

**STATE OF NEVADA**

BRIAN SANDOVAL  
*Governor*



KAY SCHERER  
*Interim Director*

JASON KING, P.E.  
*State Engineer*

**DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES  
DIVISION OF WATER RESOURCES**

**901 South Stewart Street, Suite 2002**

**Carson City, Nevada 89701-5250**

**(775) 684-2800 • Fax (775) 684-2811**

**<http://water.nv.gov>**

**September 27, 2016**

Rockwood Lithium, Inc.  
PO Box 98, Hwy 265  
Silver Peak, NV 89047

GeoXplor Corp.  
3655 West Anthem Way  
Suite 109-293  
Anthem, AZ 85080

Pure Energy Minerals  
c/o Dr. Andy Robinson  
Suite 1780-355 Burrard Street  
Vancouver, BC, Canada, V6C 2G8

Dajin Resources  
Suite 450-789 West Pender Street  
Vancouver, BC, Canada, V6C 1H2

Intor Resources  
c/o Richard Harris, Esq.  
6121 Lakeside Drive  
Reno, Nevada 89511

Advantage Lithium  
#1305-1090 W. Georgia Street  
Vancouver, BC V6E 3V7

Noram Ventures Inc.  
430-580 Hornby Street  
Vancouver, BC V6C 3B6

Nevada Energy Minerals  
Suite 450-789 West Pender Street  
Vancouver, BC, Canada, V6C 1H2

Nevada Sunrise Gold Corp.  
Suite 1100 – 1111 Melville Street  
Vancouver, BC, Canada V6E 3V6

Lithium X Energy Corp.  
Suite 3123-595 Burrard Street  
Vancouver, BC, Canada, V7X 1J1

Esmeralda Minerals, LLC  
c/o Taggart & Taggart, Ltd.  
108 N. Minnesota Street  
Carson City, Nevada 89703

American Lithium  
Suite 313-515 West Pender Street  
Vancouver, BC V6B 6H5

Matica Enterprises Inc.  
Suite 1102-44 Victoria Street  
Toronto, Ontario M5C 1Y2

Sienna Resources Inc.  
1470-701 W. Georgia Street  
Vancouver, British Columbia V7Y 1C6

RE: Lithium Exploration Wells, Production Wells, and Brine Extraction

Ladies and Gentlemen:

This letter is a follow-up to my informational letter of July 27, 2016, regarding statutes and regulations in Nevada related to drilling activities in Nevada. Our office has received a number of inquiries regarding statutes, regulations and permitting requirements in regard to lithium mining in brine aquifers. Since January 1, 2015, approximately 8,000 placer claims for lithium have been staked in Nevada. Each company on the attached service list has been identified as having potential interest in mining lithium from brine aquifers in Nevada. This informational letter is to ensure all companies are aware of the requirements of the Nevada Division of Water Resources (NDWR).

The mission of the NDWR is to conserve, protect, manage and enhance the State's water resources for Nevada's citizens through the appropriation and reallocation of the public waters. In addition, the Division is responsible for quantifying existing water rights; monitoring water use; distributing water in accordance with court decrees; reviewing water availability for new subdivisions and condominiums; reviewing the construction and operation of dams; appropriating geothermal water; licensing and regulating well drillers and water rights surveyors; reviewing flood control projects; monitoring water resource data and records; and providing technical assistance to the public and governmental agencies.

This mission is accomplished through the enforcement of Nevada Water Laws and statutes. The statutes are Nevada Revised Statutes chapters 532 to 538, inclusive, also chapters 540, 543 and 544. Well drilling regulations are Nevada Administrative Code chapter 534. The statutes and regulations are available online at <http://water.nv.gov>. Many of the statutes and regulations will be referenced throughout this letter, but may not be all inclusive.

Based on the questions received, the following frequently asked questions have been compiled.

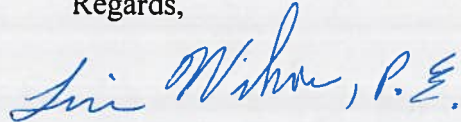
- What is the difference between a designated and non-designated basin?
  - For administrative purposes, Nevada is divided into 256 hydrographic basins. Under NRS 534.030, basins may be designated to provide for additional administration. Please note that Teels Marsh Valley (114) and Columbus Salt Marsh (118) are non-designated basins and Alkali Spring Valley (142) and Clayton Valley (143) are designated basins. Please reference our public web page for a complete listing.
- Can I drill a well without a permit or a waiver?
  - A well can be drilled in a non-designated basin without a permit or waiver; however, the well must not be equipped and no water may be pumped from such well until a waiver or permit has been approved. If a waiver or permit is subsequently denied, an order to plug the well may be issued.
  - In a designated basin, a well cannot be drilled until a permit or waiver is approved.

