




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: Cross Gold Mine	MINE/PROSPECTING ID#: M-1977-410	MINERAL: Gold, copper and silver	COUNTY: Boulder
INSPECTION TYPE: Monitoring	INSPECTOR(S): Amy Eschberger	INSP. DATE: September 11, 2018	INSP. TIME: 10:30
OPERATOR: Calais Resources Colorado, Inc.	OPERATOR REPRESENTATIVE: Tom Hendricks, Richard Mittasch	TYPE OF OPERATION: 110(2) - Hard Rock Limited Impact	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$31,500.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: November 9, 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>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>N</u>	(BG) BACKFILL & GRADING----- <u>N</u>	(EX) EXPLOSIVES----- <u>Y</u>
(PW) PROCESSING WASTE/TAILING---- <u>Y</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>Y</u>	(RS) RECL PLAN/COMP-- <u>N</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>Y</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 was a normal monitoring inspection of the Cross Gold Mine (Permit No. M-1977-410) conducted by Amy Eschberger of the Division of Reclamation, Mining and Safety (Division). Tom Hendricks and Richard Mittasch represented the operator during the inspection. The site is located approximately 4 miles northwest of Nederland, Colorado at an elevation of approximately 9,700 feet. Access to the site is off of Caribou Road.

This is a 110(2) underground mining operation permitted for 9.35 acres (see enclosed mining plan map) to mine ore of various metals (gold, silver, lead, zinc, copper). The permit area includes two main disturbance areas associated with the Cross Mine (northern edge of valley) and the Caribou Mine (southern edge of valley). These mines are separated by Coon Track Creek, a tributary of Beaver Creek which flows into Middle Boulder Creek before delivering flows to Barker Reservoir. Coon Track Creek exhibits steady low flows year-round below the mine site due to discharge from the Cross and Caribou Mines. Mine discharge water is directed to two plastic-lined ponds located within the permit area. Discharge from the Cross Mine reports directly to pond #1 via pipeline. This water requires daily addition of lime to meet discharge standards for the NPDES permit the operator maintains with CDPHE. The water is then directed via pipeline to the larger pond #2, where it discharges at a rate of approximately 17-19 gpm. Discharge from the Caribou Mine expresses from the Idaho Tunnel and is directed via pipeline to pond #2, discharging at a rate of approximately 30-35 gpm. This water does not require treatment to meet standards for the NPDES permit. The combined water in pond #2 discharges from its southern corner via pipeline to Coon Track Creek, at a discharge point located approximately 140 feet downgradient from the pond. The operator conducts bi-monthly water sampling from the discharge point and reports the data to CDPHE in accordance with the NPDES permit. The operator records daily temperature, pH and flow readings of the discharges, and also records daily creek flow measurements at an installed weir located upgradient of the mine disturbance. These logs are maintained in the office on site.

The permit was last revised through Amendment No. 1 (AM-1), approved in 2012. AM-1 increased the permit area from 2 acres to the current 9.35 acres, provided for surface waste rock disposal resulting from construction of the Cross Mine Decline portal, and construction of a new office/dry facility and a new sewer line and leach field. The approved mining plan in AM-1 does not include utilizing the historic Caribou Mine/Idaho Tunnel at this time. The Caribou Mine workings are currently flooded below the Idaho Tunnel level, which would require dewatering prior to re-entry. The approved mining plan is centered on mining, waste rock storage, and ore storage activities in the Cross Mine area, and on primarily waste rock storage in the Caribou Mine area. Historic waste rock dumps exist in both areas, with the Caribou Mine dump being much larger in size. No on-site processing is to occur under the approved permit. Run of mine ore is temporarily stored in the warehouse near the Cross Mine and shipped off-site for processing. No designated chemicals are to be used or stored on site. According to AM-1, waste rock at the site consists primarily of quartz monzonite and gneiss, and is not considered to be acid-producing or metals-leaching material. The waste rock may be used by Boulder County and/or the USFS to maintain local roads, or used on site for road maintenance and/or reclamation backfilling.

The approved post-mining land use for the site is forestry, with some residential use associated with the historic cabin present on site. The currently held reclamation bond of \$31,500.00 includes costs for sealing mine openings [(Cross Mine portal, new Cross Mine Decline portal, Cross shaft, and Crown Point shaft), demolishing the Cross Mine snow shed, backfilling pond #1, grading areas around the portals, replacing 7 inches of topsoil on 1.5 acres of disturbed land (parking areas, backfilled pond #1, portal closure areas, waste rock stockpile areas), and revegetating 1.5 acres with grasses and trees (Aspen and Englemann Spruce)]. The portals will be sealed for public safety, but not in a manner that restricts mine drainage. Pond #1 will be backfilled and reclaimed, while pond #2 will be left to continue receiving mine discharge. Several structures will remain after reclamation at the request of the landowner, including the historic residential cabin, the warehouse, and office building located in the Cross Mine area, and the office building located in the Caribou Mine area. The access

roads will also remain after reclamation. Reclamation of surface disturbance will commence after underground mining is complete.

