply Bank Contact