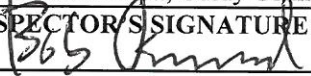




COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

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: Revenue Mine	MINE/PROSPECTING ID#: M-2012-032	MINERAL: Pb, Ag, Au	COUNTY: Ouray
INSPECTION TYPE: Monitoring	INSPECTOR(S): Bob Oswald	INSP. DATE: October 27, 2014	INSP. TIME: 10:00
OPERATOR: Fortune Revenue Silver Mine	OPERATOR REPRESENTATIVE: John Trujillo	TYPE OF OPERATION: 112d-1 - Designated Mining Operation	

REASON FOR INSPECTION: High Priority	BOND CALCULATION TYPE: None	BOND AMOUNT: \$340,570.00
DATE OF COMPLAINT: October 24, 2014	POST INSP. CONTACTS: Colo. Health Dept., Ouray County	JOINT INSP. AGENCY: None
WEATHER: Cloudy	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: October 30, 2014

The following inspection topics were identified as having Problems or Possible Violations. OPERATORS SHOULD READ THE FOLLOWING PAGES CAREFULLY IN ORDER TO ASSURE COMPLIANCE WITH THE TERMS OF THE PERMIT AND APPLICABLE RULES AND REGULATIONS. If a Possible Violation is indicated, you will be notified under separate cover as to when the Mined Land Reclamation Board will consider possible enforcement action.

INSPECTION TOPIC: Hydrologic Balance

PROBLEM/POSSIBLE VIOLATION: Problem: Drilling activities in the underground workings caused a release of sediment-laden water to Sneffels Creek, due to lack of sufficient containment or control structures. Even though the event was temporary, it was an adverse impact to the prevailing hydrologic balance.

CORRECTIVE ACTIONS: The operator must provide a report to the Division which includes: the conditions leading to the release, a description and timeline of the event, the actions taken to correct the situation and stop the release, summary of water and sediment sampling that was performed, who was notified and when, and the current activities being taken up to the date of the report. The report is to be received by this office by November 28, 2014.

CORRECTIVE ACTION DUE DATE: 11/28/14

OBSERVATIONS

This was a high priority inspection conducted by the Division in response to a report from CDPHE regarding a release of sediment from the mine to Sneffels Creek. The release occurred on Friday, October 24, 2014, which is also the date when the CDPHE report was received by the Division. Prior to receiving the CDPHE report, this inspector was contacted by the operator's environmental consultant, Greg Lewicki, to discuss the incident, remedial actions being taken and the current situation. Mr. Lewicki promptly contacted CDPHE about the release. This inspector promptly contacted the operator's representatives to inform them that an inspection was scheduled for October 27, 2014.

The operator named on page one was present throughout the inspection. In addition to the operator, Greg Lewicki, of Greg Lewicki and Associates, was present. The site was active on the day of the inspection. The important areas of the site and the activities being carried out that were prioritized to be inspected were: sediment materials of the type that were released and the pathway of the release, final construction activities of the lined mine water pond, surface runoff and sediment control structures, temporary placement of waste rock and tails from mill tests, and upland diversion ditch construction. No inspection of the drilling in Governor Basin, or underground workings or the mill facility was performed at this time.

The required permit ID sign was observed posted at the entrance gate to the permitted area. The permit transfer to the "successor operator" is nearly completed; the new operator must ensure that the permit ID sign is updated to reflect the correct name of the operator. Permit boundary markers (tall white PVC pipes) were installed at the boundary corners.

The mine is drilling an 8-ft diameter shaft, by "raise boring" up from the mine workings to the drill rig in upper Governor Basin. All cuttings produced by this drilling, as well as water which percolates into the bore hole, reports to the mine workings and travels down-gradient to eventually meet the mine's discharge pipes. The cuttings range in size from fine sediment up to one-half-inch gravel, and all cuttings are being removed from the workings to be deposited on the waste rock disposal area on the surface. The bore hole does not intercept mineralized veins, and the cuttings consist of benign rock.

