Amended Notice of Intent for Pre-Application Phase of a Proposed Mining Operation

CALICO RESOURCES USA CORP.

GRASSY MOUNTAIN GOLD PROJECT

1. Name and Location of the Proposed Mining Operation

   **Project Name:** Grassy Mountain Gold Project

   **Location:** The Grassy Mountain Gold Project is located in Malheur County, Oregon, near the town of Vale. The permit area that is the subject of this Notice of Intent consist of three (3) parcels: the Grassy Mountain deposit area which lies completely on three (3) patented lode mining claims located in:

   T22S, R44E

   - SE ¼ of NW ¼ Section 8
   - SW ¼ of NE ¼ Section 8
   - NE ¼ of SW ¼ Section 8
   - NW ¼ of SE ¼ Section 8

      (Willamette Meridian)

   The associated ore processing facility area which is contemplated to be located approximately three (3) miles west of the deposit on private land in:

   T22S, R43E

   - NE ¼ of SE ¼ Section 11
   - SE ¼ of SE ¼ Section 11
   - NW ¼ of SW ¼ Section 12
   - SW ¼ of SW ¼ Section 12
   - NW ¼ of NW ¼ Section 13
   - NW ¼ of NE ¼ Section 14
   - NE ¼ of NE ¼ Section 14

      (Willamette Meridian)

   The two areas comprising the permit area are linked by an existing BLM road. This road, also part of the permit area, will provide access between the plant site and the mine site, crosses public lands in:

   T22S, R43E

   - SW ¼ of NE ¼ Section 12
   - SE ¼ of NE ¼ Section 12
   - NE ¼ of SW ¼ Section 12
   - NW ¼ of SE ¼ Section 12
   - SE ¼ of SW ¼ Section 12
Commencing from the mine site at a point located on the northern most boundary of the Sherry and Yates Inc. patented mining claims, #36-2001-0141, and approximately 400 ft. east of the NW corner of the above mentioned claim group, located in the SE ¼ of the NW ¼ of Section 8, T22S, R44E, Willamette Meridian; proceeding from there downhill in a generally NW direction, across a small drainage to the intersection with a BLM secondary road; from there, left along the BLM secondary road toward the SW, past the BLM Owyhee Ridge Well, proceeding uphill along the western side of the above mentioned drainage to a fork in the road; from there, taking the right hand fork bearing ESE uphill across the ridge to the next drainage to the west, continuing to bear in a generally western direction crossing two small south to north drainages following on the south side of a generally western trending main drainage route, then across a third south to north drainage, then bearing uphill in a NW direction to a flat rise adjacent and to the NE of two (2) water monitoring wells (#59763 and #59764); then proceeding in a WNW direction, along the south side of the generally east to west trending drainage, bearing to the WSW downhill, crossing the Twins Springs drainage to the intersection with the Twin Springs Road; from there, following the Twin Springs road SSW to and terminating at the eastern boundary of the Bishop Trust private land, located in the SE ¼ of the SW ¼ of Section 12, T22S, R43E, Willamette Meridian. The total distance from the boundary of the Sherry and Yates patented mining claims to the boundary of the Bishop Trust land is approximately 2.75 miles.

The existing road track between the proposed mine site and plant site will be upgraded to a two lane all weather gravel road that will fall within the 200 foot proposed easement. Attached is a report produced by CK3, LLC verifying that the proposed road can be constructed to engineering standards within the easement.

The total land package currently controlled by Calico Resources USA Corp. and its parent company, Calico Resources Corp., (Calico) is generally described as portions of:
The permit area and total land package are depicted on the attached Location Map, Permit Area Map, and Permit Area Detail Map. Approximate acreages of the three (3) parcels to be included are:

Mine Permit Area – 61 ac.
Mill Permit Area – 239 ac.
Access Road Area – 67 ac.
Total Permit Area: 367 ac.

2. Name, Mailing Address and Phone Number of the Prospective Applicant

Calico Resources USA Corp.
C/o Vance Thornsberry, Vice President of Exploration
220 Morton Street East
P.O. Box Q
Vale, OR 97918
Office: (541) 473-4002
Mobile: (509) 714-7270
vthornsberry@calicoresources.com

3. Brief Description of the Proposed Mining Operation

Calico is considering constructing an underground mine and surface mill complex to develop the Grassy Mountain gold resource located approximately 25 miles south-southwest of Vale, Oregon in Malheur County. This Notice of Intent is submitted as a first-step in the “pre-application phase” as described in OAR 632-037-0035 to 632-037-0040.

