



COLORADO
**Division of Reclamation,
Mining and Safety**
Department of Natural Resources

1313 Sherman St. Room 215
Denver, CO 80203

February 24, 2020

Keith McFarland
McFarland Enterprises, Inc.
1810 Mineral St
P.O. Box 617
Silverton, CO 81433

Re: Hobo 2 (Permit No. M-2017-044)
Permit Issuance
Hard Rock Mining Operation

Dear Mr. McFarland:

On February 24, 2020 the Division of Reclamation, Mining and Safety (Division) found McFarland Enterprises, Inc. to have satisfied the applicable requirements of C.R.S. 34-32-101 et seq. for obtaining a mining and reclamation permit. Two signed originals of the permit have been executed. We have kept one copy for our files and are enclosing one copy for your use. It is your responsibility to comply with all of the terms of the permit.

1. All of the original application materials, as amended and supplemented, are an integral part of your permit and are incorporated into the permit by reference. We presume that you have a copy of all of these materials; therefore, none have been enclosed with this mailing. We suggest that you keep a copy of the permit and the permit application at the mining operation as a reference for operating personnel to help ensure compliance with the terms of the permit.
2. Changes in the mining and reclamation operations that differ from those described in the permit may require a modification to the permit. We suggest consulting the Hard Rock/Metal Mining Rules and Regulations and/or contacting us to determine if a revision to the permit is necessary. Rule 1.10 pertains to Amendments, Rule 1.9 to Technical Revisions, and Rule 1.11 to Conversions.
3. On your permit anniversary date each year, February 24, you must submit an annual fee and an annual report to the Division. The annual fee for this permit is \$172.00. Please consult the Act, Rules and Regulations, and your permit for specific annual report requirements applicable to your mine. Annual reports, maps, and fees must be filed electronically using the Division's ePermitting portal. If you have not done so already, you will need to sign up for electronic filing of your annual report, map, and fee by visiting the Division's web site



(<http://mining.state.co.us>) clicking on "ePermitting" on the home page, and then clicking on the "Sign up for Minerals Annual Report Electronic Filing" link.

If you have any questions, please contact the Division.

Sincerely,

A handwritten signature in blue ink, appearing to read "V. Brannon", with a stylized flourish at the end.

Virginia Brannon
Division Director

Enclosure

cc: Financial Warranty acceptance letter.

Certified Mail No.: 7017 2400 0000 9119 2188



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MINING AND RECLAMATION PERMIT
HARD ROCK/METAL MINING OPERATIONS

Permit Number: M-2017-044
Type of Permit: 110(1)

Permit Date: February 24, 2020
(Anniversary date for annual report and fees purposes)

THIS PERMIT is issued by the Mined Land Reclamation Board, Department of Natural Resources, State of Colorado.

RECITALS

- A. The Permittee, McFarland Enterprises, Inc. desires to conduct a mining operation known as Hobo 2, for the purpose of extracting Gemstones. Unless the permit is modified or a separate permit is issued to cover the mining and/or recovery of other minerals or extractive products, the Permittee will not mine any other commodities at this site.
- B. On November 18, 2019 the Mined Land Reclamation Board (Board) approved the Permittee's application for this permit, fixed the amount of the financial warranty and directed that this permit be issued upon the filing with the Division of Reclamation, Mining and Safety (Division) of performance warranty and financial warranty (or warranties) in the amount so fixed in form and substance approved by the Division. Said warranties have been filed with the Division.
- C. If the Permittee desires to extract materials other than those listed in (A), a separate permit or a permit modification may be required.
- D. On November 18, 2019 the Board made the following findings:
 - 1. The application for this permit complies with the requirements of the Colorado Mined Land Reclamation Act, C.R.S. 34-32-101 et seq., as amended, and with all applicable local, state and federal laws;
 - 2. The operation will not adversely affect the stability of any significant, valuable, and permanent man-made structure located within two hundred feet of the Affected Land, except where there is an agreement between the Operator and the persons having an interest in the structure that damage to the structure is to be compensated for by the Permittee or if such an agreement cannot



be reached, an engineering analysis establishes no damage will occur to the structure to the satisfaction of the Division and;

3. The proposed mining and reclamation operations can be carried out in conformance with the requirements of the Act, and the Hard Rock/Metal Mining Rules and Regulations.
- E. The Permittee has made a showing satisfactory to the Board that:
1. It will employ, during and after its underground mining and/or surface operations, procedures designed to minimize environmental disturbance from such operation;
 2. It will provide for reclamation of the Affected Lands appropriate to the subsequent beneficial use of such lands; and
 3. In the event of the failure of its proposed reclamation plan, it will take whatever measures may be necessary to assure the success of reclamation of the lands affected by such operations in accordance with the Act.
- F. A copy of the Permittee's application, as amended and supplemented, has been approved by the Board and is, by this reference, incorporated herein.
- G. The issuance of this permit does not relieve the Permittee from having to comply with all applicable Federal, State and County statutes, including State water law.

GRANTS, CONDITIONS AND AGREEMENTS

The Board, in reliance upon the representations and promises made in the permit application, as amended and supplemented, and the performance warranty, hereby issues a life of the mine permit to the Permittee, to engage in the operations described in the application on certain lands lying in the County of San Juan, State of Colorado. These lands are described in the permit application, as amended and supplemented, and are referred to herein as the "Affected Lands".

This permit is issued subject to the following conditions and agreements:

- 1) The Permittee will be bound by all applicable requirements of the Act, and all applicable rules and regulations of the Board, as amended from time to time, the terms of the permit application, the terms of the performance warranty, and the terms of the financial warranty filed with the Division.
- 2) The Permittee will file with the Division its annual report and fees on each anniversary date of this permit.
- 3) If analyses of the mining and reclamation operation and the data collected through monitoring and experimentation by the Permittee or monitoring by the Division indicate that the operation will not be able to comply with the requirements of the Act and applicable rules and regulations of the Board, the Permittee hereby agrees to exercise its best efforts, after consulting with the Division, to modify the plans to correct such deficiencies in the future. Such modifications may require technical revisions or amendments to the permit.
- 4) The Board or its authorized representative may enter upon the lands of the permitted operation at all reasonable times for the purpose of inspection to determine whether the provisions of the Act, Rules and Regulations, and permit have been complied with pursuant to C.R.S. 34-32-121.

- 5) This permit may be revoked or suspended for non-compliance with the Act or applicable rules or regulations promulgated by the Board, the permit, or by violation of a Board Order.
- 6) a) Pursuant to 34-32-118(5) of the Act, the Board has a right of entry to reclaim the lands affected by the operation or to respond to an emergency where the Division determines that any of the conditions of C.R.S. 34-32-124.5 exist
- b) The Board will enter the lands to perform reclamation only if the Board has determined that:
- i. Reclamation required by the permit, statute, or regulations to be performed upon such lands has not been performed, or
- ii. Financial warranty forfeiture proceedings described in the Act or similar provisions of subsequent laws, if any, have been initiated.
- c) The Division, acting for the Board, will enter lands to respond to an emergency only where the Division determines that any of the conditions of Construction Material Rule 8.4.2 exist.
- 7) The additional conditions set forth in the attached rider, if any, are incorporated herein by reference.

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a) Rider is attached.

/ XX /

b) No rider is attached.

MINED LAND RECLAMATION BOARD
COLORADO DEPARTMENT OF NATURAL RESOURCES



Virginia Brannon
Division Director