




**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.

<b>MINE NAME:</b> San Luis Project	<b>MINE/PROSPECTING ID#:</b> M-1988-112	<b>MINERAL:</b> Gold and silver	<b>COUNTY:</b> Costilla
<b>INSPECTION TYPE:</b> Monitoring	<b>INSPECTOR(S):</b> Lucas J. West	<b>INSP. DATE:</b> December 11, 2017	<b>INSP. TIME:</b> 14:00
<b>OPERATOR:</b> Battle Mountain Resources, Inc.	<b>OPERATOR REPRESENTATIVE:</b> Julio Madrid, Steve Carino , Melissa Chalona	<b>TYPE OF OPERATION:</b> 112d-3 - Designated Mining Operation	
<b>REASON FOR INSPECTION:</b> Normal I&E Program	<b>BOND CALCULATION TYPE:</b> None	<b>BOND AMOUNT:</b> \$7,400,000.00	
<b>DATE OF COMPLAINT:</b> NA	<b>POST INSP. CONTACTS:</b> None	<b>JOINT INSP. AGENCY:</b> None	
<b>WEATHER:</b> Clear	<b>INSPECTOR'S SIGNATURE:</b> 	<b>SIGNATURE DATE:</b> January 5, 2018	

**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>Y</u>	(FN) FINANCIAL WARRANTY----- <u>N</u>	(RD) ROADS----- <u>N</u>
(HB) HYDROLOGIC BALANCE----- <u>N</u>	(BG) BACKFILL & GRADING----- <u>Y</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>Y</u>
(SM) SIGNS AND MARKERS----- <u>N</u>	(SP) STORM WATER MGT PLAN---- <u>N</u>	(RS) RECL PLAN/COMP-- <u>Y</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>N</u>	(SC) EROSION/SEDIMENTATION--- <u>N</u>	(ST) STIPULATIONS----- <u>N</u>
(AT) ACID OR TOXIC MATERIALS----- <u>N</u>	(OD) OFF-SITE DAMAGE----- <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**

This inspection was conducted as part of the normal monitoring program established by the Colorado Division of Reclamation, Mining and Safety for permitted operations. The San Luis Project is a 112d-3 operation permitted for the extraction and milling of precious metals. Mining and milling activities were completed in 1996 and the site has been in varying degrees of final reclamation ever since. The site includes approximately 1,049 permitted acres, with 372 affected acres that are currently undergoing reclamation. The affected areas are to be reclaimed to support various post-mining land uses including industrial/ commercial, rangeland and wildlife habitat. The site is located approximately 4 miles northeast of San Luis, CO at approximately 8620 Feet in elevation. Public access to the site is controlled by a series of locked gates and the main offices and water treatment facility are located just north of Rito Seco Rd. Along with the Inspectors and company representative listed on page one of this report, Julio Madrid and Steve Carino of Battle Mountain Resources Inc. were present during the inspection. Also present were the Operators environmental consultant, Melissa Chalona of Engineering Analytics, Inc. The Division currently holds a \$7.4 Million Financial Warranty for the site. The Financial Warranty was recently reviewed and is considered sufficient to achieve reclamation at this time. Eight Photos accompany this report to illustrate the current site conditions.

The main focus of this inspection was to examine areas within the permit area for a forthcoming acreage reduction. If the request is submitted within 60 days of the date of this report and in compliance with Rules 4.17.1, 4.17.4 and 7.2.10 of the Hard Rock and Metals Mining Rules, this inspection will suffice as the release inspection. The areas that were inspected consisted of three sections for potential release. Area 1 consists of approximately 111 Acres and Area 2 consists of approximately 135 acres. These two areas are completely undisturbed and have not been affected by any portion of the mining or reclamation activities that have taken place on site. Examples of the areas can be seen in Photos One through Four. These areas are well vegetated with native grasses and trees. Due to the fact that no activities of any kind have taken place within these areas, they are considered reclaimed and ready for release.

The third Area to be released was the location of the previously used and reclaimed ESI Heap Leach pad. Area 3 consists of roughly 30 Acres of which only 10 Acres were affected by the Heap Leach Pad. The remaining area was never disturbed by mining or reclamation activities. According to verbal testimony by the Operator, the Heap Leach Pad was reclaimed by neutralizing and removal of all materials from the pad, decommissioning and removal of the HDPE liner. The area was then capped with 24 inches of earthen material which then had topsoil applied and was seeded. The area can be seen in Photos Five through Eight. The affected area has been graded to match the approximate original configuration of a small valley floor dipping gently towards the North. No settling, slumping or erosion of any kind was observed in the graded area. The vegetation of the area is well established and consists of several native grass species, sage brush and small pinon trees have begun to populate the area. The vegetation is adequate in both density and diversity, as well as show multiple years growth suggesting that the ecosystem is self-sustaining. The Reclamation of the area is considered complete and in accordance with the approved reclamation plan.