The mining site includes three (3) patented lode mining claims that cover an estimated 61 acres. The three (3) patented lode mining claims are part of a larger land position that includes; 419 un-patented lode mining claims on BLM land and 1,300 acres of fee land including six (6) association placer claims, controlled by Calico. The beneficiation process is currently under evaluation and, depending on the results of ongoing studies may, or may not, fall within the definition of “chemical process mining” under OAR 632-037-010(3). However, Calico does intend to conduct underground mining operations with associated processing facilities and wishes to immediately initiate important environmental baseline studies.

Preliminary plans are to mine the gold bearing ore by constructing multiple underground accesses, through either vertical excavations (shafts) or ramp excavations (declines). Other excavations for ventilation could also connect the underground with the surface. Horizontal access tunnels (drifts) would be constructed off of the shafts and/or declines in order to access the areas of mineralization that can be economically mined and processed (the ore zone).
Ore extraction is expected to be accomplished using cut and fill mining methods by which gold bearing ore is removed. The resulting void is then filled with a mixture of waste rock (rock outside the ore zone that has been excavated as the mine is developed), tailings (processed ore), aggregate and cement. Ore may be extracted simultaneously from numerous working areas in the ore zone. Ore and waste rock excavation is expected to be accomplished using conventional drill and blast techniques.

Metals would be recovered by crushing and processing the ore through a conventional “closed circuit” extraction process, the details of which are to be determined. Under a closed circuit processing technique, all inputs and discharges will be controlled within vessels, tanks and piping that would be surrounded by secondary spill containment.

As a final processing step, it is anticipated the tailings would be treated in order to neutralize any residual reagents or chemicals. In addition, the tailings will be dried to lower the water content to a point where the material can be land formed on the surface or mixed with aggregate and cement to be used as fill in the active mining areas.

Post mining reclamation is expected to include backfilling and sealing of shafts and/or declines as much as is practicable, removal of all man made surface structures, re-contouring disturbed areas, topsoil replacement and re-seeding of reclaimed surfaces. Post reclamation monitoring of ground and surface waters, air, vegetation and wildlife will continue as required by conditions of permit and until final bond release.

Environmental baseline data that will be collected during the pre-application phase will allow for a more detailed proposal for; mining operations, processing operations and facilities location, when an application is submitted. A baseline data collection work plan will be developed under procedures described in OAR 632-037-0040.

Vance Thornsberry
Vice President of Exploration
Dated: June 8, 2012
Permit Area

Road to be Upgraded

Grassy Mountain Project
Malheur Co, Oregon
Location Map
May 2012
Grassy Mountain Project
Malheur Co, Oregon

Project Area
Detail Map
May 2012

Permit Area -
Proposed Plant Site

Plant Road to be constructed

Permit Area - Haul Road from Mine Site to Proposed Plant Site

Property Explanation
- Calico unpatented claims; BLM surface
- other unpatented claims; BLM surface
- Patented Claims - surface & minerals
- Fee - surface & minerals
- Fee - minerals; BLM surface

Access Road - Plant to Vale

Access Road - Mine to Vale

BLM secondary road

Road to be Upgraded

Prepared for
Calico Resources USA Corp.
122 A Street East
Vale, Oregon 97918
Phone: (541) 473-4272

Prepared by
CK3, LLC
368 SW 5th Avenue
Ontario, Oregon 97914

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INTRODUCTION

The Grassy Mountain Mine and proposed Plant Site are located in a remote location (Sec. 8, T. 22 S., R. 44 E., & Sec.'s 11, 12, 13 & 14, T. 22 S., R. 43 E., W.M.) in Malheur County, Oregon. Twin Springs Road, a county road maintained by the BLM, is the primary route to the sites from Vale, Oregon (approx. 25 miles to US Hwy 20). A secondary BLM road forks to the south, off of Twin Springs Road, and traverses approximately 2.25 miles south to an intersection that leads to the Grassy Mountain mine site. This same road loops back towards the west and intersects Twin Springs Road (approx. 2.25 miles from the intersection). Access to the proposed processing area is approximately 0.50 miles south of this intersection, making it approximately 2.75 miles from the processing site to the plant site. A location map is provided in Appendix A of this report.

