

**Settlement Agreement & Release:
Pebble Limited Partnership
Unauthorized Water Withdrawal Violations**

The State of Alaska (“State”) and Pebble Limited Partnership (“Pebble”), desire to settle certain matters based on Pebble’s unauthorized withdrawals and use of water during the years 2007, 2008, and 2009, from water sources near the drilling sites specifically identified in Attachment A. In response to information about unauthorized withdrawals and uses of water, including Pebble’s self-report on November 6, 2009, the State undertook an investigation and enforcement action that has culminated in this agreement. This Settlement Agreement shall be effective as of the earliest date reflected by the signatories below.

1. Pebble agrees to pay the State the sum of forty-five thousand dollars (\$45,000) within 10 days of signing this Agreement, as a penalty for the past unauthorized withdrawals and use of water from water sources near the drilling sites described in Attachment A. In consideration of this payment and the actions required by Paragraph 2, the State agrees to release Pebble, its subsidiaries, its partners and their affiliates and any officers, directors, affiliates, agents, and employees of all of the foregoing from any and all common law claims and any claim under the Alaska Water Use Act (AS 46.15), which claims are based on the unauthorized withdrawals and use of water from water sources near the drilling sites identified in Attachment A. This agreement is intended to resolve claims based on the act of withdrawing and using water without proper authorization from water sources near the drilling sites identified in Attachment A, and is not intended to resolve any claim(s) or liability(ies) based on other act(s) or occurrence(s).

2. In addition to payment of the penalty described in Paragraph 1, Pebble also agrees to prepare a detailed written plan (“Water Withdrawal Plan”) that assures that all water sources used in drilling and other operations that require an authorization are properly permitted, and to obtain approvals of this plan from the Department of Natural Resources, Division of Mining Land and Water’s Water Resources and Mining Sections (collectively “DNR”), and the Alaska Department of Fish and Game’s (ADF&G’s) Division of Habitat. This written plan should include, but is not limited to:
 - a) provision for submission to DNR & ADF&G’s Division of Habitat of appropriate maps prior to drilling, showing specific water sources and approximate take points within an authorized reach of a stream, for each drill hole, including identification of the specific temporary water use permit (“TWUP”) and Fish Habitat Permit that authorizes the withdrawal or use of water from that water source;
 - b) a plan for coordination and training of field staff, geologists, engineers, drillers, and any other workers involved in the placement of intake hoses, and the connection of intake hoses to the drilling operation;

- c) provision for GPS identification prior to and after the intake is in place and email submittal of this GPS information to identified contact persons with DNR's Water Resources Section and ADF&G's Division of Habitat; and
- d) submittals to DNR's Water Resources Section staff and ADF&G Division of Habitat staff of photographic confirmation at each source and take point, prior to and after intake equipment has been placed and removed.

In addition, Pebble shall appoint a field position (Compliance Officer) to be responsible for confirming that any water source being used has the appropriate TWUP authorization and ADF&G Division of Habitat review or permit, checking locations of water sources and take points, and confirming that all field operations are in compliance with conditions and stipulations of the TWUPs, miscellaneous land use permit ("MLUP"), and Fish Habitat Permits.

Pebble shall submit a proposed Water Withdrawal Plan, as required under this Paragraph 2, including all of the elements described above, on or before February 20, 2010. Pebble shall meet with representatives of DNR and ADF&G's Division of Habitat within 15 days thereafter to discuss and attempt to resolve any questions about the Water Withdrawal Plan and to amend the proposed plan if necessary. Any follow up meetings shall be scheduled as soon as practical thereafter. Pebble shall implement the Water Withdrawal Plan immediately after it has been approved by DNR and ADF&G's Division of Habitat.

3. Nothing in this Agreement nullifies or alters the terms of any existing or future TWUPs, MLUPs, or other authorizations that the State has issued or may issue to Pebble in the future for any of the activities that Pebble may conduct in the State of Alaska, including that any TWUPs or MLUPs now existing or later issued remain revocable at will or for cause. Nothing in this Agreement may be construed to prohibit any State agency, in its discretion, from making compliance with the Water Withdrawal Plan a specific condition of any permit or other authorization issued by the agency previously, currently, or in the future. Except as specifically provided, this Agreement does not preclude the State from taking any other action allowed by law.

