




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.

MINE NAME: Sooner Lucky Strike Mine Ltd	MINE/PROSPECTING ID#: M-1982-020	MINERAL: Gold and silver	COUNTY: Gunnison
INSPECTION TYPE: Monitoring	INSPECTOR(S): Bob Oswald	INSP. DATE: October 10, 2013	INSP. TIME: 16:00
OPERATOR: Aspen Mineral Resources, Inc.	OPERATOR REPRESENTATIVE: John McGrath	TYPE OF OPERATION: 110(2) - Hard Rock Limited Impact	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$43,094.43
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Cloudy	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: October 23, 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>Y</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 110(2) permits. The operator named on page one was present throughout the inspection and the site was active. Besides the operator named on page one, several others were also present, representing the operator, including Kerry Vinci and Chris Mackie. Brandon Burden of Mammoth Mine Services, who will be preparing the upcoming EPP, was also present. Activities at the mine on the day of the inspection included construction and installation of conveyors to feed ore from the crusher to the mill building. No ore was being produced. There was a 2-inch cover of new snow, but it was thin enough to observe the site and conduct a meaningful inspection. No inspection of the underground workings was performed on this day.

The required permit ID sign was observed posted at the entrance gate to the permitted area. All permit boundary markers were installed and visible at the boundary corners and along the permit boundary.

In September the operator received notice from the Division that the site was considered to be a DMO, and that an EPP amendment was therefore required for the permit. The operator has concurred with this determination, and will prepare and submit an EPP.

The site contains a shaft to the underground workings, steel headframe, tailings pond, lined dewater pond, ore crusher and conveyors, shop and parts storage buildings, diesel storage building, office/dry, and mill building with gravity and flotation circuit, and assay rooms. The mill building and its equipment have been upgraded and expanded to the east and west, as well as additional upper floors, in the last couple years. Much of the old equipment that was removed from the mill is still onsite in the scrap pile. The mill equipment includes numerous tanks and reagent feeders, plus their associated piping and cabling, that appear to be in good condition. The interior of the mill is maintained in a clean, orderly condition. There is 100% containment for all materials in the mill, since there is a low stem wall around the perimeter, and all areas drain toward to the floor drain; the building is located on top of a 100,000-gallon concrete reservoir. The operator is reminded that several of the onsite structures will be considered as Environmental Protection Facilities (EPFs), including the mill building, diesel storage, (future) ore storage pad, and tailings pond. The flotation extraction method used in the mill does not include any use of cyanide or mercury, and none is kept on the site, including the assay lab.

All chemicals will be listed in the EPP, including the maximum quantity stored, whether it is dry or liquid, type of packaging, type of secondary containment, where it is stored and used on the site, and MSDS. This should include all hydrocarbons such as fuel, hydraulic fluid, lube, oil and used oil. Chemical storage (dry and liquid) is secure and within secondary containment in the mill currently. Diesel is stored in a new 10,000-gallon steel tank, mounted in a concrete containment sump, inside a locked steel building. It supplies the diesel generator/compressor, housed within a steel building with concrete floor.

An old explosives bunker is located outside the boundary, since it existed there prior to the permit, and the operator may move it within the permit. A large, covered ore storage building is also planned for the site, just south of the crusher/conveyor area. These additional structures are changes that should be reflected along with all the others being contemplated for the near-term or longer-term, in the upcoming EPP amendment.

There is a sediment pond within the larger tailings impoundment, created recently by bulldozing some of the

old surface tails. Neither of the ponds is lined, and neither was observed to be impounding water. No new tailings are in the tailings disposal area at this time, but the operator wishes to begin mining and milling at a date in the near future. Obviously it is important to know whether the milling operation and tailings disposal contribute to water quality degradation. An important aspect of a DMO permit, detailed in the EPP requirements, is a water quality (WQ) monitoring program. This was discussed onsite, and will be one of the initial activities to be performed, in order to characterize and define the water quality baseline and trends. A minimum of five consecutive quarterly samples is required for a baseline. Since the operator wishes to commence mining and milling soon, the operator should commence WQ sampling as soon as possible.

The topsoil stockpile is in the SW portion of the permit and is protected by well-established vegetative cover. There were no noxious weeds noted, no uncontrolled erosion features, and no uncontained contaminants. The bond was reviewed by the Division at the time of technical revision TR-1 in 2012, and is currently considered adequate. There were no problems noted at this time.

This inspector appreciates the operator's time and cooperation during the inspection.

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

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EC: Brandon Burden, Mammoth Mine Services LLC.

PHOTOGRAPHS



Generator bldg on left, office/dry in center



Headframe, looking south from mill bldg

PHOTOGRAPHS



Diesel tank in fuel storage bldg



Tailings dam on left, sediment pond on right



Looking north at new part of mill bldg



New ore conveyors being installed



Assay area with furnace, in mill bldg



Falcon concentrator in mill bldg