




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: May 10, 2022	INSP. TIME: 10:30
OPERATOR: Ouray Silver Mines Inc.	OPERATOR REPRESENTATIVE: Poppy Staub, Todd Jesse	TYPE OF OPERATION: 112d-1 - Designated Mining Operation	
REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$517,219.00	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: DRMS	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: May 13, 2022	

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>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>Y</u>	(ST) STIPULATIONS----- <u>Y</u>
(AT) ACID OR TOXIC MATERIALS----- <u>N</u>	(OD) OFF-SITE DAMAGE----- <u>N</u>	

Y = Inspected / 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's Active Mines Program. The Revenue Mine is an active 112d(1) underground operation that includes a total of 50.3 permitted acres in support of the extraction of silver and base metals. The site is located approximately five miles southwest of Ouray, CO in Ouray County at 10,600 feet in elevation. Public access to the site is controlled by a gate located just off County Road 26. This inspection serves as the second quarter inspection for the main Revenue Area, due to snow conditions the secondary escape way located in Governors Basin was not inspected at this time. In addition to the inspector listed on page one of this report, Amy Yeldell and Clayton Wein of the Division accompanied the inspection. The Division currently holds \$517,219.00 in Financial Warranty for the site. The Reclamation Cost Estimate was not updated as a result of this inspection. The Division and the Operator are currently in the review process of Amendment 2 (AM-2), which will include a Reclamation Cost Estimate Update at its conclusion. Fifteen Photos accompany this report to illustrate the current site conditions.

The main focus of this inspection was a complete inspection of the Revenue area from "source to sink". The site was not active at the time of the inspection however minimal maintenance activities were under way at the time. The underground elements of the crusher and floatation circuits of the Mill were observed during the inspection. The coarse ore bin, located in a drift adjacent to the main tunnel was empty at the time of the inspection and can be seen in Photo One. The bin and all associated equipment was in good condition including the pan feeder located beneath the dump pocket of the coarse ore bin. The crusher gallery was not in operation during the inspection, however all elements and equipment associated with it was observed to be in good condition. All sumps and circulation pumps with the exception of the sump located adjacent to the rod mill were not pumping during the inspection and no excess water was noted in the containment area of the crusher gallery. Similar to the crusher equipment the equipment associated with the flotation circuit was not active during the inspection. The flotation circuit, all equipment and the mill tunnel can be seen in Photo Two. All equipment appeared to be in good working order, and evidence of various maintenance activities were observed. Small amounts of reagents are being stored in the mill tunnel, in day tanks or bulk storage and were in good condition. An example of the day tanks can be seen in Photo Three. Beyond the flotation circuit the concentrate packaging area and tailings filter presses were observed to be in good condition.

Adjacent to the mill building, the compressor room and reagent room, which is mid construction, were observed. The compressor room was neat and organized. The reagent room contained a good amount of standing water from snowmelt from the unsecured exterior of the structure. The interior of the room appeared to be in good condition despite the standing water and can be seen in Photos Four through Six. All tanks that have been set and containment devices appeared to be in good condition, and the progress of the construction remains largely unchanged, with the exception of the exterior sheeting, from the last incremental inspection conducted by the Division, report dated October 27, 2021. The exterior of the reagent room, mill building and area around the tailings thickener tank is neat and well kept. Residual snow accumulation was still present during the inspection. The exterior area can be seen in Photo Seven.

Surface facilities including the newly constructed materials storage warehouse, waste storage building, railyard building, compressor building and admin building were in good condition. All hazardous materials stored in the waste storage building was stored on appropriate spill pallets, and though full, was neat and orderly. The dump wall and associated stockpiles of waste rock appeared to be stable at the time of the

inspection and no evidence of significant erosion was noted. Throughout the entire site, despite the recent rapid snowmelt, no evidence of erosion was observed. All observed storm water control structures appeared to be functioning as designed.

Adjacent to the admin building the Revenue Tailings Storage Facility was observed. The area is still largely covered by snow, and can be seen in Photo Eight. The laydown yard near the Revenue TSF has been cleared and or exposed by snowmelt, and all items stored in that area are neat and orderly and not considered a problem at this time. The Passive Mine Water Treatment system was flowing and functioning as designed at the time of the inspection. The ponds were free from obstruction and can be seen in Photos Nine and Ten. The groundwater monitoring wells were observed from a distance given the snow conditions.