4. Neither the payment provided in Paragraph 1, the doing of any of the acts referred to in this Agreement, nor anything else contained in this Agreement shall be taken or construed to be an admission of any wrongdoing, claims, demands, causes of action, violations, obligations, damages or liability asserted by the State.

5. Notwithstanding the release in Paragraph 1, the State reserves the right to conduct a field inspection of the areas of the unauthorized water withdrawals, located near the sites identified in Attachment A, by no later than September 30, 2010, at Pebble's expense. In the event that the State determines that unauthorized withdrawals or use of water have caused adverse environmental effects, the State may so inform Pebble and may on that basis and no later than October 31, 2010, re-open the claims released herein and bring any action thereon.

6. All the terms and conditions of this agreement have been reflected on, without haste; no one is under a disadvantage; no representations other than those set forth herein have been made; and the State and Pebble have had the opportunity to consult with their attorneys and sign this agreement without any coercion whatsoever.

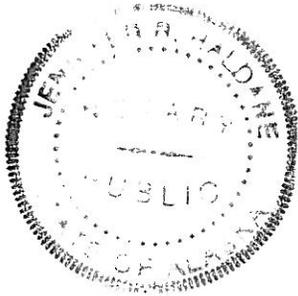
DANIEL S. SULLIVAN
ATTORNEY GENERAL

By: Colleen J. Moore
Colleen J. Moore
Assistant Attorney General
on behalf of the State of Alaska

Dated: 2/11/10

STATE OF ALASKA)
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 11th day of February, 2010 by Colleen J. Moore, Assistant Attorney General for the State of Alaska.



Jennifer R. Waldene
Notary Public in and for Alaska
My commission expires: 5/12/11

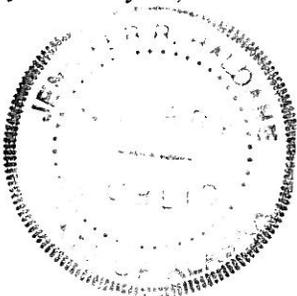
PEBBLE LIMITED PARTNERSHIP

By: Ken Taylor
Ken Taylor
Vice President, Environment

Dated: February 11, 2010

STATE OF ALASKA)
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 11th day of February, 2010 by Ken Taylor, Vice President, Environment, Pebble Limited Partnership.



Jennifer R. Waldene
Notary Public in and for Alaska
Commission Expires 5/12/11

ATTACHMENT A
Settlement Agreement: Pebble Limited Partnership
Unauthorized Water Withdrawal Violations

List of drilling holes that took water from unpermitted water sources based on maps submitted by Pebble Partnership as attachments to letter dated November 6, 2009. Annotated copies of maps are also attached.

2007 Drilling Program

Upper Talarik Creek drainage

Drill hole 7362
Drill hole 7377

South Fork Kaktuli River drainage

Drill hole 7374
Drill hole 7380
Drill hole 7390
Drill hole 7391
Drill hole 7392
Drill hole 7397
Drill hole 7399

2008 Drilling Program

Upper Talarik Creek drainage

Drill hole 8403
Drill hole 8412
Drill hole 8435
Drill hole 8437
Drill hole 8441

South Fork Kaktuli River drainage

Drill hole 7386
Drill hole 8404
Drill hole 8407
Drill hole 8418
Drill hole 8424
Drill hole 8425

State of Alaska-Pebble Limited Partnership Settlement
Regarding Unauthorized Water Withdrawal Violations
Attachment A

Drill hole 8426
Drill hole 8427
Drill hole 8428
Drill hole 8429
Drill hole 8431
Drill hole 8432
Drill hole 8434
Drill hole 8436
Drill hole 8444

