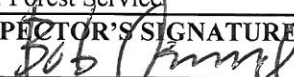




**COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567**

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: Bulldog Mine Operation	MINE/PROSPECTING ID#: M-1977-215	MINERAL: Lead and silver	COUNTY: Mineral
INSPECTION TYPE: Monitoring	INSPECTOR(S): Bob Oswald	INSP. DATE: November 18, 2014	INSP. TIME: 15:30
OPERATOR: Rio Grande Silver, Inc.	OPERATOR REPRESENTATIVE: Randy McClure	TYPE OF OPERATION: 112d-2 - Designated Mining Operation	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$163,228.13
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: U.S. Forest Service	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: December 23, 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>NA</u>	(EX) EXPLOSIVES----- <u>N</u>
(PW) PROCESSING WASTE/TAILING---- <u>NA</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>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>Y</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 partial inspection conducted by the Division as part of its monitoring of Hard Rock and Metals 112 DMO permits, and to inspect some of the features reviewed and recently approved under amendment AM-02. The operator named on page one was present throughout the inspection. Recent snow has left a thin cover throughout most of the permit area, but all areas that needed to be inspected were accessible. The permit is in temporary cessation and the site was not active on the day of the inspection.

The required permit ID sign was observed posted at the entrance gate to the permitted area. All activity is contained within the permitted area boundary.

The new core storage area near TP2 was recently approved by the Division, and its development and use has begun. Wherever it was present, the operator stripped and stockpiled topsoil for later use. The topsoil must be monitored for erosion and weeds; it has been seeded to protect it while it is in stockpile. There are two separate pad areas for storing the pallets of drill core, each constructed by shallow cut and fill earthmoving. The larger pad to the NE already contained many pallets of boxed core, and there is still a lot of storage capacity left. The smaller storage pad is adjacent to the TP2 access road, and it contains two zircon storage containers. Jonathon Moore with RGS was moving and filing selected core boxes into the containers for secure storage. The storage pads were orderly and did not contain debris. The pad construction is new, however, and the operator must monitor the site for to control runoff and sediment that may be transported from the pads and slopes. All cut and fill slope surfaces were also seeded to stabilize them.

The 9360 level facilities area does not contain any new features or structures, and they have all been inspected and conform to the approved plans. Diesel fuel being stored has been reduced down to several hundred gallons for the winter. A new fuel containment apron outside the diesel storage building will be installed soon (to replace the former one which was recently removed).

The road up to the 9400 level portal has a better drainage ditch and large capacity sump at the base, to handle all stormwater runoff from the road and upland areas. The runoff analysis included in the recent EPP shows this sump to be sufficient. All stormwater from the 9400 pad area is contained there by berms, and infiltrates into the pad itself. The runoff from the pad outslope reports to and is contained by other berms below the pad area. The 9400 level portal was secured against unauthorized entry.

