

RECEIVED

Form 42-1761
01/03

MAY 10 2007

DEPARTMENT OF
WATER RESOURCES

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

Water Supply Bank No. _____

Water Right No. _____

APPLICATION TO SELL OR LEASE A WATER RIGHT
TO THE WATER SUPPLY BANK

Name of Seller/Lessor Atlanta Gold Corp. Phone 424-1028

Post office address 1509 Tyrell Lane, Suite D Boise 83706

1. DESCRIPTION OF WATER RIGHT:

Right evidenced by:

- a. Decree No. 63-03609 Decreed to Greene Tree Inc.
(Name)
in case of SRBA vs _____
dated July 29, 2003 in Twin Falls county of The Fifth Judicial District
(Name of court)
- b. License No. _____ issued by the Idaho Department of Water
Resources.
- c. Permit No. _____ issued by the Idaho Department of Water
Resources.

2. DESCRIPTION OF PORTION OF RIGHT FOR SALE OR LEASE: (If the entire right is for sale or lease,
show "all" on line a below and skip the remainder of part 2)

- a. Amount of water under right: all cubic feet per second &/or
_____ acre-feet per annum
- b. Point of diversion: _____ ¼ of _____ ¼ of Section _____ Township _____ Range
_____, B M in _____ County.
- Additional points _____

c. Place of use:

TWP	RGE	SEC	N E				N W				S W				S E				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	

If the right is for irrigation, show the number of acres for the part of the right to be put into the bank.

Total number of acres _____

3. ADDITIONAL INFORMATION ABOUT RIGHT, OR PORTION THEREOF, FOR SALE OR LEASE

- a. Explain how the seller/lessor acquired the right, or portion thereof, and attach a copy of the deed to the land to which it is appurtenant or other evidence of ownership of the right. If the right is not recorded in the name of the seller/lessor, attach a copy of a change of ownership form as required by Section 42-248 or 42-1409(6), Idaho Code, together with required documentation.

Copy of Lease dated July 2004 attached.

- b. Describe the frequency of water use under the right, or portion thereof, during the past five (5) years of use. Attach watermaster records, pumping power bills, or other evidence to demonstrate that the right has not been lost through abandonment or forfeiture. (This information is not required if a partial decree has been issued on the right within the last 5 years).

Partial Decrees were issued on Apr. 23, 2003
and July 29, 2003.

- c If the right is from a surface water source, describe the period of the year that water is typically available to satisfy the right.

April 15 to October 15

- d Describe any other water rights with the same purpose and place of use as the right, or portion thereof, offered for lease. Will the present place of use continue to receive water from any source? If so, describe

Water Right Nos. 63-2532 & 63-7866 will continue to provide water to the present place of use.

- e If the water right is a permit, describe the work accomplished toward developing the right.

- f If the right to the use of the water or the use of the diversion works or irrigation system is represented by shares of stock in a company or corporation, or if such works or system is owned or managed by an irrigation district, a written consent of the sale or lease must be attached.

4 REMARKS:

5. SALE/LEASE AGREEMENT

1 The water right, or portion thereof, described above is offered to the Idaho Water Resource Board:

_____ For sale;

X For lease for a period from 10, May 2007 to 31, December 2007 ~~2008~~ ^{RBS}
(Day, month, year) (Day, month, year)

(The lease period may be shown as "indefinite", if the total duration of lease is unknown); or

_____ As a gift to the state of Idaho.

2 Show the minimum payment acceptable to the Seller/Lessor. Include the method of determining the minimum payment. The minimum payment may be shown as the "current rental rate".

Current Rental Rate

I hereby assert that the information contained in this application is true to the best of my knowledge, and that I have the authorities necessary to offer this right for sale or lease to the Idaho Water Resource Board.

The owner/lessor acknowledges the following:

- 1 Payment to the owner/lessor is contingent upon the sale or rental of the right from the bank
- 2 While a right is in the bank, the owner of the right may not use the right even if the right is not rented.
- 3 A right accepted into the bank stays in the bank until the Board releases it or until the lease term expires.
- 4 While a water right is in the bank, forfeiture provisions are stayed.
- 5 Acceptance of a right into the bank does not, in itself, confirm the validity of the right or any elements of the water right.

10 May 2007
Date

AB Shandyscraft
Signature

FOR DEPARTMENT USE ONLY

Received by _____ Date _____ Preliminary check by _____

Watermaster recommendation requested on _____ Received _____

Recommended for _____ approval _____ denial by _____

FILED EFFECTIVE

07 FEB -6 PM 2:19

**ARTICLES OF INCORPORATION
OF
ATLANTA GOLD CORPORATION**

SECRETARY OF STATE
STATE OF IDAHO

THE UNDERSIGNED, acting as incorporator of a corporation under the Idaho Business Corporation Act, adopts the following Articles of Incorporation for such corporation:

FIRST ARTICLE

The name of the corporation is Atlanta Gold Corporation.