2009 Drilling Program

Upper Talarik Creek drainage

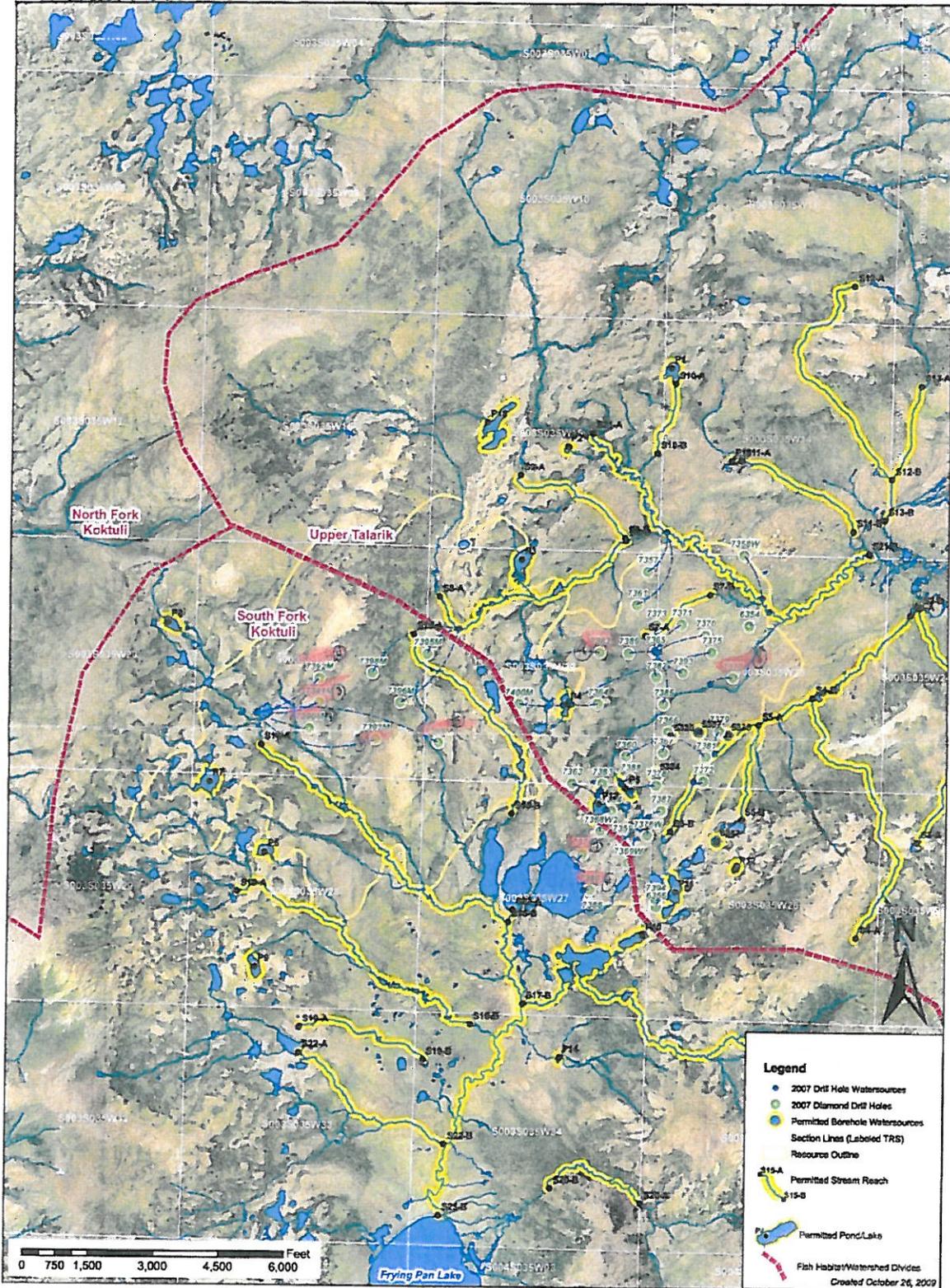
Drill hole 9454
Drill hole 9458
Drill hole 9460
Drill hole 9463
Drill hole 9470
Drill hole 9471 (appears to be same take point as drill hole 9470)
Drill hole 9472

South Fork Koktuli River drainage

Drill hole 9455
Drill hole 9457
Drill hole 9459
Drill hole 9462
Drill hole 9464
Drill hole 9466