The operation had been in Temporary Cessation since 2013, but returned to active status on June 19, 2018 to begin a small scale 10 tons per day production program to be conducted on the tunnel level of the Cross Mine. No mining was occurring during the inspection. The Division began the inspection in the Cross Mine area. This area includes an existing office/dryroom facility (**Photo 1**) and adjoining snowshed (**Photo 2**) which accesses the Cross Mine portal. The Division observed the new Cross Mine Decline portal excavation area located south of the Cross Mine (**Photo 3**). The purpose of the Cross Mine Decline portal is to provide access to underground workings for diesel powered rubber tired haulage equipment. The existing Cross Mine portal will continue to be used as a secondary access to the Cross Mine workings. The operator estimates approximately 300 tons of development rock from the cross cutting/tunneling work is stockpiled just southeast of the decline portal and consists primarily of quartz monzonite (**Photos 4 and 5**). Larger rocks from the material were used to create a retaining wall around the stockpile. The operator indicated the rock will be crushed at a future date and used for road base to improve the road system on site. The operator estimates approximately 500 tons of overburden from the excavation was hauled to the Caribou Mine area and deposited on the historic dump. The ore mined this summer (approximately 50 tons) was stockpiled inside the warehouse (**Photos 6 and 7**), which has thick concrete floors and retaining walls. The warehouse is located southeast from the decline portal and its associated waste rock stockpile. The ore is separated into two stockpiles by grade, and will be transferred to an off-site mill for processing. At the time of the inspection, the mill source had not yet been confirmed.

During the inspection, the operator discussed a desire to construct a mill building on site, adjacent to the existing warehouse. The operator would potentially use the existing warehouse for a crushing/sizing circuit, and the adjacent mill would house the flotation circuit. The operator proposes mixing concrete with the mill tailings prior to disposing of the material underground, particularly to fill in stopes in the Cross Mine. After the inspection, the Division found the operator had made commitments in AM-1 pertaining to these proposals. No milling activities or underground disposal of waste rock or tailings are authorized under AM-1. At this time, the operator is authorized for surface disposal of waste rock in defined locations. Prior to constructing a mill, conducting any milling activities, or disposing of any waste rock or tailings underground, the operator must first submit a permit revision detailing these proposed activities for Division review and approval. According to the operator, the proposed mill has already been approved on the county level. The operator would need to provide evidence of this approval with the permit revision. It was also stated in AM-1 that the operator would need to gain approval/permitting from the EPA, Underground Injection Control Program prior to disposing of any material underground. Therefore, the Division would want to see evidence this approval/permitting was obtained prior to any such activities being conducted at the site.

During the inspection, the operator also discussed the potential need to sink an additional shaft in the Cross Mine area. Prior to constructing any new mine openings, the operator would need to submit the proposal in a permit revision for Division review and approval. The permit revision would need to address any waste rock generated during the excavation, any permanent structures associated with the shaft, and the final reclamation of this mine opening. Additionally, the mining and reclamation plan maps would need to be revised to show the location of any new mine openings.

The new office/dry facility approved in AM-1 to be constructed east of the existing warehouse has not yet been constructed at the site. It was not clear whether the operator still intends to construct this facility. In AM-1, the operator committed to providing the Division with its design specifications prior to constructing the facility. At such time, it would also need to be determined whether the building will remain after reclamation or be demolished, in which case demolition costs would need to be added to the reclamation bond for the site.

The Division inspected the explosives storage area located south of the Cross Mine warehouse, where the operator stores two explosives magazines, one for blasting powder and the other for blasting caps (**Photo 8**). This explosives storage area is permitted with the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF), and is monitored 24/7 via security camera, as well as physically inspected at least weekly in accordance with the permit. The Division observed the magazines to be well secured with padlocks and lock boxes. The operator reports a complete inventory of explosive materials on site to the ATF on an annual basis. The Division observed a rock stockpile (**Photo 9**) just southeast of the warehouse, near the explosives storage area. The material appeared to be waste rock. The approved mining plan map shows this area to be utilized as a secondary parking lot rather than a stockpiling area. If the operator intends to continue using the area for stockpiling, the mining plan map and potentially the reclamation bond will need to be updated through submittal of a permit revision.

The Division inspected the ventilation shaft and ventilation shaft/escapeway (aka the Crown Point Shaft/Raise) located upslope west and northwest of the Cross Mine portal. The Crown Point Shaft (**Photo 10**) was covered with a metal grate secured by a chain and padlock that could be unlocked from either side of the grate. Outside access to the Crown Point Shaft is further discouraged by a sheet of plywood covering the grate and barbed wire fencing. The reclamation bond for the site includes costs for sealing the Crown Point Shaft. The ventilation shaft located southwest of the Crown Point Shaft has steep walls (**Photo 11**), but its downgradient lip is graded to a flat enough slope that people and wildlife could safely exit if needed (**Photo 12**). The reclamation bond includes costs for sealing this shaft after mining is completed. However, the operator indicated this shaft may be sealed and backfilled sooner.

The Division inspected the two ponds in which mine discharge at the site is routed. Pond #1 is located near the Cross Mine portal and is roughly 55 feet x 50 feet in size with an approximate depth of 3 feet (**Photo 13**). The required daily lime addition occurs where the water enters the pond via pipeline (**Photo 14**). The treated water in pond #1 is then directed via pipeline to pond #2, where it is mixed with untreated water discharged from the Caribou Mine. Pond #2 is roughly 72 feet x 90 feet in size with an approximate depth of 5 feet (**Photo 15**). The operator records daily flow measurements from each discharge pipe at the northern edge of pond #2 (**Photo 16**). Pond #2 water is discharged via pipeline to Coon Track Creek (**Photo 17**). The discharge point at the creek is monitored per the requirements of the NPDES permit. The operation intends to upgrade the water management system in the near future to make it more automated. Any significant changes to the system should be reported to the Division through a permit revision, including an updated map showing any changes to the flow regime or creek discharge point, and any new structures associated with the upgrade.

