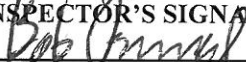




**COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY**  
**MINERALS PROGRAM INSPECTION REPORT**  
**PHONE: (303) 866-3567**

The Division of Reclamation, Mining and Safety has conducted an inspection of the mining operation noted below. This report documents observations concerning compliance with the terms of the permit and applicable rules and regulations of the Mined Land Reclamation Board.

<b>MINE NAME:</b> Bulldog Mine Operation	<b>MINE/PROSPECTING ID#:</b> M-1977-215	<b>MINERAL:</b> Lead and silver	<b>COUNTY:</b> Mineral
<b>INSPECTION TYPE:</b> Monitoring	<b>INSPECTOR(S):</b> Bob Oswald	<b>INSP. DATE:</b> September 4, 2013	<b>INSP. TIME:</b> 10:10
<b>OPERATOR:</b> Rio Grande Silver, Inc.	<b>OPERATOR REPRESENTATIVE:</b> Drew Marino, Tom Day	<b>TYPE OF OPERATION:</b> 112 - Hard Rock Regular Operation	

<b>REASON FOR INSPECTION:</b> Normal I&E Program	<b>BOND CALCULATION TYPE:</b> None	<b>BOND AMOUNT:</b> \$159,250.72
<b>DATE OF COMPLAINT:</b> NA	<b>POST INSP. CONTACTS:</b> US Forest Service	<b>JOINT INSP. AGENCY:</b> None
<b>WEATHER:</b> Clear	<b>INSPECTOR'S SIGNATURE:</b> 	<b>SIGNATURE DATE:</b> October 9, 2013

**GENERAL INSPECTION TOPICS**

This list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each. No problems or possible violations were noted during the inspection. The mine operation was found to be in full compliance with Mineral Rules and Regulations of the Colorado Mined Land Reclamation Board for the Extraction of Construction Materials and/or for Hard Rock, Metal and Designated Mining Operations. Any person engaged in any mining operation shall notify the office of any failure or imminent failure, as soon as reasonably practicable after such person has knowledge of such condition or of any impoundment, embankment, or slope that poses a reasonable potential for danger to any persons or property or to the environment; or any environmental protection facility designed to contain or control chemicals or waste which are acid or toxic-forming, as identified in the permit.

(AR) RECORDS----- <u>Y</u>	(FN) FINANCIAL WARRANTY----- <u>Y</u>	(RD) ROADS----- <u>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>NA</u>	(EX) EXPLOSIVES----- <u>N</u>
(PW) PROCESSING WASTE/TAILING---- <u>NA</u>	(SF) PROCESSING FACILITIES----- <u>Y</u>	(TS) TOPSOIL----- <u>Y</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>Y</u>	(FW) FISH & WILDLIFE----- <u>NA</u>	(RV) REVEGETATION---- <u>Y</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN---- <u>NA</u>	(SB) COMPLETE INSP---- <u>NA</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>Y</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(RS) RECL PLAN/COMP-- <u>NA</u>
(AT) ACID OR TOXIC MATERIALS----- <u>Y</u>	(OD) OFF-SITE DAMAGE----- <u>NA</u>	(ST) STIPULATIONS----- <u>NA</u>

Y = Inspected and found in compliance / N = Not inspected / NA = Not applicable to this operation / PB = Problem cited / PV = Possible violation cited

## **OBSERVATIONS**

This was a routine inspection conducted by the Division as part of its monitoring of Hard Rock and Metals 112 permits. Several staff representing the operator were present during the inspection, and in addition to those named on page one of this report were Bruce Norquist and Jess Fulbright of Rio Grande Silver. Besides the operators and this inspector, also present were Russ Means of DRMS and Julie Murphy of the State Attorney General's Office. The site was active at the time of the inspection. A brief safety training at the operator's new onsite facilities at the 9360 level preceded the inspection of the permitted area.

