



COLORADO

Division of Reclamation,
Mining and Safety

Department of Natural Resources

1313 Sherman Street, Room 215
Denver, CO 80203

November 14, 2014

Notice to Interested Persons

**RE: Decision to Approve an Acreage Reduction Request (AR-02) with Objections,
Battle Mountain Resources, Inc., San Luis Project, Permit No. M-1988-112**

Dear Interested Person:

The Division of Reclamation, Mining and Safety (the Division) hereby issues its decision to approve, over objections, an acreage reduction request (AR-02) at the San Luis Project.

This decision is based on the Division's determination that Battle Mountain Resources, Inc. (the Operator) has completed reclamation of the affected lands addressed by AR-02 in accordance with the conditions of the approved reclamation plan and all applicable requirements of the Colorado Mined Land Reclamation Act, § 34-32-101 et seq., C.R.S. (the Act), and the Mineral Rules and Regulations of the Colorado Mined Land Reclamation Board for Hard Rock, Metal, and Designated Mining Operations (the Rules). A copy of the Division's rationale for its decision is enclosed for your review. A copy of the Act and Rules are available through the Division's web site at <http://mining.state.co.us>.

Provisions for appeal of the Division's decision are provided under Rules 4.19 and 1.4.11. Pursuant to Rule 1.4.11(1), any person who can demonstrate that he, or she, or it is directly and adversely affected or aggrieved by the Division's decision, and whose interests are entitled to legal protection under the Act, may petition for a hearing before the Mined Land Reclamation Board. Such petitions must provide the information specified under Rules 4.19(1) and 1.4.11(1)(d). Pursuant to Rule 1.4.11(1)(b), such petitions must be received by the Division within 30 days of the date of this notice, due December 15, 2014.

Sincerely,

Wallace H. Erickson

Environmental Protection Specialist

Attachment: Certificate of Service

Enclosure: Rationale for Decision to Approve AR-02 with Objections,
Battle Mountain Resources, Inc., San Luis Project, Permit No. M-1988-112



Certificate of Service

I, Wallace H. Erickson, hereby certify that on this 14th day of November, 2014, placed a true copy of the foregoing Notice to Interested Persons, RE: Decision to Approve an Acreage Reduction Request (AR-02) with Objections, Battle Mountain Resources, Inc., San Luis Project, Permit No. M-1988-112, with a copy of the Division's rationale for its decision, RE: Rationale for Decision to Approve AR-02 with Objections, Battle Mountain Resources, Inc., San Luis Project, Permit No. M-1988-112, in the United States Mail, first class postage affixed, and addressed to the following:

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 by email transmission to the following:

Larry Fiske, PE, BMRI, larry.fiske@newmont.com;
Julio Madrid, BMRI Project Manager, julio.madrid@newmont.com;
Melissa Chalone, PE, AES, melissa@aesci.com;
John McClure, Esq., McClure & Eggleston, jmccclure@melawllc.com;
Ed Lobato, Esq., ejlobo2003@yahoo.com;
Frank Peek, SLVAWS, woof@slvaws.org;
Ginny Brannon, DRMS Director, ginny.brannon@state.co.us;
Tony Waldron, DRMS Minerals Program Supervisor, tony.waldron@state.co.us;
Russ Means, DRMS Senior, russ.means@state.co.us; and
Jeff Fugate, Esq., AGO for DRMS, jeff.fugate@state.co.us

 11/14/14
Signature and date



COLORADO

Division of Reclamation,
Mining and Safety

Department of Natural Resources

1313 Sherman Street, Room 215
Denver, CO 80203

DATE: November 14, 2014

RE: Rationale for Decision to Approve AR-02 with Objections,
Battle Mountain Resources, Inc., San Luis Project, Permit No. M-1988-112

Introduction

Herein, all references to the Act and Rules refer to the Colorado Mined Land Reclamation Act, § 34-32-101 et seq., C.R.S. (the Act), and the Mineral Rules and Regulations of the Colorado Mined Land Reclamation Board for Hard Rock, Metal, and Designated Mining Operations (the Rules). Copy of the Act and Rules are available through the Division's web site at <http://mining.state.co.us>.

On November 14, 2014, the Division of Reclamation, Mining and Safety (the Division or Office) issued its decision to approve the acreage reduction request (AR-02) at the San Luis Project, Permit No. M-1988-112, over objections. This document is intended to explain the process by which the Division arrived at its decision to approve, over objections, and respond to the issues raised by the objecting parties. The Division reserves the right to further supplement, amend, modify, or clarify this document and decision with additional details as necessary.

