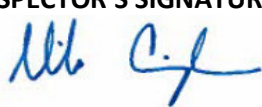




MINERALS PROGRAM INSPECTION REPORT

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: Katuska Pit	MINE/PROSPECTING ID#: M-1991-037	MINERAL: Gravel and gold	COUNTY: Park
INSPECTION TYPE: Monitoring	INSPECTOR(S): Michael A. Cunningham	INSP. DATE: December 5, 2016	INSP. TIME: 11:00
OPERATOR: High Speed Mining, LLC	OPERATOR REPRESENTATIVE: None	TYPE OF OPERATION: 110c - Construction Limited Impact	
REASON FOR INSPECTION: Citizen Complaint	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: \$21,110.00	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: December 21, 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 statute, rules and regulations.

GENERAL INSPECTION TOPICS

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

(AR) RECORDS----- <u>NA</u>	(FN) FINANCIAL WARRANTY----- <u>NA</u>	(RD) ROADS----- <u>NA</u>
(HB) HYDROLOGIC BALANCE----- <u>NA</u>	(BG) BACKFILL & GRADING----- <u>NA</u>	(EX) EXPLOSIVES----- <u>NA</u>
(PW) PROCESSING WASTE/TAILING----- <u>NA</u>	(SF) PROCESSING FACILITIES----- <u>NA</u>	(TS) TOPSOIL----- <u>NA</u>
(MP) GENL MINE PLAN COMPLIANCE----- <u>PV</u>	(FW) FISH & WILDLIFE----- <u>NA</u>	(RV) REVEGETATION----- <u>NA</u>
(SM) SIGNS AND MARKERS----- <u>NA</u>	(SW) STORM WATER MGT PLAN----- <u>NA</u>	(CI) COMPLETE INSP----- <u>NA</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>NA</u>	(SC) EROSION/SEDIMENTATION----- <u>NA</u>	(RS) RECL PLAN/COMP----- <u>NA</u>
(AT) ACID OR TOXIC MATERIALS----- <u>NA</u>	(OD) OFF-SITE DAMAGE----- <u>NA</u>	(ST) STIPULATIONS----- <u>NA</u>

Y = Inspected / N = Not inspected / NA = Not applicable to this operation / PB = Problem cited / PV = Possible violation cited

INSPECTION TOPIC: General compliance with Mine Plan

POSSIBLE VIOLATION: Failure to obtain a reclamation permit prior to mining, C.R.S. 34-32.5-109(1)

CORRECTIVE ACTIONS: This possible violation has been scheduled for consideration by the Mined Land Reclamation Board during the January 25-26, 2017 Board meeting. Additional details, including dates, time, and location for the formal Board hearing will be provided under a separate document to be sent via certified mail.

CORRECTIVE ACTION DUE DATE: January 25, 2017

OBSERVATIONS

This inspection occurred in response to a citizen complaint from Robin Rindsig, received December 1, 2016, which alleged the Operator had mined outside the approved permit boundary.

The Katuska Pit is a 110c operation, approved for eight acres affected lands, for the extraction of aggregate (primary commodity) and placer gold (secondary commodity). Affected lands will be reclaimed to support residential post-mining land use. The operation is located approximately two miles northwest of Fairplay and immediately adjacent to the Middle Fork of the South Platte River. The area includes abundant pre-law disturbances resulting from historic placer gold mining activities. The operation was dormant at the time of the inspection and no mine personnel were present.

The south side of the operation is bounded by forested lands. The north side is bounded by the Middle Fork of the South Platte River. The main pit, located along the northwest corner of the site, was approximately one acre in size. A stockpile of cobble material was located along the north side of the pit, on top of a steep bank adjacent to the river. Several settling ponds were located beyond the south boundary of the permit area. The settling ponds were recently constructed in an area which was previously forested. Timber had also been recently cleared to construct equipment storage areas and a new concrete pad, located beyond the south boundary of the permit area. The Mining Plan clearly states the affected lands would be limited to areas which were historically disturbed and free of vegetation (no timber to be removed).