The operator reported that at one point the flow of water from the bore hole into the mine became higher than the normal amount anticipated, and briefly overwhelmed the capacity of the sediment catchment. The flowing water suspended some of the sediment-sized cuttings, resulting in a slug of sediment-laden water being released from the mine. The water first contacted Atlas Creek, and then entered Sneffels Creek. This occurred when the bore hole was in a unit of reddish andesite, which produced the reddish sediment that was visually detected by mine personnel.

Upon detecting the reddish water, the mine commenced to capture and reroute the water underground, by use of coffer dams and pumps, to route it to an abandoned shaft which has capacity sufficient to accept the water. The water level in the shaft continues to equilibrate, with ongoing inflows averaging only a few gpm, and is not expected to fill or overtop.

This inspector observed some of the reddish rock from the andesitic unit in question, which had been removed from the mine and deposited on the waste disposal area. It is not mineralized nor sulfidic (i.e., it is not ore). The reddish cuttings are not the type of material to leach into the ground or water, and are not

placed in a location to slough or erode off of the mine site. Also observed was the confluence of Atlas Creek (the initial receiving stream) and Sneffels Creek (to which Atlas Creek is tributary). Both branches were flowing clear and green, with no sign of red sediment in the water, on the banks, or on material in the channel.

It is the current opinion of this inspector that the reddish color observed in the water was sediment (and water) from the drilling. All other earthen materials or chemicals that are stored or used in the mill and on the mine site are within impermeable secondary containment, and none have the capacity to quickly generate reddish-colored discharge. However, this unauthorized release of sediment in water from the mine is an adverse impact to the prevailing hydrologic balance, and is therefore noted in this report as a problem (per Hard Rock and Metals Rule 3.1.6). The Division requires that the operator provide a report fully describing this event. Please refer elsewhere in this report for more details of the required corrective action and the correction date.

In general, hydrologic concerns at the permit are addressed as follows: the operator is engaged in an ongoing water sampling program, involving surface water (stream) sampling, sampling underground water, and sampling the groundwater in monitoring wells adjacent to the stream. The Division is currently reviewing a document proposing water quality standards for the site, based on baseline conditions, to define the discharge permit limits under which the mine will ultimately be required to operate. Specific to the situation of the release, the operator stated that stream samples were collected at the time of the release, and that a sample of the actual reddish rock involved in this event was collected; all samples were sent to a lab for analysis. The operator must provide copies of all testing results to the Division.

In addition to investigating this release event, the inspection involved other surface facilities for controlling mine water, stormwater, waste rock and future tails disposal areas. The liner installation and leak testing have been completed on the mine water pond. The emergency drain line is installed but the valve is not yet in place. The riprapped spillway has been constructed, but still lacks the grouting. The spillway will route the discharge to an in-ground concrete vault from which a corrugated poly culvert will convey water to Sneffels Creek. Mine staff were currently placing and bedding the vault and culvert. The operator will be submitting the mine pond certification soon. The first sediment pond near the entrance bridge is functional. The new sediment pond east of the mine pond has just been completed; the runoff conveyance ditches will be fully connected soon.

All earthen slopes above and below the various ponds were created with the final 3:1 gradient; most of the slope surfaces have been recently topsoiled with six inches or more of onsite-produced topsoil. This was produced from careful salvaging of the soil during excavation of new discharge pipeline and diversion ditch corridors. The operator will seed these topsoiled surfaces this year before winter. There is more such topsoil still stockpiled in the western end of the old mine pond. This soil will be used on all other areas that are graded to their final configuration and will not be redisturbed. If not spread this year, stockpiled soil must be protected from degradation.

The waste rock disposal and temporary tails disposal areas continue to accumulate new materials from the underground drilling and mill tests. Test tails are presently up on the waste rock bench to dry, but the operator may move them to a temporary location in the old pond, in order to allow proper completion of the waste rock disposal area. The mine is not generating ore at a production level, since the mill has not been fully certified. The mill currently is running limited tests for future ore processing, but there is no production-level operation at this time.

There were no other areas inspected, and no additional problems noted. The operator is preparing a permit amendment to include several changes to the approved plans; discussion regarding the amendment is not included in this report.

