




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: Revenue Mine	MINE/PROSPECTING ID#: M-2012-032	MINERAL: Lead, silver and gold	COUNTY: Ouray
INSPECTION TYPE: Multi Person Inspection	INSPECTOR(S): Lucas West	INSP. DATE: June 23, 2020	INSP. TIME: 11:28
OPERATOR: Ouray Silver Mines Inc.	OPERATOR REPRESENTATIVE: Brian Briggs, Kyle Erdmann	TYPE OF OPERATION: 112d-1 - Designated Mining Operation	
REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$476,269.41	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: July 6, 2020	

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>Y</u>	(BG) BACKFILL & GRADING----- <u>N</u>	(EX) EXPLOSIVES----- <u>N</u>
(PW) PROCESSING WASTE/TAILING----- <u>N</u>	(SF) PROCESSING FACILITIES----- <u>Y</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>N</u>	(ST) STIPULATIONS----- <u>Y</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 (Division) as well as a bonding inspection to go over site details as they pertain to the update of the Reclamation Cost Estimate Updated associated with Technical Revision 11 (TR-11). The Revenue Mine is an active 112d (1) underground operation located approximately 5 miles southwest of Ouray, Colorado and is accessed from Ouray County Road 26 at nearly 10,600 Feet in Elevation. Public Access to the site is controlled by a locked gate at the entrance to the site. Along with the inspector and Operator representatives listed on page one of this report, Amy Yeldell of the Division was present during the inspection. The Division currently holds \$476,269.41 in Financial Warranty for the site. A reclamation cost estimate will be performed as part of the review of TR-11 and sent to the Operator under a separate cover. Ten Photos accompany this report to illustrate the current site conditions.

Proper mine identification signage was observed at the entrance to the mine site and can be seen in Photo One. Permit boundary markers in the form of tall white PVC posts were observed around the perimeter of the permitted area. The site was active with various construction and site maintenance activities during the inspection. No mining or milling was taking place at the time of the inspection. Current site activities include cleanup of debris and scrap from around the surface facilities. As well as the installation of the water line to convey water from Pond #2 to Pond #3. A bench was being excavated to install a HDPE pipeline, adjacent to the wetlands area near the center of the permit area. Straw wattles have been placed at the boundary to the wetlands and no fugitive rocks or materials were observed in the wetland area. Photos Two and Three show the work being conducted in this area. The underground facilities were not inspected during this inspection.

The main portal and its associated structures are in good condition. All storage areas were clean and well kept, all items being stored on site were done so in a neat and orderly fashion. An example of one of the storage facilities can be seen in Photo Four. All fuel and potentially hazardous materials were stored within proper secondary containment structures and were in good condition. Also, under TR-09 the Operator is approved to manufacture road base for sale. Several small stockpiles of the road base material were observed on site and appear to be stable. Crushing operations were actively taking place during the inspection.

The mine water conveyance and settling system was observed and appears to be functioning as designed and approved. Pond #1 can be seen in Photo Five and Pond #2 in Photo Six. Some of the monitoring well locations were observed and all covers and caps were secured at the time of the inspection. Other surface facilities that were inspected included the fuel and waste storage building, Tailings Thickener Tank, various propane storage sheds and the Materials Storage Connex. The fuel and waste storage building contained various oils, lubricants and fuels all stored in proper secondary containment and in good condition. Photo Seven shows the Waste Storage Building. Also inspected was the materials storage area adjacent to the storage connex. All items stored in that area were in good condition and stored in a neat and orderly fashion. The area can be seen in Photo Eight. Discussions with the Operator indicate that the Materials Storage Connex may be replaced with a more suitable storage structure. Any significant changes to this or other surface facilities would need to be addressed through the Division's Technical Revision or Amendment Process.

The final area that was inspected was the Monongahela Vent Raise and Secondary Escapeway located in Governor's Basin. This facility serves as a ventilation shaft and secondary egress in the case of an emergency. The area is built on an existing rock pad area and contains a hoist building, shaft cover and lift structure and

two 40 foot shipping containers used for storage. The area is access by a private road behind a locked gate. There was no evidence of attempted unauthorized entry at the time of the inspection. All structures contained in the area are in good condition and secured. Photos Nine and Ten show the Escapeway facilities. On site discussions with the Operator indicate that prior to beginning production in the underground workings, the surface facilities associated with the Secondary Escapeway will need to be modified. Please note that any changes to the current configuration of the surface facilities and modifications to the reclamation of those facilities will need to be addressed through the Division's Technical Revision or Amendment Process. The overall footprint of the Monongahela Vent Raise and Secondary Escapeway site was in good condition and free from trash and debris.

No significant signs or erosion, nor state listed noxious weeds were noted during the inspection. There are no problems or possible violations at this time. 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 (303) 866-3567 Ext. 8187 or by email at lucas.west@state.co.us.

Inspection Contact Address

Brian Briggs
Ouray Silver Mines Inc.
P.O. Box 564
Ouray, CO 81427

CC: Travis Marshall, Senior Environmental Protection Specialist

PHOTOGRAPHS



Photo One: View southwest, showing the proper mine Id sign posted at the entrance to the site.



Photo Two: View north, showing the active excavation taking place for the installation of the new water conveyance line from Pond #2 to Pond #3 as approved.