The San Luis Project is a 112d-3 type operation approved for the mining and metallurgical processing (milling) of precious metal ore. The permit is issued to Battle Mountain Resources, Inc. (BMRI or the Operator). The permit boundary encloses 1,801 acres, within which boundary the Operator is approved to affect 641 acres. Of the 641 acres the Operator has affected approximately 509 acres. Mining and milling activities ceased during 1996 and the Operator commenced final reclamation. Since 1996 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.

Summary of the AR-02 Review Process

The Operator filed AR-02 with the Division on August 20, 2014. Under AR-02 the Operator requested the release of 35.14 acres from the permit boundary for completion of reclamation. As noted in the acreage reduction request, approximately three acres of the 35.14 acres had been affected by the mining operation, with the balance, approximately 32 acres, not affected.



On August 22, 2014, the Division provided notice of AR-02 to the following:¹

- Costilla County Board of County Commissioners
- Board of Supervisors of the Costilla Soil Conservation District
- Division of Water Resources of the Office of the State Engineer
- San Luis Valley Animal Welfare Society (landowner of the lands addressed under AR-02)

On September 11, 2014, legal counsel for the Costilla County Commissioners, John McClure, Esq., informed the Division that the address on record and utilized by the Division for its notice to the County Commissioners was obsolete. On September 12, 2014, the Division provided a revised notice for AR-02 to the following:

- Costilla County Board of County Commissioners
- Board of Supervisors of the Costilla Soil Conservation District
- Division of Water Resources of the Office of the State Engineer
- San Luis Valley Animal Welfare Society (landowner of the lands addressed under AR-02)

A third notice for AR-02 was provided to the San Luis Valley Animal Welfare Society on September 23, 2014. Each of the revised notices initiated a new 15-day comment period and the landowner and agencies noticed of AR-02 were afforded the full comment period prescribed for standard release requests.²

On September 18, 2014, the Operator published a public notice of the release request in the Costilla County Free Press, a newspaper of local circulation. The newspaper publication initiated a 30-day public comment period, which was in addition to the 15-day comment period prescribed for standard release requests.³

The public comment period for AR-02 opened on the filing date, August 20, 2014, and closed on October 20, 2014.⁴ The Division received timely comment from the following:

1. Objection to AR-02 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 to AR-02 from John C. McClure, Esq., on behalf of the Costilla County Conservancy District, dated September 26, 2014, received on September 26, 2014
3. Support for AR-02 from Frank W. Peek, President of the San Luis Valley Animal Welfare Society, dated October 2, 2014, received October 7, 2014

¹ Pursuant to Rule 4.17.2(1)

² Pursuant to Rule 4.18(1)

³ Pursuant to Rule 7.2.10

⁴ The public notice, required under Rule 7.2.10(2), was published in a local newspaper on September 18, 2014. Pursuant to Rule 7.2.10(2)(c), the 30-day comment period closed on October 18, 2014. However, October 18 was a Saturday and the Division rolled the 30-day deadline to the next working day, October 20, 2014.

The Division promptly forwarded copies of all comments to the Operator. Additionally, the Division provided a copy of its inspection report, signed October 31, 2014, which had been generated from the site inspection occurring on October 2, 2014, to all timely commenter's. The Division's inspection report recorded the observations made during the inspection and noticed the public of the Division's preliminary recommendation to approve AR-02. A copy of the Division's inspection report is enclosed.

During the review period the Division considered all issues raised by the letters of objection, the letter of support, and the Operator's written response to the objection issues. A copy of the Operator's response, dated October 31, 2014, received November 5, 2014, is enclosed.

On November 14, 2014, the Division determined the Operator had completed reclamation for the affected lands addressed under AR-02 in accordance with the conditions of the approved reclamation plan. The three acres of affected land, located within the 35.14 acre area addressed under AR-02, has been reclaimed for a beneficial use and is in compliance with all applicable performance standards of the Act and Rules. On November 14, 2014, the Division approved AR-02.

Issues Raised by the Commenting Agencies and/or Individuals

Issues raised by the objection letters are represented by italic bold font. The individuals and/or agencies that raised the issue are identified after the issue is listed. The Division's response follows in standard font.

