



United States
Department of
Agriculture

Forest
Service

Salmon-Challis
National Forest
Supervisor's Office

1206 S. Challis
Salmon, ID 83467
208 756-5100

File Code: 2810

Date: December 8, 2009

Formation Capital Corporation
812 Shoup Street
Salmon, ID 83467
Attn: William Scales

Dear Bill:

Enclosed is the Forest Service Evaluation for your 12-09 Idaho Cobalt Project mining plan of operations for the activities on National Forest lands in the Blackbird, Big Deer and Bucktail Creek drainages on the Salmon/Cobalt Ranger District. This document lists the modifications required for approval of your plan.

Procedurally, you may: 1) Appeal the decision to require modifications of the Plan of Operations. If you elect to do this, you must submit (within 45 days of receipt of this letter), a written statement explaining why you believe the decision is in error or is contrary to existing law or regulations; or 2) Incorporate the modifications by signing the enclosed Forest Service Evaluation for this plan. A signature on this form documents your agreement to incorporate, by reference, these measures into the plan. If you elect to sign the evaluation form, please return it to this office.

Your plan contains a number of items that are required for you to complete prior to commencing surface disturbing activities. In order to track these items I have listed them below. FCC shall:

- Work with the Forest Service to form an Inter-Agency task force to provide oversight of the ICP. In conjunction with the Forest Service conduct an Inter-Agency meeting prior to surface disturbing activities.
- Provide designs for TWSF and Ponds, Topsoil Stockpile Area, roads to and around the Millsite and TWSF, and the Mill and Concentrator Pads and obtain SCNF approval for areas to be cleared.
- Provide documentation from the EPA that winter work plans and the FCC Health and Safety and Security Plan are consistent with plans of other entities working at the site.
- Obtain a signed Road Use Permit.
- Ensure Assignment of FCC's Right of Way for the private land portions of the Blackbird Road to the USDA Forest Service is properly recorded.



This decision authorizes construction activities outside the normal operating season of June 1, to November 30 for Stage I activities. Any future operational activities, including operating outside of the normal operating season must be authorized by the District Ranger.

Since the bond is posted, once you have completed item 2 noted above, a copy of the Forest Supervisors signed evaluation form approving stage I will be returned to you.

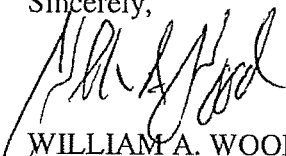
Prior to commencing activities for Stage II Formation Capital Corporation is required to:

Note: Stage II Activities consist of Road and facility construction, timber clearing not completed in Stage I, Phase 1 of TWSF and mine development to the water table

- Provide Documentation of approval from the CERCLA RPM and Forest Service CERCLA PM for any designs or activity that would affect existing wastes, rock piles water diversions, and other remedial measures in place to ensure design performance is not adversely impacted and thereby ensure protection of the Blackbird remedy.
- Provide an agreement to the Forest Service indicating permission to utilize power lines across private property to the ICP prior to any underground mining activity.
- Finalize, Appendix M, Post-Mining Groundwater Capture Plan for the Salmon-Cobalt Ranger District's approval prior to any underground mining activities. The Groundwater Capture Plan must be approved by the District Ranger.
- Post \$5,757,391.00 financial assurance for the surface disturbing aspects of Stage II, activities.

For further information please contact Russ Bjorklund @ 208-756-5283.

Sincerely,



WILLIAM A. WOOD
Forest Supervisor

FOREST SERVICE EVALUATION

File No 2810
Plan No. 12-09

This Plan adequately protects the surface resources affected and no additional operations or reclamation measures are needed? YES NO X

This Plan does not adequately protect the surface resources and the following modifications are required for approval: YES X NO

Formation Capital Corporation's proposes to post financial assurance in 5 Stages for a total of \$29, 682, 683.00, to conduct mining and milling operations for the Idaho Cobalt Project.

STAGE I

The posting of \$622,226.00 is required prior to commencing timber clearing operations only, for the TWSF and Ponds, Topsoil stockpile area, roads around Millsite and TWSF, and the Mill and Concentrator Pads. Activities are planned for snow and frozen conditions for the period of January 2010 to March 1, 2010.

This decision authorizes construction activities outside the normal operating season of June 1, to November 30 for Stage I activities. Any future operational activities, including operating outside of the normal operating season, will be authorized by the District Ranger.

STAGE II

Prior to commencing activities for Stage II, Formation Capital Corporation is required to:

Note: Stage II Activities consist of Road and facility construction, timber clearing not completed in Stage I, Phase 1 of TWSF and mine development to the water table

- Ensure assignment of FCC's right of way for the private land portions of the Blackbird road to the USDA Forest Service is properly recorded.
- Obtain approval from the CERCLA RPM for all sediment capture facilities on private lands.
- Provide an agreement to the Forest Service indicating permission to utilize powerlines across private property to the ICP prior to any underground mining activity.
- Finalize, Appendix M, Post-Mining Groundwater Capture Plan for the Salmon-Cobalt, District Ranger's approval prior to any underground mining activity.

- Coordinate with the Forest Hydrologists in ensuring design features for sediment capture facilities on National Forest System Lands identified in Appendix G are properly installed prior to initiating construction activities and or concurrently with activities ie. Road construction.
- Post \$5,757,391.00 financial assurance for the surface disturbing aspects of Stage II, activities.

STAGE III

- Prior to mine development past the water table Post \$20,572,476.00 long term water treatment financial assurance.

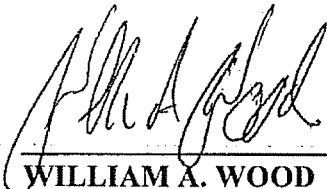
This Plan of Operations, including all provisions made herein and attachments thereto, meeting requirements under 36 CFR 228.4, are approved and mutually agreed upon by the UNITED STATES OF AMERICA, acting through the USDA-FOREST SERVICE, Salmon-Challis National Forest, Salmon/Cobalt Ranger District, and MINING CLAIMANTS / OPERATORS:

Approval of this operating plan does not constitute recognition or certification of ownership by any person named as owner herein.

Approval of this operating plan does not constitute now or in the future recognition or certification of the validity of any mining claim to which it may relate or to the mineral character of the land on which it lies.

UNITED STATES OF AMERICA

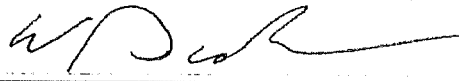
MINING CLAIMANT/OPERATOR



WILLIAM A. WOOD

Forest Supervisor

Salmon-Challis National Forest



AUTHORIZED REPRESENTATIVE