Located just west of the main revenue, separated by Atlas Creek, lies the newly constructed Atlas Tailings Storage Facility. Access to the TSF is gained by a separate locked gate just off County Road 26. Construction of the TSF has been completed and preliminary as built drawings have been submitted however the full as built package has not yet been received by the Division. The main pad of the facility is graded to the east to promote positive drainage. The surface is constructed of waste rock material that was compacted and stable at the time of the inspection. An example of the pad area can be seen in Photo Eleven. All drainage generated from the facility is directed to the sediment pond located on the east end of the TSF. The pond was observed with standing water from surface runoff of recent snowmelt. The pond can be seen in Photos Twelve and Thirteen. Around the perimeter of the facility, an upland diversion and storm water channel was constructed in order to prevent run on from surrounding areas from impacting the TSF. Due to the snow cover the full extent of the channel was not inspected. Within the TSF a stockpile of tailings generated from a test run of the mill are being stored on a geotextile liner. The pile was the subject of the inspection problem cited during the Division's previous inspection. The stockpile appeared stable and no signs of significant erosion or transport was noted during the inspection. The pile can be seen in Photos Fourteen and Fifteen. Once the final as built package has been received, reviewed and accepted by the Division, the tailings stored in this area will be ready for final placement in the TSF in accordance with the approved Tailings and Waste Rock Management Plan.

The overall footprint of the site is in excellent condition. The operator has done an exemplary job of housekeeping during the winter months, despite the lack of personnel. The site is free from excessive trash and debris, all items that were observed are stored in a neat and orderly fashion. No evidence of significant erosion, settling or slumping was noted and no State Listed Noxious Weeds were observed. No new problems or possible violations were documented during this inspection. The Division is currently awaiting the Operators response to AM-2 Adequacy Review 1, and upon receipt will continue through the Amendment Process.

All responses to this report should be directed to Lucas West at the Colorado Division of Reclamation, Mining and Safety's Active Mines Program at Room 215, 1001 E 62nd Ave. Denver, CO 80216. Direct contact can be made at the Division's Grand Junction Field Office, by phone 303-866-3567 Ext. 8187 or by email at lucas.west@state.co.us.