- 1. Concerns regarding the accuracy of the acreages of the permit boundary presented in the acreage reduction request. The Operator claims the permit boundary to be 1,801 acres. However, previous permit documents indicate the permit boundary to be 2,200 acres. (John McClure, Esq., on behalf of the Costilla County Commissioners; and John McClure, Esq., on behalf of the Costilla County Conservancy District)***

There appears no error regarding the permit acreage presented by the Operator in the AR-02 documents. The original permit was approved on March 22, 1989, with a permit boundary enclosing 2,200 acres. On January 24, 1990, Amendment No. 1 to the permit was approved, with a permit boundary enclosing the same 2,200 acres. On January 18, 2000, the Division approved Acreage Reduction No. 1 (AR-01), reducing the permit acreage from 2,200 acres to 1,801 acres through the release of approximately 399 acres. On November 14, 2014, the Division approved AR-02, reducing the permit acreage from 1,801 acres to 1,756.86 acres through the release of approximately 35.14 acres.

- 2. Concerns regarding the scope of the acreage reduction request. Within the AR-02 documents the Operator requests the release of 35.14 acres but also contends reclamation has been completed for all but 86.2 acres of the affected lands. The Operator may be seeking the Division's implicit approval regarding the reclamation***

status for lands beyond the 35.14 acre area. (John McClure, Esq., on behalf of the Costilla County Commissioners; and John McClure, Esq., on behalf of the Costilla County Conservancy District)

Within the AR-02 documents the Operator provided a summary of reclamation progress, which indicated reclamation has been completed for approximately 422.7 acres of the 508.9 acres of affected lands. As clarified by the Operator's response to the objection issues, the summary of reclamation progress was provided as background information but the Operator was not seeking a determination regarding the status of any lands other than the 35.14 acre area specifically addressed under AR-02.

The Division's approval of AR-02 is based on the Division's determination of completion of reclamation of the affected lands located within the 35.14 acre parcel. The Division's approval of the acreage reduction request does not grant implicit approval regarding the reclamation status for lands beyond the 35.14 acre parcel.

3. Concerns regarding the absence of reclamation details, provided by the Operator, for the 86.2 acre area referenced in the AR-02 documents. (John McClure, Esq., on behalf of the Costilla County Commissioners; and John McClure, Esq., on behalf of the Costilla County Conservancy District)

The reference to 86.2 acres refers to lands where reclamation is not yet complete, but continuing under the provisions of the approved reclamation plan. The Act and Rules do not require the Operator provide reclamation details within the notice of completion for affected lands not addressed by the acreage reduction request.⁵

4. Concerns regarding the brevity of descriptions of the completed reclamation provided by the Operator in the notice of completion. Concerns that the Operator has not demonstrated the completion of reclamation of the affected lands addressed under AR-02. (John McClure, Esq., on behalf of the Costilla County Commissioners; and John McClure, Esq., on behalf of the Costilla County Conservancy District)

The applicable portions of the Act and Rules, specifically Rules 4.17, 7.2.10, 7.2.11 and § 34-32-117(5.5) C.R.S., do not require a notice of completion to include detailed descriptions of reclamation. The Operator is required to provide a signed statement affirming that all applicable portions of the reclamation plan requirements have been satisfied in accordance with the Act and Rules.⁶ The Operator provided such statement in the notice of completion.

Completion of reclamation has been verified by the Division. During the review process of AR-02 the Division conducted a thorough file review, as necessary to identify all requirements of the approved reclamation plan for the affected lands addressed by AR-02; a review of surface

⁵ Pursuant to Rules 4.17.1 and 7.2.11(1), and § 34-32-117(5.5)(a)(I) C.R.S.

⁶ Pursuant to Rule 4.17.1(4)

and ground water quality data, as necessary to verify the protection of surface and ground water resources for the affected lands referenced under AR-02; and a site inspection, as necessary to verify the completion of reclamation for the surface areas of the affected lands referenced under AR-02. Observations from the Division's site inspection are recorded in the inspection report, signed October 31, 2014. Results from the Division's file review and review of hydrologic data are summarized below.

File Review: The 35.14 acre area referenced under AR-02 included approximately three acres of affected lands. The three acres of affected lands included the following:

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

According to the approved reclamation plan, the above listed structures and facilities are approved as permanent structures, not to be removed during final reclamation, and the affected lands will be reclaimed to support industrial/commercial post-mining land use.⁷

During 1997 the Operator deeded the 35.14 acre parcel and structures to the Costilla County Soil Conservation District. Subsequently, the Costilla County Soil Conservation District deeded the property to the San Luis Valley Animal Welfare Society. The San Luis Valley Animal Welfare Society is currently utilizing the property as an animal shelter, which is in accordance with the industrial/commercial post-mining land use. As such, the property has attained its approved post-mining land use.

