



A detailed review of approvals and permits required for the Project is provided in the Company's latest Form 10-K filing with the U.S. Securities and Exchange Commission, dated March 29, 2012.

Approvals and Permits

Introduction

The area surrounding Mojave is typical of the western Mojave Desert. The immediate vicinity of the Project is sparsely populated with considerable historical and more recent mining activity. The Standard Hill, Tropico and Cactus mines are located within a radius of 12 km (7.5 miles) of the Property.

The Project and the immediate area surrounding the Project or a total of approximately 9,600 acres are included in the Specific Plan (the "Plan") for Soledad Mountain - Elephant Butte & Vicinity - south of Mojave. This Plan was prepared in March 1973 and adopted by the Kern County Board of Supervisors as Resolution 73-485 on June 18, 1973. Gold and silver mining operations are recognized in the Plan as important land uses and the protection of mineral deposits, potentially of commercial value, is included in the Plan through restriction of incompatible land uses. The Project as presently defined is consistent with the Plan.

An independent consulting engineering firm reviewed the major approvals and permits that were issued for the Project in the late 1990s and the current regulatory environment in California in 2005. Additional work was indicated due to the time that had passed since the permits were first issued and changes that have been made in the Project. There have also been changes in regulations imposed by two levels of government in California. No significant environmental issues were however identified in the review and furthermore, the footprint of the Project as presently defined has been reduced in both a physical and an environmental sense.

Environmental issues and approvals and permits are summarized in the following sections.

1. Land Use - Conditional Use Permits

CEQA/NEPA

The Project is subject to the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act ("NEPA"), each of which requires written analysis of proposed mining activities and their effect on the physical, biological, social and economic resources of the area. This analysis is known under CEQA as an Environmental Impact Report ("EIR"), and under NEPA as an Environmental Impact Statement ("EIS").

The environmental setting of the Project was documented in a number of baseline studies prepared between 1990 and 1997. The Kern County Board of Supervisors unanimously approved two Conditional Use Permits ("CUP") for the Project in September 1997 (i.e. CUP Case No. 41, Map No. 213 and CUP Case No. 22, Map No. 214). The Bureau of Land Management subsequently issued its Record of Decision approving the Plan of Operations under NEPA in November 1997.

The State of California introduced backfilling requirements for certain types of open pit, metal mines in December 2002. The Company contended that these regulations did not apply to the Project under a grandfathering provision included in the regulation. The Company, therefore, pursued both a favourable interpretation under the regulation and subsequently an amendment of the regulation with the State Mining and Geology Board (the "Board") in 2006. These efforts were supported by Kern County officials. Both approaches were rejected by the Board and the decision was duly recorded by the Board in January 2007.

The Company completed an Application for a revised Surface Mining and Reclamation Plan, which was submitted to the Kern County Planning Department (the "Planning Department") in April 2007. The Planning Department completed its review of the Application and deemed the Application complete as set out in July 2007. The Planning Department noted that changes proposed for the Project constituted new information that required evaluation of potential impacts and mitigation in a supplemental Environmental Impact Report ("SEIR"). The Planning Department issued a Request for Proposal to prepare the SEIR to a total of 17 qualified consultants in October 2007. The Chambers Group was awarded the contract to prepare the SEIR. The Company signed an agreement with the Planning Department in February 2008 and made a payment of \$55,000 which was 50 % of the cost of preparing the SEIR. This agreement was approved by the Kern County Board of Supervisors at its regular meeting on March 11, 2008.

The kickoff meeting with the Chambers Group was held on the afternoon of March 12, 2008. The Chambers Group completed the initial review of information provided by the Planning Department and issued a draft Notice of Preparation by mid-June. The Planning Department then terminated the agreement with the Chambers Group due to a conflict of interest related to another project. The Planning Department mailed the Notice of Preparation and the supporting reports to agencies on the mailing list on August 18 with a deadline for responses by September 17. A total of 66 sets of information were mailed by the Planning Department directly plus a further 15 sets were mailed by the State Clearinghouse.

