



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 • Website: www.idwr.idaho.gov

C.L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Director

December 18, 2015

FORMATION CAPITAL CORPORATION
812 SHOUP ST
SALMON ID 83467

**RE: TERMINATION OF RENTAL AGREEMENT FOR WATER RIGHT NO (S) 75-7073 FROM
THE WATER SUPPLY BANK**

Dear Renter:

Per our conversation on December 1, 2015 the Department of Water Resources (Department) acknowledges your intent to end your Rental Agreement for rental of water for Water Right(s) 75-7073 effective immediately.

The rental agreement is terminated and no longer in effect. Water Supply Bank records will be closed. Any diversion or use of water associated with this rental agreement is not authorized and, if occurring, will be subject to any necessary enforcement action.

If you wish to rent water in the future, please reapply using new forms from the Department's website at www.idwr.idaho.gov. If you have any questions regarding this matter, please contact me at (208) 287-4910.

Sincerely,

for Clay Webster
Water Resource Agent
WSB Process Point of Contact



FORMATION

Formation Capital Corporation, U.S.
812 Shoup Street
Salmon, ID 83467
Tel: 208.756.4578 Fx: 208.756.2573

RECEIVED
DEC 14 2015
DEPARTMENT OF
WATER RESOURCES

December 7, 2015

State of Idaho
Department of Water Resources
322 East Front Street
PO Box 83720
Boise, ID 83720-0098

RE: Rental of Water from the Water Supply Bank
Water Right NO(s). 75-7073

Dear Mrs. Cherie Palmer,

Per our phone conversation on December 1st, 2015, Formation Capital Corporation indicated we will not require water for 2016 and therefore will not be renting water from the Water Supply Bank.

Our project (Idaho Cobalt Project) has been placed on care and maintenance at this time. When the required financing is secured to move the project forward, we will contact you to lease water from the bank.

Feel free to contact me if you have any questions (208)756-4578 ext.27.

Sincerely,

Shana Hilton
Administrative Director

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

RECEIVED

APR 01 2013

DEPARTMENT OF
WATER RESOURCES

This is to certify that: FORMATION CAPITAL CORPORATION US
812 SHOUP ST
SALMON ID 83467
(208) 756-4578

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	Rented Rate	Annual Rented Volume	Total Rented Acres
	75-7073	1.00 CFS	724.0 AF	N/A
COMBINED RENTAL TOTALS:		1.00 CFS	724.0 AF	N/A

TERM OF RENTAL: January 1, 2013 to December 31, 2017

RENTAL FEE: \$1,230.80 per year

The total fee for rental of the above-described water is \$12,308.00 per year. The undersigned renter is also the lessor under this agreement, and is therefore obligated to pay only the administrative fee of \$1,230.80 per year.

An annual payment shall be received by the Department of Water Resources prior to January 1, each year for the duration of the rental period. The agreement will be void if the payment is not received in a given year.

Detailed water right specific limitations and conditions attached.

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:

Dated this 27th day of March, 2013.

By: William G. Scales
(Print Name)

[Signature]
(Signature)
President
(Title if on behalf of company or organization)

Having determined that this agreement satisfies 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 conditions herein provided, and none other, I hereby execute this Rental Agreement on behalf of the Idaho Water Resource Board this 13th day of April, 2013.

[Signature]
BRIAN PATTON, Acting Administrator
Idaho Water Resource Board

SCANNED

APR 01 2013

WATER RIGHT NO. 75-7073
WATER SUPPLY BANK RENTAL AGREEMENT

The 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 below:

Renter: FORMATION CAPITAL CORPORATION US
812 SHOUP ST
SALMON ID 83467
(208) 756-4578

Priority Date: 11/23/1976

Source: BUCKTAIL CREEK **Tributary to:** SOUTH FORK BIG DEER CREEK

<u>BENEFICIAL USE</u>	<u>From</u>	<u>To</u>	<u>Diversion Rate</u>	<u>Volume</u>
MINING	01/01	to 12/31	1.00 CFS	724.0 AF
DIVERSION TO STORAGE	01/01	to 12/31	1.00 CFS	724.0 AF
MINING STORAGE	01/01	to 12/31		50.0 AF
MINING FROM STORAGE	01/01	to 12/31		50.0 AF
Total:			1.00 CFS	724.0 AF

LOCATION OF RENTER'S POINT(S) OF DIVERSION:

BUCKTAIL CREEK	NW¼NE¼	Sec. 17	Twp 21N	Rge 18E	LEMHI County
BUCKTAIL CREEK	NE¼NE¼	Sec. 20	Twp 21N	Rge 18E	LEMHI County

RENTER'S PLACE OF USE: MINING, DIVERSION TO STORAGE, MINING STORAGE,
MINING FROM STORAGE

Twp	Rge	Sec	NE				NW				SW				SE				
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	Totals
21N	18E	21	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
21N	18E	20	X															X	

CONDITIONS OF WATER USE

1. The use of water under this agreement shall be subject to the provisions of Section 42-1766, Idaho Code.
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 the ongoing Snake River Basin Adjudication or 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 a permanent 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 renter is limited to diversion of 724.0 acre-feet per year for the uses authorized under this agreement.

Idaho Department of Water Resources Receipt

Receipt ID: C096764

Payment Amount \$615.40 Date Received 3/22/2013 11:34 AM Region STATE
Payment Type Check Check Number 9861
Payer FORMATION CAPITAL CORPORATION US
Comments WATER SUPPLY BANK RENTAL FOR WR#75-7073 FOR FORMATION CAPITAL CORPORATION US FOR 2013 SEASON

Fee Details

Amount	Description	PCA	Fund	Fund Detail	Subsidiary	Object
\$615.40	WATER BANK-DEPARTMENT SHARE	55113	0229	21		1205



Signature Line (Department Representative)

Christina:

Called Formation Capital
& talked to Shana.

Explained that we received
the balance of the rental
fee, but not the rental
agreement. She will
get it sent back to us
with signatures.

HOLD/CALL-UP 4-10-13

