




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: Toltec No 2	MINE/PROSPECTING ID#: M-1984-039	MINERAL: Silver, gold, copper,	COUNTY: San Juan
INSPECTION TYPE: Monitoring	INSPECTOR(S): Lucas J. West	INSP. DATE: September 10, 2015	INSP. TIME: 08:15
OPERATOR: Wilbur F Benham	OPERATOR REPRESENTATIVE: John	TYPE OF OPERATION: 110(2) - Hard Rock Limited Impact	
REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: BC- Complete Bond Calculation	BOND AMOUNT: \$2,500.00	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: October 6, 2015	

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: Financial Warranty

PROBLEM/POSSIBLE VIOLATION: Problem: The financial warranty is not adequate to reclaim the site in accordance with the approved reclamation plan. This is a failure to maintain the proper financial warranty amount to complete reclamation of the affected lands pursuant to C.R.S. 34-32.5-117(4)(b) of the Act.

CORRECTIVE ACTIONS: The operator shall submit adequate financial warranty, as determined by the Division. The Division will be sending a separate surety increase notice to the operator regarding the increase of the financial warranty. The operator will have 60 days from the date on the surety increase notice to post the additional financial warranty.

CORRECTIVE ACTION DUE DATE: 1/27/15

INSPECTION TOPIC: Financial Warranty

PROBLEM/POSSIBLE VIOLATION: Possible Violation: The Division has reviewed the current cost of reclamation totaling \$5,935.66. Therefore, the existing \$2,500.00 financial warranty is not adequate to ensure the completion of reclamation in accordance with the approved reclamation plan and the Act and Rules. This is a failure to maintain the proper financial warranty amount to complete reclamation of the affected lands pursuant to C.R.S. 34-32.5-117(4)(b) of the Act.

CORRECTIVE ACTIONS: Pursuant to Rule 4.2.1 (2), the Operator has 60 days from the date of this report, Due December 4, 2015, to provide \$3,436.00 additional surety to ensure a total financial warranty not less than \$5,936.00.

CORRECTIVE ACTION DUE DATE: 12/04/15

INSPECTION TOPIC: Gen. Compliance With Mine Plan

PROBLEM/POSSIBLE VIOLATION: Problem: The current mine plan needs to be updated and clarified pursuant to C.R.S. 34-32.5-112 (1)(c)(VI). The operator must provide sufficient information to describe or identify how the operator intends to conduct the operation.

CORRECTIVE ACTIONS: The operator shall submit a Technical Revision, with the required \$216 revision fee, to update and clarify the current approved mine plan to reflect existing and proposed activities by the corrective action date.

CORRECTIVE ACTION DUE DATE: 1/27/15

INSPECTION TOPIC: Signs & Markers

PROBLEM/POSSIBLE VIOLATION: Problem: The mine identification sign and affected area boundary markers were not observed per the requirements of Rule 3.1.12.

CORRECTIVE ACTIONS: The operator must post a sign at the entrance to the mine site which shall be clearly visible from the access road and specify the following; the name of the operator, indicate that a reclamation permit for the operation has been issued by the Colorado Mined Land Reclamation Board, and the permit number. The boundaries of the affected area must be marked by monuments or other markers that are clearly visible and adequate to delineate such boundaries.

CORRECTIVE ACTION DUE DATE: 1/27/15

OBSERVATIONS

This inspection was conducted as part of the normal monitoring program established by the Colorado Division of Reclamation, Mining and Safety. The Toltec No. 2 mine is an active 110(2) operation located East of Silverton, CO. The permitted area consist of 8 acres located on County Road 9 at approximately 11,800 Ft. in elevation. Access to the site is not controlled by any means. The Division currently holds a \$2,500 financial warranty for the site that is deemed inadequate at this time and was the subject of a previous problem/possible violation. Compliance was never achieved. Six Photos accompany this report to illustrate the current site conditions as well as an updated reclamation cost estimation totaling \$5,936.00.

No mine identification sign, nor permit boundary markers were observed at this time. This has been cited as a problem/ possible violation with a compliance date of January 27, 2015. Compliance was never achieved by the Operator. In addition the site was cited with a problem/ possible violation for general compliance with the mining plan. Confusion still exists within the permit documents as to the location and boundaries of the affected lands. The permit is approved for 8 acres of affected lands within the Toltec No. 2 mine claim. However the maps of the permit delineate the mine claims for the Toltec, Toltec No. 2, and Toltec No. 3 totaling approximately 41 acres. The operator was required to submit a Technical Revision, with the required \$216 revision fee, to update and clarify the current approved mine plan to reflect existing and proposed activities by the corrective action date. Compliance for that problem was also never achieved by the operator.

As seen in Photo One, mining is being conducted by blasting the face of an exposed rock outcrop creating a highwall and separating the material into ore, and waste rock piles. Photos Two and Three, show the stockpiles located on site. In Discussions with Mr. Benham, The Operator, he indicated that in the spring of 2015, a significant amount of his ore stockpile had been mistakenly taken and used for road base by a nearby landowner. The site shows no sign of recent activity and was confirmed by the Operator that little activity

had taken place during the 2015 mining season. The overall footprint of the site was in good condition, free from trash and debris. The highwall, approximately 20 Ft. high, as well as the waste rock pile are stable and show no signs of erosion. No noxious weeds were observed at this time.