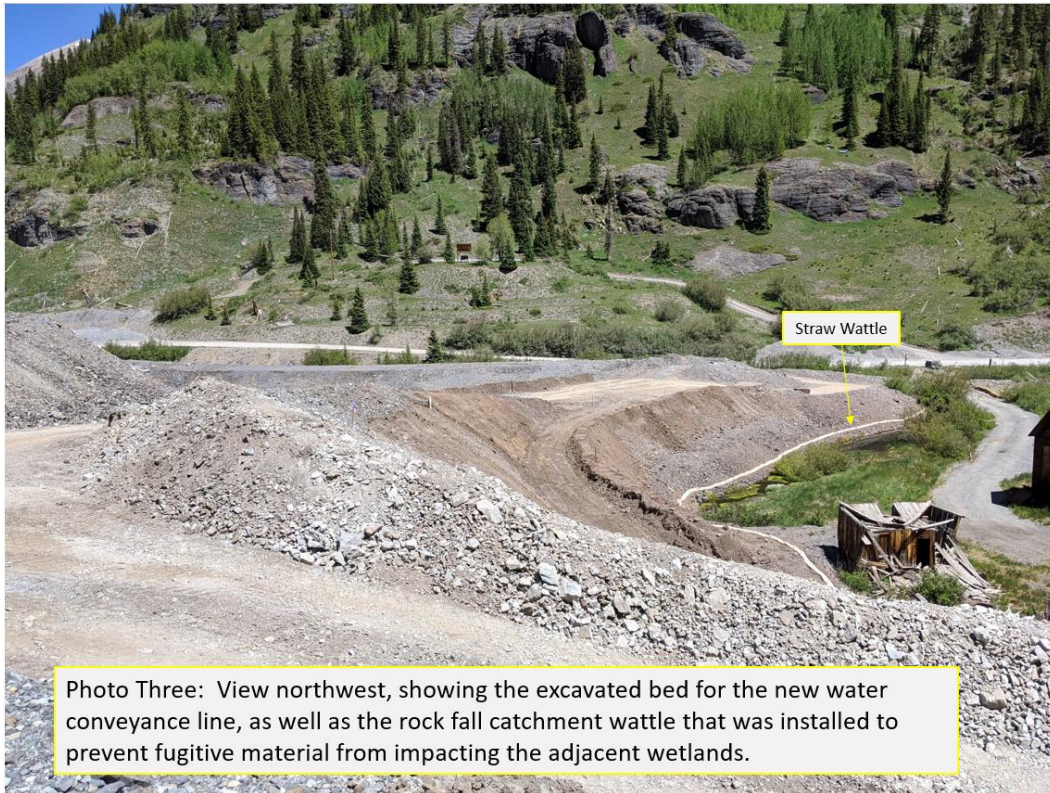




Photo Five: View east, showing Pond #1 the first stage of settling as the mine water is conveyed to from the portal to the approved discharge point.

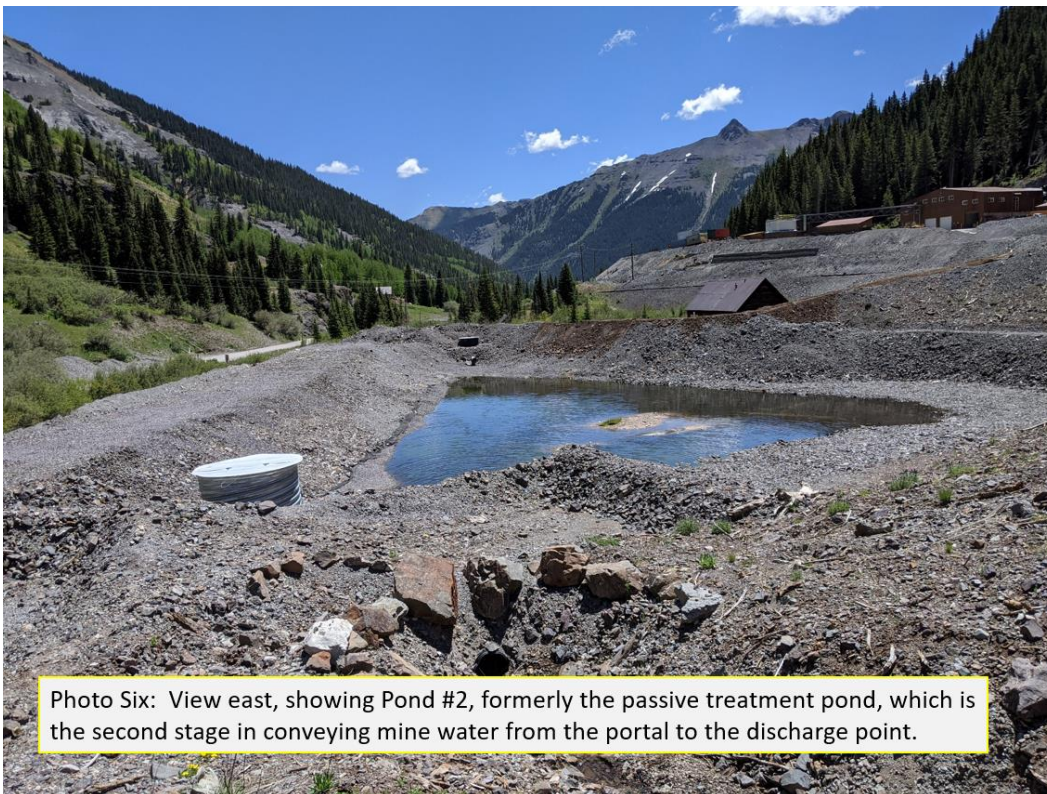


Photo Six: View east, showing Pond #2, formerly the passive treatment pond, which is the second stage in conveying mine water from the portal to the discharge point.





Photo Nine: View south, showing the Monongalia vent raise and secondary Escapeway area. The area includes a hoist house, shaft cover and elevator as well as two 40' storage containers.



Photo Ten: View southwest, showing the hoist house and elevator structure associated with the vent raise and secondary Escapeway. All structures located in this area were secured and showed no signs of attempted unauthorized entry.