PHOTOGRAPHS

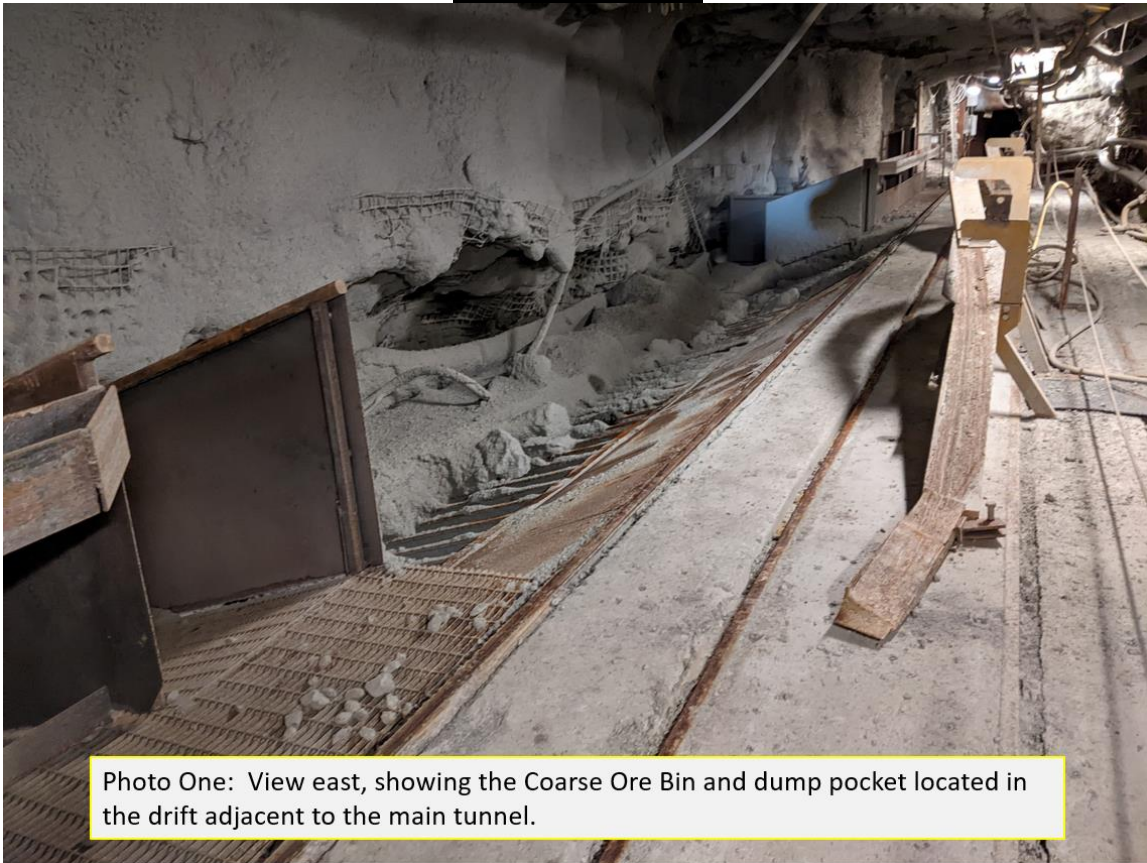


Photo One: View east, showing the Coarse Ore Bin and dump pocket located in the drift adjacent to the main tunnel.

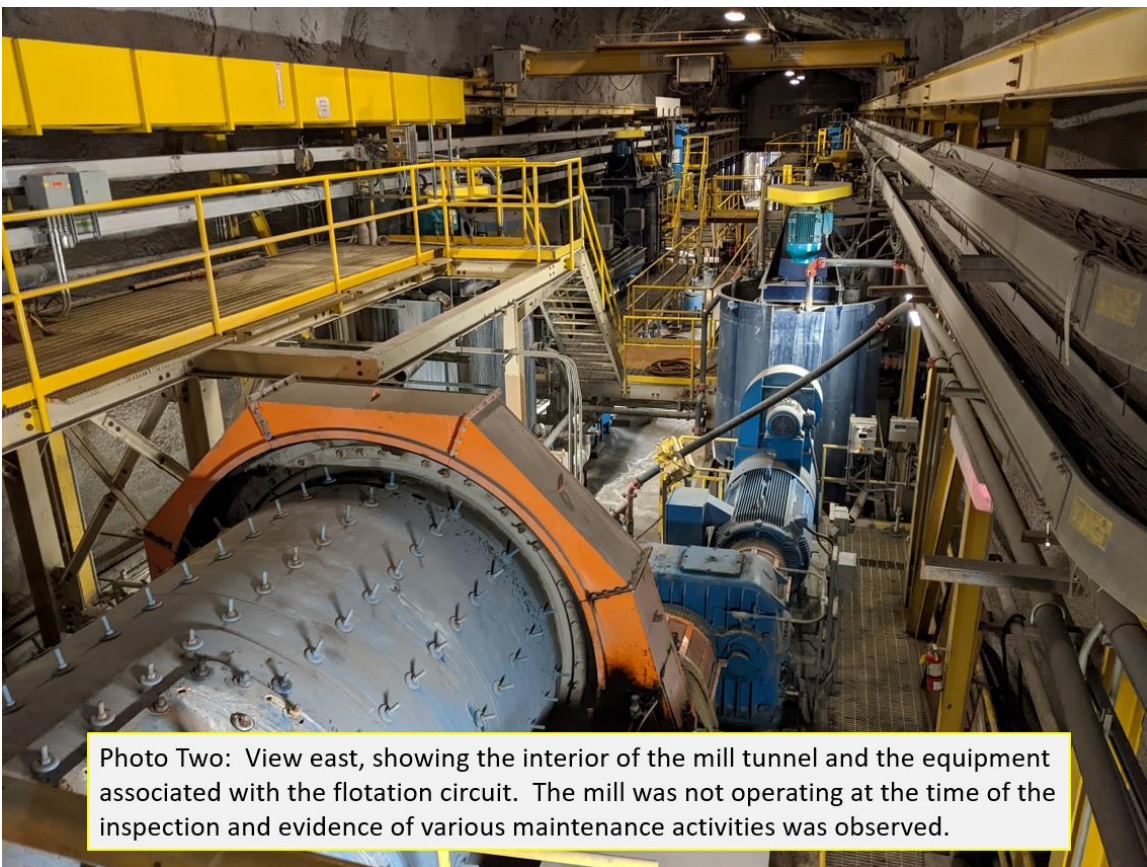


Photo Two: View east, showing the interior of the mill tunnel and the equipment associated with the flotation circuit. The mill was not operating at the time of the inspection and evidence of various maintenance activities was observed.