Review of Hydrologic Data: The record of hydrologic data for the operation is substantial. The hydrologic data demonstrates that disturbances to the prevailing hydrologic balance of the three acres of affected land and of the surrounding area, and to the quantity and quality of water in surface and ground water systems, both during and after the mining operation and during reclamation, has been minimized.⁸ Ground water quality for the three acres affected lands addressed under AR-02, as reported through the analytical results of samples taken quarterly from ground water monitoring well M-4R, demonstrates to the Division's satisfaction that reclamation has been achieved so that reasonable potential future uses of the ground water have been protected.⁹ Ground water monitoring well M-4R has been converted to a production well for commercial use, through Permit Nos. 221167 and 251799 with the Division of Water Resources of the Office of the State Engineer. Therefore, the Operator has complied with Colorado water laws and regulations governing injury to existing water rights, regarding

⁷ Pursuant to Technical Revision 25, approved October 1, 1997, and Technical Revision 32, approved June 20, 2003

⁸ Performance Standard, Rule 3.1.6(1)

⁹ Performance Standard, Rule 3.1.7(8)

the three acres of affected lands addressed under AR-02.¹⁰

Conclusion

Therefore, on November 14, 2014, the Division determined the Operator had 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, and approved AR-02. Under AR-02 the Operator specified no adjustment in the financial warranty. Therefore, the Division's approval of 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.

Provisions for appeal of the Division's decision are provided under Rules 4.19 and 1.4.11. Pursuant to Rule 1.4.11(1), any person who can demonstrate that he, or she, or it is directly and adversely affected or aggrieved by the Division's decision, and whose interests are entitled to legal protection under the Act, may petition for a hearing before the Mined Land Reclamation Board. Such petitions must provide the information specified under Rules 4.19(1) and 1.4.11(1)(d). Pursuant to Rule 1.4.11(1)(b), such petitions must be received by the Division within 30 days of the date of this notice, due December 15, 2014.

Enclosures:


- 1) Division inspection report, signed October 31, 2014, generated from the inspection of the San Luis Project, Permit No. M-1988-112, occurring on October 2, 2014
- 2) Correspondence from the Operator dated October 31, 2014, RE: Response to Comments on Request for Acreage Reduction (AR-02), San Luis Project, Permit No. M-1988-112

¹⁰ Performance Standard, Rule 3.1.6(1)(a)



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

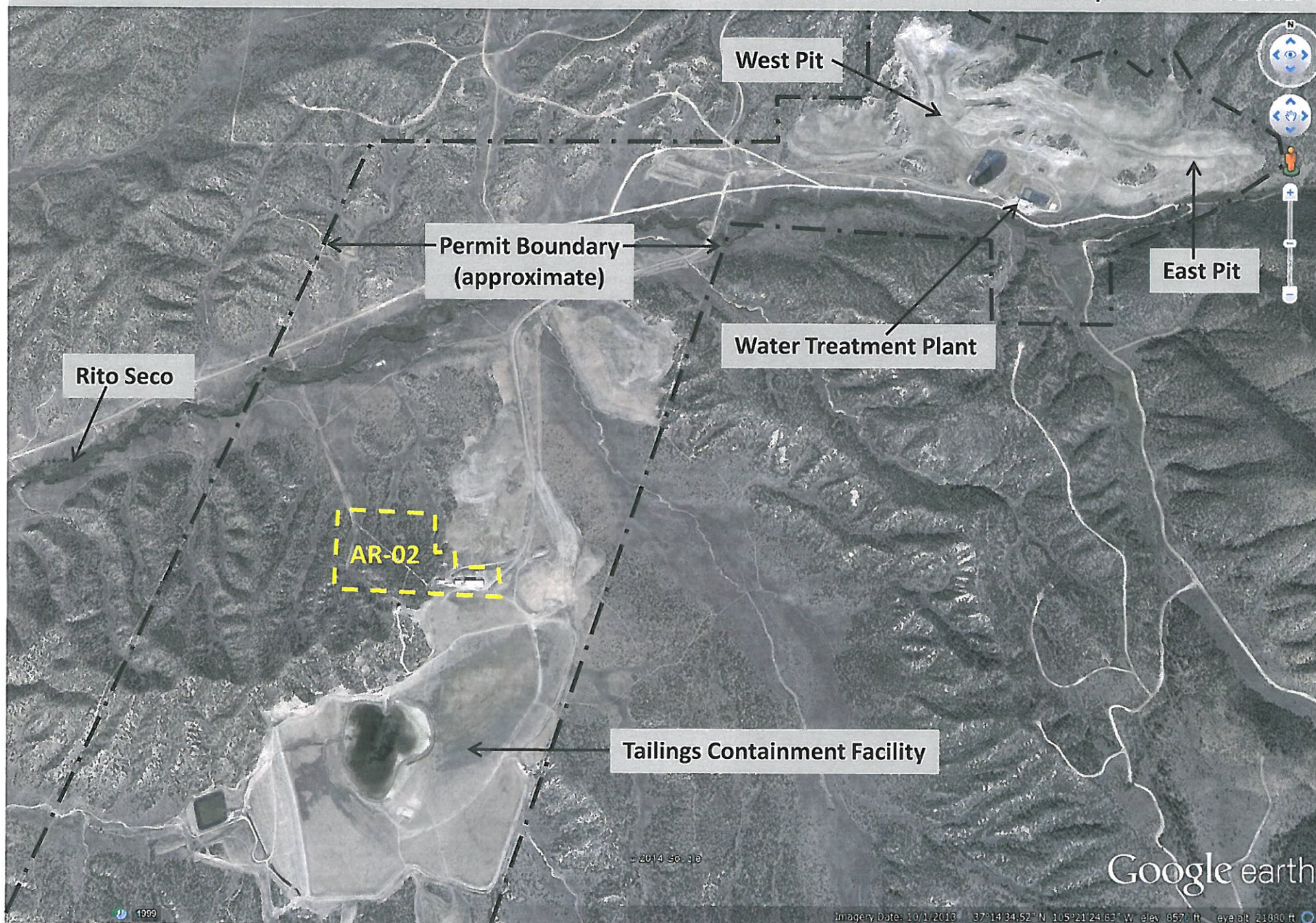
Edwin J. Lobato, Esq.
P.O. Box 1302
224 San Juan Avenue
Alamosa, CO 81101

