

**May 3, 2016**

Colorado Division of Reclamation, Mining and Safety
Attn: Travis Marshall
101 South 3rd, Ste 301
Grand Junction, CO 81501

RE: Wanakah Mine, Notice of Intent No. P-2013-010, MD-1, Response to Notice of Deficiencies

Dear Mr. Marshall,

On behalf of Ouray 79 Mining, LLC (O79), Reardon Steel LLC (RSL) is providing the Division of Reclamation, Mining and Safety (Division) with this letter regarding the Wanakah Mine NOI. Thank you for taking the time yesterday to discuss your most recent Financial Warranty (FW) calculation. O79 understands that due to the submittal of MD-01, the FW for the entire scope of the NOI needs to be reviewed. Due to conflicting information in the NOI application, the most significant costs in your recent FW estimate are plugging and abandoning drill holes that are assumed to encounter groundwater.

To clarify, groundwater will not be encountered from the drilling that is proposed under this NOI. It was not encountered during O79's most recent drilling (under this NOI) nor during the extensive drilling during the 1970s and '80s in the same vicinity. These observations are further substantiated by the long history of dry mining within the same strata at the nearby Wanakah and Bright Diamond mines. The absence of groundwater is expected given that the drill sites are near the highest surface exposure of northeastward dipping strata suspended roughly 1,600 feet above, and 3,200 feet east, of the valley bottom.

O79 submitted \$5,000 in additional FW as an estimate for the added costs of reclaiming an additional 0.05 acres and closure of the nine newly proposed drill sites, under the assumption of no groundwater. O79 respectfully requests that the Division's FW estimate be recalculated assuming that no groundwater will be encountered, which based on our phone call yesterday, it is my understanding that is your intention. In any event, once drilling is underway, O79 will contact the Division immediately if groundwater is encountered from any of the proposed drill holes.

I apologize for any confusion resulting from inconsistencies in the NOI application. If you have any questions, concerns, or need additional information, please feel free to call or email at your convenience. I look forward to your response.

Sincerely;



Mike Thompson
Principal/Reardon Steel LLC

Ec: Rick Wilson, Manager/Ouray 79 Mining, LLC