




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: Climax Mine	MINE/PROSPECTING ID#: M-1977-493	MINERAL: Molybdenum	COUNTY: Summit
INSPECTION TYPE: Multi Person Inspection	INSPECTOR(S): Lucas J. West	INSP. DATE: July 11, 2018	INSP. TIME: 09:00
OPERATOR: Climax Molybdenum Company	OPERATOR REPRESENTATIVE: Ray Lazuk, Diana Kelts, James Haag	TYPE OF OPERATION: 112d-3 - Designated Mining Operation	
REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$78,246,088.00	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: July 17, 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>N</u>
(SM) SIGNS AND MARKERS----- <u>Y</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>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. Climax is a 112d-3 Molybdenum mining and milling operation located primarily in Summit County. The site consist of 14,000 permitted acres with approximately 8,000 acres of affected lands. The site is bisected by Colorado State Highway 91 and public access is controlled by a guard station at the main gates. The Division currently holds \$78,246,088.00 in Financial Warranty for the site. Along with the Operator Representative and Division Staff listed on page one of this report, Russ Means the Minerals Program Director was present during the inspection. Four Photos accompany this report to illustrate the current site conditions.

The purpose of this inspection was to familiarize Russ Means the Minerals Program Director with the operations of the site. This inspection was a full site tour and facilities inspection. The site was active during the inspection. The tour began in the mill facility, starting with the crusher gallery and mill room, leading into the floatation circuits. Photos One and Two show these facilities. The mill are and floatation circuit were operating during the inspection and appear to be functioning as designed. The facility as a whole was clean and well kept, all safety features, secondary containment structures and equipment observed was in good working order and no problems were noted in this facility.

The work in the McNulty gulch overburden storage facility was observed. The expansion area has been cleared of vegetation, and the topsoil salvaging operations have commenced. The placement of overburden into the storage area has not yet taken place. All operations regarding the facility appear to be following the approved plan. As a result of the McNulty expansion project, the Lake Erwin wetlands mitigation project was developed. The work taking place at the Lake Erwin site was observed and is currently underway. Phase one of the project is nearing completion as topsoil placement is being finished, then vegetation planting and flooding will take place. The other phases of the project will commence in parallel with the McNulty Expansion project. The pit area was also observed during the inspection. Drilling operations in support of the daily blast were taking place, as well as loading and hauling material to the primary crusher.

All water management systems including monitoring wells, fresh water storage ponds and pump back systems located in the Arkansas River Basin were also observed. All systems appeared to be functioning as designed and the Arkansas River Restoration Project area is in good condition. The vegetation in the restoration area appears healthy and thriving. The restoration area can be seen in Photo Three. Recently a small leak in the EDTL near the entrance to the site was reported, and repaired. The approximate area of the leak was observed and no signs of damage, erosion or slumping was observed. The leak happened in a section of the line that is contained within a secondary EPF that reports to the process water system. The approximate location of the leak can be seen in Photo Four.

The inspection continued along all dams, tailings storage facilities and freshwater ponds on site. All dams appear to be stable and in good condition, no signs of settling slumping or erosion was observed. The process water ponds including Robinson Lake were in good condition. Current tailings deposition was taking place in cells 1 and 3 of the Mayflower Tailings Storage Facility (TSF). Following the water management systems and Tailings Storage Facilities the inspection concluded that the Property Discharge Water Treatment Plant (PDWTP). The PDWTP is the final stage in water treatment before discharge to Tenmile Creek. All facilities within the Plant that were observed were in good condition and well kept. All safety features, secondary containment structures and equipment observed were in good working order and no problems were noted in this facility.

The overall footprint of the site is in good condition and no problems or possible violations were noted during this inspection. 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



Photo One: Showing the inside of the mill facility. Milling operations were taking place during the inspection. The facility is incredibly well kept and all equipment is kept in good working order.