Photo Three: View northeast, showing an example of the day tanks installed for dosing the ore slurry with reagents during the milling process. The use of day tanks and storage of small quantities of reagents has been approved by the Division.

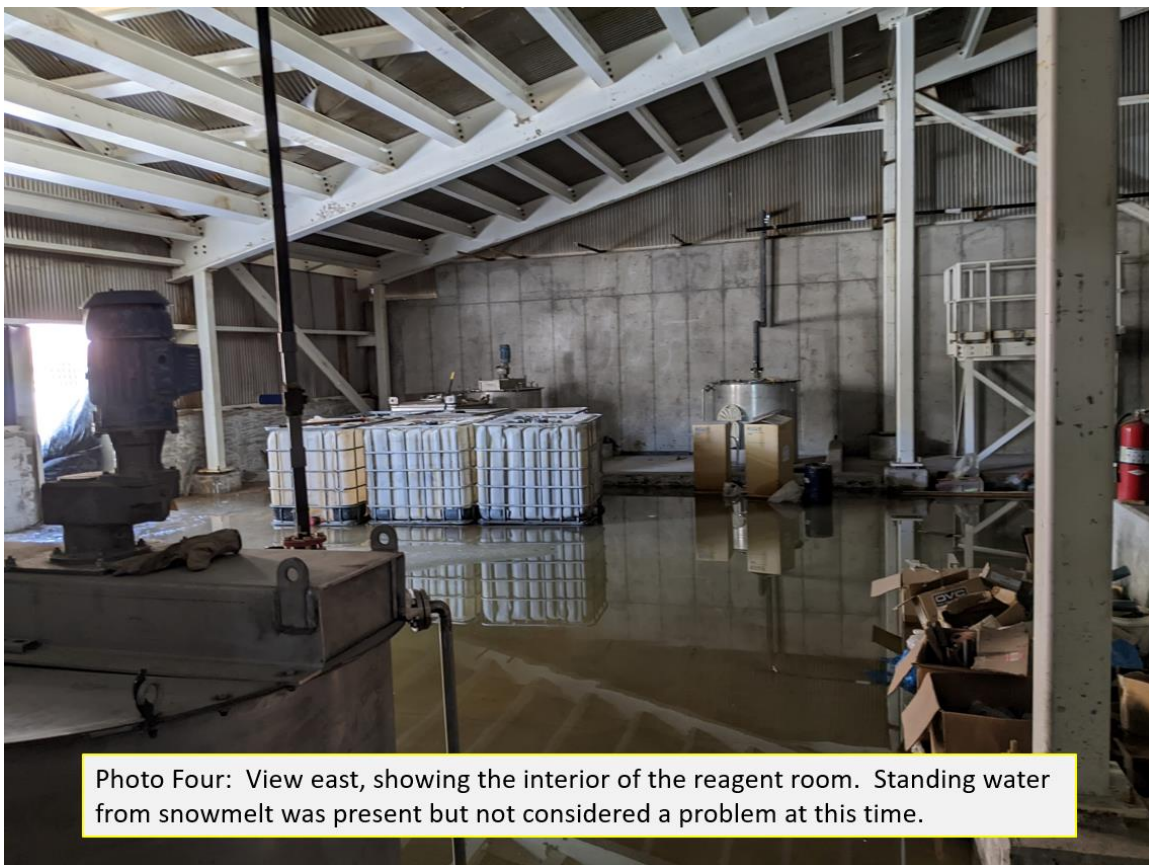


Photo Four: View east, showing the interior of the reagent room. Standing water from snowmelt was present but not considered a problem at this time.





Photo Seven: View east, showing the exterior area of the reagent room. Also visible is the tailings thickener, waste storage building and materials storage warehouse.

