




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: San Luis Project	MINE/PROSPECTING ID#: M-1988-112	MINERAL: Gold and silver	COUNTY: Costilla
INSPECTION TYPE: Monitoring	INSPECTOR(S): Lucas J. West	INSP. DATE: April 25, 2018	INSP. TIME: 13:45
OPERATOR: Battle Mountain Resources, Inc.	OPERATOR REPRESENTATIVE: Julio Madrid, Steve Carino, Melissa Chalona	TYPE OF OPERATION: 112d-3 - Designated Mining Operation	
REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$7,400,000.00	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: May 15, 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>Y</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>Y</u>	(RS) RECL PLAN/COMP-- <u>N</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>N</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</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 736.92 permitted acres, with approximately 332 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 was 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. Five Photos accompany this report to illustrate the current site conditions.

The focus of this Inspection is a pre-construction inspection for the new concrete drop structure that was reviewed through Technical Revision 34 (TR-34) and approved on March 23, 2017. The drop structure is located on the South embankment of the tailings facility dam which will receive stormwater runoff intercepted by the South Diversion Ditch. Photos One and Two show the existing conveyance structure and Photos Three and Four show the area that the new drop structure will be constructed in. Due to a delay in contracting, the construction had not commenced at the time of the inspection but would be happening soon. The Division has expressed to Operator that in addition to the pre-construction inspection, a mid-construction and post construction inspection will also be required.

Several other areas in the Permit Area were observed during the inspection as well. The Tailings Storage Facility as well as the Tailings Dam appears to be in good condition and can be seen in Photo Five. No signs of seepage or erosion were noted on the face of the Tailings Dam after the winter snow melt. On site discussions indicate that the Operator would like to change the water and brine delivery system from a center pivot sprinkler system to an on ground gated pipe system. After further consideration and discussion the Division believes that an on ground gated pipe system would not provide sufficient evaporation of the Tailings Water. Other upgraded systems could be investigated, but the on-ground systems will not be approved. Any change to the water and brine delivery system should be addressed through the Technical Revision Process.

Other areas of the permitted area were inspected for upcoming and ongoing reclamation tasks. Those areas include the water tower and facility, areas along the access road that can be reclaimed and storm water control structures located on site. All areas that were inspected were in good condition and free from any trash and debris. No signs of settling, slumping or erosion were noted in those areas and 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.

PHOTOGRAPHS







Inspection Contact Address

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

Enclosure

CC: