

October 7, 2014

Angela Bellantoni
Environmental Alternatives, Inc.
1107 Main Street
Canon City, CO 81212



COLORADO
Division of Reclamation,
Mining and Safety
Department of Natural Resources

1313 Sherman Street, Room 215
Denver, CO 80203

RE: Kay Claims, File No. P-2008-045, Denial of Financial Warranty Release Request (SR-1)

Dear Mrs. Bellantoni:

On July 18, 2014 the Division of Reclamation, Mining and Safety (Division) received your request for partial release of the financial warranty for the Kay Claims prospecting operation. The Division has denied your request based on the following.

Rule 5.6 of the *Mineral Rules and Regulations of the Colorado Mined Land Reclamation Board for Hard Rock, Metal, and Designated Mining Operations* (Rules) requires that the prospector submit an annual report each year detailing the prospecting activity that occurred during the preceding report year. The report is to include an updated map that shows the location of all holes drilled and/or reclaimed. The coordinates of the drilled holes are to be reported in latitude and longitude in degrees, minutes and seconds or in decimal degrees to an accuracy of at least five decimal places. Alternatively, the coordinates can be provided based on the Universal Transverse Mercator (UTM) North American Datum (NAD). For, UTM the prospector must specify NAD 1927, NAD 1983 or WGS 84, and the applicable zone, measured in meters. This information is necessary so that the Division may field locate the drilled holes. Additionally, Rule 5.7 requires that within twelve months after the completion of the abandonment of any drilled holes, the prospector submit to the Division a final report which also includes the above location information. Forty-six holes were apparently drilled in 2008. However, Mt. Elbert Mining Co., LLC (Mt. Elbert Mining) failed to report the activity and supply the above required information in annual reports. The final abandonment report was not received by the Division until June 11, 2013 and did not include the drill hole location information required by Rule 5.6(f).

On August 27, 2013 the Division, along with representatives from BLM and Mt. Elbert Mining, attempted to inspect the drilled hole locations. However, we were unable to confidently locate any of the drilled holes. GPS coordinates supplied by Environmental Alternatives Inc. (EAS) during the inspection seemed erroneous and inconsistent with the map supplied by Greg Lewicki and Associates with the final abandonment report. It was determined during the inspection that representatives of Mt. Elbert Mining would field locate the drilled hole locations at a later date and prior to scheduling another inspection.

On July 15, 2014 EAS submitted the request for partial release on behalf of Mt. Elbert Mining. According to the release request, EAS was able to locate less than half of the drilled hole locations. It is unclear however, whether EAS located the actual drilled hole locations or the coordinate locations that were provided during the 2013 inspection.

Before the Division can consider any release of the financial warranty, the Division must inspect the drilled hole locations in order to verify that the reclamation requirements have been met. So that the Division can inspect the drilled hole locations, Mt. Elbert Mining must provide the location



information pursuant to Rule 5.6. Please ensure this information is provided to the Division as soon as possible and prior to any future financial warranty release request.

If you require additional information, or have questions or concerns, please contact me at the Division's Grand Junction Field Office.

Sincerely,



Justin Czaplak
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Cc:

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