A generalized scope of work for this project is as follows: Upgrade the existing secondary BLM road(s) that fork off of Twin Springs Road to access the Grassy Mountain mine site (approx. 4.5 miles of road) and a portion of Twin Springs Road between the secondary BLM road and the access to the proposed Plant Site (approx. 0.50 miles), to accommodate the desired design/operating speed (30 mph), anticipated traffic volumes (less than 100 vehicles per day), and loads (heavy trucks) to increase the efficiency of the proposed mining operations of the Grassy Mountain project. A drawing showing the overall road project and centerline of road profiles (existing grade at proposed centerline) is provided in Appendix B of this report.

Photos of the existing conditions of the secondary BLM roads and Twin Springs Road are provided in Appendix C of this report.

AASHTO DESIGN GUIDELINES FOR VERY LOW-VOLUME LOCAL ROADS

The American Association of State Highway & Transportation Officials (AASHTO) have compiled a manual for the Geometric Design of Very Low-Volume Local Roads (ADT ≤ 400). Based on the information that was provided to and field observations made by CK3, LLC, the existing road system (currently in use) from US Hwy. 20 (i.e. Russell Road, Twin Springs Road, and the secondary BLM roads) to the mine site and processing area would most likely all be classified as a very low-volume local road. However, a detailed traffic study was not performed.

The following are the framework elements that best fit the proposed project:

- Area Type: Rural
- Functional Classification:
  - Rural Major Access Roads (Twin Springs Road only)
  - Rural Industrial/Commercial Access Roads
  - Rural Agricultural Access Roads
  - Rural Resource Recovery Roads
- Design Speed/Operating Speed: Low Speed (30 mph)
- Traffic Volumes: less than 100 vehicles per day (20 year projection)
Based on the framework noted above it is recommended that the following design guidelines be incorporated into the proposed access road construction project:

- **Cross Section**
  - A total roadway width (including both travel lanes and shoulders) of 24.0 feet is recommended.

- **Horizontal Alignment**
  - A minimum radius of 300.0 feet is required without Superelevation.
  - A minimum radius of 105.0 feet with a Superelevation of 8% can be used but the design speed will be reduced to 20 mph. It is my opinion that this would be an acceptable alternative to the construction costs associated with increasing the radius of the roadway in certain areas.

- **Stopping Sight Distance**
  - A design sight distance of 165.0 feet is recommended for all straight sections of road.
  - Because of the many variables in alignment and cross section a specific study for each curve needs to be performed to determine the sight distance across the inside of the horizontal curves.
  - A rate of vertical curvature (K) of 9 or greater is recommended for all vertical curves.

- **Intersection Sight Distance**
  - The legs of the Clear Sight Triangle for all intersections should be a minimum of 120 feet.

- **Road Side Design**
  - Studies have shown that clear zones and traffic barriers are not generally cost-effective, have only limited safety benefits and need not generally be provided for the type of road project that is proposed.

**ASSUMPTIONS AND LIMITATIONS OF REPORT**

Due to the time constraints and the remoteness of the proposed project a detailed study to record the daily traffic was not performed. Furthermore, preparing documents "ready" for construction (i.e. final drawings and specifications) or identifying any environmental impacts was beyond the scope of this project and was not done.
CONCLUSION

From the field investigation that was performed, and incorporating the design guidelines of AASHTO's Geometric Design of Very Low-Volume Local Roads (ADT ≤ 400) into the existing alignments of the secondary BLM roads that fork off of Twin Springs Road to access the Grassy Mountain mine site and the portion of Twin Springs Road from the secondary BLM road to the processing area, it is my opinion that the existing roads can be upgraded, while closely maintaining the existing road alignment, to provide the desired amount of safety and efficiency for the proposed mining activities.

It is recommended that a more detailed topography survey and road design be performed to adequately prepare the construction documents for the proposed construction activities.

If you have any questions or comments regarding this report please feel free to contact me at (541) 889-5411.

Respectfully,

[Signature]

Pat J. Woodcock,
Professional Engineer

Attachments:
Appendix A: Location Map
Appendix B: Overall Project Plan & Access Road Profiles
Appendix C: Photos of Existing Road Conditions
APPENDIX A: LOCATION MAP