




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: San Luis Project	MINE/PROSPECTING ID#: M-1988-112	MINERAL: Au, Ag	COUNTY: Costilla
INSPECTION TYPE: Monitoring	INSPECTOR(S): Wallace H. Erickson	INSP. DATE: October 2, 2014	INSP. TIME: 15:00
OPERATOR: Battle Mountain Resources, Inc.	OPERATOR REPRESENTATIVE: Julio Madrid, Melissa Chalona	TYPE OF OPERATION: 112d-3 - Designated Mining Operation	
REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: Partial Bond	BOND AMOUNT: \$7,400,000.00	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: County	JOINT INSP. AGENCY: None	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: October 31, 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>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>Y</u>	(RV) REVEGETATION----- <u>Y</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN----- <u>N</u>	(SB) COMPLETE INSP----- <u>Y</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>Y</u>	(SC) EROSION/SEDIMENTATION----- <u>Y</u>	(RS) RECL PLAN/COMP----- <u>Y</u>
(AT) ACID OR TOXIC MATERIALS----- <u>Y</u>	(OD) OFF-SITE DAMAGE----- <u>Y</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

Introduction

This inspection occurred as part of the Division's review process of a request for acreage reduction (AR-02) for completion of reclamation of 35.14 acres. Battle Mountain Resources, Inc. (Operator or BMRI) was represented by Julio Madrid and their technical consultant, Melissa Chalona, PE, with Advanced Environmental Science, Inc. The San Luis Project is a 112d-3 operation, permitted for the extraction and milling of precious metal ore. The permit boundary encompasses approximately 1,801 acres, within which the Operator is approved to affect 641 acres. Of the 641 acres the Operator has affected approximately 509 acres. Mining and milling activities ceased on or before November 9, 1996, and the Operator commenced final reclamation. Since that time the Operator has conducted reclamation activities for all affected lands. Affected lands will be reclaimed to support a variety of post-mining land uses including industrial/commercial, rangeland, and wildlife habitat. The Division holds \$7.4 million financial warranty. This report is accompanied by two images from Google Earth and six photographs taken during the inspection.

Observations Specific to the Lands Addressed Under AR-02

Under AR-02 the Operator requests the release of a 35.14 acre parcel of land from the 1,801 acre permit area. The geographic relationship between the 1,801 acre permit boundary and the 35.14 acre parcel is illustrated on Google Earth Image 1.

As shown on Google Earth Image 2 and Photos 1 through 5, the mining operation has affected approximately three acres of the 35.14 acre parcel. The three acres of affected land included the following:

- laboratory facility, metal building, approximately 3,200 square feet (40' x 80')
- office facility, metal building, approximately 3,200 square feet (40' x 80')
- shop/warehouse facility, metal building, approximately 14,400 square feet (60' x 240'), with 2,000 square feet (40' x 50') open bay addition
- ground water monitoring well M-4R
- access roads and utility corridors

With the exception of the above listed structures all mining related equipment, materials, and debris had been removed from the 35.14 acre parcel addressed under AR-02. Affected lands had been graded to mild slopes which blend with the surrounding native topography. Affected lands appeared stable; evidence of slumping, settling, or excessive erosion was not observed. Affected land surfaces had been stabilized with either an appropriate vegetative cover or gravel surface for access roads and vehicle parking areas.

Clarification on Post-Mining Land Use and Ownership of the Lands and Structures Addressed Under AR-02

- On October 1, 1997, the Division approved Technical Revision No. 25 (TR-25), revising the reclamation plan and post-mining land use for the lands currently addressed under AR-02. Under TR-25 the above listed structures were approved as permanent structures and the post-mining land use was revised from rangeland/wildlife habitat to industrial/commercial use.
- On October 31, 1997, the Operator deeded the lands currently addressed under AR-02 to the Costilla County Soil Conservation District.

- On November 10, 1999, the Costilla County Soil Conservation District acquired Permit No. 221167 from the Division of Water Resources, effectively reclassifying the ground water monitoring well M-4R as a production well for commercial use. Permit No. 221167 expired November 12, 2001, and was later replaced by Permit No. 251799, issued July 18, 2003.
- On October 20, 2003, the Division approved TR-32, identifying monitoring well M-4R as a permanent structure and appropriate to support the industrial/commercial post-mining land use.
- Ownership of the lands addressed under AR-02 has transferred from Costilla County SCD to the San Luis Valley Animal Welfare Society, who is currently utilizing the property as an animal shelter. As such, the property has attained its industrial/commercial post-mining land use.

Timely Comments for AR-02

The public comment period for AR-02 closed on October 20, 2014. During the public comment period the Division received comment from the following individuals:

1. Objection from John C. McClure, Esq., on behalf of the Costilla County Board of County Commissioners, dated September 26, 2014, received September 26, 2014;
2. Objection from John C. McClure, Esq., on behalf of the Costilla County Conservancy District, dated September 26, 2014, received on September 26, 2014; and
3. Support from Frank W. Peek, President of the San Luis Valley Animal Welfare Society, dated October 2, 2014, received October 7, 2014.

Staff Recommendation to Approve AR-02

Observations made during the inspection and recorded in this report indicate the Operator has completed reclamation of the affected lands addressed under AR-02 in accordance with the conditions of the approved reclamation plan and the Act and Rules. Staff recommends approval of AR-02. Under AR-02 the Operator specified no adjustment in the financial warranty. Therefore, staff's recommendation to approve AR-02 is limited to a 35.14 acre reduction of the permit area, from 1,801 acres to 1,765.86 acres, and no adjustment in the financial warranty.

Response to this inspection report should be directed to Wally Erickson at the Division's office in Durango located at 691 County Road 233, Suite A-2, Durango, Colorado 81301, phone (970) 247-5469 or email at wally.erickson@state.co.us.

Attachment: Certificate of Service

Enclosure: 1) two images from Google Earth, imagery date October 1, 2013
2) six photographs taken during the inspection

Certificate of Service

I, Wallace H. Erickson, hereby certify that on this 31st day of October, 2014, placed a true copy of the foregoing inspection report generated from the inspection of the San Luis Project, Permit No. M-1988-112, occurring on October 2, 2014, signed October 31, 2014, with enclosures, in the US Mail, first class postage affixed and addressed to the following four individuals:

Julio Madrid
Battle Mountain Resources, Inc.
P.O. Box 310
San Luis, CO 81152

Frank W. Peek
San Luis Valley Animal Welfare Society
76 El Rio Drive
Alamosa, CO 81101

John C. McClure, Esq.
McClure & Eggleston, LLC
1600 Broadway, Suite 920
Denver, CO 80202

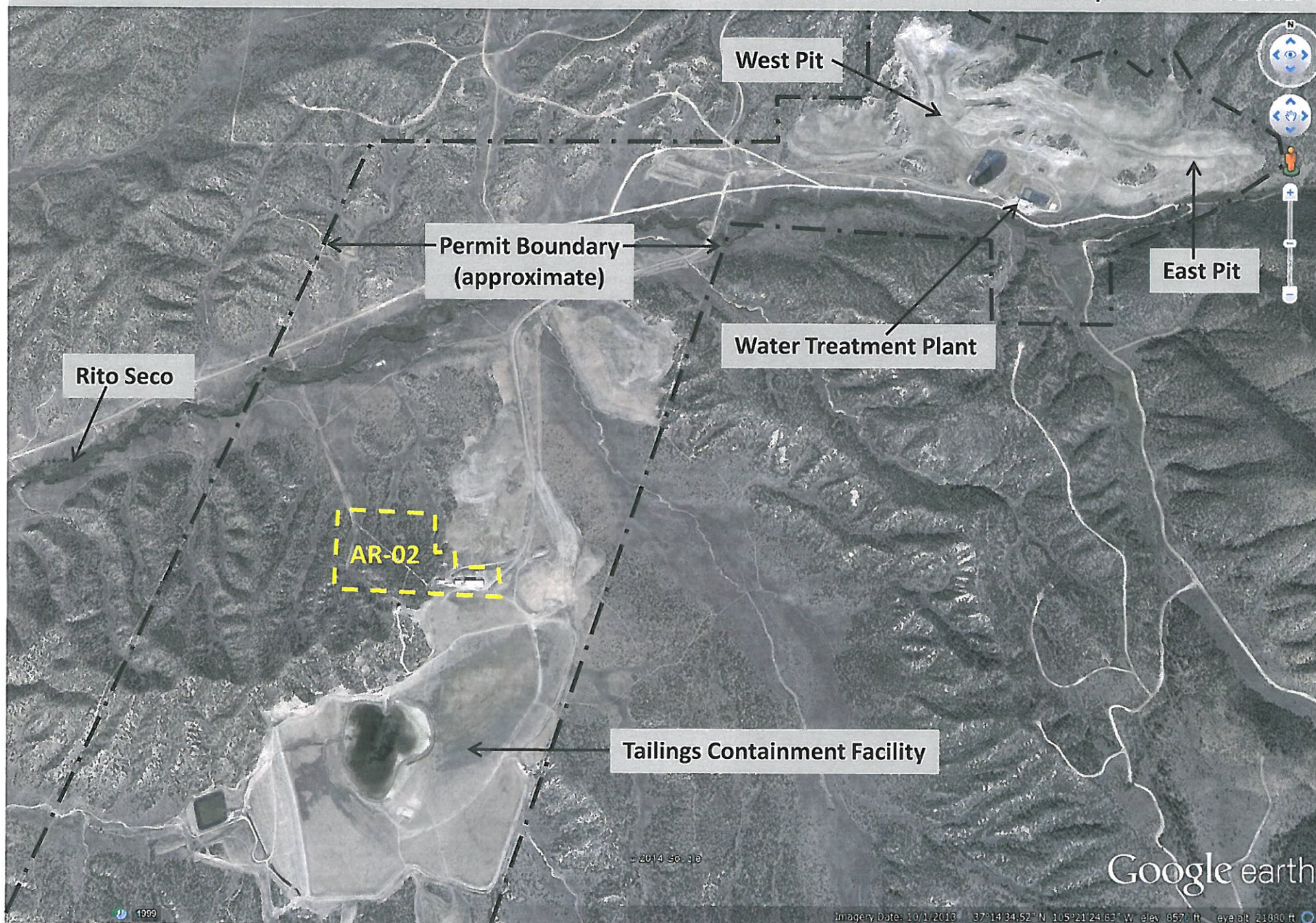
Edwin J. Lobato, Esq.
P.O. Box 1302
224 San Juan Avenue
Alamosa, CO 81101