9360 Level Facilities Area. The main offices, new core building, shotcrete building, shop building, and materials and fuel storage areas were briefly inspected. All structures are as approved in the mining plan and are in compliance with the permit.

9400 Portal Area and Decline. The portal area includes a concrete face-up and wide bench area where the necessary electrical and ventilation equipment to support underground operations are located. Electric supply includes both overhead lines and onsite generators. The bench top is bermed for safety. The size of the bench area expands as waste rock from driving the 9400 decline proceeds. The decline has intercepted the old Bulldog workings of the 9360 level. The area below the 9400 waste rock dump has been stripped of topsoil in preparation for dump expansion, and topsoil is protected. All equipment and structures conform to the approved plan. A ventilation fan has been installed in the culvert entry at the 9700 portal, as approved.

The operator has installed the necessary lines, pumps and instruments to facilitate the pumping and measurement of mine pool water. To-date nearly 2 million gallons have been pumped to the surface, where it is then trucked to the lined pond at TP2, as approved. There is no release, loss or discharge of water; all water in the pond evaporates. Existing vegetation around TP2 is well established and weed-free.

Area E Vent Raise. The operator uncovered the buried vent raise earlier in 2013 and found it to be intact and capped. A new extended safety collar has been installed on the top of the shaft. The entire footprint, except for the access road spur, are fenced and secured against unauthorized entry. Topsoil was stripped and stockpiled for later reclamation. The cut and fill slopes of the pad are a bit steeper than 2:1, but so dot exhibit erosion yet. The toe of the fill slope has a straw wattle installed to catch sediment. The operator has seeded these new slopes, and some vegetation has emerged. These slopes should be monitored for erosion and weeds, and remedial treatments should be used as needed.

The bond was recalculated at the time of the approval of the last technical revision, and it is considered adequate. The EPP amendment that is currently being prepared by the operator was discussed. No further observations were made during this inspection, and no problems were noted. For questions related to this report, please contact this inspector at the Division's Durango Field Office:

DRMS – Durango Field Office, 691 CR 233, Room A-2, Durango, CO 81301; Telephone 970-247-5193.

### **Inspection Contact Address**

Randy McClure  
Rio Grande Silver, Inc.  
Po Box 610  
Creede, CO 81130

EC: USFS, Monte Vista, CO



## PHOTOGRAPHS



Expansion area below 9400 waste rock dump



Below 9400 waste rock dump



Ventilation equipment at 9400 portal



Electrical supply at 9400 portal



Vent duct and mine pool in old Bulldog 9360 workings



Vent fan installed in culvert at 9700 portal



**PHOTOGRAPHS**



Looking down on 9400 level bench, northwest end



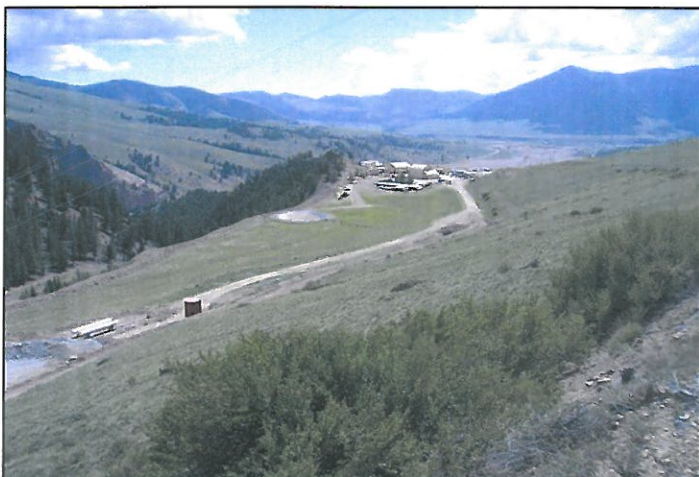
9400 level bench, southeast end



New collar safeguard at Area E Vent Raise



Seeded outslope at Area E



Looking SE at Bulldog 9360 facilities area



Lined pond and water delivery pipe at TP2 (Area D)