The State Office of Mine Reclamation (the "OMR"), accompanied by the Planning Department and Company management, met on site for a due diligence review on September 16, 2008. The OMR indicated that it would require additional time beyond the September 17 deadline to prepare comments on the Project.

The Planning Department received nine comment letters by September 17, 2008 and two additional comment letters at the end of September plus a twelfth comment letter more recently. The OMR submitted comments to the Planning Department on September 30.

The County selected RGP Planning and Development Services ("RGP") to continue with the preparation of the SEIR. The agreement with RGP was approved by the Kern County Board of Supervisors at its

regular meeting on October 14, 2008. The estimated cost of the work to be done by RGP was \$123,800 and the Company paid this amount on September 25.

A scoping meeting was held on site attended by RGP, the Planning Department, and Company management in October 2008.

The Company submitted responses to ten of the comment letters referred to above to the Planning Department on November 27, 2008 and responses to the OMR's comment letter on December 16.

RGP prepared a Progress Report, which the Planning Department made available to the public on December 30, 2008.

The Company's consulting engineers did extensive studies to confirm the possibility of backfilling mined-out phases of the open pit in January and February 2009. The studies were presented to the Planning Department in a meeting in Bakersfield on March 11, 2009. The Planning Department requested that the Project Description be revised to include the backfilling studies and this was done and submitted to the Planning Department on March 24. The Application for the revised Surface Mining and Reclamation Plan was also revised and submitted to the Planning Department on April 5. A further revision of the Application was requested by the Planning Department on May 5 and this was completed and submitted on May 25. The Company recognizes that the reviews by the Planning Department have added to the overall quality of the Application.

The Planning Department's target for the release of the SEIR to the public was then late July or early August 2009.

The draft SEIR was completed and distributed in January 2010.

The Kern County Planning Commission unanimously approved the Project at its regularly scheduled meeting in Bakersfield on April 8, 2010. All appeals that were subsequently filed against the Commission's decision were withdrawn and the decision made by the Planning Commission is now final. The Planning Commission certified the SEIR, adopted a Mitigation Measures Monitoring Program and Conditions of Approval for the Project. The Mitigation Measures Monitoring Program and Conditions of Approval for the Project were amended by Kern County Planning Commission Resolution No. 171-10 adopted on October 28, 2010.

The Bureau of Land Management confirmed that its Record of Decision approving the Plan of Operations under NEPA in November 1997 remains valid.

The following is specific information on the CUPs:

Conditional Use Permit Case No. 27, Map No. 196; Conditional Use Permit Case No. 41, Map No. 213; Conditional Use Permit Case No. 22, Map No. 214 (Resolution Numbers 51-10, 52-10 and 53-10 respectively; Approved April 8, 2010.

There are 114 conditions of approval and mitigation measures in the CUPs and this includes a requirement to reclaim historical disturbances on the Property. Site inspections are conducted annually to verify that the Company is in compliance with the conditions of approval.

The Planning Department granted an extension of time of three years to April 21, 2014 at a meeting held in the offices of the Planning Department on April 21, 2011.

The nonsummary vacation of New Eagle Road was approved by the Kern County Board of Supervisors at a general public meeting held in Bakersfield on March 20, 2012.

Under Condition 107 of the Conditional Use Permits, the Company was required to submit, prior to the commencement of mining, additional information relating to closure and closing reclamation. The Company submitted the required information to Kern County on November 28, 2011 and June 8, 2012. In accordance with the Surface Mining and Reclamation Act of 1975, Kern County consulted the State Department of Conservation/Office of Mine Reclamation.

The Office of Mine Reclamation confirmed in a letter to Kern County dated June 29, 2012 that the additional information provided by the Company adequately demonstrated compliance with Condition 107 and this was confirmed by Kern County in a letter dated July 10, 2012.

Kern County also reviewed Resolutions 169-10, 170-10 AND 171-10, (i.e. the Conditional Use Permits which were approved by the Kern County Planning Commission in April 2010), to determine if any conditions remain outstanding that would preclude the Company from initiating mining activities under the approved surface mining and reclamation plan. County staff determined that the remaining conditions relate to construction of an access to site and building permits. The Company will address these conditions as it proceeds with construction planning and implementation.

2. Air Quality – Authority to Construct and Permit to Operate

Background Information

The Project lies within the Southeast Desert Air Basin, which falls under the jurisdiction of the Eastern Kern Air Pollution Control District (“EKAPCD”). The district is charged to regulate sources of air pollution within the basin, pursuant to authority granted under the federal Clean Air Act.

The area is designated as unclassified for PM₁₀ emissions (that portion of the total suspended particulates less than 10 microns in size) and as a non-attainment area for ozone. The typically windy conditions and very dry nature of the area are responsible for high background PM₁₀ levels recorded at several nearby monitoring stations.

Fugitive dust from a mining operation on the Property, combined with background dust, may result in unacceptable levels of PM₁₀ emissions in the surrounding areas, especially downwind, and this may present the greatest potential environmental issue for the Project. A PM₁₀ level of 44 micrograms per cubic meter was projected by computer modeling for a mining rate of 27 million tonnes (30 million ton) in 1996. This level is below the California attainment standard of 50 micrograms per cubic meter and the Federal standard of 150 micrograms per cubic meter. However, the Company believes that it will achieve compliance with applicable standards by a greater margin, as the modeling methodology assumes worst-case conditions, which are considered unlikely to be encountered in the actual operation based on the planned use of commonly accepted dust control techniques in all phases of the operation.

The Planning Department requested that the Air Quality and Health Risk Assessment for the Project be redone in February 2009 to provide current information for the SEIR. This study was completed and in the hands of the Planning Department and EKAPCD on July 21, 2009.

EKAPCD transferred an Emission Reduction Credit Certificate from Cactus Gold Mines Company to the Project in February 1999 and this remains valid.

Authority To Construct Permits And Permit To Operate

The Company had obtained seven Authority to Construct permits dated March 16, 2002. These permits expired on March 16, 2004 and were not renewed due to changes anticipated in the Project.

The Air Quality and Health Risk Assessment for the Project was completed and submitted to the Planning Department and the EKAPCD on July 21, 2009. This report was approved by Kern County Planning Commission on April 8, 2010, as part of the certification of the SEIR.

Ten applications for Authority to Construct permits were submitted to the EKAPCD in February 2011. The EKAPCD confirmed that the information required to support the applications was complete. The draft Authority to Construct permits were received in September 2011. The Company's consulting engineers and legal counsel completed their review of the draft Authority to Construct permits in January 2012.

The Authority to Construct permits were issued by EKAPCD on February 8, 2012. The Authority to Construct permits will be converted to a Permit to Operate after construction has been completed and subject to inspection by EKAPCD.

Meteorological Monitoring Station

The Company was required to install both upwind and downwind meteorological monitoring stations before the start of production and decided to proceed with the upwind monitoring station in May 2006 to add to the background database. The station was designed by Air Sciences Inc., Golden, Colorado and commissioned in September 2006. EKAPCD approved the design of the station in October 2006. Data is being recorded on a continuous basis and quarterly reports are being issued to EKAPCD.

The information generated by the station since 2006 provided the background information for the Air Quality and Health Risk Assessment that was completed in July 2009.

The equipment for the downwind meteorological monitoring station has been purchased and is in storage in Mojave. The Company is currently proceeding with the installation of the downwind monitoring station on a site approved by EKAPCD.

3. Water Quality – Waste Discharge Requirements

Introduction

The Project is located in the northern portion of the Antelope Valley Groundwater Basin. The mean recorded annual rainfall in the surrounding area is approximately 156 mm (6.14 in). Typical patterns of precipitation are winter rains and summer thunderstorms and these tend to be short-lived and of high intensity. The site is dominated by Soledad Mountain and surface drainage patterns in the area are largely influenced by local topography. This varies from steep, rugged hillsides at the upper elevations to a gently sloping desert floor around the toe of Soledad Mountain. Runoff on the northern side of Soledad Mountain is via a series of gullies or channels, which direct surface flows to the north, northeast and northwest and eventually to the east to the Gloster and Chaffee Hydrologic Areas of the Antelope Hydrologic Unit.

There are no springs or intermittent streams in the immediate area. The closest intermittent stream is approximately 5 km (3 miles) to the west. Evaporation rates are high. Groundwater is typically found at depths of 55 to 61m (180 to 200 ft) in the area north of the Project.

The Lahontan Regional Water Quality Control Board (the "Regional Board") is responsible for ensuring compliance with the federal Clean Water Act and California's Porter-Cologne Water Quality Act. The

Company submitted a Report of Waste Discharge ("ROWD"), prepared by a company based in Bakersfield to the Regional Board in June 1997. The Regional Board adopted Board Order No. 6-98-9 in March 1998 at a meeting held in Lancaster and this set the Waste Discharge Requirements for the Project.

Revised Report Of Waste Discharge

The ROWD submitted in 1997 included a design for the heap leach facility done before and in 1997. The Company and its consulting engineers prepared an engineering review that set out significant differences between the layout and designs prepared for the heap leach facility in 1997 and in 2005 and made a presentation to the Regional Board in Victorville in May 2006. The Regional Board requested that the Company submit a revised ROWD to reflect these changes. The Company and its consulting engineers prepared and submitted a revised ROWD to the Regional Board in March 2007.

The Regional Board completed its assessment of the revised ROWD and prepared draft Waste Discharge Requirements ("WDRs") for the Project. The Regional Board waited for confirmation from the Planning Department that the SEIR had been certified before adopting a revised Board Order and setting revised WDRs for the Project.

The Regional Board unanimously approved WDRs and a Monitoring and Reporting Program for the Project at the joint, regular meeting held on July 14, 2010 in South Lake Tahoe, NV and Victorville, CA. The Board recommended adopting an order approving the WDRs subject only to locating an additional ground water monitoring well. This well was drilled and tested in November 2010. The Board Order was signed by the Executive Officer of the Regional Board on July 23, 2010.

The order approving the WDRs is a critical authorization for the construction and operation of, and establishes the discharge and monitoring standards for, the heap leach pads, rock stockpiles and other activities that have the potential to affect surface and ground waters.

The ROWD was updated in two volumes and submitted to the Regional Board in April 2012.

Ongoing Work

The Company has submitted quarterly and annual reports in compliance with the WDRs.

Groundwater monitoring consists of sampling groundwater in four wells once per quarter. The historical sampling method for these wells involved conventional large-volume purging with high-capacity pumps. An alternative sampling methods comparison was conducted on one well in 2011 and 2012. Based upon this evaluation, ARCADIS U.S., Inc. recommended installing dedicated low-flow bladder pumps in four wells and this was approved by the Water Board in May 2012. The low-flow bladder pumps and associated tubing were installed during the week of August 13, 2012. The *Water Quality Monitoring and Data Management Procedures Manual* is being updated.

A Stage I, Surface Water, Sediment and Erosion Control Plan has been prepared for the construction and early mining phases of the Project and this is shown in a figure of the Golder Site Drainage Plan, Revision 4 dated March 8, 2012. Storm Water discharges will be regulated by the Water Board under the State's NPDES General Construction Storm Water Permit during the initial construction phase of the Project and under the NPDES General Industrial Storm Water Permit during mine operations. The company's consulting engineers, ARCADIS U.S., Inc., a Qualified SWPPP Developer in California, have therefore prepared the designs and GQM has filed Permit Registration Documents electronically through the Storm Water Multiple Application and Report Tracking System (SMARTS). The Documents include a Notice of Intent, Storm Water Pollution Prevention Plan (SWPPP), Risk Assessment, a Site Map and a signed certification statement by the Legally Responsible Person. GQM also paid the first annual fee. Note that the SWPPP alone is a 200-page document. Note further that the Documents filed through SMARTS meet

applicable NPDES Storm Water Program requirements of the Kern County Engineering, Surveying & Permit Services Department.

The Notice of Intent is now active.

4. Closure, Reclamation and Financial Assurance

Closure and reclamation will be done in accordance with the requirements set out in the CUPs and an approved Surface Mining and Reclamation Plan.

The following general principles apply:

- Considerable experience gained in reclamation of other heap leach operations in the California deserts since the mid-1990s shows that reclamation can be completed successfully;
- The Surface Mining and Reclamation Plan will be an active plan with concurrent reclamation on one hand and alternative reclamation concepts to be sought and evaluated during the mine life on the other hand;
- Reclamation will proceed concurrently where feasible, but is nonetheless expected to require two years following ending of all mining and the processing and sale of aggregate and construction materials;
- The drainage plan will be re-assessed to direct and control runoff to minimize erosion;
- Public safety will be addressed both while mining is underway and as part of closure; and
- Post-closure monitoring will continue until revegetation targets are met with the ultimate goal of establishing a productive and self-sustaining eco-system.

The following points will have an impact on closure and reclamation costs:

- The footprint required for Project facilities has been significantly reduced from the earlier concepts;
- A road to the top of Soledad Mountain will remain for access to public facilities and will not be reclaimed;
- Waste rock will be disposed of in mined-out phases of the open pits as part of a comprehensive waste rock management plan;
- A planned major waste rock dump to the south of Soledad Mountain has been eliminated and this will significantly reduce the total disturbed area that must be reclaimed;
- The Company intends to neutralize, rinse and then sell the leached residues; and
- The size and complexity of the crushing and screening plant has been significantly reduced with fewer structures that have to be dismantled and fewer concrete footings that have to be broken up or buried.

The following two items will require future consideration:

- The workshop and warehouse building and wash slab, security and human resources units, bulk fuel storage tanks, septic tank and leach field and the parking lot will find an approved, alternative industrial use and may not be dismantled and the site where these facilities are constructed may not have to be reclaimed; and
- Three water supply wells may remain for future industrial or municipal use. The water supply infrastructure may be turned over to the Mojave Public Utility District to become part of the permanent facilities in the area.

Revegetation

Sites have been revegetated successfully elsewhere in the California deserts, for example at the Castle Mountain Mine in San Bernardino County, and it is expected that revegetation can be completed successfully for the Project as per the detailed revegetation plan that has been prepared by the Company's consulting engineers.

A summary of the proposed revegetation procedures is given below:

- Two revegetation test plots were prepared and seeded north and south of Soledad Mountain in 2006 and 2007 respectively;
- Seed is being collected locally and a seed library has been established;
- Ongoing revegetation tests will be done and monitored to demonstrate that seed collected locally can be an effective source of seed;
- Seed collected locally will be supplemented by seed contained in growth media that has been stockpiled;
- Surfaces will be prepared to provide textures suitable for desert plants and micro-basins will be created to trap seed and moisture;
- Hand seeding has been found to be effective and aerial (crop duster or helicopter) seeding can be used in areas that are inaccessible by vehicle or foot;
- Seeded areas will not require fertilizer and watering;
- Reclamation of disturbed areas will occur as soon as possible throughout the mine life;
- Control of runoff to minimize erosion will be a key to successful revegetation, and
- Quantifiable goals for density and diversity of perennial species will be established.

Reclamation Test Plots

Dr. Sam Bamberg designed a revegetation test plot around production well PW-2 in May. This was the first of a number of revegetation test plots that will ultimately be constructed and is in a location that will not be disturbed when mine development starts.

The area around production well PW-2 had been used for waste disposal at some time in the past and the area was strewn with broken bottles, rusty tin cans and general garbage. The first task was therefore a thorough cleanup of the site and this was done in mid-2006.

The test plot was prepared on November 6 and 7, 2006 with three types of surface preparation:

- Ripped and graded with formed micro-basins;
- Ripped only and
- No surface preparation.