The Operator is using the Toltec Tunnel area, located on County Road 2 at approximately 10,600ft in elevation, as a staging, encampment area and intended processing area. The area contains a fifth-wheel camper, an outhouse, various debris, explosive and detonator magazines which are stored in the tunnel behind a locked gate as seen in Photo Four. Conversations with the Operator, indicated that he had recently acquired the necessary equipment to set up a gravity separation milling process in the area. The equipment, as seen in Photos Five and Six was not active, nor set up at the time of the inspection. Equipment includes various types of crushers, screens and a sluice box approximately 15 Ft. in Length. According to permitting documentation the area is owned by the operator. Also shown in Photo Four is the tunnel, which is a preexisting disturbance and is discharging water at a rate of less than five Gallons per Minute. No milling was identified in any of the permitting documents nor existing revisions to the permit. Given the geochemistry of the area and the nature of the proposed milling operations, according to Rule 1.1 (14) the site would then be considered a Designated Mining Operation and compliance requirements outlined in Rule 7 of the Hard Rock and Metals Mining Rules shall be complied with.

In order to avoid any future problems or possible violations the operator must submit and receive Division approval of the Amendment to the permit, Environmental Protection Plan and the appropriate financial warranty must be in place prior to the installation and operation of the mill facility.

The Division has reviewed the current cost of reclamation which is now calculated at \$5,936.00. Therefore the existing \$2500 financial warranty is not adequate to ensure the completion of reclamations. Please find the enclosed 9 pages of summary and work sheets utilized by the Division to estimate the current cost of reclamation. The Division has noted a problem regarding the financial warranty and has imposed a corrective action deadline.

The Operator has 60 days from the date of this report, Due December 4, 2015, to provide \$3,436.00 additional surety to ensure a total financial warranty not less than \$5,936.00. Please note that no extensions for reclamation in lieu of bond increase will be granted due to past failures to comply.

Failure to comply with the above referenced problem could result in enforcement action, possible revocation of the permit and forfeiture of the current reclamation bond. Additional details regarding the corrective action and deadline are provided on page one of this report.

Responses to this report should be directed to Lucas West at the Division of Reclamation, Mining and Safety at 1313 Sherman Street, Room 215, Denver, CO 80203 or by phone at (970)-243-6368.

