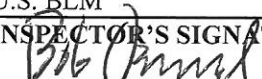




**COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY**  
**MINERALS PROGRAM INSPECTION REPORT**  
**PHONE: (303) 866-3567**

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> Carnation Mine	<b>MINE/PROSPECTING ID#:</b> M-1977-416	<b>MINERAL:</b> Uranium and vanadium	<b>COUNTY:</b> San Miguel
<b>INSPECTION TYPE:</b> Monitoring	<b>INSPECTOR(S):</b> Bob Oswald	<b>INSP. DATE:</b> September 15, 2014	<b>INSP. TIME:</b> 12:30
<b>OPERATOR:</b> Pinon Ridge Mining, LLC	<b>OPERATOR REPRESENTATIVE:</b> George Glasier	<b>TYPE OF OPERATION:</b> 110d - Designated Limited Impact	

<b>REASON FOR INSPECTION:</b> Normal I&E Program	<b>BOND CALCULATION TYPE:</b> None	<b>BOND AMOUNT:</b> \$33,409.00
<b>DATE OF COMPLAINT:</b> NA	<b>POST INSP. CONTACTS:</b> U.S. BLM	<b>JOINT INSP. AGENCY:</b> U.S. BLM
<b>WEATHER:</b> Clear	<b>INSPECTOR'S SIGNATURE:</b> 	<b>SIGNATURE DATE:</b> October 14, 2014

**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>NA</u>	(FN) FINANCIAL WARRANTY----- <u>Y</u>	(RD) ROADS----- <u>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>Y</u>	(EX) EXPLOSIVES----- <u>N</u>
(PW) PROCESSING WASTE/TAILING---- <u>NA</u>	(SF) PROCESSING FACILITIES----- <u>NA</u>	(TS) TOPSOIL----- <u>NA</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>NA</u>	(FW) FISH & WILDLIFE----- <u>NA</u>	(RV) REVEGETATION---- <u>N</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>NA</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 DMO permits. The operator named on page one was present throughout the inspection. The site was not active on the day of the inspection. In addition to George Glasier, Lee Sutherland and Bo Sutherland were both present as contractors for the operator; and James Blair of the BLM was present.

The required permit ID sign was observed posted at the entrance gate to the permitted area, though it still exhibits the name of Energy Fuels Resources as the permittee. The ID sign will be updated to reflect the successor permittee once the permit transfer is completed. Markers were installed at the permit corners.

This permit and those of the other mines that comprise the "Sunday Group of mines", are currently being transferred from Energy Fuels Resources to Pinon Ridge Mining. In July 2014 a severe local rain event caused many of the existing stormwater control structures on the sites of the Sunday Group to fail. Energy Fuels repaired the structures on some of the other permitted areas. Pinon Ridge repaired the stormwater structures on this permitted area.

Repairs mainly consisted of rebuilding the failed dikes of the lower sediment catchment cells. Capacity may have also been increased by raising the berm heights. The dikes were not realigned to run along the contour, but left as originally configured with a low point toward the west end (near the access road).

The upland diversion ditch, above the portal and pad area, is an old dozer bench which crosses a natural gully. Sediment was deposited on the pad during the July storm, from runoff in the gully. Most of the water crossed the pad and ran down the dump face to the lower cells. The operator should look at re-establishing the upland diversion, to reduce the amount of runoff and sediment reporting to the pad and lower cells. Engineered spillways with riprap should be considered for each of the dikes in the series, to avoid failure of the berms and loss of the captured sediment.

Overall the stormwater and sediment control structures appeared to be repaired and functional. The configuration of the stormwater control structures was not significantly modified, but since they are an important part of the operator's requirement to maintain site stability, all improvements and repairs should be reported and described in the annual report. Changes to site drainage, runoff or sediment controls that the operator is considering should be discussed first with the Division and, if appropriate, made part of the permit through a permit revision.

A new noxious weed was observed in the lower sediment cells: perennial pepperweed (aka tall whitetop), *Lepidium latifolium*. (This was the 2-4 foot tall plant with plentiful small white flowers.) This noxious weed was not confined to disturbed portions of the permitted area, since it was also observed along the county roads and highway within 15 miles of the permit. It does not appear that this weed is due to the operator's past activities, since it is now found widely spread in the area, so it is not being noted as a problem in this report. However, the operator must begin to monitor and treat this plant within the permit to prevent its spread within the permit. The operator must continue monitoring for other known noxious weeds, mainly knapweed and halogeton, and treat them timely and sufficiently. This office will include in the mailing of this report, a weed identification booklet for the operator, which lists local weed control authorities for information on treatment methods.

The bond was fully reviewed two years ago at the time of approval of the Environmental Protection Plan (EPP), and since the site is not being actively mined, the amount is still considered adequate.

There were no problems noted at this time. For questions related to this report, please contact this inspector at the Division's Durango Field Office: telephone 970-247-5193, or 303-866-3567 ext 8175.

All written correspondence should be sent directly to the Division's Denver Office:

Division of Reclamation, Mining & Safety  
1313 Sherman Street, Room 215  
Denver, CO 80203

**Inspection Contact Address**

George Glasier  
Pinon Ridge Mining Corp.  
PO Box 825  
Nucla, CO 81424

EC: Jaime Massey, Energy Fuels Resources  
James Blair, BLM, Dolores Office

Photographs from the inspection are on the following page.



PHOTOGRAPHS