The Division has not approved a surface water or groundwater sampling program for the site. In AM-1, the operator committed to submitting a future permit revision that proposes a complete water monitoring program, compliance monitoring locations, and includes the water quality data collected from existing wells on site and from upgradient and downgradient locations on the creek. At this time, such a permit revision has not been submitted to the Division.

The Division inspected the Caribou Mine area which can be accessed directly off of Caribou Road (**Photo 18**). This area includes a large historic waste rock dump which the operator describes as consisting mainly of quartz monzonite and gneiss (**Photos 19 and 20**). The operation dumped new waste rock at the eastern edge of the historic dump during development of the new Cross Mine Decline portal. According to the operator, the county may crush this rock and use it for road base. Any unused waste rock left after completion of mining will be reclaimed. The Caribou Mine area includes a small shed and fuel/oil storage area (**Photo 21**) located just west of the main entrance. The containers stored in this area were empty. The operator indicated it had been many years since the area was utilized for fuel/oil storage. The Caribou Mine area includes an existing office/dryroom building (**Photo 22**), the inside of which has had some improvements in recent years. The Caribou Mine/Idaho

Tunnel portal is accessed via a historic snowshed structure (**Photo 23**). The snowshed was constructed in the 1940's with timbers, some of which are now rotting and in need of replacement/repair (**Photo 24**). Access to the Caribou Mine/Idaho Tunnel is not necessary at this time since the current approved permit only includes mining in the Cross Mine. However, prior to re-entering the Caribou Mine, the snow shed and tunnel will need to be rehabilitated/repared. The operator will need to submit a permit revision prior to commencing with mining activities in the Caribou Mine. This revision should detail the mining plan, including any dewatering activities required, and include a reclamation plan for any surface disturbances, mine openings, or structures associated with the mine.

As discussed in this report, the operator proposed several activities during the inspection that would require submittal of a permit revision. To obtain a formal determination on whether the permit revision(s) should be in the form of a Technical Revision or Amendment, the Division recommends the operator submit a formal proposal detailing all proposed activities and requesting such a determination. While some of the activities could potentially be approved through the Technical Revision process, the Division informed the operator that the addition of a mill at the site would most likely require submittal of an Amendment. The Division would need to determine whether the proposed milling activities would require the operation to be permitted as a Designated Mining Operation. The operation should not construct any additional structures or create additional surface disturbances than what was approved in AM-1 and is covered by the existing reclamation bond, until such activities have been approved by the Division.

Summary of activities that may require permit revision:

- Addition of a mill
- Underground disposal of mill tailings and/or waste rock
- New mine openings (shaft in Cross Mine)
- New stockpiling areas (rock pile south of Cross Mine warehouse)
- Upgraded water management system (if significant)
- Surface water and groundwater monitoring program
- Re-entry of Caribou Mine/Idaho Tunnel for mining

During the inspection, the operator indicated the company name has recently changed from Calais Resources Colorado, Inc. to Grand Island Resources, LLC. The Division informed the operator this name change requires submittal of a Succession of Operators (SO) application with which updated right of entry, structure agreements, and warranties would need to be included. After the inspection, on September 14, 2018, the Division received a notice of name change from the operator. The Division appreciates the operator submitting this information for the permit file. However, this notice cannot be formally processed as an SO as it was not submitted using the SO application (available at the Division's website: <http://mining.state.co.us>), and did not include the required items listed above, or the required application fee of \$115.00. The Division is enclosing an SO application with this report which the Division recommends be submitted as soon as possible given the name change has already occurred.

No problems were observed during the inspection. The facilities and roads are well maintained, and the operation appears to be following the approved mining plan.

This concludes the report.

PHOTOGRAPHS



Photo 1. View of Cross Mine office/dryroom building.



Photo 2. View of Cross Mine snowshed adjoining office/dryroom building.



Photo 3. View of Cross Mine Decline portal located just west of office/dryroom building.



Photo 4. View of waste rock stockpile near Cross Mine Decline portal. Larger rocks were used to construct a retaining wall around the stockpile.



Photo 5. View of northern edge of waste rock stockpile near Cross Mine Decline portal.



Photo 6. View of ore mined this summer, stored inside Cross Mine warehouse.



Photo 7. View inside Cross Mine warehouse which has thick concrete floors and retaining walls.



Photo 8. View of explosives storage area located south of Cross Mine warehouse, where two magazines are stored. The magazines are secured with padlocks and lock boxes.



Photo 9. View of rock stockpiles stored just southeast of Cross Mine warehouse, near explosives storage area. This area is proposed as a secondary parking area on the mining plan map.



Photo 10. View of ventilation shaft/escapeway (aka Crown Point Shaft/Raise) located upslope and northwest of Cross Mine portal. This shaft was secured with a locked metal grate.



Photo 11. View of ventilation shaft located upslope and west of Cross Mine portal with steep slopes.