SECOND ARTICLE

The corporation's duration is perpetual.

IDAHO SECRETARY OF STATE
02/06/2007 05:00
CK: 103038 CT: 20522 SH: 1031334
1 @ 100.00 = 100.00 CORP # 2

THIRD ARTICLE

The corporation is organized for the purpose of transacting any and all lawful business for which a corporation may be incorporated under the Idaho Business Corporation Act.

FOURTH ARTICLE

This corporation is authorized to issue a total of one million (1,000,000) shares (without par value), all of which shall be common voting stock.

Unless a resolution of the board of directors provides that reacquired shares shall constitute authorized but unissued shares, any shares reacquired by the corporation shall be treasury shares; and the corporation may hold, use, resell or disposed of such reacquired shares free of any restrictions that would be imposed on the original issuance of shares of the corporation.

FIFTH ARTICLE

Shareholders shall have no preemptive right to acquire unissued or treasury shares or securities convertible into such shares or carrying a right to subscribe to or acquire shares.

SIXTH ARTICLE

The location of the initial registered office of the corporation 877 W. Main St., Suite 1000, Boise, Idaho 83702. The name of its initial registered agent at such address is Nicholas G. Miller.

SEVENTH ARTICLE

The number of directors constituting the initial Board of Directors is one and shall be thereafter determined as provided in the bylaws; and the name and address of the initial director

until his successors are elected and qualified is Bill Baird, 1509 Tyrell Lane, Suite D, Boise, ID 83706.

EIGHTH ARTICLE

The name and address of the incorporator is Bruce Thorndycraft, 24 Elk Run Road, Boise, ID 83716.

NINTH ARTICLE

The corporation reserves the right to amend, alter, change or repeal any provisions contained in its Articles of Incorporation in any manner now or hereafter prescribed or permitted by statute. All rights of stockholders of the corporation are granted subject to this reservation.

The Board of Directors is expressly authorized to alter, amend or repeal the Bylaws of the corporation and to adopt new Bylaws, subject to repeal or change by vote of holders of a majority of shares of the corporation's common stock.

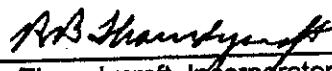
TENTH ARTICLE

At each election of directors, every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, one vote for each share owned by him. Shareholders have no right to vote their shares cumulatively in the election of directors.

ELEVENTH ARTICLE

A director of this corporation shall not be personally liable to this corporation or its shareholders for money damages, and the corporation shall indemnify such director against liability (as defined in Idaho Code § 30-1-850(5)) to any person, for any action taken, or any failure to take action, as a director except for liability for (a) the amount of a financial benefit received by a director to which he is not entitled, (b) an intentional infliction of harm on the corporation or the shareholders, (c) a violation of Idaho Code § 30-1-833, or (d) an intentional violation of criminal law. If the Idaho Business Corporation Act is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of this corporation shall be eliminated or limited to the fullest extent permitted by the Idaho Business Corporation Act, as so amended. Any repeal or modification of this Eleventh Article by the shareholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

DATED this ___ day of February, 2007.



Bruce Thorndycraft, Incorporator

LEASE**RECITALS**

1. Atlanta Gold Corporation of American, Inc. ("Lessee") and Greene Tree, Incorporated ("Lessor") entered into an Option Agreement dated April 6, 2004 granting Lessee an option to lease certain property of Lessor described below ("the Property").

2. Lessee desires to exercise its rights under said Option Agreement and lease the Property from Lessor, subject to the terms and conditions of said Options Agreement and the additional terms and conditions set forth below.

3. Lessor desires to lease the Property to Lessee subject to said terms and conditions.

AGREEMENT

1. **Property Leased:** Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, the Property, described as follows: (a) Parcel E of Homestead Entry Survey No. 37, recorded as Instrument No. 355251, records of Elmore County, Idaho, as illustrated on Exhibit A, attached hereto, consisting of approximately 20.55 acres; (b) Decreed Water Right No. 63-03609, consisting of 0.92 cfs, as illustrated on Exhibit B, attached hereto; and (c) a pump site and pipeline corridor, to be located in part on other property owned by Lessor, for utilization of the water right by Lessee, in a location to be mutually agreed upon by the parties, with Lessor's approval of the location not to be unreasonably withheld.

2. **Term:** The term of this Agreement shall be ten (10) years, commencing on July 1, 2004 and continuing through June 30, 2014.

