

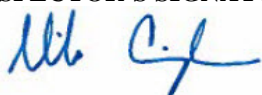


MINERALS PROGRAM INSPECTION REPORT

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: London Mine	MINE/PROSPECTING ID#: P-2016-020	MINERAL: Silver and gold	COUNTY: Park
INSPECTION TYPE: Monitoring	INSPECTOR(S): Michael A. Cunningham	INSP. DATE: October 4, 2016	INSP. TIME: 10:30
OPERATOR: Minewater Finance LLC	OPERATOR REPRESENTATIVE: Joe Harrington	TYPE OF OPERATION: MP - Mineral Prospecting	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$10,170.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Windy	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: October 17, 2016

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>N</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>N</u>	(FW) FISH & WILDLIFE----- <u>N</u>	(RV) REVEGETATION---- <u>N</u>
(SM) SIGNS AND MARKERS----- <u>N</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>N</u>	(OD) OFF-SITE DAMAGE----- <u>N</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

OBSERVATIONS

The inspection was conducted by Michael Cunningham of the Division of Reclamation, Mining and Safety (Division). Joe Harrington with MineWater Finance LLC was present for the inspection. In addition, Kelly Morgan and Eric Mink with Colorado Water Quality Control Division attended the inspection. The London Mine is located 4.8 miles west of Alma, Colorado. The site is situated on Mosquito Creek at an elevation of 11,360 ft. The commodities of interest are gold and silver.

The inspection was conducted as part of the Division's regular monitoring program. The Operator was approved to construct 4 drill pads with a total of 4 drill holes. The Operator has completed drilling on the single drill pad constructed on the south side of Mosquito Creek. The pad and the mud pits have not been reclaimed. The drill hole is covered with a temporary cap until such time as the drill hole is permanently abandoned. Straw wattles have been placed downgradient of the drill pad as part of the storm water Best Management Practices. A second drill pad was constructed on the north side of Mosquito Creek and active drilling was occurring at this location during the inspection. The Operator informed the Division that no additional drill pads would be constructed under this NOI.

The Division found the prospecting activities were being conducted in accordance with the approved NOI. The Operator is reminded a Final Abandonment Report must be submitted to the Division no later than 12 months after the completion of the abandonment of any drill holes. The reporting requirements for the Abandonment Report are outlined under Hard Rock Rule 5.7.

The remainder of the inspection included a tour of the water treatment facilities at the London Mine. The ongoing water treatment is not associated with this NOI, but falls under a Compliance Order on Consent and Settlement Agreement between MineWater and the Colorado Division of Water Quality. The tour also included entering the underground workings of the London Mine to examine mine features which would be integral to future water treatment at the mine.

This concluded the inspection.

PHOTOGRAPHS



1. Drill pad south of Mosquito Creek.



2. Mud pits south of Mosquito Creek.



3. Storm water controls at the southern drill pad.



4. Drill pad on the north side of Mosquito Creek.



5. Overview of the northern drill pad.