All of the areas inspected are considered fully reclaimed or were never disturbed and are ready for release. To request an Acreage Reduction the Operator must fill out the required form which is enclosed with this report as well as complete the Public Notice Procedures outlined in Section 7.2.10 of the Hard Rock and Metals Mining Rules as well as all applicable sections of Rule 4.17.1 and 4.17.4. The request must also include a map detailing the areas to be released with acreages verified, as well as a new map showing the reduced permitted

area pending the release. The Operator should submit all of these items, to the Denver Office, within **60 Days** of the date of this report in order for this inspection to suffice for the release inspection. These items must be received no later than **March 6, 2018**. If the request is not received within this time frame a new inspection of the areas will be required.

The overall footprint of the site is in good condition and is free from excessive trash and debris. No noxious weeds or signs of significant erosion were noted during the inspection. No problems or possible violations were observed. 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](mailto:lucas.west@state.co.us).

### **PHOTOGRAPHS**



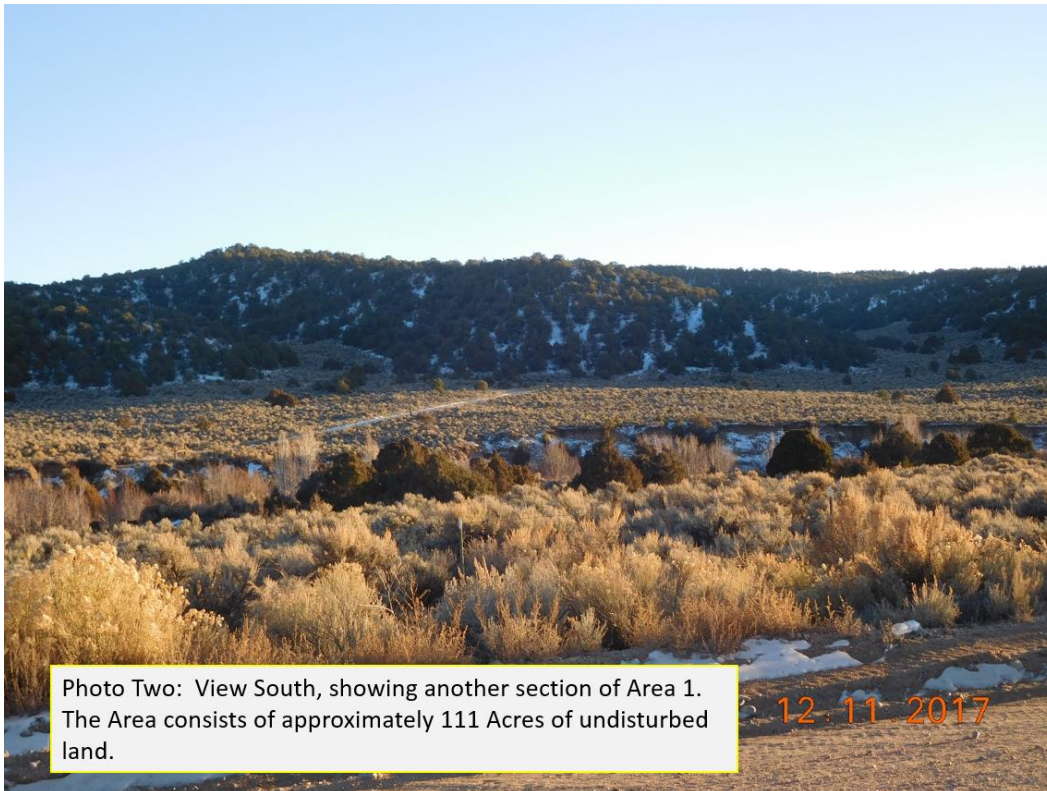






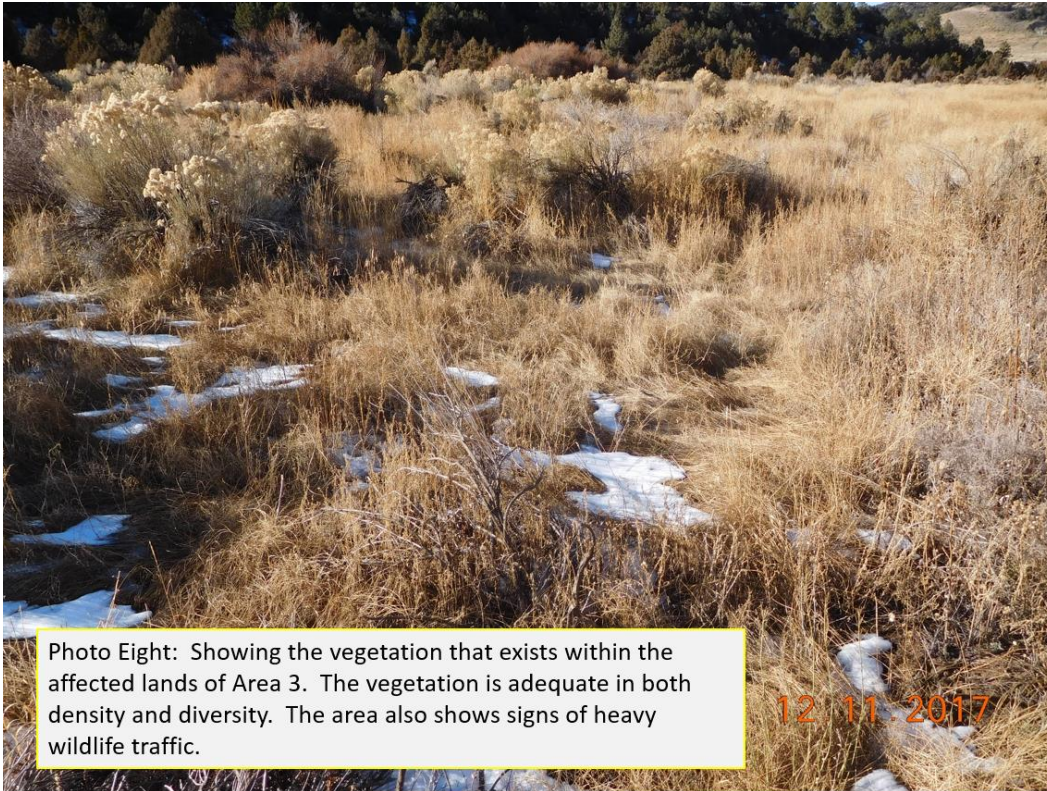




Photo Six: View South, showing the reclaimed ESI Heap Leach Pad. The area was reclaimed to the approximate original contour of the small valley floor. The area appears to be stable and in good condition.



Photo Seven: View East showing the northern extent of the affected lands within Area 3. This area, is well vegetated appears to be stable.



**Inspection Contact Address**

Julio Madrid,  
Battle Mountain Resources, Inc.  
P.O. Box 310  
San Luis, CO 81152

Enclosure: Release Request Form

CC: Russ Means, Senior Environmental Protection Specialist

EC: Melissa Chalona, Engineering Analytics, Inc.





## COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY

1313 Sherman Street, Room 215, Denver, Colorado 80203 ph(303) 866-3567