Photo 12. View of downgradient lip of ventilation shaft located upslope and west of Cross Mine portal. This slope has been graded flat enough that people or wildlife could exit the shaft if needed.



Photo 13. View of pond #1 which receives discharge from the Cross Mine.



Photo 14. View of western edge of pond #1 where Cross Mine water discharges to pond via pipeline. This water is treated with lime on a daily basis in accordance with the NPDES permit.



Photo 15. View of pond #2 which receives direct discharge from Caribou Mine/Idaho Tunnel and treated discharge from Cross Mine (pond #1).



Photo 16. View of northern edge of pond #2 where mine water is discharged to pond via pipeline at a combined rate of approximately 45-50 gpm (white pipeline = Cross Mine water, black pipeline = Caribou Mine water).



Photo 17. View of pipeline transporting water from pond #2 to discharge point off Coon Track Creek.



Photo 18. View of main entrance to Caribou Mine area off of Caribou Road.



Photo 19. View of portion of large historic waste dump at Caribou Mine. Caribou office/dryroom building and snowshed visible in background.



Photo 20. Close-up view of waste rock stockpiled at Caribou Mine, which the operator describes as consisting mainly of quartz monzonite and gneiss.



Photo 21. View of small shed and fuel/oil storage area for Caribou Mine. This area has not been utilized for fuel/oil storage in many years.



Photo 22. View of Caribou Mine office/dryroom building and adjoining snowshed (at left).



Photo 23. View of Caribou Mine snowshed adjoining office/dryroom building.



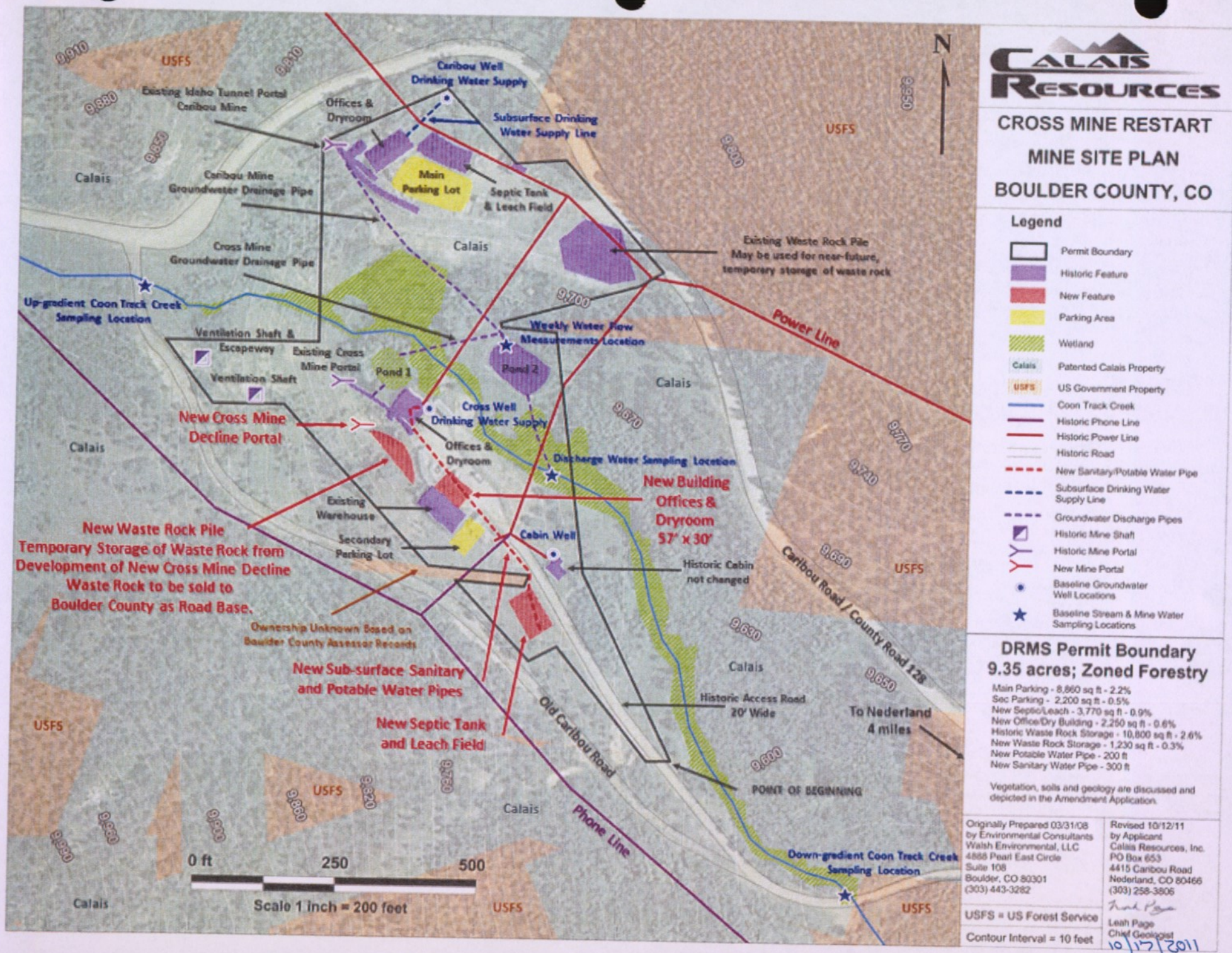
Photo 24. View inside of Caribou Mine snowshed which was constructed with timbers in the 1940's. This snowshed will require rehabilitation prior to using it to access the Caribou Mine/Idaho Tunnel.