3. **Payments:** Concurrently with the execution of this Agreement, Lessee is delivering to Lessor, and Lessor acknowledges the receipt of, the following payments: (a) the first month's rent of _____ and (b) _____ constituting half of the initial payment of _____

required under the Option Agreement less option payments of previously paid by Lessee to Lessor, such credit being applied pursuant to the terms of the Option Agreement. The balance of the net initial payment, shall be due and payable on August 1, 2004.

4. **Rental Payments:** Lessee shall pay as rent for the Property, in addition to the above initial payments: (a) per month, payable in advance by the tenth day of each month beginning on August 1, 2004; and (b) Lessee shall pay all taxes, water assessments and utilities for the Property accrued during the term of the lease, beginning with taxes, water assessments and utilities for the Property accrued from January 1, 2005. Lessor shall pay the taxes, water assessments and utilities for the Property accrued during 2004.

5. **Water Right Change:** Lessee shall be permitted to apply to the Idaho Department of Water Resources to change the use of the leased water right from irrigation to mining, and to apply for a transfer of the point of diversion for the water right. Lessor shall cooperate as reasonably necessary with such efforts.

6. **Approval of Construction:** Lessee intends to use the Property as the site for a man camp and equipment storage in support of its mining operations on other property, and Lessee may make such improvements to the Property as are reasonably incident to such uses. Lessor shall have the right of approval of all improvement or construction plans of Lessee prior to development, improvement or construction work occurring on the Property, with such approval not to be unreasonably withheld. Title to improvements to the Property and any alteration, change or addition shall remain in Lessee's name during the term of this Agreement.

7. Compliance with Applicable Laws:

(a) **Lessee's Obligation:** During the term of this Lease, Lessee shall, at its own cost and expense, promptly observe and comply with all applicable present and future laws, ordinances, requirements, orders, directives, rules and regulations of the federal, state, county and city governments and of all other governmental authorities having jurisdiction over the Property. Lessee shall pay all expenses that may arise out of or be imposed because of the failure of Lessee to comply with the covenants of this paragraph 7(a).

(b) **Lessee's Right to Contest.** Lessee shall have the right to contest by appropriate legal proceedings diligently conducted in good faith, in the name of the Lessee, or Lessor (if legally required), or both (if legally required), without cost or expense to Lessor, the validity or application of any law, ordinance, rule, regulation or requirement of the nature referred to in paragraph 7(a).

(c) **Lessor's Obligations.** Lessor agrees to execute and deliver any and all appropriate papers or other instruments which may be necessary or proper to permit Lessee to contest the validity or application of any such law, ordinance, order, rule, regulation or requirement and to fully cooperate with Lessee in such contest.

8. Maintenance by Lessee: Lessee shall, at all times during the term of this Agreement, at its own cost and expense keep and maintain the Property in good condition, and shall use all reasonable precaution to prevent waste, damage or injury. Lessor shall not be required to furnish any services or facilities or to make any improvements, repairs or alterations in, to or of the Property during the term of this Agreement.

9. Reclamation: Within 180 days following the end of the lease term or other termination of this Agreement, Lessee shall at its expense reclaim the Property to a physical condition equaling or exceeding its condition at the commencement of this Agreement.

10. Warranty of Title; Quiet Enjoyment: Lessor warrants that it is the fee simple owner of the Property and that it has the power and authority to enter into this Agreement and covenants and agrees with Lessee that as long as Lessee pays the rent in a timely manner and performs all of the provisions, obligations, covenants and conditions required to be performed by the Lessee under this Agreement, Lessee may quietly have, hold and enjoy the Premises for the lease term without any hindrance by Lessor or anyone claiming under Lessor, subject to all of the provisions of this Lease.

11. No Other Warranties: Lessee has thoroughly examined the Property and is leasing same "AS IS". Lessor makes no warranties or representations regarding the value of the Property, the quantity of land encompassed in the Property, the exact boundaries of the Property, the permitted uses of the Property or any other matter, unless such warranty or representation is expressly stated in this Agreement.

12. Indemnity: During the term of this Agreement, Lessee shall indemnify and hold Lessor harmless from and against any claims, lawsuits, damages or judgments arising from or relating to Lessee's occupation or use of the Property.

13. No Liens: Lessee shall keep the Property free from any liens arising out of any work performed, materials furnished or obligations incurred by Lessee.

14. Authority: Each party to this Agreement warrants and represents that it has the authority to enter into this Agreement, and has taken all necessary corporate acts and made all necessary corporate resolutions to enter into this Agreement.