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

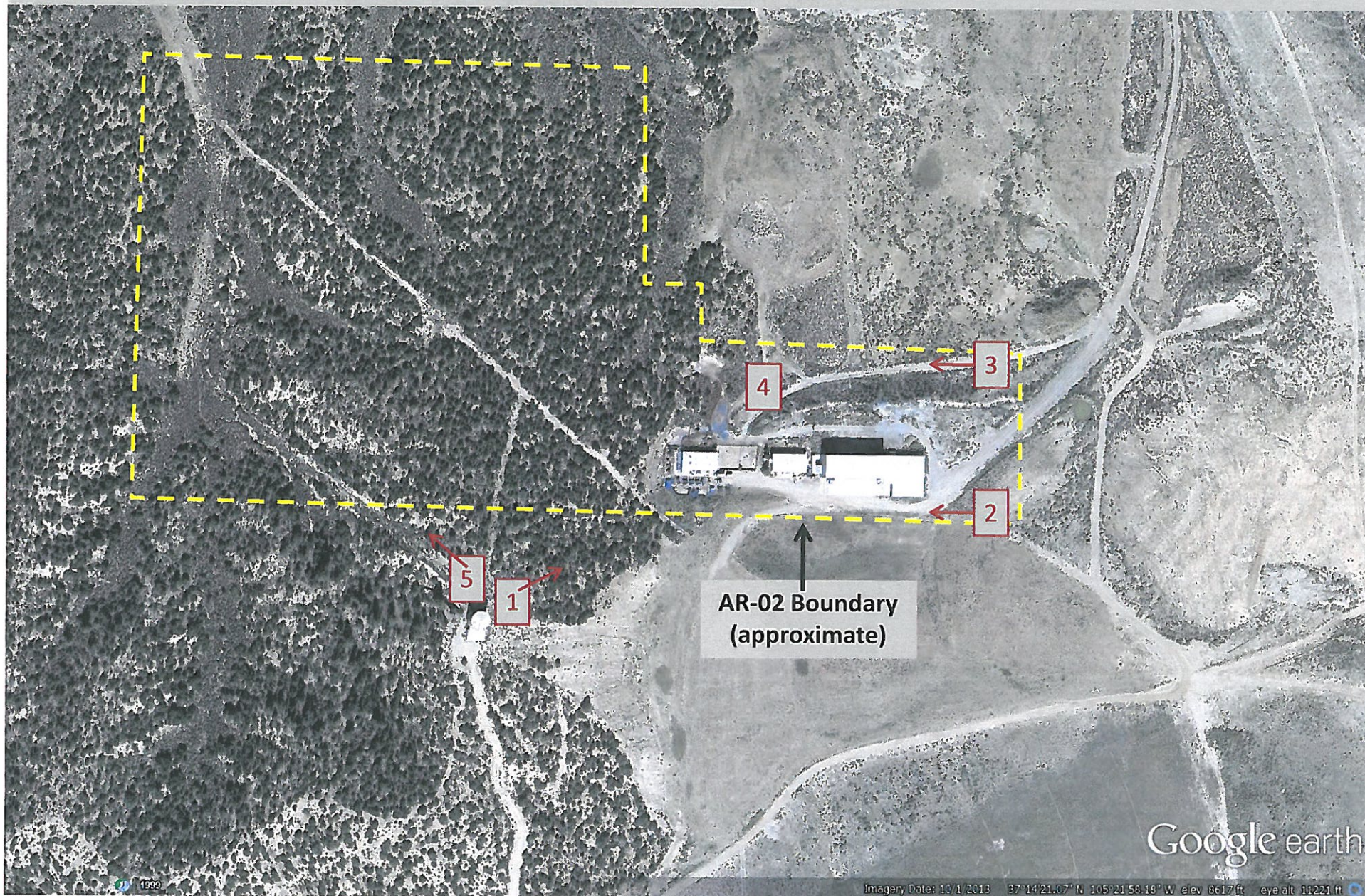
Larry Fiske, BMRI, larry.fiske@newmont.com;
Julio Madrid, BMRI, julio.madrid@newmont.com;
Melissa Chalone, AES, melissa@aesci.com;
John McClure, Esq., McClure & Eggleston, jmcclure@melawllc.com;
Ed Lobato, Esq., ejlobo2003@yahoo.com;
Frank Peek, SLVAWS, woof@slvaws.org;
Russ Means, DRMS, russ.means@state.co.us;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