PHOTOGRAPHS

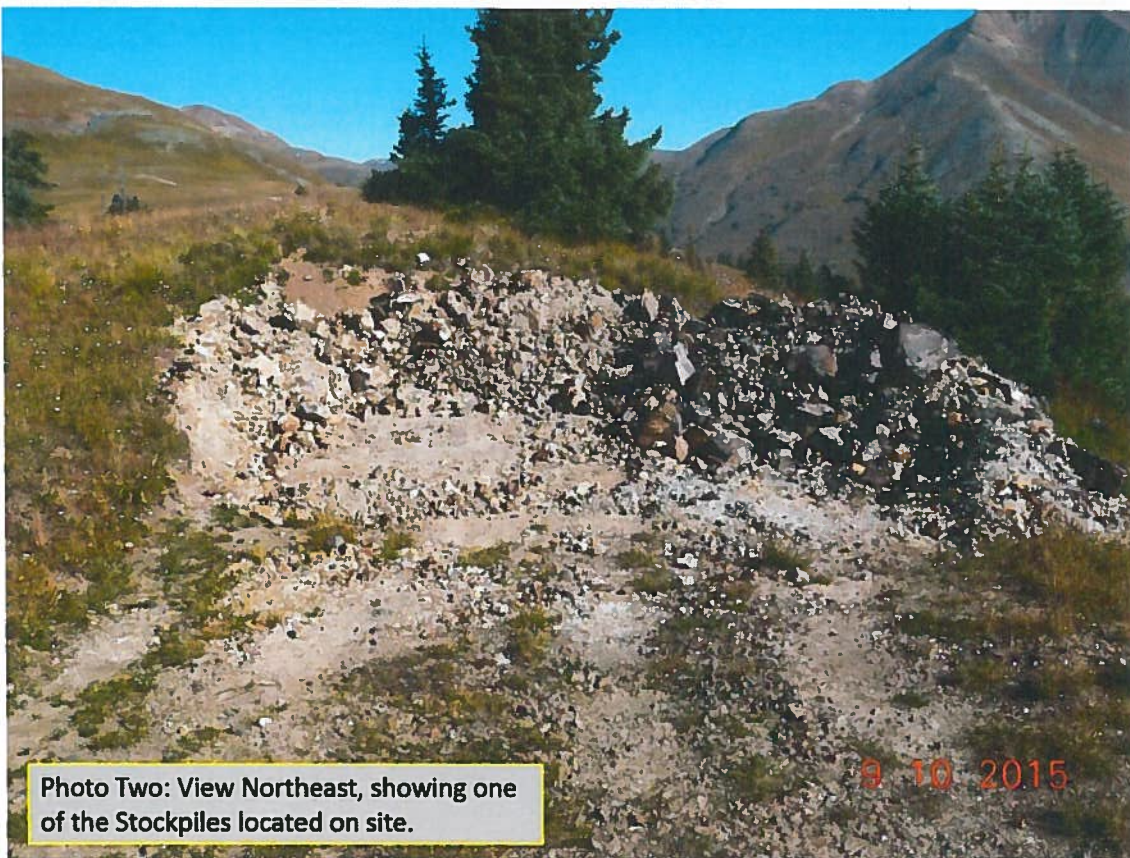
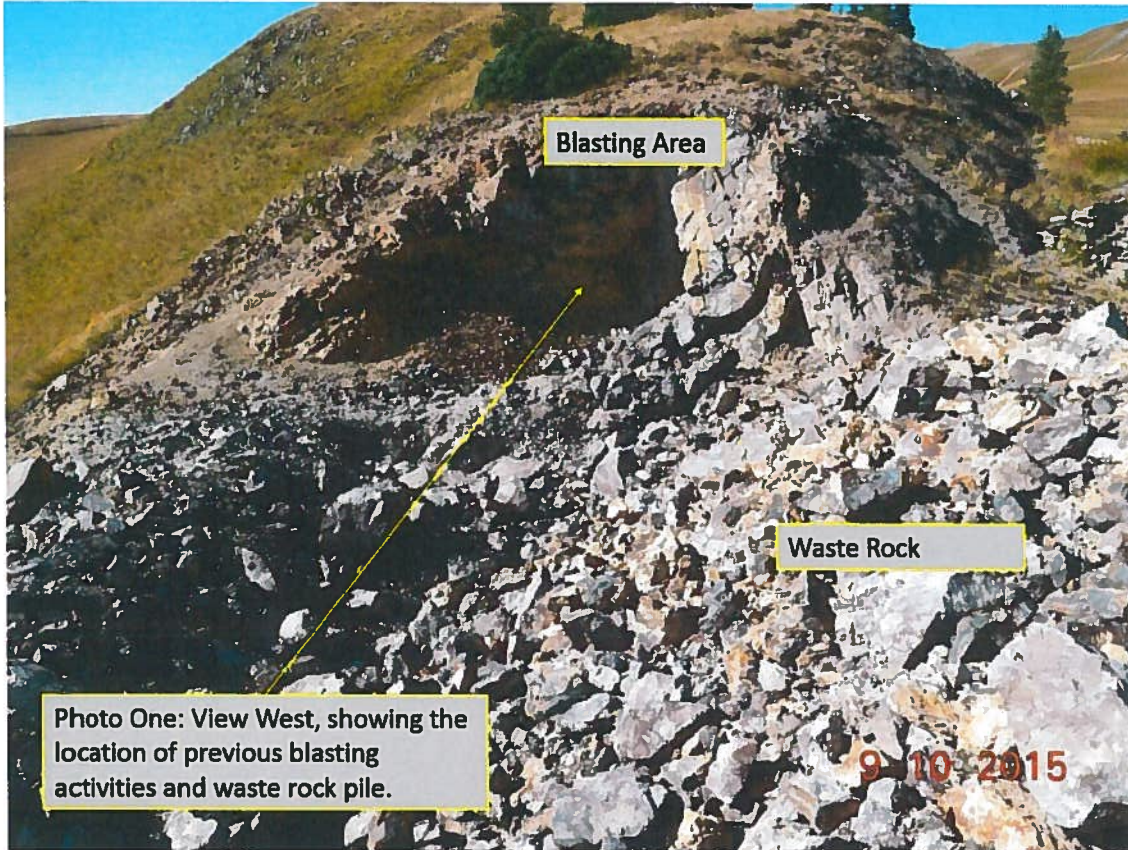




Photo Three: View North, second smaller stockpile located on the site



Photo Four: Showing gated adit closure at the Toltec Tunnel site, explosives magazine stored in tunnel as well as draining water.



Photo Five: Equipment staged in preparation of milling operations. Showing crushers, centrifugal screen and shaker table.



Photo Six: View East, close up view of centrifugal screen, shaker table and sluice box. All components of the proposed separation mill.

GENERAL INSPECTION TOPICS

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

(AR) RECORDS----- <u>Y</u>	(FN) FINANCIAL WARRANTY----- <u>PV</u>	(RD) ROADS----- <u>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>N</u>	(BG) BACKFILL & GRADING----- <u>N</u>	(EX) EXPLOSIVES----- <u>N</u>
(PW) PROCESSING WASTE/TAILING---- <u>N</u>	(SF) PROCESSING FACILITIES----- <u>N</u>	(TS) TOPSOIL----- <u>N</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>NA</u>	(SW) STORM WATER MGT PLAN---- <u>N</u>	(CI) COMPLETE INSP---- <u>Y</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>N</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(RS) RECL PLAN/COMP-- <u>N</u>
(AT) ACID OR TOXIC MATERIALS----- <u>N</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

Inspection Contact Address

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Enclosure: Bond Calculation worksheets

EC w/enclsoures: Russ Means, DRMS