The affected area was traversed with a Trimble Juno 3B Global Positioning System (GPS) unit. The Division was unable to traverse the permit boundary along the north side of the mine where it follows the center line of the river, all other affected areas were encompassed in the field survey. The data collected in the field was downloaded using GPS Pathfinder Office software and the affected area was overlain onto a Google Earth image, dated September 8, 2016. The affected area, as determined by the field survey, totaled 10.3 acres. As noted above, the Katuska Pit is permitted for eight acres of affected land. The Division estimates the Operator has affected 2.4 acres outside of the approved permit boundary. Pursuant to C.R.S. 34-32.5-123(2), Operators who mine substantial acreage beyond the permit boundary may be found to be operating without a permit.

Based on observations made during the inspection and recorded in this inspection report, the Division has reason to believe the Operator is in violation of C.R.S. 34-32.5-109(1), for failure to obtain a reclamation permit prior to engaging in a new operation. The possible violation has been scheduled for the January 25-26, 2017, Mined Land Reclamation Board Hearing. Official notice of the hearing will be sent under separate cover.

Enclosures: Citizen complaint from Robin Rindsig, received December 1, 2016;
Eight photographs taken by the Division during the inspection; and
Two Google Earth aerial images.

Certificate of Service

I, Michael A. Cunningham, hereby certify that on this 21st day of December, 2016, I placed a true copy of the foregoing inspection report generated from the December 5, 2016 inspection of the Katuska Pit, File No. M-1991-037, with enclosures, in the US Mail with first class postage affixed and addressed to the following:

Lance Baller
High Speed Mining LLC
8480 East Orchard Rd, Suite 3600
Greenwood Village, CO 80111