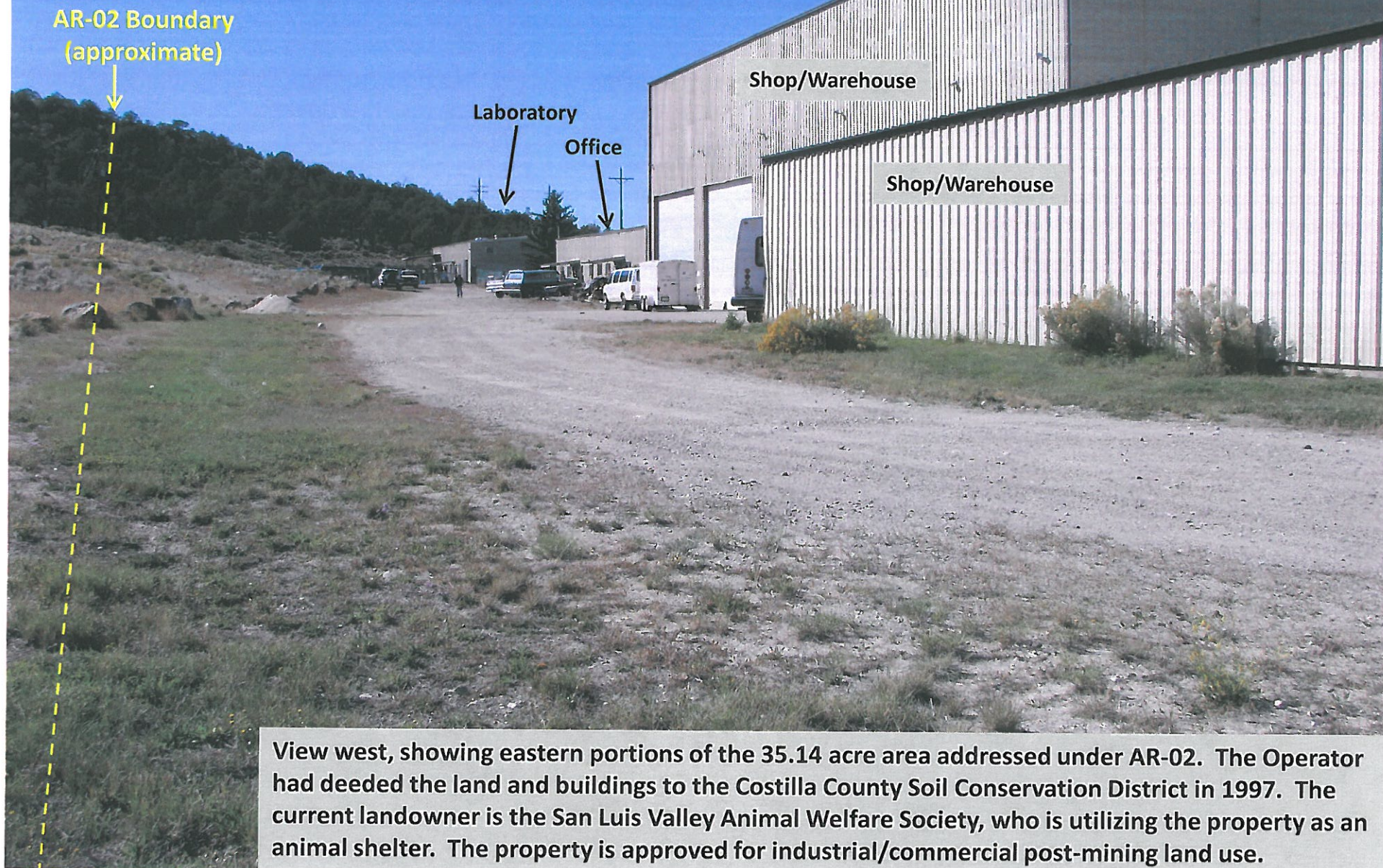


San Luis Project
M-1988-112
October 2, 2014
Photo 1



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.