15. Force Majeure: In the event that either party to this Agreement shall be delayed or hindered in or prevented from the performance of any act required hereunder, other than the payment of rent or additional rent, by reason of strikes, walkouts, labor troubles, inability to procure materials or financing, failure of power, restrictive governmental laws or regulations, riot, insurrection, war or other reason of a like nature not the fault of the party delayed in performing work or doing acts required under the terms of the Agreement, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay.

16. Waiver: No covenant, term or condition or the breach thereof shall be deemed waived, except by written consent of the party against whom the waiver is claimed, and any waiver or the breach of any covenant, term or condition shall not be deemed to be a waiver of any other covenant, term or condition. Acceptance by Lessor of any performance by Lessee after the time same shall become due shall not constitute a waiver by Lessor of the breach or default of any covenant, term or condition, nor shall such be construed as a waiver of a right to require timely performance in the future, unless otherwise expressly agreed by Lessor in writing.

17. No Partnership: Nothing contained in this Agreement shall be deemed or construed as creating a partnership or joint venture between Lessor and Lessee or between Lessor and any other party. In particular, Lessor shall have no control over Lessee's exploration, mining and milling activities, and Lessor is not to be construed as an "owner" or "operator" under CERCLA, 42 U.S.C. § 9601, et seq., with respect to Lessee's exploration, mining and milling activities.

18. Attorneys Fees: If suit is brought to enforce or interpret any provision of this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys fees and costs.

19. **No Recording:** Neither this Lease nor a summary hereof shall be recorded.

20. Applicable Law: This agreement shall be construed in accordance with the laws of the State of Idaho.

21. **Binding Effect:** This agreement shall benefit and be binding upon the parties, their heirs, successors and permitted assigns, if any.

22. Possession: Lessee shall be entitled to possession of the Property upon the complete execution of this Agreement.

23. Assignment and Subletting: Lessee may not assign this Agreement or sublet the Property without the Lessor's prior written consent, which consent shall not be unreasonably withheld. No assignment or sublease shall affect Lessee's duty to perform all of its obligations under this Lease unless Lessee is released by written agreement with Lessor. In the event of a sale by Lessor of the Property, such sale shall be subject to this Agreement and Lessee's rights under it. Lessor's interest in and rights under this Agreement may be assigned to such purchaser or purchasers of the Property, and in the event of such assignment Lessee shall attorn to and recognize such purchaser or purchasers as the lessor hereunder.

24. Subordination: At Lessor's option this Lease shall be subject and subordinate to the lien of any mortgage or deed of trust in any amount or amounts whatsoever now or hereafter placed on or against the Premises or on or against Lessor's interest therein without the necessity of execution and delivery of any further instruments on the part of Lessee to effectuate such subordination. However, so long as Lessee is not in default in the

performance of the terms hereof this Lease shall not be terminated nor shall any of Lessee's rights and obligations hereunder be disturbed by any lender in the exercise of its rights under such mortgage or deed of trust. Lessee agrees to execute such further instruments evidencing such subordination of this Lease to such mortgage or trust deed as may be desired by any lender or title company.

25. Attornment: In the event of foreclosure of any mortgage or deed of trust covering the Property, Lessee shall attorn to the purchaser upon any foreclosure sale and recognize such purchaser as the lessor hereunder and such purchaser shall recognize Lessee as Lessee hereunder.

26. Lessor's Inspection: Lessor shall at reasonable times have the right to enter and inspect the Property, provided that Lessor shall make any such entry in such a manner as to reasonably avoid interference with Lessee's operations on and occupation of the Property.

27. Lessee's Right of First Refusal: If during the term hereof Lessor desires to sell the Property, Lessor shall so notify Lessee in writing stating the purchase price and sales terms and Lessee shall have the exclusive right of first refusal to purchase the Property for sixty (60) days thereafter and if Lessee has not given written notice of intent to purchase the Property within said sixty days, then Lessor may sell to whoever Lessor desires, as long as the sale is not on terms more favorable to the buyer than those described in the offer to Lessee. In the event Lessor and the offering third party subsequently agree to new and more favorable terms of sale, Lessee shall be allowed the right of first refusal as to such new terms, and a new sixty day period for the exercise of such right will begin. By way of example, and not by way of limitation, if Lessee receives an offer to purchase the Property for _____ and Lessee declines to purchase the Property on such terms, Lessor may sell to the offering third party on

such terms, but in the event the Lessor and offering third party subsequently agree to reduce the purchase price to _____, Lessee must be given the right of first refusal on such new terms, and a new sixty day period for the exercise of such right will begin. However, if Lessee fails to pay the purchase price and perform all of the terms of the sale within 90 days after notifying Lessor that Lessee elects to purchase the Property, Lessee's right to purchase the Property shall become null and void, and Lessor may thereafter sell the Property to any person Lessor desires so long as said sale is on terms which are not more advantageous to the Buyer than those described in the offer to Lessee. In the event Lessee completes the purchase the Property pursuant to the terms of this paragraph, this Agreement shall immediately terminate and the parties shall have no further obligation to each other hereunder.