PHOTOGRAPHS



1. Overview of pit.



2. Processing equipment.



3. Settling pond.



4. Concrete pad located outside of permit boundary.



5. Equipment located outside of permit boundary.



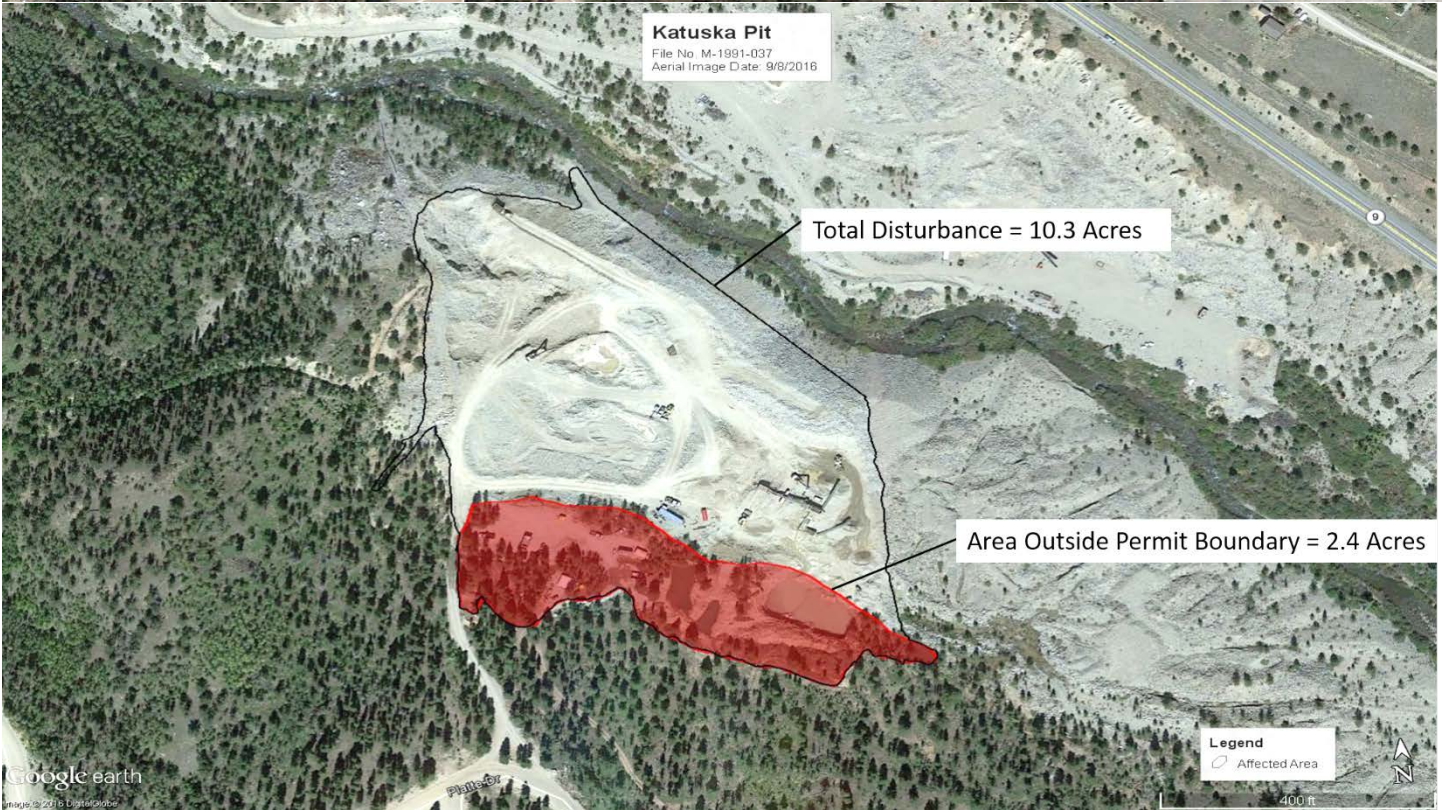
6. Trees removed outside of permit boundary.



7. Equipment located outside of permit boundary.



8. Topsoil cleared from areas affected outside of permit boundary.



**STATE OF
COLORADO**

Cunningham - DNR, Michael <michaela.cunningham@state.co.us>

Complaint, re: "Katuska Pit" file #M1991037 316 Mining, LLC/ High Speed Mining

1 message

rrindsig@mchsi.com <rindsig@mchsi.com>

Thu, Dec 1, 2016 at 9:47 AM

To: michaela.cunningham@state.co.us

Dear Mr. Cunningham:

Thank you for taking the time to visit with me today about the apparent un-permitted mining activity at the "Katuska Pit", also known as Fairplay Placer mine (file #M1991037), by 316 Mining, LLC, an Oregon LLC not registered to do business in Colorado.

I hereby file a COMPLAINT alleging that 316 Mining, LLC and/or High Speed Mining violated the terms of the permit for this mine by mining beyond the permitted area.

Per the 1991 permit map, the permitted area was an area devoid of vegetation which had been previously mined.

Aerial photos available for viewing on Google Earth show a bare area consistent with the boundaries of the 1991 permit map from 1999 until the most recent photo, dated 9/8/2016.

This photo shows new recent mining activity south of the boundary described in the permit map (area with no vegetation) extending into an area with vegetation/trees to the south.

This new area includes ponds and roads, and shows that many trees were removed.

Clearly, this area had not been previously mined, and so it was beyond the limits of the permit.

I also assert that 316 Mining, LLC, an Oregon LLC, was not registered to conduct business in Colorado.

I also assert that 316 Mining, LLC unlawfully registered the Katuska Pit (Fairplay Placer mine) as a NEW MINE with the MSHA, receiving a new MSHA mine ID (05-05067) for an already existing mine (ID 05-04551).

Based on our telephone discussion today, I trust you will give this matter prompt attention.

Thank you.

Sincerely,

Robin Rindsig
515-418-8612