

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY Department of Natural Resources

1313 Sherman St., Room 215
Denver, Colorado 80203
Phone: (303) 866-3567
FAX: (303) 832-8106



January 3, 2014

Craig Luikko
Red Arrow Gold Corporation
P.O. Box 531
Mancos, CO 81328

Mancos Valley Bank
P.O. Box 450
Mancos, CO 81328

Vectra Bank
1101 E. Second Ave.
Durango, CO 81301

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta Pifeda
Director

RE: Out West Mine and Mill (Red Arrow Mine), Permit No. M-1981-184, Permit Revocation and Financial Warranty Forfeiture

Dear Red Arrow Corporation, Mancos Valley Bank, & Vectra Bank:

On November 13, 2013, The Mined Land Reclamation Board (MLRB) heard testimony related to the Out West Mine and Mill (Red Arrow Mine). The MLRB found a violation for failure to comply with a board order, in addition to the numerous violations found at the August 14, 2013 hearing. As part of the November hearing the MLRB directed the Division of Reclamation, Mining, and Safety (Division) to schedule a hearing for permit revocation and bond forfeiture for the Out West Mine and Mill (Red Arrow Mine), Permit # M-1981-184

This letter is to notify you that a public hearing will be held on January 15 & 16, 2014 meeting of the MLRB to consider revocation of the above-referenced permit, as well as forfeiture of the following Financial Warranty Certificates of Deposit:

517430 (700226-7430) in the amount of \$11,783.00, issued by Mancos Valley Bank
512990 (700226-12990) in the amount of \$3,000.00, issued by Mancos Valley Bank
4909500490 in the amount of \$1,000.00, issued by Vectra Bank
4909500250 in the amount of \$1,000.00, issued by Vectra Bank
for a total amount of \$16,783.00

These certificates of deposit were issued on behalf of Red Arrow Gold Corporation for Permit M-1981-184. The surety is assigned to the Division.

A Formal Public Hearing will be held during the January 19 & 20, 2014 Mined Land Reclamation Board (Board) meeting for consideration of revocation and forfeiture. The hearing will be held in Room 318 of 1313 Sherman Street, Denver, Colorado, beginning at 9:00 a.m. or as soon thereafter as the matter can be considered. You will have the opportunity to be represented and heard.

Pursuant to C.R.S. § 34-32-118(2) whenever the Board has reason to believe that a financial warranty is subject to forfeiture, the Board shall so notify the Operator and all Financial Warrantors. The Board shall


afford the Operator and all Financial Warrantors the right to appear before the Board at a hearing to be held not less than thirty (30) days after the parties' receipt of said notice. **This letter serves as the required notice to all parties.**

Following the hearing, all parties have an opportunity to review and comment on a draft of the Board's order before it becomes final. If you wish to do so, you must provide the Board with a written request to review the draft order prior to or at the time of your hearing, or you must inform the Board orally during the hearing that you request to review the draft order. You must include your mailing address and, if possible, a fax or email address. You will be provided a copy of the draft order by e-mail for your review as soon as it is available, unless a hard copy by mail is requested. The Board's attorney must receive your comments on the draft order within three calendar days of the date the draft order is e-mailed, unless that deadline is extended by the Board's attorney. Submit all comments in writing, by e-mail or fax, to Mr. John Roberts, jj.roberts@state.co.us, Fax: number 720-508-6037. Please note that the Division of Reclamation, Mining and Safety has requested and will be allowed to review and comment on the draft Board Order prior to mailing to any party. The Board will resolve any issues regarding the form and substance of the order. This process does not affect your right to request reconsideration by the Board or appeal the form or substance of the order.

Please contact the Board's secretary, Ms. Sitira Pope, at the Division's Denver Office, phone (303) 866-3567 ext. 8136, to confirm the specific date for the hearing. The Board's agenda may not be finalized prior to the week of the Board meeting. Therefore, we recommend that you contact Ms. Pope on February 17, 2014. If you find that you are having difficulty contacting Ms. Pope on that date, you may contact the Division receptionist at (303) 866-3567 ext. 0.

If you have any questions or need assistance prior to this meeting, please contact Kate Pickford at the Division of Reclamation, Mining and Safety, Durango Office, phone number (970) 259-5861.

Sincerely,


Loretta Pineda
Director

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Cc: Tony Waldron, DRMS, Minerals Program Supervisor, Denver
Russ Means, DRMS, Minerals West Team Supervisor, GJFO
Kate Pickford, DRMS, Minerals EPS DFO
Julie M. Murphy, Assistant Attorney General, Natural Resources & Environment Section

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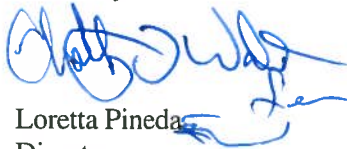
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If you have any questions or need assistance prior to this meeting, please contact Kate Pickford at the Division of Reclamation, Mining and Safety, Durango Office, phone number (970) 259-5861.

Sincerely,



Loretta Pineda
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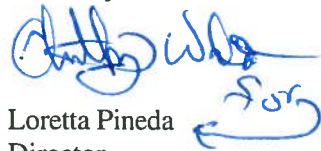
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