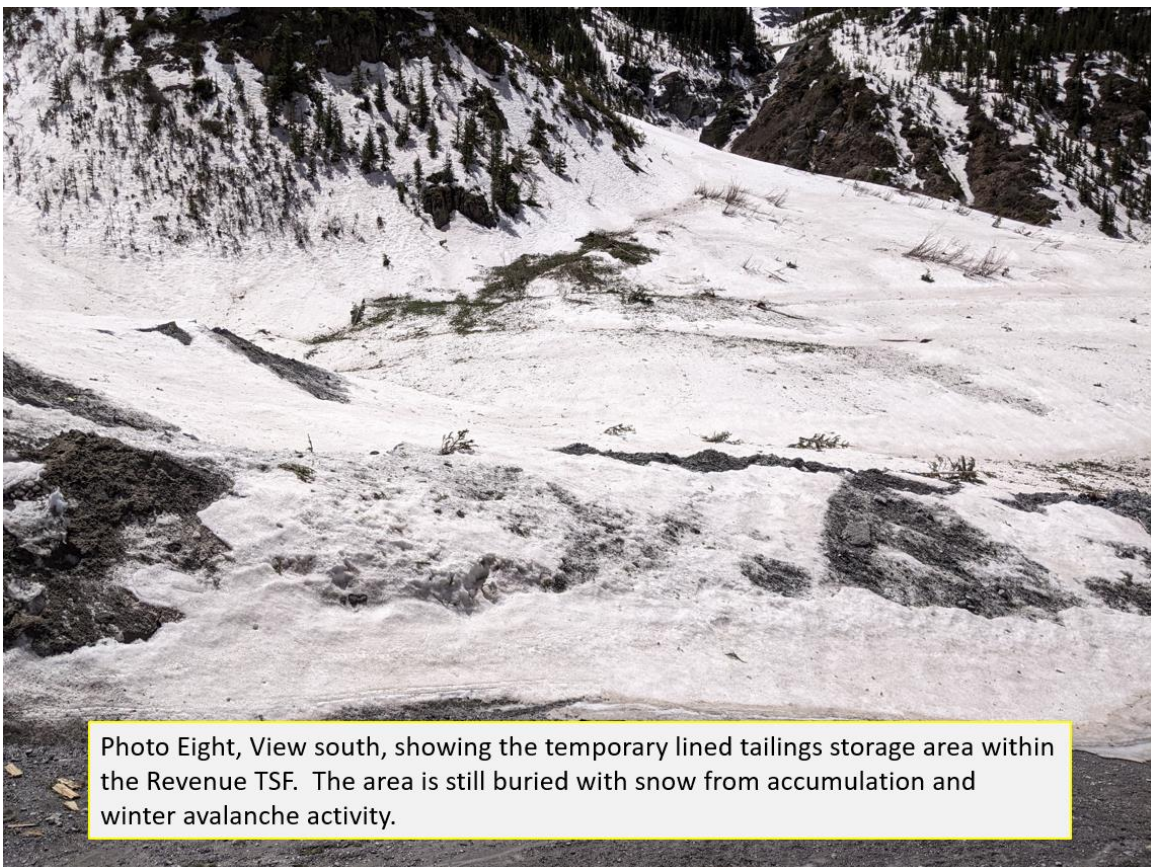


Photo Eight, View south, showing the temporary lined tailings storage area within the Revenue TSF. The area is still buried with snow from accumulation and winter avalanche activity.