### REQUEST FOR FULL OR PARTIAL RELEASE OF PERMIT AREA/SURETY REDUCTION

Please indicate if you are requesting:

FULL/FINAL RELEASE OF ENTIRE PERMITTED AREA (per Rule 4.17) \_\_\_\_\_

ACREAGE REDUCTION (PARTIAL RELEASE per Rule 4.17) \_\_\_\_\_

I wish to release \_\_\_\_\_ acres at this time.

You will need to submit with this request: a map showing the acreage to be released from the current permit and updated mining and reclamation plan maps that will accurately depict the new permit boundary if the release is approved.

SURETY (Bond) REDUCTION (per Rule 4.14) \_\_\_\_\_

If you are requesting a surety (bond) reduction you will need to include with this request a new estimate of the actual cost to reclaim the site based on what it would cost an independent contractor to complete reclamation, including unit costs for reclamation activities as appropriate to the operation to comply with the provisions of Rule 3.1 and the Permit's approved Reclamation Plan.

File No.: M- \_\_\_\_\_ Site Name: \_\_\_\_\_

County: \_\_\_\_\_

Permittee: \_\_\_\_\_

Permittee Address: \_\_\_\_\_

Operator (If Other than Permittee): \_\_\_\_\_

Permittee Representative: \_\_\_\_\_

Certified Mail# \_\_\_\_\_

In accordance with Rule 4.17.1(2) the Operator shall include the names, addresses and phone numbers of all owners of record to the affected land. Please attach additional sheets for this information if required.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Continue on following page..



In accordance with Rule 4.17.1(4), if requesting a full or partial acreage release the Operator or their agent MUST sign that they have complied with the following statement: “All applicable portions of the Reclamation Plan requirements have been satisfied in accordance with these Rules and all applicable requirements under the Act.”

\_\_\_\_\_  
Signature of Permittee, Operator or their authorized agent

\_\_\_\_\_  
Date

**Important: In accordance with Rules 4.14.2(a) and 4.17.1(3) This release request must be submitted to the Division via certified mail and separate from any other correspondence to the Division.**