Inspection Contact Address

Tom Hendricks
Calais Resources Colorado, Inc.
4415 Caribou Rd.
P.O. Box 653
Nederland, CO 80466

Encls: Approved Mining Plan Map
Succession of Operators application

CC: Richard Mittasch at: rmittasch@nedmining.com





REQUEST FOR TRANSFER OF MINERAL PERMIT AND SUCCESSION OF OPERATORS APPLICATION PACKET

The Mined Land Reclamation Board ("Board") has approved this Transfer of a Mineral Permit and Succession of Operators Application Packet pursuant to the Mined Land Reclamation Act (C.R.S. § 34-32-101 et. seq.) ("Hard Rock Act") and associated Rules (2 C.C.R. 407-1) ("Hard Rock Rules") and the Land Reclamation Act for the Extraction of Construction Materials (C.R.S. § 34-32.5-101 et. seq.) ("Construction Materials Act") and associated Rules (2 C.C.R. 407-4) ("Construction Materials Rules"). This Application Packet cannot be altered without the consent of the Board.

Applicability

This Transfer of a Mineral Permit and Succession of Operators Application Packet applies to mining operations where the current permitted mine operator ("Permittee") wishes to transfer the Reclamation Permit ("Permit"), along with all associated reclamation responsibilities and liabilities, to a Successor Operator ("Successor"). This process is referred to as a Succession of Operators ("SO").

Filing Requirements for SO Application

An SO Application is not complete until the Division of Reclamation, Mining and Safety ("Division") has received each of the six items listed below. The Board has authorized the Division to review SO Applications and to issue approvals and denials based on its review. The Division will not review incomplete Applications.

- 1) **Application Form:** An Application Form is included in this Application Packet. Please note that the Application Form must be fully completed, and must bear the original notarized signature of an authorized representative of BOTH the Permittee and the Prospective Successor.
- 2) **Application Fee:** If an Application concerns a Hard Rock or Designated Mining Operation, then a filing fee of \$115.00 must be submitted to the Division. *See* C.R.S. § 34-32-127(2)(a)(I)(L). If an Application concerns a Construction Materials operation, then a filing fee of \$144.00 must be submitted to the Division. *See* C.R.S. § 34-32.5-125(1)(a)(X). Make all checks payable to the "Colorado Division of Reclamation, Mining and Safety."

- 3) **Performance Warranty Form:** The party wishing to become Successor (“Prospective Successor”) must agree to assume all liability for the reclamation of affected land, and must provide a Performance Warranty covering the same. *See* C.R.S. §§ 34-32-119 and 34-32.5-119. A Performance Warranty Form is included in this Application Packet. The Performance Warranty Form must bear the original notarized signature of an authorized representative of the Prospective Successor.
- 4) **Financial Warranty:** The Prospective Successor must provide Financial Warranties sufficient to cover the cost of completing reclamation in compliance with the Permit, the applicable Act and Rules. *See* C.R.S. §§ 34-32-119 and 34-32.5-119. In order to ensure the adequacy of the Financial Warranties, the Division must recalculate the required Financial Warranty whenever it receives an SO Application. Depending upon the state of the operation and the outstanding reclamation work, the Successor may be required to post a higher (sometimes significantly) or lower Financial Warranty than the Permittee currently has in place.

The Division must act on all SO Applications within 30 days. *See* Hard Rock and Construction Materials Rule 1.12.1(2)(a). Since the Division cannot typically review the amount of the required Financial Warranty within this 30-day period, applicants have the following two options:

Applicants may waive their right to receive a decision within 30 days. If the applicants waive their right to a decision within 30 days, the Division will recalculate the required Financial Warranty *before* issuing its decision on the Application. As a result, the Prospective Successor will know, prior to becoming Successor, whether the current Financial Warranty is adequate to cover the reclamation liability, or if the Financial Warranty must be increased. In this case, the Prospective Successor must submit the full Financial Warranty as part of the Application.

Applicants may decide not to waive their right to a decision within 30 days. If the applicants choose not to waive their right to a 30-day review, the Division will review the Financial Warranty *after* issuing its decision on the Application. In this case, the Prospective Successor must submit a conditional replacement Financial Warranty in the amount of the Permittee’s current Financial Warranty as part of the Application.

If the Application is approved, the Division will conduct an inspection within 60 days to assess the amount of the reclamation liability. If the inspection reveals that the reclamation liability exceeds the amount of the conditional replacement Financial Warranty, the Successor must submit the difference within sixty days. Failure to meet this deadline may result in an enforcement action. If the inspection reveals that the reclamation liability is less than the conditional replacement Financial Warranty, the Successor may request a Financial Warranty reduction for release of the difference.

It is the applicants' right to receive a decision on their complete Application within 30 days. The applicants are free to choose whichever option they decide is best. Permittee and Prospective Successor must designate their decision on the attached Application Form.