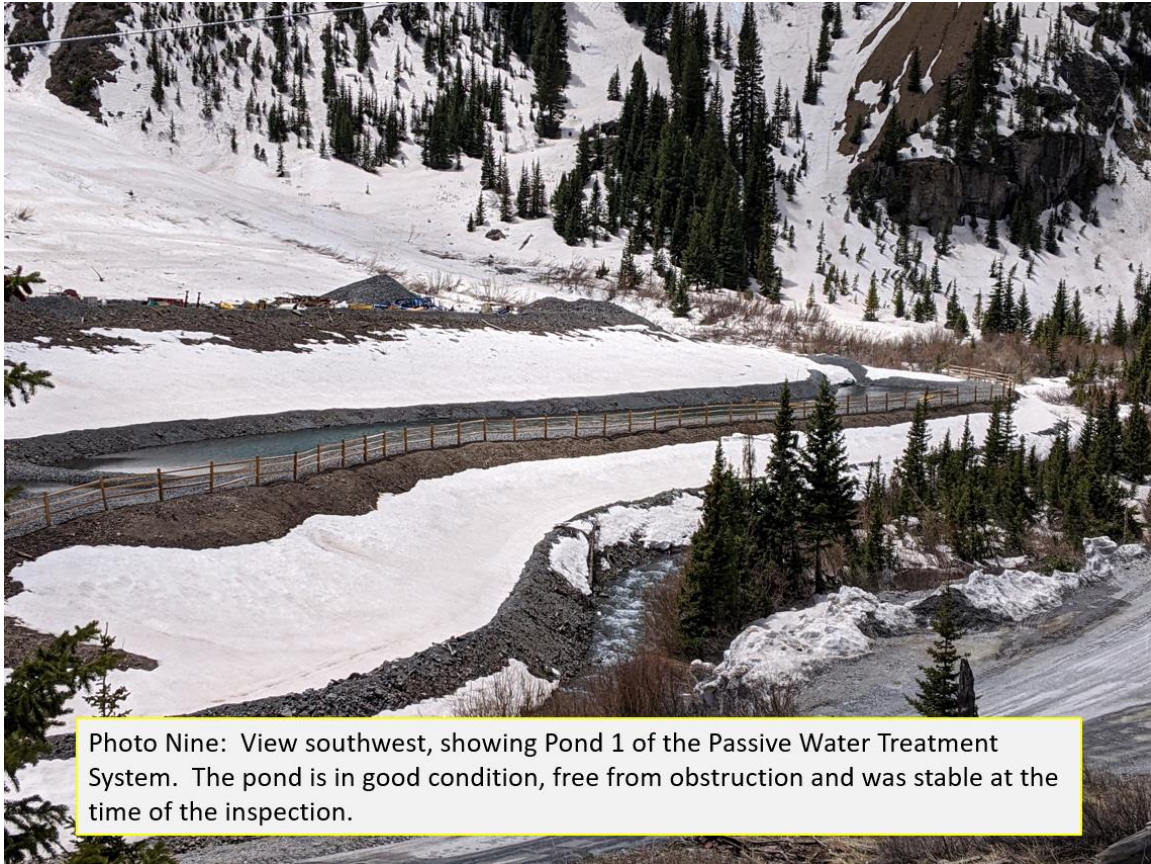




Photo Eleven: View northeast, showing the pad area of the Atlas TSF. The pad is graded to promote positive drainage and is constructed from compacted waste rock material. All elements of the TSF appear to correspond with the approved design specifications.



Photo Twelve: View east, showing the northern section of the sediment pond constructed at the Atlas TSF. The pond contains water from recent snowmelt, the banks appear stable and in good condition.