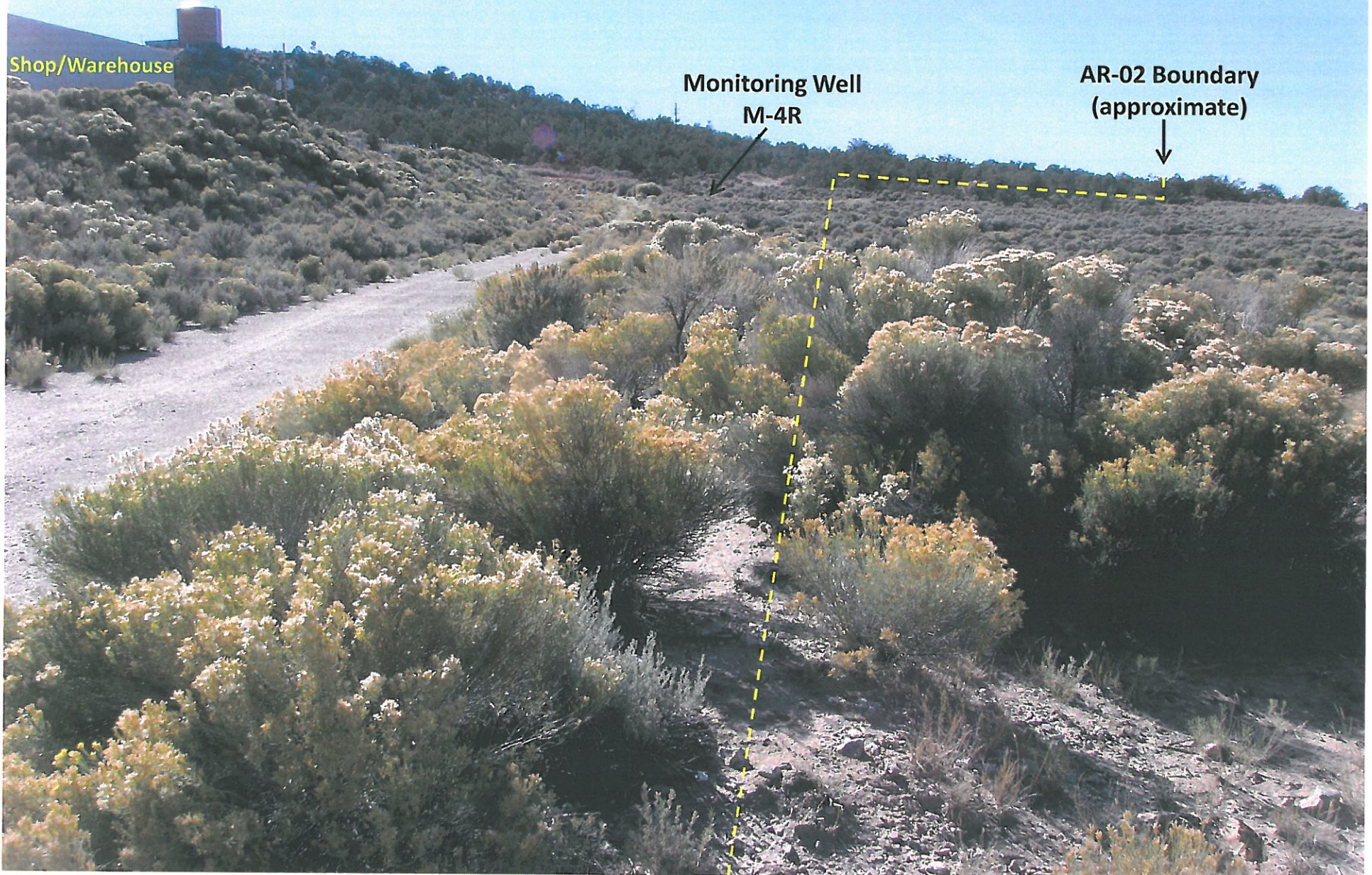
San Luis Project
M-1988-112
October 2, 2014
Photo 2



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.