28. Lessor's Option to Purchase Non-fixed Items: At the end of the lease term, Lessor shall have the option to purchase from Lessee any non-fixed items associated with Lessee's man-camp located on the Property, including housing trailers, other portable or temporary buildings, at the then fair market value as agreed upon between the parties. Lessor shall notify Lessee of its desire to exercise its option at least thirty (30) days before the end of the lease term, indicating the items it wishes to purchase from Lessee, and their suggested fair market value. In the event the parties do not agree on fair market value for such items, Lessor may employ, at its expense, a qualified independent appraiser to determine the fair market value of such items as Lessor wishes to purchase. Such appraiser's determination shall establish the purchase price for the appraised items. In the event the parties do not agree on the fair market value and Lessor declines to employ an appraiser, Lessor's option shall expire as to those items for which no agreement as to value is reached by 120 days following the end of the lease term. Any purchase of items by Lessor pursuant to this paragraph must be

completed by no later than 180 days following the end of the lease term. Any such purchase by Lessor shall be "as is, where is," subject to no warranties, express or implied, as to habitability, suitability or fitness of any kind.

29. Fixed Items: Improvements constructed by Lessee and made permanent or affixed to the Property shall revert to and become the property of Lessor upon the termination of this Agreement (other than through the purchase of the Property by Lessee).

30. Notice: Any notice by either party to the other shall be in writing and shall be deemed given if delivered personally, by Federal Express, by Express Mail, or if mailed by registered or certified mail, return receipt requested, addressed as follows:

(a) if to Lessee: Atlanta Gold Corporation of America Inc.
1509 Tyrell Lane, Suite B
Boise, Idaho 83706

(b) if to Lessor: **Greene Tree, Incorporated.**
PO Box 39
Atlanta, Idaho 83601

Either party hereto may from time to time designate by written notice a different address for delivery of notices.

31. Miscellaneous: This agreement shall constitute the sole understanding of the parties with respect to the subject matter hereof. No modification or alteration of the terms hereof shall be binding unless such modification or alteration is in writing and executed by the parties hereto or their respective successors or assigns subsequent to the date hereof. Each party warrants that it has been given the opportunity to consult with its own legal counsel, is fully familiar with the circumstances surrounding this Agreement, and is executing this Agreement relying solely upon its own judgment and advice of its own counsel. Neither party

is relying upon any representation not expressly provided herein. No adverse presumption shall apply to any party drafting or contributing to the draft of this agreement.

AGREED TO AND EXECUTED:

Lessor: Greene Tree, Incorporated

By: [Signature]
Its President

**Lessee: Atlanta Gold Corporation of
America, Inc.**

By: [Signature]
Its PROJECT MANAGER

STATE OF UTAH)

: SS.

County of Utah)

On this 1 day of July, 2004, before me, the undersigned, a Notary Public in and for said state, personally appeared before me, known or identified to me to be the president of GREENE TREE, INCORPORATED, the person who executed the foregoing instrument on behalf of said corporation, and acknowledged to me that GREENE TREE, INCORPORATED executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.



(SEAL)

Ryan Deery
 Notary Public for Utah
 Residing at 3214 N. University, Utah
 My Commission Expires: 5/21/08

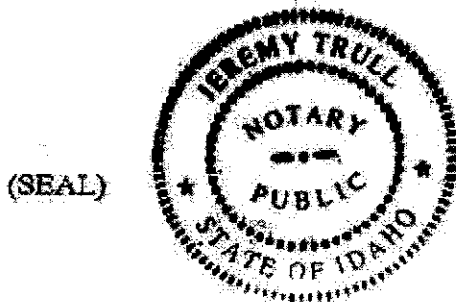
STATE OF IDAHO)

: SS.

County of ADA)

On this 20 day of July 2004, before me, the undersigned, a Notary Public in and for said state, personally appeared Douglas Glascoy, known or identified to me to be the area manager of ATLANTA GOLD CORPORATION OF AMERICA, INC., the person who executed the foregoing instrument on behalf of said corporation, and acknowledged to me that ATLANTA GOLD CORPORATION OF AMERICA, INC. executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.



(SEAL)

[Signature]
 Notary Public for Idaho
 Residing at Boise, Idaho
 My Commission Expires: 9/13/08