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

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: San Luis Project	**MINE/PROSPECTING ID#:** M-1988-112	**MINERAL:** Gold and silver	**COUNTY:** Costilla
INSPECTION TYPE: Multi Person Inspection	**WEATHER:** Clear	**INSP. DATE:** August 24, 2023	**INSP. TIME:** 08:55
OPERATOR: Battle Mountain Resources, Inc.	**OPERATOR REPRESENTATIVE:** Julio Madrid, Steve Carino	**TYPE OF OPERATION:** 112d-3 - Designated Mining Operation	
REASON FOR INSPECTION: Normal I&E Program	**BOND CALCULATION TYPE:** None	**BOND AMOUNT:** $7,400,000.00	
DATE OF COMPLAINT: NA	**POST INSP. CONTACTS:** None	**JOINT INSP. AGENCY:** None	
INSPECTOR(S): Lucas West G. Russell Means	**INSPECTOR'S SIGNATURE:** 	**SIGNATURE DATE:** September 5, 2023	

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---------- N	(FN) FINANCIAL WARRANTY-------- N	(RD) ROADS---------- Y
(HB) HYDROLOGIC BALANCE---------- Y	(BG) BACKFILL & GRADING---------- Y	(EX) EXPLOSIVES--------- N
(PW) PROCESSING WASTE/TAILING---- Y	(SF) PROCESSING FACILITIES------- Y	(TS) TOPSOIL---------- N
(MP) GENL MINE PLAN COMPLIANCE- Y	(FW) FISH & WILDLIFE---------- Y	(RV) REVEGETATION---- N
(SM) SIGNS AND MARKERS---------- N	(SP) STORM WATER MGT PLAN---- N	(RS) RECL PLAN/COMP-- N
(ES) OVERBURDEN/DEV. WASTE--------- N	(SC) EROSION/SEDIMENTATION--- N	(ST) STIPULATIONS------- Y
(AT) ACID OR TOXIC MATERIALS------- Y	(OD) OFF-SITE DAMAGE---------- N	

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 for permitted operations. The San Luis Project is a 112d-3 operation permitted for the extraction and milling of precious metals. The site has been in varying degrees of final reclamation since approximately 1996. In addition to the Operator representatives listed on page one of this report Russ Means the Division's Minerals program director was present during the inspection. The site includes approximately 428.22 permitted acres and is in final reclamation. The site is located approximately 4 miles northeast of San Luis, CO at approximately 8620 Feet in elevation. Public access to the site is controlled by a series of locked gates and the main offices and water treatment facility are located just north of Rito Seco Rd. The Division currently holds a $7.4 Million Financial Warranty for the site. Fifteen Photos accompany this report to illustrate the current site conditions.

The main purpose of this inspection was to conduct a complete inspection of the site as well as observe the proposed location of a groundwater curtain that is being investigated by the Operator. No revision has yet been submitted, however initial discussions have been conducted regarding the installation of a "Slurry Wall" groundwater curtain. The purpose of this Slurry Wall, will be to cut off the groundwater entering the backfilled West Pit, whereby reducing the volume of water to be treated and subsequently discharged. Discussions are in the infantile stages, with a revision proposed to be submitted sometime in 2024. The proposed path of the Slurry Wall can be seen in Photos One and Two. The path is currently undisturbed with the exception of drill holes that have been drilled to explore the depth to bedrock, and two minor test pits. The test pits have been backfilled and no evidence of settling was noted. The drill holes are cased and left in place. Initial discussions suggest the Slurry Wall will span approximately 1500 linear feet, and reach a maximum depth of approximately 65 feet.

The site was not active but the water treatment facility was operating during this inspection. The water treatment facilities utilizes a series of holding ponds, tanks, media filters and a reverse osmosis (RO) system to treat ground water prior to discharge. The interior of the plant can be seen in Photos Three and Four. At the time of the inspection the RO system was treating and discharging water at approximately 500gpm at their discharge point. Within the treatment plant, several plumbing and infrastructure upgrades have been conducted, all appearing to be in good working order. A shipment of HCL was recently received and still on the truck parked within the secondary containment of the plant. One of the upgrades performed was a new HCL tank that feeds the plant, located on the east side of the building. Due to the tank replacement, temporary HCL dosing was done from inside the plant, however construction has been completed and the tank will be utilized again. The tank, seen in Photo Five, is set within a secondary containment structure that is in good condition.