North Fork Koktuli River drainage

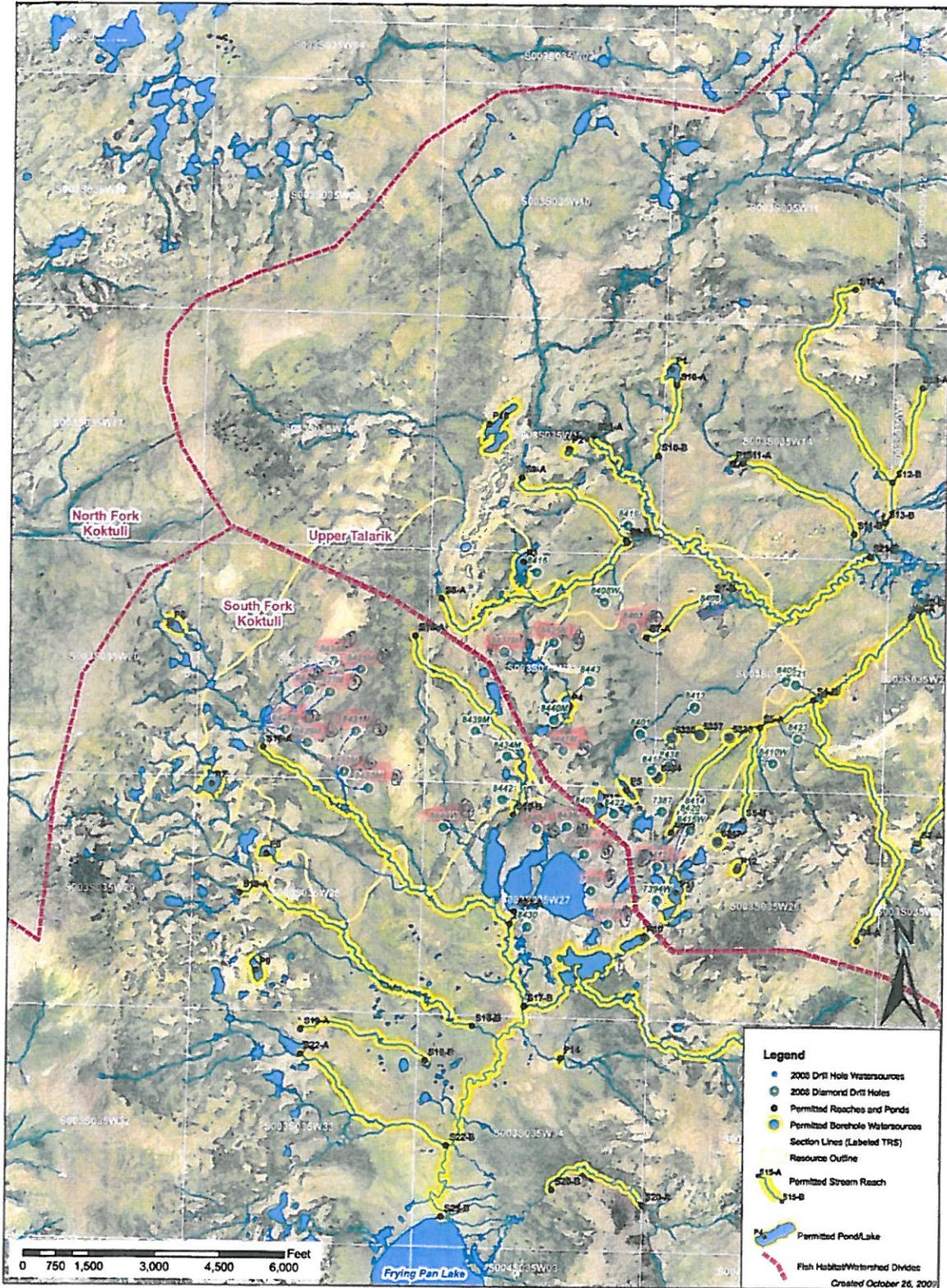
Drill hole 9465
Drill hole 9467
Drill hole 9469
Drill hole 9473