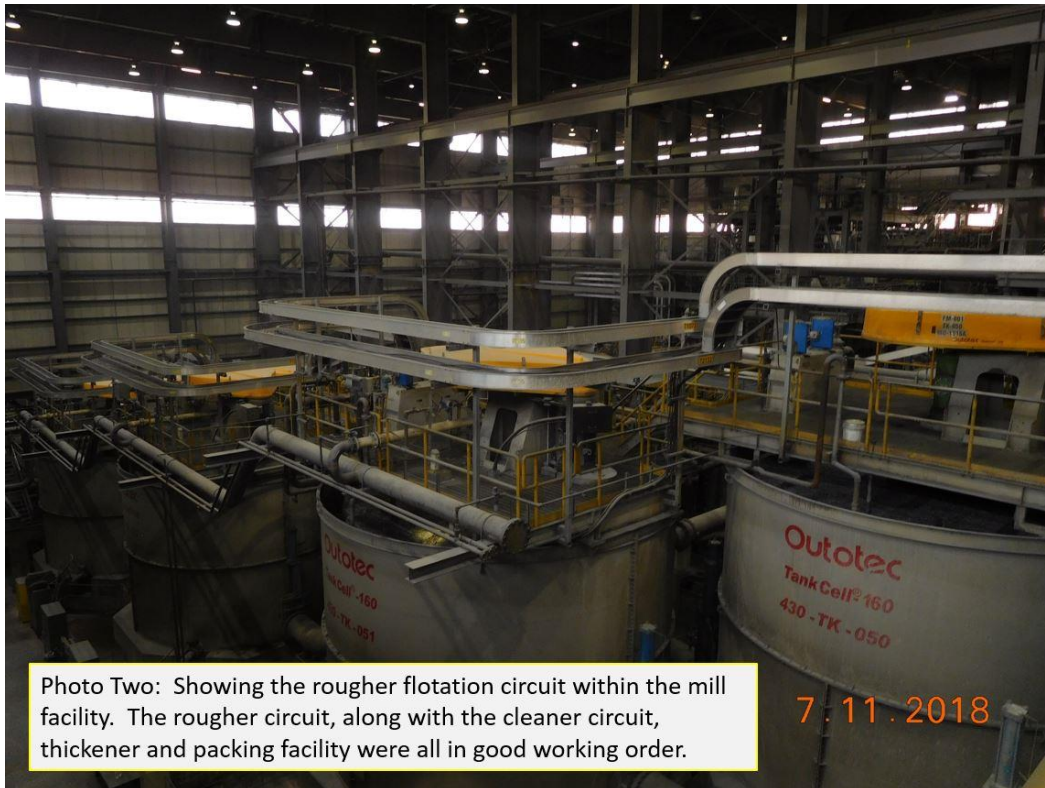


Photo Two: Showing the rougher flotation circuit within the mill facility. The rougher circuit, along with the cleaner circuit, thickener and packing facility were all in good working order.