- 5) **Demonstration of Legal Right to Enter:** All Permittees must provide a description of the basis for legal right of entry to the site and to conduct mining and reclamation. *See Hard Rock and Construction Materials Rules 6.3.7 and 6.4.14.* To comply with this requirement, the Prospective Successor must demonstrate that he/she/it has obtained a legal right of entry from any and all surface and mineral rights owners in the affected lands, independent of the current Permittee. *See Hard Rock and Construction Materials Rules 6.3.7, 6.4.14, and 1.6.2(1)(e)(i).* This may be a copy of an access lease, deed, abstract of title, current tax receipt, or a signed and notarized statement by the property owners stating that the Prospective Successor has a legal right to enter. *See Hard Rock and Construction Materials Rule 6.3.7.*
- 6) **Structure Agreements:** In many cases, operators must provide the Division copies of agreements to compensate the owners of any significant, valuable, and permanent man-made structures and utilities within 200 feet of the affected land ("Structure Agreements"). *See Hard Rock Rules 6.3.12 and 6.4.20; Construction Materials Rules 6.3.12 and 6.4.19.* If the Permittee was required to provide Structure Agreements, the Prospective Successor must obtain *new* Structure Agreements from each owner and provide copies of the same to the Division with the Application.

Application Review Process

The Division will grant an Application if it finds that all required information has been submitted, that the Prospective Successor is capable of assuming all responsibility for original permit by virtue of acceptable performance and Financial Warranties, and that the Prospective Successor has no outstanding violations. *See C.R.S. §§ 34-32-119 and 34-32.5-119.* If the Division does not act within 30 days from the date that a complete Application has been filed, the Application will be considered automatically approved. *See Hard Rock and Construction Materials Rule 1.12.1(2).* If an Application is denied, the Division will notify the Permittee and Prospective Successor no later than 10 days from the date it renders its decision. Both the Permittee and Prospective Successor may appeal a denial of an Application to the Board by submitting a written request for an administrative appeal hearing to the Board within 30 days of final decision date. *See Hard Rock and Construction Materials Rule 1.4.11.*

Application Checklist

- ☐ **Application Form:** Complete the form located on page 5.
- ☐ **Application Fee:** Include check payable to Colorado Division of Reclamation, Mining and Safety.
- ☐ **Performance Warranty:** Complete the form located on page 11.
- ☐ **Financial Warranty:** Submit the appropriate Financial Warranties or conditional replacement Financial Warranties using the forms posted on the Division's website (available online at <http://mining.state.co.us/Mineral%20Forms.htm>).
- ☐ **Demonstration of Legal Right to Enter:** Identify the owners of all surface and mineral rights, obtain the documentation described above, and submit to the Division.
- ☐ **Structure Agreements:** Obtain new Structure Agreements if Permittee had been required to do so.

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY

Department of Natural Resources

1313 Sherman St., Room 215

Denver, Colorado 80203

Phone: (303) 866-3567

FAX: (303) 832-8106



APPLICATION FORM FOR TRANSFER OF MINERAL PERMIT AND SUCCESSION OF OPERATORS

ADMINISTRATIVE INFORMATION

Permit Information

Permit Number: _____

Operation Name: _____

Permittee Information

Contact Person: _____

Company Name: _____

Street Address: _____

City: _____

State: _____ Zip: _____

Phone: () _____

Email (optional): _____

Prospective Successor Information

Contact Person: _____

Company Name: _____

Street Address: _____

City: _____

State: _____ Zip: _____

Phone: () _____

Email (optional): _____

Other Reclamation Permits held by Prospective Successor (if applicable):

DESIGNATION OF REVIEW TIMELINE

As explained above, the Permittee and Prospective Successor may waive their right to receive a decision on an Application within 30 days in order to allow the Division to calculate the required Financial Warranty before issuing its decision. Permittee and Prospective Successor must initial one of the following two options to designate their choice. If Permittee and Prospective Successor cannot agree, the Division will render its decision within 30 days.

	I have reviewed the information provided in this Application
Permittee	Packet, as well as the applicable Act and Rules. Having been fully
	informed, I wish to <u>WAIVE MY RIGHT TO A DECISION ON</u>
Prospective Successor	MY APPLICATION WITHIN 30 DAYS.

	I have reviewed the information provided in this Application
Permittee	Packet, as well as the applicable Act and Rules. Having been fully
	informed, I wish to <u>MAINTAIN MY RIGHT TO A DECISION</u>
Prospective Successor	ON MY APPLICATION WITHIN 30 DAYS.

The Prospective Successor must provide an adequate Financial Warranty or *conditional* replacement Financial Warranty, consistent with the designation above. Hard Rock and Construction Materials Rule 4.3 describes the various acceptable types of Financial Warranties. Each Financial Warranty must be submitted on the Board's approved forms (available online at <http://mining.state.co.us/Mineral%20Forms.htm>).

DUE DILIGENCE CERTIFICATION

The Board wishes to ensure that Prospective Successors are fully informed of their duties and obligations should they become Successor to the Permit. Accordingly, the Prospective Successor must carefully review the items below and must initial indicating its agreement and understanding.

_____ If the Application is approved, the Prospective Successor will assume all liability for the reclamation of the affected land, and for compliance with the Hard Rock Act and Rules or the Construction Materials Act and Rules, as applicable (available online at <http://mining.state.co.us/Rules%20and%20Regs.htm>). Successor will be liable for any pre-existing conditions or violations, whether known or unknown at the time of the SO. It is the Prospective Successor's sole responsibility to investigate the operation prior to filing an Application.