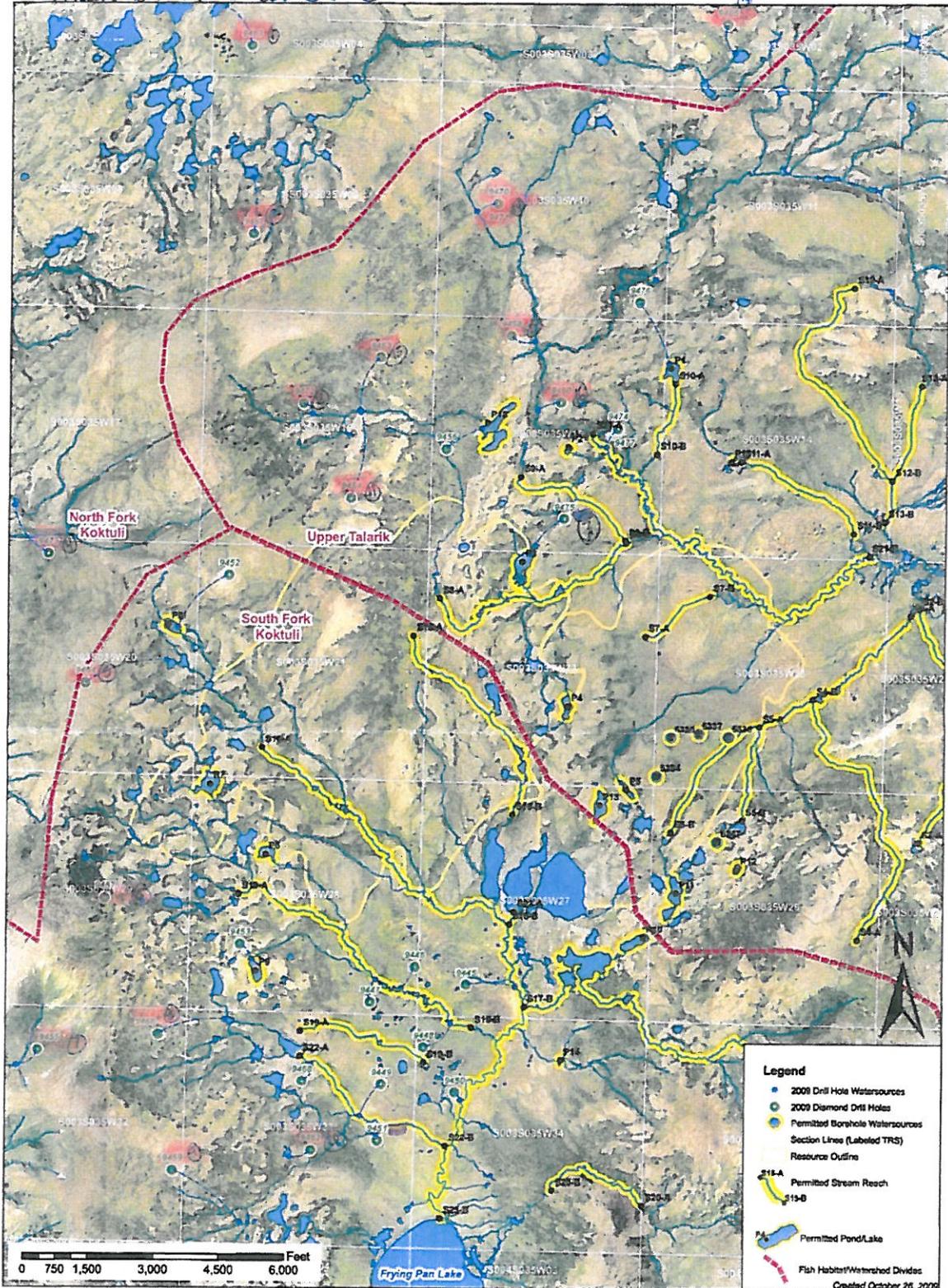
unpermitted water sources/drill holes highlighted in pink



Pebble 2007 Diamond Drill Holes and Watersources



Pebble 2008 Diamond Drill Holes and Watersources



Unpermitted water sources/drill sites highlighted in pink 16.117



Pebble 2009 Diamond Drill Holes and Watersources