



COLORADO

Division of Reclamation,
Mining and Safety


Department of Natural Resources

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: Incas Mine	MINE/PROSPECTING ID#: M-1986-076	MINERAL: Gold and silver	COUNTY: La Plata
INSPECTION TYPE: Monitoring	INSPECTOR(S): Lucas J. West	INSP. DATE: June 30, 2016	INSP. TIME: 08:42
OPERATOR: Michael McClure	OPERATOR REPRESENTATIVE: None	TYPE OF OPERATION: 110d - Designated Limited Impact	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: \$29,902.68
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: July 22, 2016

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: Acid And Toxic Materials

PROBLEM/POSSIBLE VIOLATION: Problem: Several containers of unknown materials are located within the mill building. Due to the fact that the mill used to operate with cyanide, the material is presumed hazardous and should be either neutralized and or removed from the site, or stored in proper hazardous materials containment structures.

CORRECTIVE ACTIONS: The operator shall submit in writing, a report characterizing the materials to the Division. If determined to be hazardous the operator shall take immediate action to neutralize or remove the materials from the site. The report must be received within 90 days of the date of this letter.

CORRECTIVE ACTION DUE DATE: 10/28/16

OBSERVATIONS

This inspection was conducted as part of the normal monitoring program established by the Colorado Division of Reclamation, Mining and Safety as well as in response to the recent Succession of Operator (SO) that was completed as of February 12, 2016. The Incas Mine is a 110(d) operation that is currently in Temporary Cessation (TC), effective April 15, 2014. The site consists of 9.9 permitted acres and is located approximately 10 miles northwest of Durango at 10,800 feet in elevation. Access to the site is controlled by a locked gate along the access road, as well as the gate to the May Day Idaho Mine Complex as well. The Division currently holds \$29,902.68 in financial warranty for the site. A reclamation cost estimate will be performed and sent to the operator under a separate cover. Six photos also accompany this report to illustrate the current site conditions.

The site was not active during this inspection and has not been in recent years. The site has been in Temporary Cessation effective April 15, 2014. The First 5 year period of Temporary Cessation will expire on April 15, 2019. The proper mine identification sign was not posted at the entrance to the site. Given the recent Succession of Operator, the new operator should post a new sign, complete with permit number, site number and operator contact information at the entrance to the site. All buildings and storage sheds located on site were in good condition and showed no signs of vandalism. Various pieces of equipment, scrap metal and other items were noted throughout the site. Photos One shows examples of the various items located on site. Items that are being stored on site for future use should be stored in a neat and orderly fashion. All other items should be removed from the site.

Access to the mill building was gained through an unlocked back door. Photos Two and Three show the mill building. The mill equipment, processing and testing equipment were observed throughout the building. Much of the equipment and the mill building itself is in serious disrepair and requires immediate attention. Several containers, including three plastic 55 gallon drums of an unknown substance, as well as two stainless steel drums were observed within the mill. The 55 gallon drums are shown in Photo Four, and the Stainless Steel containers are shown in Photo Five. The containers are filled with an unknown substance, which at this time is being presumed hazardous. The operator shall submit in writing, a report characterizing the materials to the Division. If determined to be hazardous the operator shall take immediate action to neutralize or remove the materials from the site. The report must be received within **90 days** of the date of this letter. All documentation demonstrating compliance must be received by the Division no later than **Friday October 28, 2016**. If compliance is not reached by the date specified above, a reclamation cost estimate will be performed with the inclusion of a hazardous materials characterization and removal task.

The rest of the site is in poor condition and requires attention. The portals appear to have been backfilled by the previous operator, and a majority of the site is revegetated with volunteer species. There are two areas that have not been re graded. The main excavation area is shown in Photo Six. The areas of the site that require further reclamation activities include the main excavation area, and the mill building.