BATTLE MOUNTAIN RESOURCES, INC.

October 31, 2014

RECEIVED

NOV 05 2014

DIVISION OF RECLAMATION
MINING AND SAFETY

Wallace H. Erickson
✓ Colorado Divisions of Reclamation,
Mining and Safety
1313 Sherman Street, Room 215
Denver, CO 80203

Re: Response to Comments on Request for Acreage Reduction (AR-02)
San Luis Project, Permit No. M-1988-112

Dear Mr. Erickson:

On September 26, 2014, you forwarded to Battle Mountain Resources, Inc. (BMRI) two comment letters received by the Division of Reclamation, Mining and Safety (DRMS) from John C. McClure on behalf of the Costilla County Conservancy District and the Costilla County Board of County Commissioners. Those letters, which are dated September 26, 2014, provide identical comments on BMRI's August 14, 2014 Notice of Completion (AR-02). AR-02 is requesting that the Permit area for Permit M-1988-112 (the "Permit") be reduced by 35.14 acres. The public comment period for AR-02 closed on October 20, 2014. We understand that the only comments received by DRMS were the two McClure letters, and an October 2, 2014 letter from the San Luis Animal Welfare Society (the current owner of the subject property) supporting AR-02. This letter provides brief responses to the comments and questions raised in the McClure letters.

AR-02 seeks to reduce the permitted acreage under the Permit from 1,801 acres to 1,756.86 acres for a net reduction of 35.14 acres. The 35.14 acre parcel, which contains the prior San Luis Mine office, warehouse, laboratory and shop buildings, was conveyed by BMRI to the Costilla County Soil Conservation Service on October 31, 1997. The Costilla County Soil Conservation Service (CCSCS) subsequently conveyed that parcel to the San Luis Valley Animal Welfare Society, which is currently using the parcel for its administrative offices and operations.

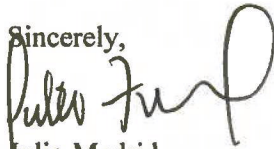
The McClure letters question whether the release of the 35.14 acres fits with the overall reclamation objectives for the San Luis Mine site. In July 1997, in connection with the anticipated transfer of the 35.14 acres to CCSCS, BMRI requested that the Permit be revised to change the post-mining land use for this parcel from rangeland/wildlife habitat to industrial/commercial, given that CCSCS anticipated using the existing structures for its administrative buildings and operations. On October 2, 1997, DRMS (then known as the Division of Minerals and Geology) approved TR-25, which changed the post-mining land use for this parcel to industrial/commercial use. The current use of this parcel by the San Luis Animal Welfare Society is consistent with that designated post-mining land-use.

The McClure letters also question whether the current acreage covered under the Permit is really 1,801 acres, when the original Permit documents in 1989 refer to 2,200 acres. In 1999, DRMS approved AR-01, which released from the Permit 398.79 acres of undisturbed lands owned by a third-party. That left approximately 1,801 acres remaining under the Permit. If AR-02 is approved, 1,756.86 acres would remain under the Permit.

Finally, the McClure letters question whether BMRI's Notice of Completion is seeking some determination as to the outstanding reclamation obligations for the acreage that would remain under the Permit following AR-02. BMRI's August 14, 2014 Notice of Completion is requesting only the release of the 35.14 acre parcel. BMRI's Notice of Completion provides a summary of permitted activities as background for this current request; however, BMRI is not requesting as part of AR-02 any reduction in the financial surety associated with the Permit or any DRMS determination with respect to the remainder of the permitted area. BMRI is continuing reclamation and post-reclamation monitoring activities on those remaining properties, and will coordinate with DRMS on future releases at the appropriate time.

We would be happy to provide any additional background information that may be helpful.

Sincerely,

A handwritten signature in black ink, appearing to read "Julio Madrid", written over the printed name.

Julio Madrid

Sr. Supervisor Legacy Sites Reclamation and Closure