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

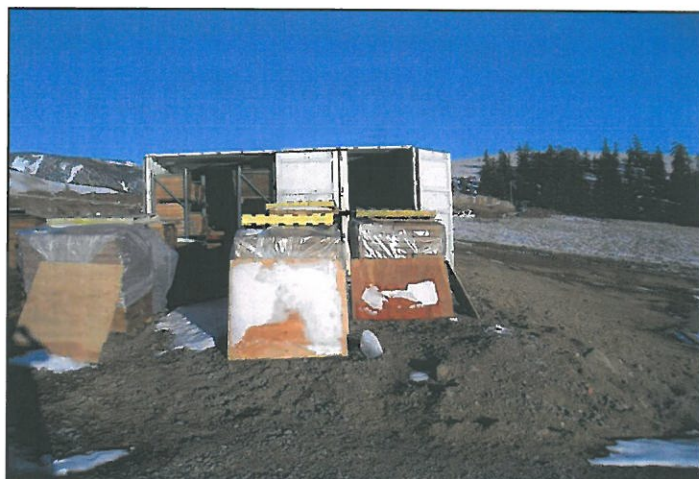
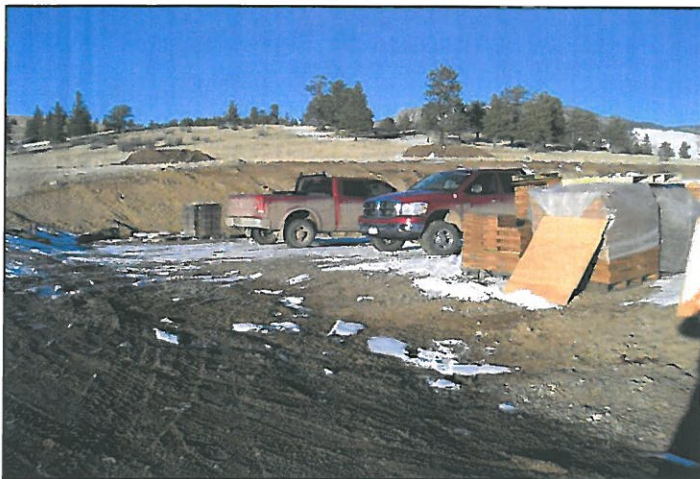
All written correspondence should be sent directly to the Division's Denver Office:
Division of Reclamation, Mining & Safety, 1313 Sherman Street, Room 215, Denver, CO 80203

Inspection Contact Address

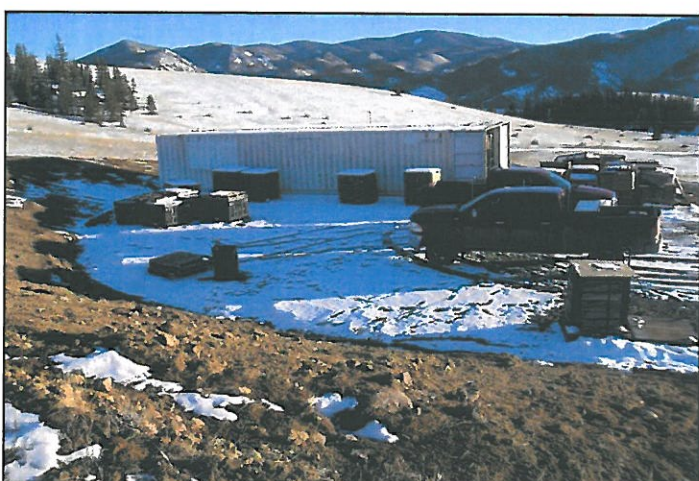
Randy McClure
Rio Grande Silver, Inc.
PO Box 610
Creede, CO 81130

EC: Patrick Moran, USFS Monte Vista (via email)

PHOTOGRAPHS



L and R, above: Lower (SW) core storage pad and zircon containers



L and R, above: Earthwork to construct lower core storage pad

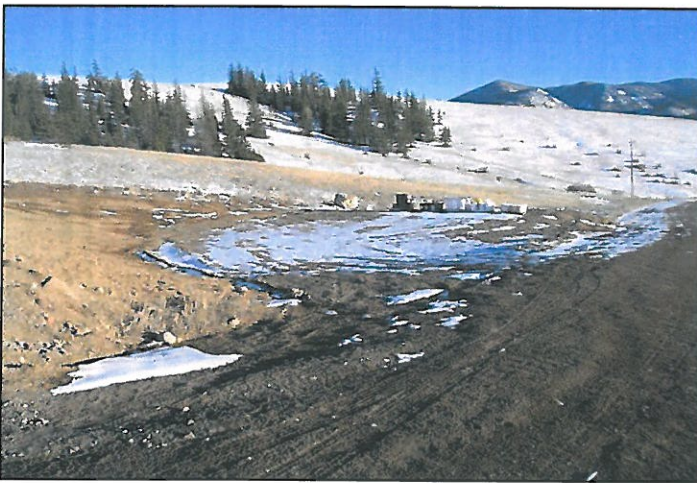


L and R, above: Upper (NE) core storage pad, note full pallets on right.

PHOTOGRPAHS



L and R, above: Stormwater catchment sump at base of road up to 9400 level portal



Above: Lowest portion of SW core storage pad