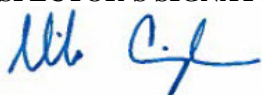




MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

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: Schwartzwalder Mine	MINE/PROSPECTING ID#: M-1977-300	MINERAL: Uranium	COUNTY: Jefferson
INSPECTION TYPE: Monitoring	INSPECTOR(S): Michael A. Cunningham	INSP. DATE: December 15, 2017	INSP. TIME: 10:00
OPERATOR: Cotter Corporation	OPERATOR REPRESENTATIVE: Steve Cohen	TYPE OF OPERATION: 112d-2 - Designated Mining Operation	
REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$4,339,003.39	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: January 11, 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>N</u>	(FN) FINANCIAL WARRANTY----- <u>N</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>N</u>	(RV) REVEGETATION---- <u>N</u>
(SM) SIGNS AND MARKERS----- <u>N</u>	(SP) STORM WATER MGT PLAN---- <u>N</u>	(RS) RECL PLAN/COMP-- <u>N</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

The inspection was conducted by Michael Cunningham of the Division of Reclamation, Mining and Safety (Division). Steve Cohen and Bruce Nordquist were present on behalf of Cotter Corporation and Brent Nye was present on behalf of Alexco Environmental Group. The Schwartzwalder Mine is inspected quarterly; this inspection serves as the fourth quarter inspection of 2017.

The primary activities occurring at the Schwartzwalder Mine are related to water treatment. The electrical upgrades which were being performed during the previous inspection have been completed. Power has been disconnected from the United Power substation and the substation is scheduled to be removed from the site. During the decommissioning of the electrical substation, the pump-back lines for Sump #5 and Sump #8 were severed. According to the Operator, groundwater was not being pumped from the sumps when the pump-back lines were severed and there was no loss of groundwater to the surface. The pump-back lines for both sumps have been repaired and the sump collection system is fully functioning.

On October 21, 2017, the Operator notified the Division the mine pool had reached an elevation of 150 ft. below the Steve Level. The lowering of the mine pool to 150 ft. below the Steve Level represents compliance with the Mined Land Reclamation Board Order, dated October 4, 2012. The mine pool was 171.5 ft. below the Steve Level at the time of the inspection. The Operator will conduct a carbon source injection into the mine pool by December 23, 2017. The mine pool will be lowered to 180 ft. below the Steve Level prior conducting the carbon source injection. All mine pool operations will be suspended from December 23, 2017 to January 8, 2018. During this period the mine pool is expected to refill at 0.75ft/day, for a total mine pool recovery of 15 ft. or 165 ft. below the Steve Level.

The Division inspected the cut-off wall during the inspection and observed that Ralston Creek was being diverted through the bypass pipeline. The entire length of the bypass pipeline was traversed and was found to be in good condition. In addition, the Division inspected all of the groundwater monitoring wells and sumps which are located on the valley floor. The primary purpose of inspecting the groundwater monitoring wells and sumps located on the valley floor was to have a discussion with the operator on which of the structures may need to be removed during the alluvial fill remediation project. The Operator has surveyed the limits of excavation and the overall footprint of the excavation area is delineated with surveyor's lath.

On October 11, 2017, the Division received a Succession of Operators (SO) Application to transfer the Reclamation Permit from Cotter Corporation to Colorado Legacy Land, LLC. The SO Application was filed for review on October 17, 2017. The Prospective Successor and Permittee waived their right to a decision within 30 days. Therefore, the Division will recalculate the required financial warranty before issuing its decision on the request to transfer the Reclamation Permit for the Schwartzwalder Mine.

This concluded the inspection.

Inspection Contact Address

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