And an electronic copy of the same inspection report with enclosures sent by email to the following:

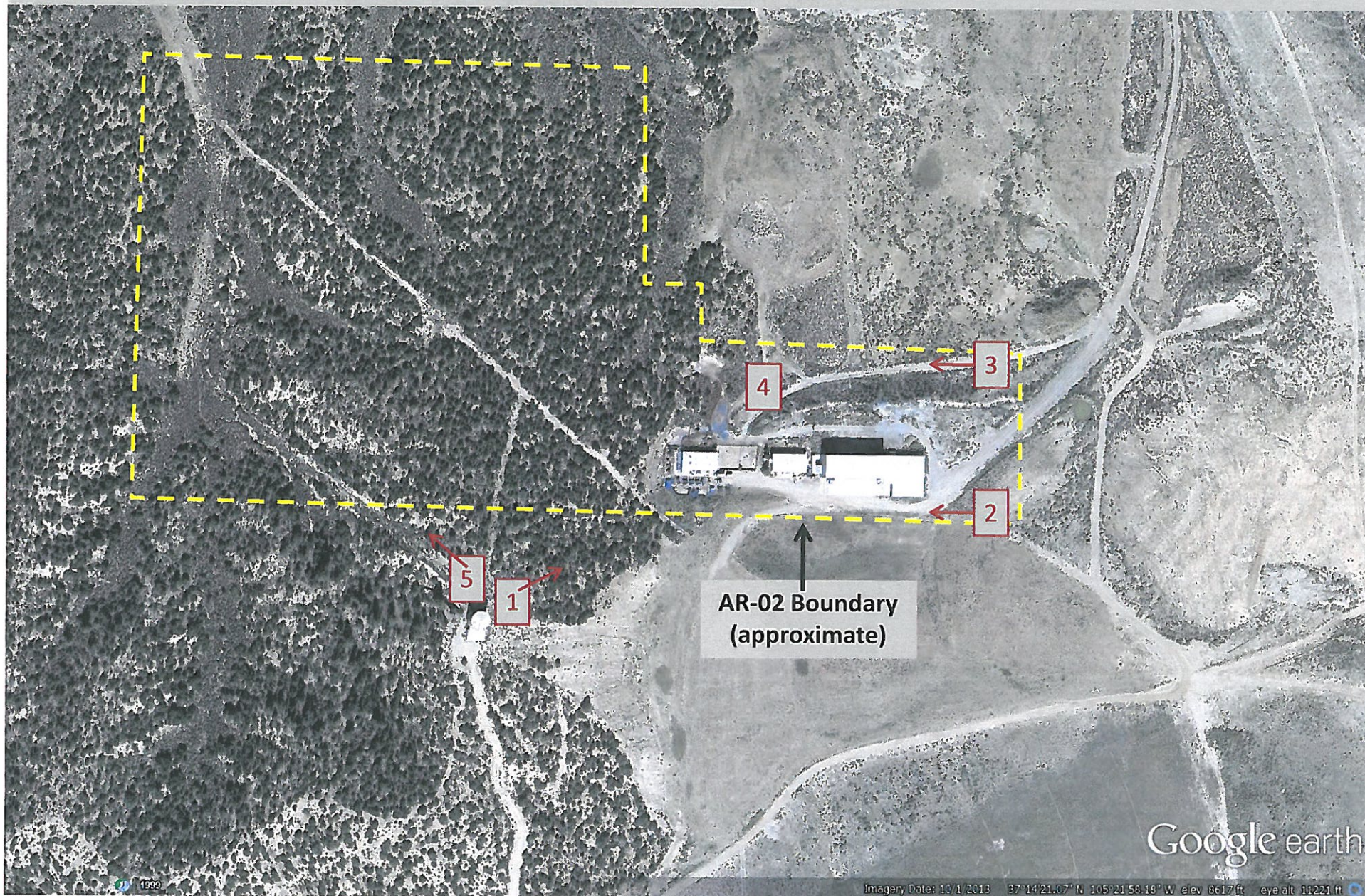
Larry Fiske, BMRI, larry.fiske@newmont.com;
Julio Madrid, BMRI, julio.madrid@newmont.com;
Melissa Chalone, AES, melissa@aesci.com;
John McClure, Esq., McClure & Eggleston, jmcclure@melawllc.com;
Ed Lobato, Esq., ejlobo2003@yahoo.com;
Frank Peek, SLVAWS, woof@slvaws.org;
Russ Means, DRMS, russ.means@state.co.us; and
Jeff Fugate, AGO for DRMS, jeff.fugate@state.co.us.