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

Dianna Stoopnikoff
Fortune Revenue Silver Mines, Inc.
1900 Main St., Unit 564
Ouray, CO 81427

EC (via email): John Trujillo, Fortune Revenue Silver Mines, Ouray
Greg Lewicki, Greg Lewicki and Assoc.
Elisabeth Lawaczek, Ouray County Public Health Agency

GENERAL INSPECTION TOPICS

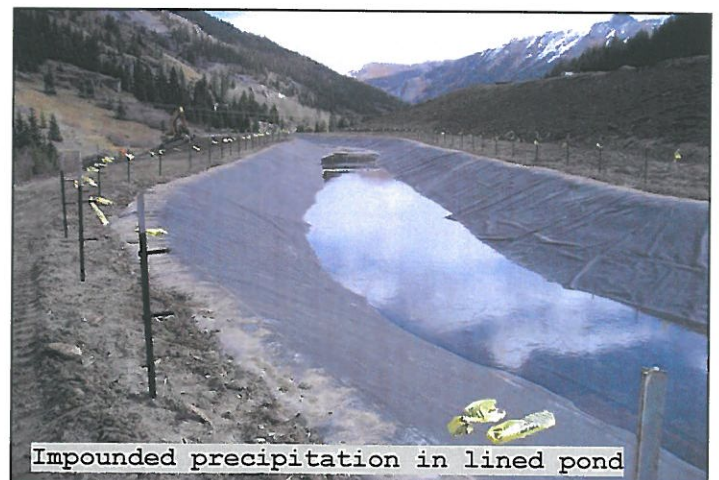
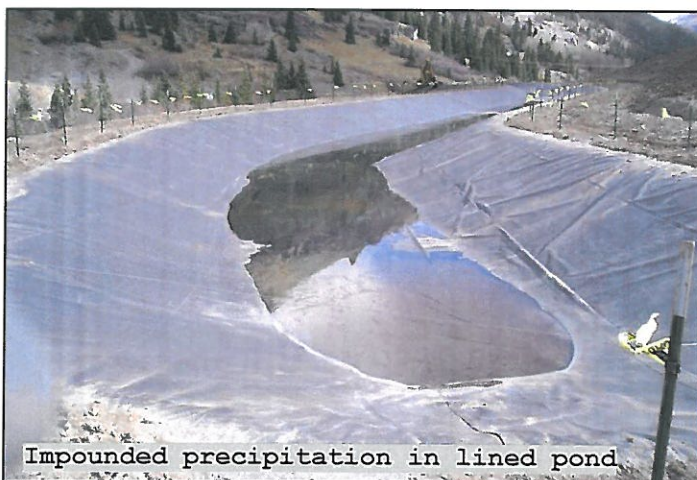
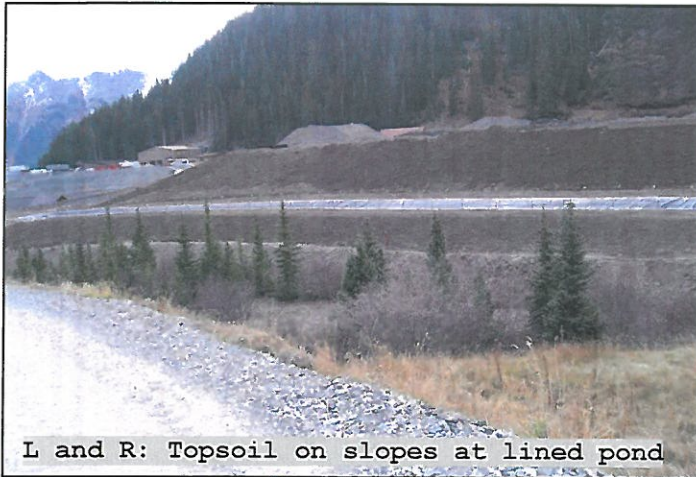
The following list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each

(AR) RECORDS----- <u>NA</u>	(FN) FINANCIAL WARRANTY----- <u>Y</u>	(RD) ROADS----- <u>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>PB</u>	(BG) BACKFILL & GRADING----- <u>Y</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>N</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>NA</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>Y</u>	(SC) EROSION/SEDIMENTATION--- <u>N</u>	(RS) RECL PLAN/COMP-- <u>NA</u>
(AT) ACID OR TOXIC MATERIALS----- <u>N</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

Photographs from the inspection are on the following two pages.

PHOTOGRAPHS

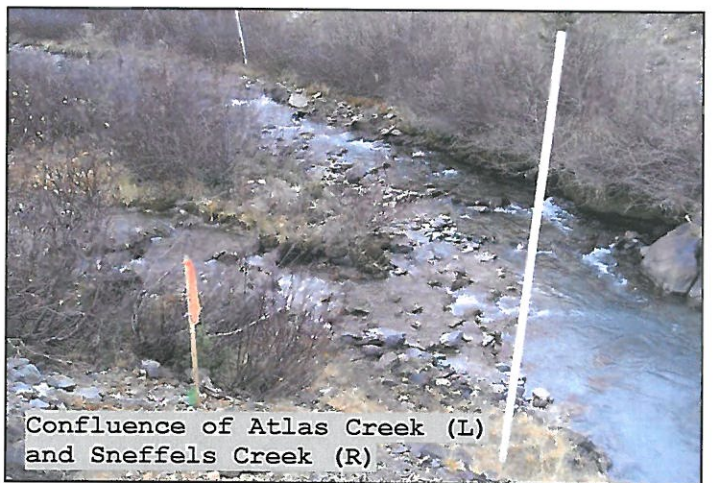


PHOTOGRAPHS

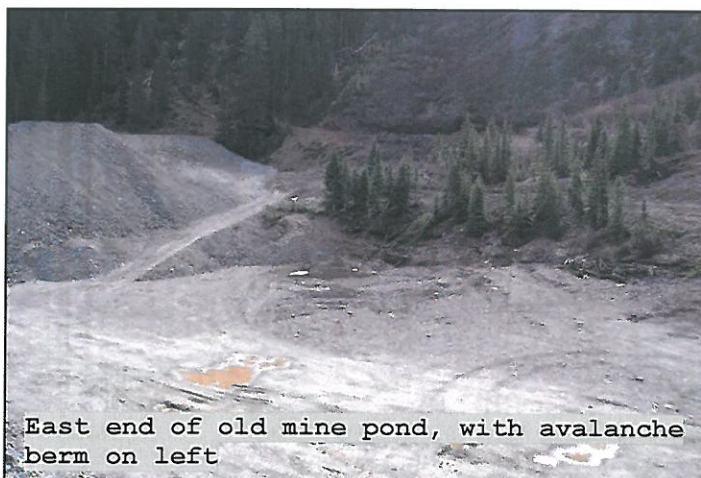
L & R: Newly completed sediment pond



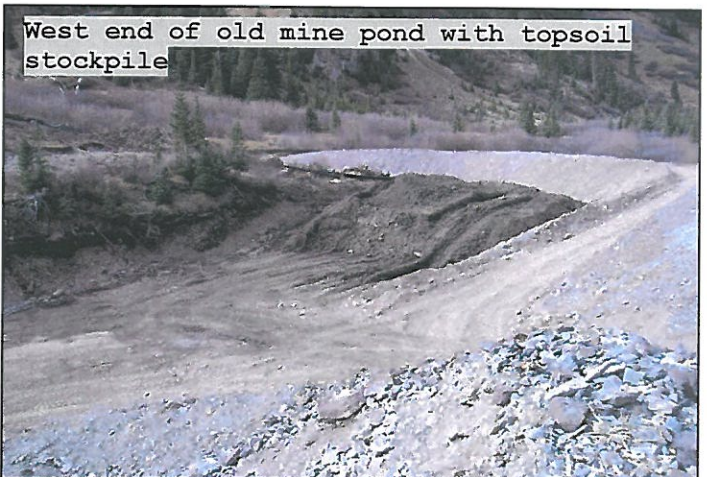
Test tails in temporary location



Confluence of Atlas Creek (L)
and Sneffels Creek (R)



East end of old mine pond, with avalanche
berm on left



West end of old mine pond with topsoil
stockpile