_____ If the Application is approved, the Successor will be solely responsible for maintaining the mining and reclamation operations in compliance with the Reclamation Permit. The Permit includes the original approved Application, along with any and all subsequent revisions, amendments, and conversions thereto. It is not uncommon for a Permit to include dozens of documents that span many years. It is the Successor's sole responsibility to obtain a full and complete copy of the Permit and to understand the extent of his/her/its obligations thereunder. Permit documents may be purchased from the Division of Reclamation, Mining and Safety (the "Division") upon request or viewed on the Division's website at <http://drmsweblink.state.co.us/drmsweblink/search.aspx?dbid=0>

_____ If the Application is approved, the Successor must submit Annual Fees and Annual Reports to the Division on the anniversary date of the Reclamation Permit. For hard rock and designated mining operations, consult C.R.S. § 34-32-127(2) for the amount of the Annual Fee. For construction materials operations, consult the C.R.S. § 34-32.5-125 for the amount of the Annual Fee. Required annual reporting information is described in Hard Rock and Construction Materials Rule 1.15 and in the Annual Report Form provided by the Division. Failure to submit Annual Fees or Annual Reports may result in enforcement action.

**APPLICANTS' AGREEMENT TO REQUEST TRANSFER
OF MINERAL PERMIT AND SUCCESSION OF OPERATORS**

WHEREAS, on _____, _____ Permit Number _____ ("Permit") was granted to _____ ("Permittee"), pursuant to which Permit, Permittee has engaged in a mining operation located in _____ County, Colorado.

WHEREAS, The Permit includes and incorporates any and all subsequent Amendments, Technical Revisions and/or Conversions.

WHEREAS, Permittee wishes to assign the entire Permit, along with all associated rights and responsibilities to _____ ("Prospective Successor"), and Prospective Successor wishes to become Successor Permittee under the Permit.

WHEREAS, Prospective Successor has inspected the mining and reclamation operations and is fully aware of the conditions thereof.

WHEREAS, Prospective Successor understands that the Reclamation Plan (the "Plan") is an integral part of the Permit and is required by law. Prospective Successor has had an opportunity to thoroughly review the Plan, understands that the Plan has not been completed and that, if Prospective Successor becomes Successor, he/she/it will assume full responsibility for the completion of the Plan.

NOW THEREFORE, Permittee and Prospective Successor hereby agree, for their own benefit and for the benefit of the State, as follows:

Prospective Successor agrees to accept all of the conditions of the Permit, including the condition that the operation remains in compliance with all applicable laws and regulations, and to perform all of the obligations of the Permittee under the Permit.

Prospective Successor agrees to complete the Plan, and to assume all liability for the same, as to all areas presently disturbed, as well as to all areas hereafter disturbed.

Prospective Successor agrees to submit to the Division of Reclamation, Mining and Safety ("Division"), Performance and Financial Warranties, as required by applicable law and regulations, which will be substituted for the Performance and Financial Warranties previously filed by the Permittee, if and when the Division approves a Transfer of Mineral Permit and Succession of Operators ("SO") and releases the latter Warranties.

Prospective Successor represents to the State that, to the best of its knowledge, information and belief, it is not in violation of any of the provisions of the Mined Land Reclamation Act (C.R.S. § 34-32-101 *et. seq.*) ("Hard Rock Act") and associated Rules (2 C.C.R. 407-1) ("Hard Rock Rules") or the Land Reclamation Act for the Extraction of

Construction Materials (C.R.S. § 34-32.5-101 *et. seq.*) (“Construction Materials Act”) and associated Rules (2 C.C.R. 407-4) (“Construction Materials Rules”), with respect to any other operation conducted by the Prospective Successor in the State of Colorado.

Permittee and Prospective Successor hereby request that the Mined Land Reclamation Board (“Board”) approves their SO Application, recognizes the Prospective Successor as Successor Operator under the Permit, accepts the Prospective Successor’s Performance and Financial Warranties, and releases the current Permittee’s Performance and Financial Warranties.

SIGNED, SEALED AND DATED this _____ day of _____, _____.

PERMITTEE

Name of Permittee

By _____
Signature of Officer

Title of Officer

PROSPECTIVE SUCCESSOR

Name of Prospective Successor

By _____
Signature of Officer

Title of Officer

NOTARY FOR PERMITTEE

STATE OF _____)
) ss.:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, _____,
by _____ as _____ of _____.

Notary Public _____

My Commission Expires _____

NOTARY FOR PROSPECTIVE SUCCESSOR

STATE OF _____)
) ss.:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, _____,
by _____ as _____ of _____.

Notary Public _____

My Commission Expires _____

STATE APPROVAL
[for completion by Division]

- (a) The Board hereby approves the transfer of permit number _____ from
_____ to _____.
- (b) The Board hereby recognizes _____ as Successor Operator under
such Permit.
- (c) The Board hereby accepts the Performance and Financial Warranties submitted by Successor and hereby
releases _____, as former Permittee from all obligations under
its Performance and Financial Warranties. The Board further releases all affected financial warrantors from
obligations under Financial Warranties associated with the former Permittee.