- All wells, whether in a designated or non-designated basin, must be constructed by a Nevada licensed well driller. The well driller is responsible for obtaining a Notice of Intent to Drill approval prior to moving the drilling rig on-site and for filing a Well Driller's Report within 30 days after completion of the well.
  - A borehole is not a well and does not require a permit or waiver and does not need to be drilled by a Nevada licensed driller. See definitions of borehole and well, below. If you are unsure if your drilling program fits the definition of a borehole or well, it is recommended that you contact our office prior to the start of your drilling program.
- Does the answer above apply to test wells and exploratory wells?
  - Yes. However, keep in mind the crucial determination is whether your drilling program meets the definition of a borehole or well.
- What is the definition of a borehole?
  - "Borehole" means a penetration in the ground that is deeper than the longest dimension of its opening at the surface and is made to obtain geologic, geophysical or geotechnical information relating to engineering or for any purpose other than for use as a well. (NAC 534.047)
  - A borehole may be drilled or plugged by a person who is not a licensed well driller. (NAC 534.4369)
  - A borehole must be plugged within 60 days after it is drilled. (NAC 534.4371)
  - A borehole must not be used to divert water for any purpose. (NAC 534.4369(7))
- What is a well?
  - A well is defined a penetration in the ground made for the purpose of measuring, testing, sampling or producing groundwater. The term includes a water well, monitoring well or exploratory well. (NAC 534.220)
- Does an exploratory well for brine water that may contain lithium meet the definition of a borehole?
  - No. If brine is pumped from the well, it does not meet the definition of a borehole. (see, NAC 534.4369(7))
- Is a Nevada Licensed well driller required to drill or plug wells that penetrate into a brine (non-potable) aquifer?
  - Yes. All wells in Nevada must be drilled and plugged by a Nevada licensed well driller, including exploratory wells. (NRS 534, NAC 534)
- Does it matter if the water source is non-potable?
  - No. The above answer still applies.
- Is a water right permit required for lithium production wells?
  - Because the lithium is contained in brine water, a water right permit is required for any water pumped from the well.

- What if my process for extracting the lithium from the brine water is non-consumptive, such that any water pumped is re-injected into the aquifer?
  - A water right permit is required for all non-consumptive and consumptive uses of water.
- How do I obtain a water right permit?
  - A water right permit can be obtained by filing an application for a new appropriation of water or filing an application to change an existing water right to your project. All applications must meet the statutory requirements for approval.
- How do I obtain a waiver to drill, sample or test pump an exploratory well to explore for lithium (minerals)?
  - A waiver to use water to explore for minerals (MM-Waiver) can be requested as outlined in NAC 534.442. One waiver per project, 5 AFA limit per project phase.
- My project is on land managed by a federal agency and I have obtained the necessary federal permits. Do I still need to follow Nevada statutes and regulations?
  - Yes.
- What are the possible penalties for someone found to be in violation of water law, regulations, permit terms, orders, or other requirements of the State Engineer?
  - The enforcement regulations are intended to achieve compliance with Nevada's water law within a framework that minimizes enforcement; to assure the protection of Nevada's water resources and the public welfare by promoting compliance and deterring noncompliance with the statutes, regulations, permits, certificates, waivers and orders administered and issued by the State Engineer; and to assure that if the State Engineer assesses any administrative penalties, that it is done lawfully and equitably. (Compliance Enforcement Mission Statement, <http://water.nv.gov/programs/planning/enforcement.cfm> )
  - Alleged violators are provided reasonable opportunity to come into compliance through verbal and/or written communication; however, if good faith effort toward compliance is not made, the matter can be recommended to the State Engineer for enforcement action.
  - Possible penalties after the regulatory process are (per NRS §533.481, §534.193, §535.200, and §536.200):
    - Payment of an administrative fine not to exceed \$10,000 per day for each violation
    - Replacement of not more than 200% of the water used, wasted, or diverted; and/or
    - Payment of the costs of the proceeding, including investigative costs and attorney's fees

The goal of NDWR is to conserve, protect and manage Nevada's valuable water resources in a fair and equitable manner by administering and enforcing Nevada's water law. If you have any questions regarding this letter or need further assistance in how you can achieve compliance with these requirements, please contact me at (775) 684-2873.

Regards,

A handwritten signature in blue ink that reads "Tim Wilson, P.E.".

Tim Wilson, P.E.  
Manager II  
Well Drilling Regulation

TW/ac

cc: Chris C. Mahannah, agent (email)  
George Thiel, agent (email)  
Michael D. Buschelman, agent (email)  
Mark Stock, agent (email)  
Nevada Division of Environmental Protection, BMRR, c/o Joe Sawyer, Bureau Chief  
Nevada Division of Minerals, c/o Rich Perry, Administrator  
Paul Taggart, Esq. (email)  
Ross E. de Lipkau, Esq. (email)  
Timothy P. Donahoe, SRK Consulting (email)  
U.S. Bureau of Land Management, Nevada State Office  
U.S. Bureau of Land Management, Tonopah Field Office  
Southern Nevada Branch Office