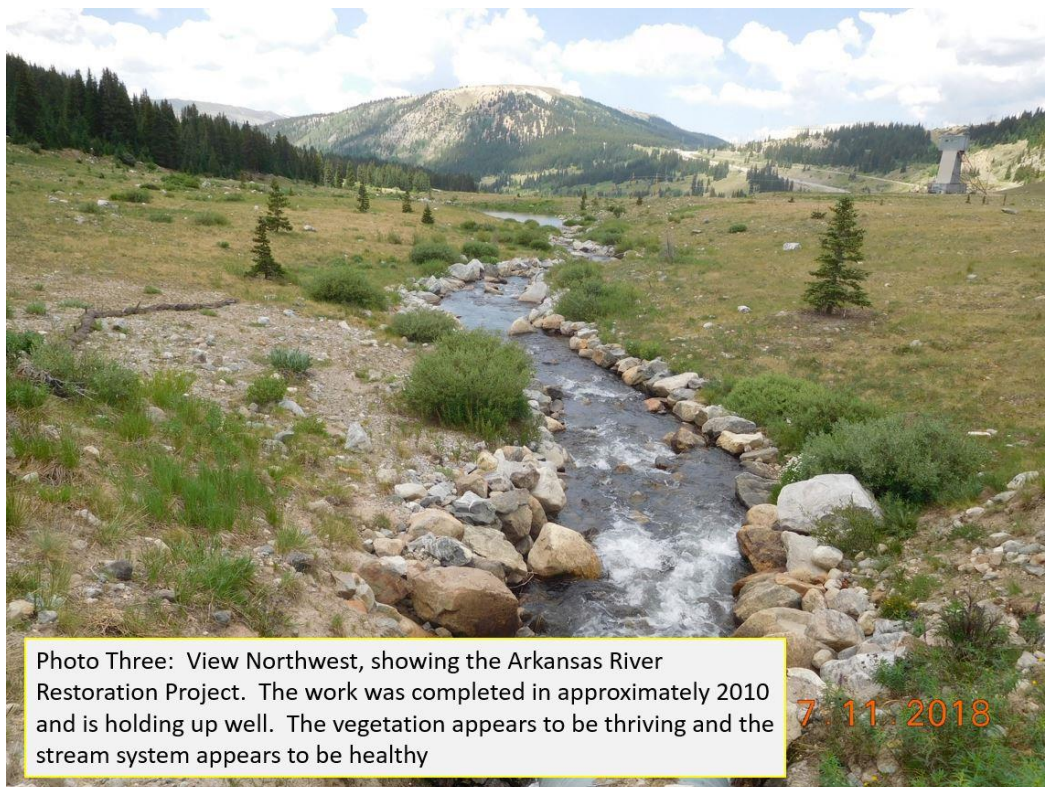
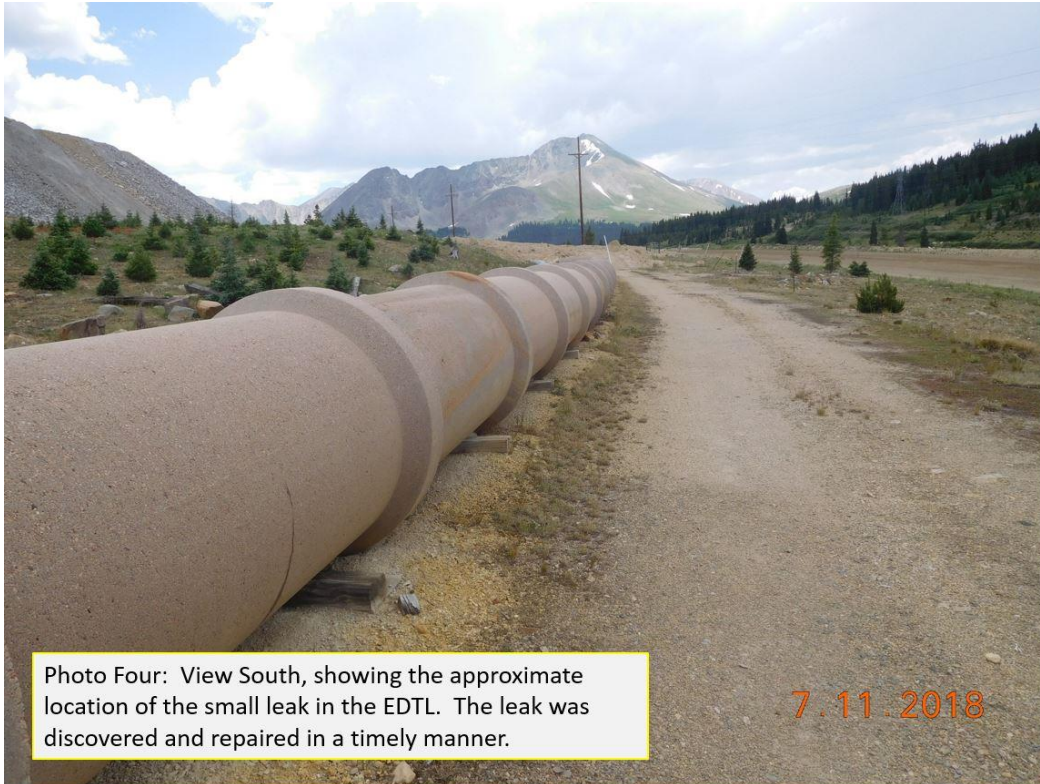


Photo Three: View Northwest, showing the Arkansas River Restoration Project. The work was completed in approximately 2010 and is holding up well. The vegetation appears to be thriving and the stream system appears to be healthy



Inspection Contact Address

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Enclosure

CC: