MINUTE ITEM

This Calendar Item No C58 was approved as Minute Item No. 58 by the California State Lands Commission by a vote of 3 to 0 at its 04-05-04 meeting.

CALENDAR ITEM
C58

A 80

S 37

04/05/04
PRC 8039.2
E. Kruger
G. Pelka

CONSIDER APPROVAL OF AN ASSIGNMENT OF INTEREST IN STATE MINERAL EXTRACTION LEASE NO. PRC 8039.2, IMPERIAL COUNTY

ASSIGNOR:

Newmont USA Limited
DBA: Newmont Mining Corporation
Attn.: Mr. David Dehlin, Manager of Land
1700 Lincoln Street
Denver, CO 80203

ASSIGNEE:

Western Mesquite Mines, Inc.
Attn.: Mr. Thomas Mancuso, President & CEO
7000 Independence Parkway, Suite 160, #135
Plano, TX 75025

AREA, LAND TYPE, AND LOCATION:

State Mineral Extraction Lease No. PRC 8039.2 contains 657.87 acres, more or less, of vacant, fee-owned State School Land located in Lots 1-10, inclusive, of Section 5 and Lots 1-10, inclusive, of Section 6, all in Township 13 South, Range 19 East, San Bernardino Base and Meridian, Imperial County, and situated about six miles northeast of Glamis, CA, adjacent to the north boundary of Newmont Mining Corporation's Mesquite Gold Mine. The minesite includes both federal and private lands. The State parcel is part of a proposed mine expansion project that has not been undertaken to date.

BACKGROUND:

State Mineral Extraction Lease No. PRC 8039.2 was issued to Newmont USA Limited (Newmont), doing business as (DBA) Newmont Mining Corporation on October 1, 2002 for a primary term of ten (10) years. In August 2003, Newmont, the Assignor, advised the California State Lands Commission (Commission) that

it had signed a Letter of Intent to sell the Mesquite Gold Mine to Western Goldfields, Inc., of which Western Mesquite Mines, Inc., a Nevada Corporation, is a wholly-owned subsidiary. Newmont has requested that the Commission approve the assignment of one hundred percent (100%) interest in this mineral lease to Western Mesquite Mines, Inc. (Western). In November 2003, an asset purchase agreement was signed between Newmont and Western Goldfields, and Western Mesquite Mines, Inc. was formed to operate the minesite.

Since acquiring the Mesquite Gold Mine, Western has submitted all required replacement bonds to the County and the State for its mining operations. These include the bond accompanying lease for PRC 8039.2 in the amount of $50,000 and a financial assurance to Imperial County, the lead agency under the Surface Mining and Reclamation Act (SMARA) in the amount of $61,723 to cover a reclamation obligation described as the Mesquite Gold Mine's North Big Chief Pit tension-crack work program. Western has also submitted bonds covering previously approved reclamation plans for the minesite in the amounts of $1,379,465 and $1,823,504 to the County, a bond in the amount of $3,984,199 to the Bureau of Land Management pursuant to its Record of Decision and a bond in the amount of $550,000 to the State Regional Water Quality Control Board pursuant to its Order No. 95-016. Additionally, prior to proceeding with mining operations on state lands, Western will be required to post an additional bond for reclamation purposes in the amount of approximately $2,300,000 to Imperial County, again as SMARA lead agency.

Western Goldfields, as the parent company, has submitted financial information to the Commission for staff review to prove its ability to perform lease operations. After reviewing the financial information, Commission staff proposes that this assignment be contingent on the Assignee obtaining a Corporate Guaranty of Performance from Western Goldfields, which would guarantee all of Western Mesquite's obligations under the lease.

STATUTORY AND OTHER REFERENCES:

A. Paragraph 24 of the Lease.
B. Public Resources Code section: 6804

OTHER PERTINENT INFORMATION

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the

State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

2. Executed assignment forms have been submitted by Newmont. Western Goldfields, Inc., Harrison Western Construction Corporation and Newmont paid the prerequisite filing and processing fees under Reimbursement Agreement No. R05803.

PERMIT STREAMLINING ACT DEADLINE:
N/A

RECOMMENDED ACTION:
IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:
FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:
CONTINGENT UPON THE SUBMITTAL OF THE CORPORATE GUARANTY OF PERFORMANCE FROM WESTERN GOLDFIELDS, INC., CONSENT TO THE ASSIGNMENT OF ONE HUNDRED PERCENT (100%) INTEREST IN STATE MINERAL EXTRACTION LEASE NO. PRC 8039.2 FROM NEWMONT USA LIMITED, DBA NEWMONT MINING CORPORATION, TO WESTERN MESQUITE MINES, INC., WITH THE ASSIGNEE TO BE BOUND BY ALL THE TERMS AND CONDITIONS OF THE LEASE.

AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S DECISION.