Seed was sown by hand on November 8, 2006. Growth is being monitored to see what effect surface preparation has on growth and to demonstrate that seed collected and prepared locally can be an effective source of seed. No fertilizer will be used and the area will not be watered. The test plot was fenced.

A team of part-time workers collected seed on site from July 24 to 29, 2006 and on November 8, 2006 and a significant quantity of seed has been collected and is being stored on site.

A second reclamation test plot was constructed south of Soledad Mountain in 2007.

Reclamation Financial Assurance

The Company will be required to provide the following financial assurances for the Project:

- To the Bureau of Land Management, State of California and Kern County for general reclamation on site;
- To the State Water Resources Control Board for rinsing and closing reclamation of the leached residues on the heap; and
- “Unforeseen events financial assurance” required by the State Water Resources Control Board to provide for an unforeseen event that could contaminate surface or groundwater.

The Company has provided reclamation financial assurance to the Bureau of Land Management, the State of California and Kern County totalling \$475,937 (2012 - \$339,076) for 2013. Reclamation financial assurance is reassessed annually.

Cleanup On Site

The Company has completed extensive cleanup on its Soledad Mountain property where an amount of trash had accumulated from the early 1900s onwards.

Golder Associates Inc., Lakewood, Colorado prepared a report with a detailed inventory of structures on the northern slopes of Soledad Mountain in 2007. This is a key report with a map and a large number of photographs. Six target areas were identified that required cleanup and this included scrap steel and debris around the old Gold Fields mill, stone buildings, mobile homes and motor homes, scrap cars, chicken coops and a considerable amount of illegal dumping. Note that the above items are historical in nature and predate the Company’s involvement with the Soledad Mountain Project since 1986.

- 1 Wegmann Compound
- 2 Cobble City
- 3 Gold Fields Mill
- 4 Knight Compound
- 5 600 Level Storage
- 6 Rare Bear Millsite

Data recovery was undertaken prior to cleanup. Specifically, the 1997 Final EIR/EIA identified some of these sites as “important” archaeological or historical resources, and required that Phase III Data Recovery be completed prior to impacting the sites. The Phase III Data Recovery was conducted in 2006 by W&S Consultants of Simi Valley, California.

The first phase of the cleanup started with work by a small local contractor in the area around the Company’s water well No. 2 just east of Holt Road and north of Silver Queen Road. This area had been used for waste disposal at some time in the past and the area was strewn with broken bottles, rusty tin cans and general garbage (refuse). An important task was therefore a thorough cleanup of the site and this was done in September and October 2006. The Company then prepared and seeded a reclamation test plot on this site in November 2006.

Some of the major steel structures, tanks and obsolete process equipment from the old Gold Fields mill that was closed in 1942 were salvaged by the Company in the 1990s. The second phase of the cleanup started in January 2007 and a major task was to remove the remaining scrap steel and debris in the area of the old Gold Fields mill. A total of 43 truck loads was collected and removed by the contractor in 2007.

A second contractor was employed in January 2008 and the area of activity was divided into two areas east and west of New Eagle Road. The third phase of the cleanup continued through eleven months of 2008 and was completed at the end of November 2008.

The last site that was cleaned was the Rare Bear Millsite just north of Silver Queen Road where a house had been demolished and a pile of burnt timber and other debris had been left behind.

And finally the contractors spent weeks collecting refuse that had been scattered by the winds over a wide area.

The refuse was disposed of in approved landfills.

Both contractors did very good work under trying conditions in the field.

The cleanup did not involve any excavation or removal of overburden. No artifacts were found. The company will have excavation overseen by a certified archaeologist to ensure no artifacts are missed once site preparation and the construction of the heap leach pad are started.

A third contractor dismantled a derelict house west of Soledad Mountain and reclaimed the site in 2010.

The work was done at a significant cost to the Company and demonstrates that the Company is committed to environmental stewardship and good housekeeping in its operations

Bat Gates

The first bat gate was installed in an adit located on property controlled by the Company south of Soledad Mountain. The site is readily accessible from Backus Road. This is a demonstration project that addresses a safety concern at the same time.