

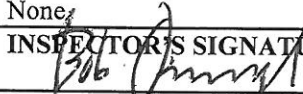


**COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY**  
**MINERALS PROGRAM INSPECTION REPORT**  
**PHONE: (303) 866-3567**

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> Revenue Mine	<b>MINE/PROSPECTING ID#:</b> M-2012-032	<b>MINERAL:</b> Pb, Ag, Au	<b>COUNTY:</b> Ouray
<b>INSPECTION TYPE:</b> Monitoring	<b>INSPECTOR(S):</b> Bob Oswald	<b>INSP. DATE:</b> October 3, 2014	<b>INSP. TIME:</b> 09:00
<b>OPERATOR:</b> Star Mine Operations, LLC (current operator)	<b>OPERATOR REPRESENTATIVE:</b> Dianna Stoopnikoff (successor operator)	<b>TYPE OF OPERATION:</b> 112d-1 - Designated Mining Operation	

<b>REASON FOR INSPECTION:</b> High Priority	<b>BOND CALCULATION TYPE:</b> None	<b>BOND AMOUNT:</b> \$340,570.00
<b>DATE OF COMPLAINT:</b> NA	<b>POST INSP. CONTACTS:</b> None	<b>JOINT INSP. AGENCY:</b> None
<b>WEATHER:</b> Clear	<b>INSPECTOR'S SIGNATURE:</b> 	<b>SIGNATURE DATE:</b> October 21, 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>Y</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>Y</u>	(SF) PROCESSING FACILITIES----- <u>N</u>	(TS) TOPSOIL----- <u>NA</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>Y</u>	(FW) FISH & WILDLIFE----- <u>NA</u>	(RV) REVEGETATION---- <u>NA</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN---- <u>NA</u>	(SB) COMPLETE INSP---- <u>N</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>N</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 high priority inspection conducted by the Division as part of its monitoring of Hard Rock and Metal 112d-1 permits. The successor operator named on page one was present throughout the inspection. This inspector also met with and/or was accompanied by other representatives of the new operator during the inspection, including Mike Romaniuk, Robin Goad, Doug Gregory, and Dave Ficco. The site was active on the day of the inspection. This inspection focused on the surface mine water handling structures (part of the EPP), and the raise bore drilling project in upper Governor Basin. No inspection was conducted of the mill facility or underground workings on this date. There were a couple inches of new snowcover at the Revenue facilities area, which gradually melted throughout the day of the inspection. Deeper snow was present in Governor Basin, which remained all day.

The required permit ID sign was observed posted at the entrance gate to the permitted area. After the permit transfer to the new successor operator is completed, the permit ID sign should be updated to reflect the new operator's name and contact information; the permit number remains the same. Numerous permit boundary markers (tall white PVC pipes) were installed at the boundary corners and along the permit boundary.

The mill continues to conduct small test runs of the milling circuit, and limited amounts of test tails have been temporarily placed on the tails disposal area. The tails disposal area has not been certified yet, so production-level milling and tails generation, and final placement cannot yet occur. The milling and extraction process may have to include the addition of a thickener. This will help to separate and remove the clays from the metals and the tails, to allow better recovery of concentrates and to improve function of the filter presses. This step will require the addition of equipment, and possibly a structure to house it, neither of which is part of the approved plan. The operator must present these additional features to the Division, prior to installation or use, to determine whether a formal permit revision is necessary.

The operator is going to be installing the upland diversion ditches on the slopes above the Revenue Mine complex. These ditches are approved under the original permit plans; if there are to be differences between the approved design and the installed structures, please contact this office to discuss changes. The Division will require copies of the final as-built designs.

The mine water pond is being completed. The basin's earthen floor and side slopes have been shaped and compacted for many weeks, but pond completion required the placement and compaction of a layer of prepared sand base and geotextile layers. The mine discharge has not been piped to the pond for a while, and the substrate has been allowed to drain. The prepared sand layer was placed and was covered with a layer of heavy felt fabric just prior to this inspection. The felt was heat welded on the edges of the overlapping panels and the outer edges were placed into a perimeter anchor trench. The drain pipe near the spillway location had been placed in the compacted embankment, and protruded on both sides of the dam. On the morning of the inspection, a crew was onsite to deploy the rolled and folded polyethylene membrane. This layer was laid out on top of the felt layer, and the panels were trimmed and heat welded. Margins were placed into the anchor trenches and weighed down. The wrinkles were not pulled smooth and the anchor trenches will not be filled yet, to allow for membrane contraction during lower temperatures. Sand and aggregate will be placed into the trenches on a cold morning, and compacted. The membrane seal around the drain pipe will be constructed, and the pipe will be fitted with a valve. The spillway will be riprapped and grouted down near creek level. The poly layer will be leak tested and certified before being filled with discharge water. The operator's engineer will inspect the installation and provide a certification to the Division.

The lower sediment pond has collected some runoff from the eastern portion of the site, as designed. The middle sediment pond was still being constructed (its floor is being used as a staging area for the rolls of geomembrane for the mine water pond). The pond's inslopes and outslopes are being graded to the proper gradient. The ponds will allow infiltration of the runoff, but will catch sediment.

In upper Governor Basin, the raise bore drilling project began a few days before this inspection. The road use permit with the US Forest Service had been obtained and was now in effect. The operator and contractors have mobilized a series of water pumps for delivering drill water, constructed a lined cuttings pond and drill water pond below the drill pad, placed all necessary diesel power plants, fuel, and lighting, and have set up a specialized drill rig for the initial boring [equipment name: Stu Blattner SB700]. The hole was approximately 400 feet deep at the time of the inspection, with another 1080 feet to go to full depth. When the workings are intercepted up-reaming will begin (from the surface), with muck to be removed from the workings via the Revenue portal. The operator will document the progress and provide reports to this office. After completion of the surface activities, the equipment will be removed, and surface grading (including removal of the impoundments) completed. The collar of the vent shaft is concrete and will be secured with two shipping containers: one end over the shaft, the other end extended over the crest of the pad (well clear of snow accumulation). As-built drawings and photos of the final installation will be prepared and submitted to the Division.

The monitoring wells were not inspected. The required water sampling continues, and the geochemical analysis is forthcoming also.

There were no problems noted. The permit transfer is nearly completed; until the transfer becomes final, copies of this report will be sent to both the current and successor operators. 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**

Rory Williams  
Star Mine Operations, LLC (current operator)  
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Denver, CO 80202

EC(via email): Dianna Stoopnikoff, Fortune Revenue Silver Mines, Inc. (successor operator)  
John Trujillo, Fortune Revenue Silver Mines, Inc.  
Clint Fletcher, Fortune Revenue Silver Mines, Inc.  
Greg Lewicki, Greg Lewicki and Associates

Photographs from the inspection are on the following two pages.



**PHOTOGRAPHS**