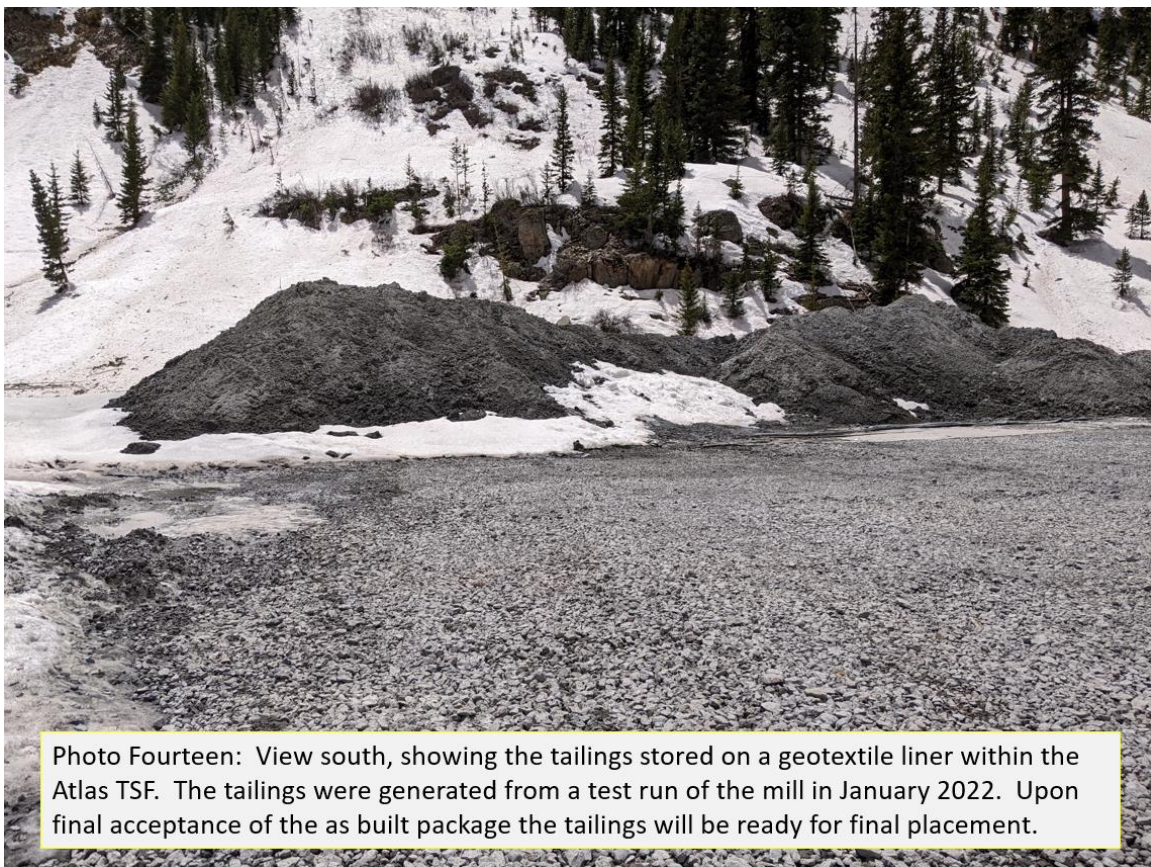
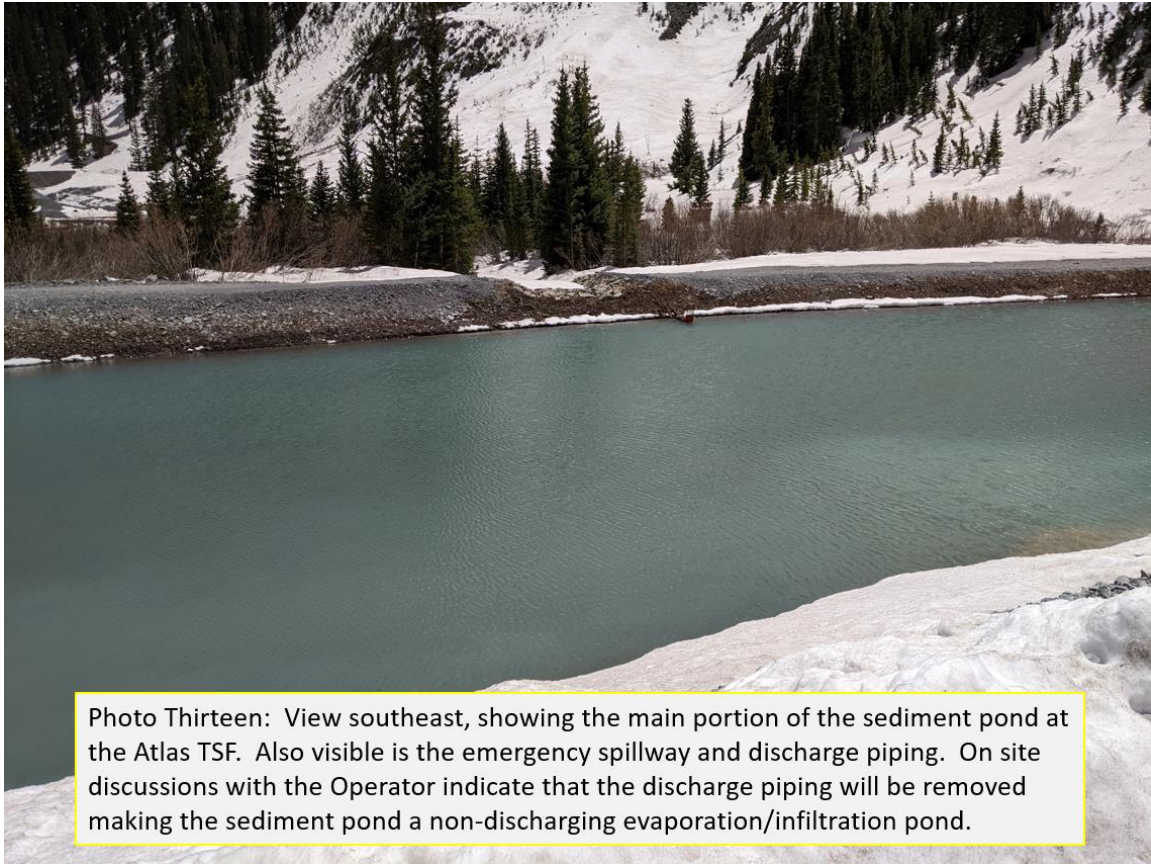




Photo Fifteen: View east, showing another view of the tailings stockpile on the liner. The stockpile appeared stable at the time of inspection and no evidence of significant erosion or transport was observed.

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