Wallace H. Erickson 10/31/14

Google Earth Image 1: Imagery date October 1, 2013, showing portions of the 1,801 acre permit area for the San Luis Project, M-1988-112, and the approximate boundary of the 35.14 acres addressed under AR-02. Select features of the operation are labeled.



Google Earth Image 2: Imagery date October 1, 2013, showing the approximate boundary of the 35.14 acre area addressed under AR-02 at the San Luis Project, M-1988-112. As indicated in the acreage reduction request, approximately three acres of the 35.14 acres had been affected by the mining and reclamation operation. The three acres of affected lands include the buildings, access roads, and utility corridors, as shown in this Google Earth image. Locations of **Photos 1 through 5** are indicated in red.

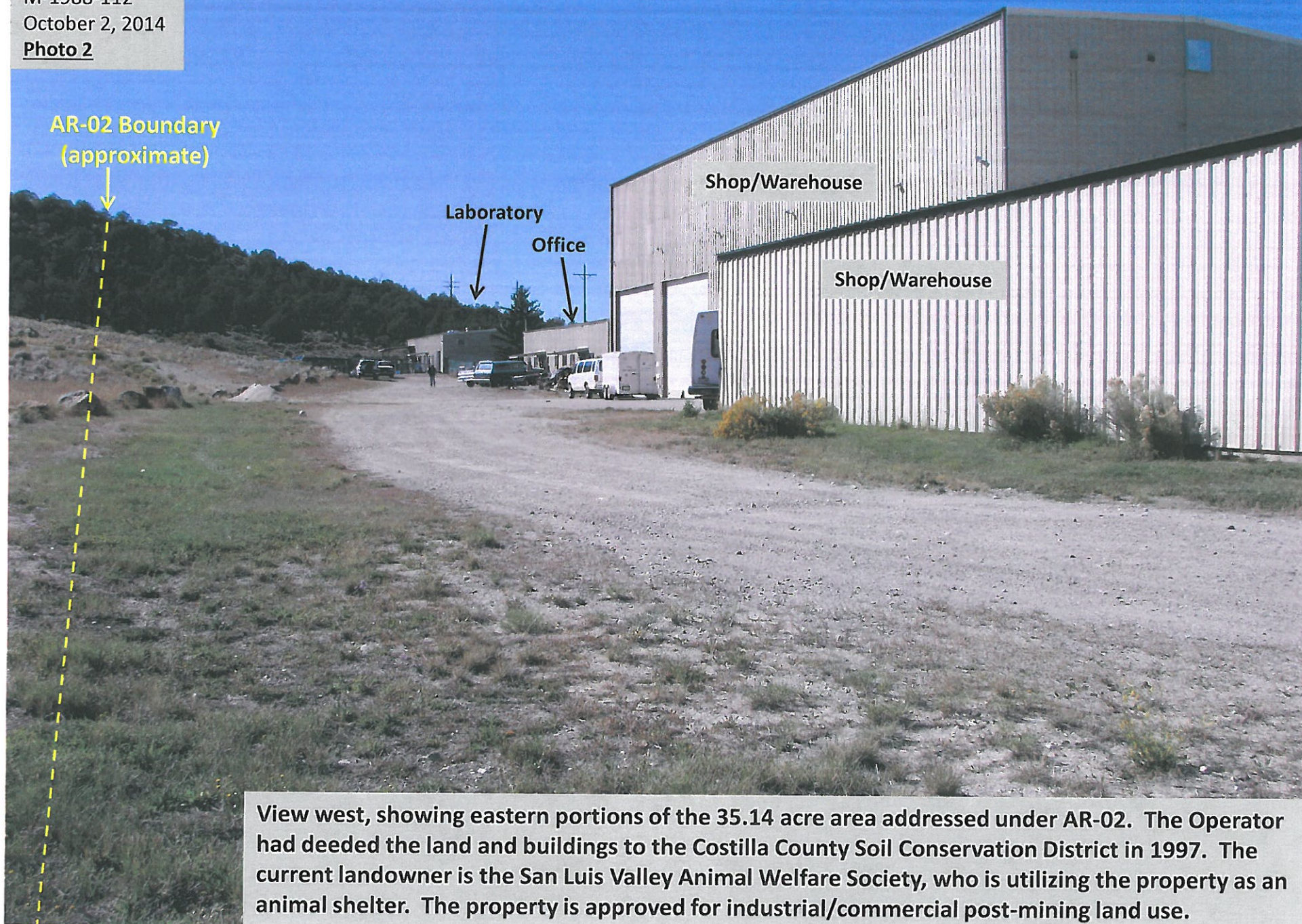


San Luis Project
M-1988-112
October 2, 2014
Photo 1



View northeast, showing eastern portions of the 35.14 acre area addressed under AR-02. The Operator had deeded the land and buildings to the Costilla County Soil Conservation District in 1997. The current landowner is the San Luis Valley Animal Welfare Society, who is utilizing the property as an animal shelter. The property is approved for industrial/commercial post-mining land use.