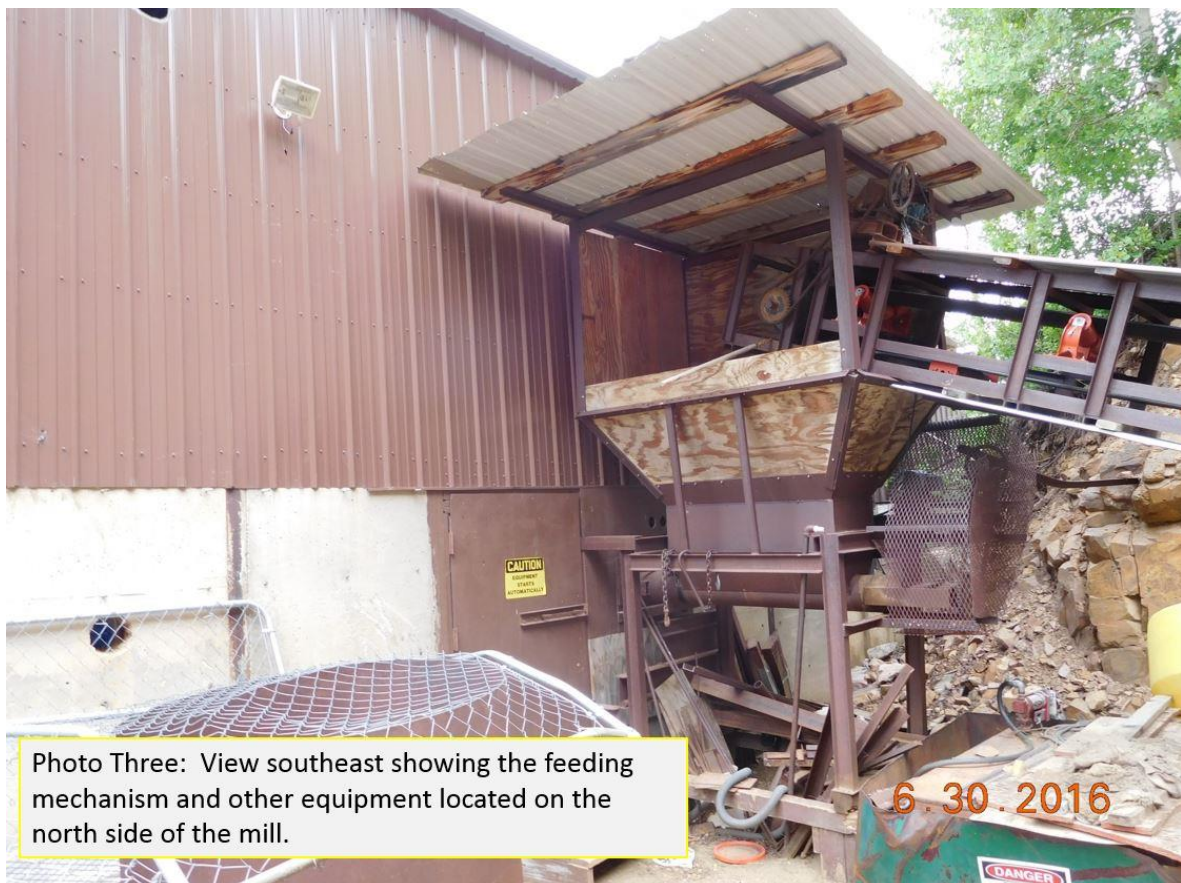
Due extensive history of the site, the Division encourages the new operator to do an in-depth review of the file taking into consideration the future of the site. Any changes the operator wishes to make to the mining and or reclamation plan must be done through the Technical Revision or the Amendment processes. Details regarding the two processes can be found in Sections 1.8 and 1.9 of the Hard Rock and Metals Mining Rules. These changes should be made as soon as practical.

All responses to this report should be directed to Lucas West at the Colorado Division of Reclamation, Mining and Safety, at 1313 Sherman Street, Room 215, Denver, CO 80203, by phone at (970)-243-6368 or by email at lucas.west@state.co.us.

PHOTOGRAPHS



Photo One: An example of the scrap metal, various equipment and other items located on site.







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>Y</u>	(RD) ROADS----- <u>N</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</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>Y</u>	(RV) REVEGETATION---- <u>N</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN---- <u>N</u>	(CI) COMPLETE INSP---- <u>Y</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>N</u>	(SC) EROSION/SEDIMENTATION--- <u>N</u>	(RS) RECL PLAN/COMP-- <u>N</u>
(AT) ACID OR TOXIC MATERIALS----- <u>PB</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

Inspection Contact Address

None
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18107 Compass Circle
Dripping Springs, TX 78620

CC: Russ Means, Senior Environmental Protection Specialist, GJFO