STATE OF COLORADO
DEPARTMENT OF NATURAL RESOURCES
MINED LAND RECLAMATION BOARD
DIVISION OF RECLAMATION, MINING AND SAFETY

By: _____
Division Director

Date Executed: _____

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY

Department of Natural Resources

1313 Sherman St., Room 215

Denver, Colorado 80203

Phone: (303) 866-3567

FAX: (303) 832-8106



PERFORMANCE WARRANTY

Operator: _____

Operation: _____

Permit Number: _____

This form has been approved by the Mined Land Reclamation Board ("Board") pursuant to the Mined Land Reclamation Act (C.R.S. § 34-32-101 et. seq.) ("Hard Rock Act") and associated Rules (2 C.C.R. 407-1) ("Hard Rock Rules") and the Land Reclamation Act for the Extraction of Construction Materials (C.R.S. § 34-32.5-101 et. seq.) ("Construction Materials Act") and associated Rules (2 C.C.R. 407-4) ("Construction Materials Rules"). Any alteration or modification of this form, without approval by the Board shall result in the performance warranty being invalid and result in the voiding of any permit issued in conjunction with such invalid performance warranty and subject the operator to cease and desist orders and civil penalties for operating without a permit pursuant to sections 34-32-123, C.R.S. of the Hard Rock Act and 34-32.5-123, C.R.S. of Construction Materials Act.

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the Colorado Mined Land Reclamation Act, C.R.S. § 34-32-101 et seq. (the "Hardrock Act"), as amended, and the Colorado Land Reclamation Act for the Extraction of Construction Materials, C.R.S. § 34-32.5-101 et seq. (the "Construction Materials Act"), as amended (collectively the "Acts"), provide that no permit may be issued until the Mined Land Reclamation Board (the "Board") receives a performance warranty consisting of the Operator's written promise to comply with the requirements of the Hardrock or Construction Materials Act, whichever is applicable.

WHEREAS, _____ (the "Operator"), has applied for a permit to conduct a mining operation known as _____ (the "Operation") on certain lands in _____ County, Colorado. These lands are described in the permit application, as amended and supplemented, and are referred to herein as the "Affected Lands."

WHEREAS, in its application for the permit, the Operator has agreed to be bound by all requirements of the Hardrock or Construction Materials Act and all applicable rules and regulations of the Board, as amended from time to time.

WHEREAS, the Operator hereby gives the Board this performance warranty pursuant to C.R.S. §§ 34-32-117(2) or 34-32.5-117(2), and herein promises the Board that it will comply with all applicable requirements of the Hardrock or Construction Materials Act.

NOW, THEREFORE, The Operator hereby promises the Board that it will comply with all applicable requirements of the Hard Rock or Construction Materials Act and applicable rules and regulations of the Board.

The Operator hereby promises the Board that it will comply with all of the terms of the application for a permit, as amended and supplemented, as well as any conditions attached to the permit by the Board.

The Operator promises the Board, pursuant to C.R.S. §§ 34-32-112(1)(d) or 34-32.5-112(1)(b)(IV), that it has the lawful authority to enter upon the Affected Lands to conduct mining operations, including, but not limited to, reclamation. The Operator further recognizes the right of the Board to enter to reclaim lands affected by the Operation.

The description of lands herein is for convenience of reference only, and no error in such description, revision of the permitted mining area, or disturbance by the Operator of lands outside of the permitted mining area shall alter or diminish the Operator's obligation hereunder, which shall extend to the reclamation of all such lands disturbed.

The obligation of the Operator hereunder is such that, if the Operator shall successfully comply with the requirements of the Hardrock or Construction Materials Act, applicable rules and regulations, and the permit, then the Board, upon a finding that the Operator has so complied, shall release this performance warranty, and the Operator from its obligation hereunder. The obligation of the Operator hereunder shall continue until released by the Board in accordance with applicable law.

The Operator promises to be responsible for the cost of reclamation up to the amount established by the Board and has attached hereto its financial warranty, in accordance with C.R.S. §§ 34-32-117(3) or 34-32.5-117(3). The Operator agrees that it will maintain a financial warranty (or warranties) covering the Board's estimated costs of reclamation in good standing for the entire life of the permit. If the Operator is a unit of County or Municipal government, or is a department or division of State government, the Operator is not required to submit or post any other instrument of financial responsibility but hereby promises to be responsible for the cost of reclamation up to the amount specified by the Board.

If the Board determines that the Operator is in default under this performance warranty and has failed to cure such default, although written notice of such default and ample time to cure such default have been given, the Operator's financial warranty shall be subject to forfeiture.

This performance warranty may be executed in multiple copies, each of which shall be treated as an original, but together they constitute only one agreement, the validity and interpretation of which shall be governed by the laws of the State of Colorado. The provisions hereof shall bind and inure to the benefit of the parties hereto and their successors and assigns.

SIGNED, SEALED AND DATED this _____ day of _____, _____.

Operator (SEAL)

By: _____

Title: _____

NOTARIZATION OF OPERATOR'S ACKNOWLEDGEMENT

STATE OF _____)
) ss.:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, _____,
by _____ as _____ of _____.

Notary Public _____

My Commission Expires _____

STATE OF COLORADO
DEPARTMENT OF NATURAL RESOURCES
MINED LAND RECLAMATION BOARD
DIVISION OF RECLAMATION, MINING AND SAFETY

By: _____
Division Director

Date Executed: _____

Rev. 05/12