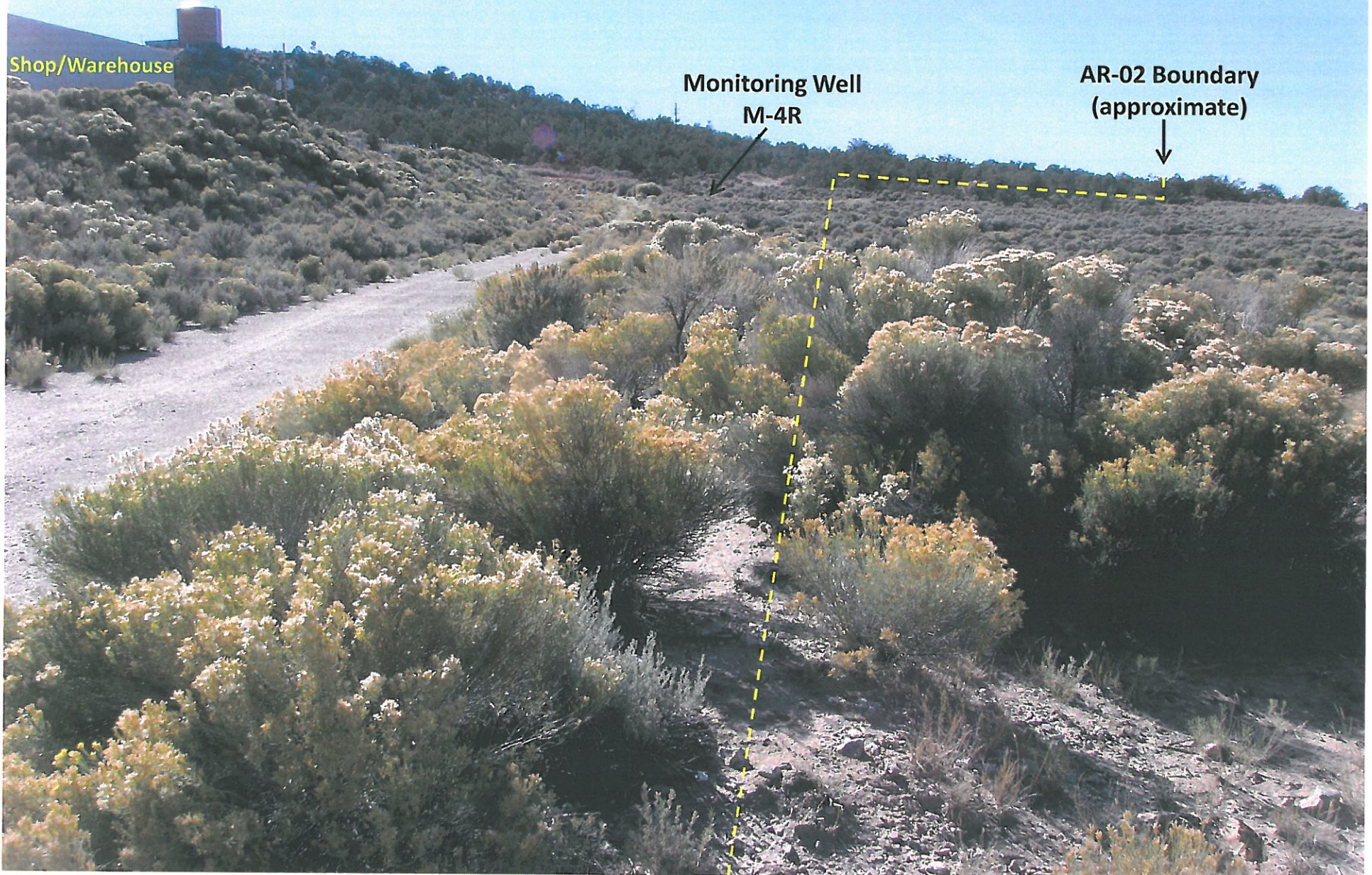
San Luis Project
M-1988-112
October 2, 2014
Photo 2



View west, showing eastern portions of the 35.14 acre area addressed under AR-02. The Operator had deeded the land and buildings to the Costilla County Soil Conservation District in 1997. The current landowner is the San Luis Valley Animal Welfare Society, who is utilizing the property as an animal shelter. The property is approved for industrial/commercial post-mining land use.

San Luis Project
M-1988-112
October 2, 2014
Photo 3

Affected lands (approximately three acres of the 35.14 acres addressed under AR-02) appeared stable; evidence of slumping, sliding, or excessive erosion was not observed. As shown in this photo, affected lands had either been graded to mild slopes and stabilized with an appropriate vegetative cover or covered by gravel surface (access roads and vehicle parking areas).



San Luis Project
M-1988-112
October 2, 2014
Photo 4



Ground water monitoring well, M-4R, was located within the AR-02 boundary. The monitoring well had been reclassified to a production well for commercial use, initially under Division of Water Resources Permit No. 221167 and currently under Permit No. 251799, both owned by Costilla County Soil Conservation District. Pursuant to the conditions of Technical Revision No. 32, monitoring well M-4R has been removed from the approved hydrologic monitoring plan and the well has been reclaimed to a beneficial use in accordance with the commercial/industrial post-mining land use.

San Luis Project
M-1988-112
October 2, 2014
Photo 5

AR-02 Boundary (approximate)

View northwest, showing western portions of the 35.14 acre area addressed under AR-02. As indicated in the acreage reduction request, the majority of the lands addressed under AR-02 were not affected by the mining and reclamation operation. As shown in this photo, the majority of the 35.14 acres were undisturbed and exhibited a native vegetative cover typical of the piñon/juniper community.

San Luis Project
M-1988-112
October 2, 2014
Photo 6

The boundary of the 35.14 acre parcel was delineated by survey pin and lath, similar to the pin and lath featured in this photograph.