The holding ponds are all fenced in facilities. Pond 1 consists of raw water pumped from a series of wells and feeds the treatment system. The pond is lined with an HDPE liner, which is in good condition. Pond 1 can be seen in Photo Six. Ponds 2, 3 and 4 are used to store water at various stages of the treatment procedure. Ponds 2 and 3 have been recently upgraded from the old HDPE liner to Concrete. At the time of the inspection both ponds contained water, Pond 3 having significantly more than pond 2. Both ponds are in excellent condition and functioning as designed. The construction has been completed and the as-built package has been received by the Division. Photos Seven and Eight show the two ponds respectively. Pond 4 is another HDPE lined pond holding water. The liner showed no signs of impairment and significant algae growth was present. Photo Nine shows Pond 4. The areas around the water treatment facility include access

roads, equipment storage areas and parking areas are all in good condition. Adjacent to the plant area, the Drying Pad is located which houses the sludge produced from the RO treatment system. The pad allows the excess water to evaporate before the sludge is loaded and trucked to the disposal cell within the Tailings Storage Facility. The Drying Pad is in good condition and can be seen in Photo Ten.

The West Pit area was observed and appeared to be stable at the time of the inspection. No signs of settling, slumping or erosion was noted in the backfill area and the terraced side slopes showed no signs of sloughing.

The tailings impoundment area appeared to be stable and in good condition. The free water pond located on top of the impoundment was observed, and the water levels are far below the maximum waterline that is outlined in the permit conditions. Photo Eleven shows the free water pond and surrounding vegetation. The other areas of the tailings impoundment are very well vegetated and appear to meet or exceed the conditions of the adjacent undisturbed areas. The maximum water line is designed to protect the main embankment from saturation which could lead to stability issues. The main embankment is well vegetated, appears to be stable and in good condition as seen in Photo Twelve. The tailings impoundment is a lined facility, complete with under drains and an HDPE Liner that extends from under the impoundment and the main embankment to the collection pond immediately down gradient. The underdrains, shown in Photo Six, convey water that has percolated through the tailings impoundment down to the collection pond, where it is then recirculated back to the free water pool. The under drain was observed discharging water into the collection pond, which indicates the liner, and all of its components are functioning as designed. The underdrain as well as collection pond can be seen in Photos Thirteen and Fourteen. Another upcoming change was discussed during the inspection that focused on the water management within the impoundment. Currently, some water is pumped from the plant up to the free water pond, however the Operator would like to install gated irrigation pipe along the West and Southwest ends of the impoundment, within the lined area, to allow water to be consumed by evapotranspiration. This change would be a benefit to the current water management plan, and should be addressed through the Division's Technical Revision Process.

Adjacent to the tailings dam is the constructed spillway designed to convey storm water from the diversion ditch around the tailings storage facility and away from the main embankment. The spillway can be seen in Photo Fifteen. The spillway is in good condition and shows no evidence of recent flows. In the Arroyo, downstream of the spillway, all culverts have been upgraded, lined with rip rap and seeded. All culverts observed are in excellent condition. The south diversion ditch along the southern perimeter of the tailings facility was observed and is in good condition. Similar to the diversion ditch, no evidence of recent flows were observed.

Throughout the site, no evidence of significant erosion, settling or slumping was observed. Small isolated populations of Tamarisk and Russian Knapweed, both state listed noxious weeds were noted during the inspection. This is not considered a problem at this time, however the Operator should continue to employ their noxious weed management plan. The overall footprint of the site is in excellent condition and free from trash and debris. No problems or possible violations were noted at this time. All responses to this report should be directed to Lucas West at the Colorado Division of Reclamation, Mining and Safety at Room 215, 1001 E 62nd Ave. Denver, CO 80216, by phone at 303-866-3567 Ext. 8187or by email at lucas.west@state.co.us.

PHOTOGRAPHS

Photo One: View Northeast, showing the approximate path of the slurry wall to be installed to mitigate groundwater flow into the West Pit.

Photo Two: View East, showing the approximate path of the Slurry Wall as it passes the water treatment plant and continues to the East.

Photo Three: View Northeast, showing the inside of the RO room, within the treatment plant which houses the system. All components appear to be in good working order and no leaks or drips were noted.

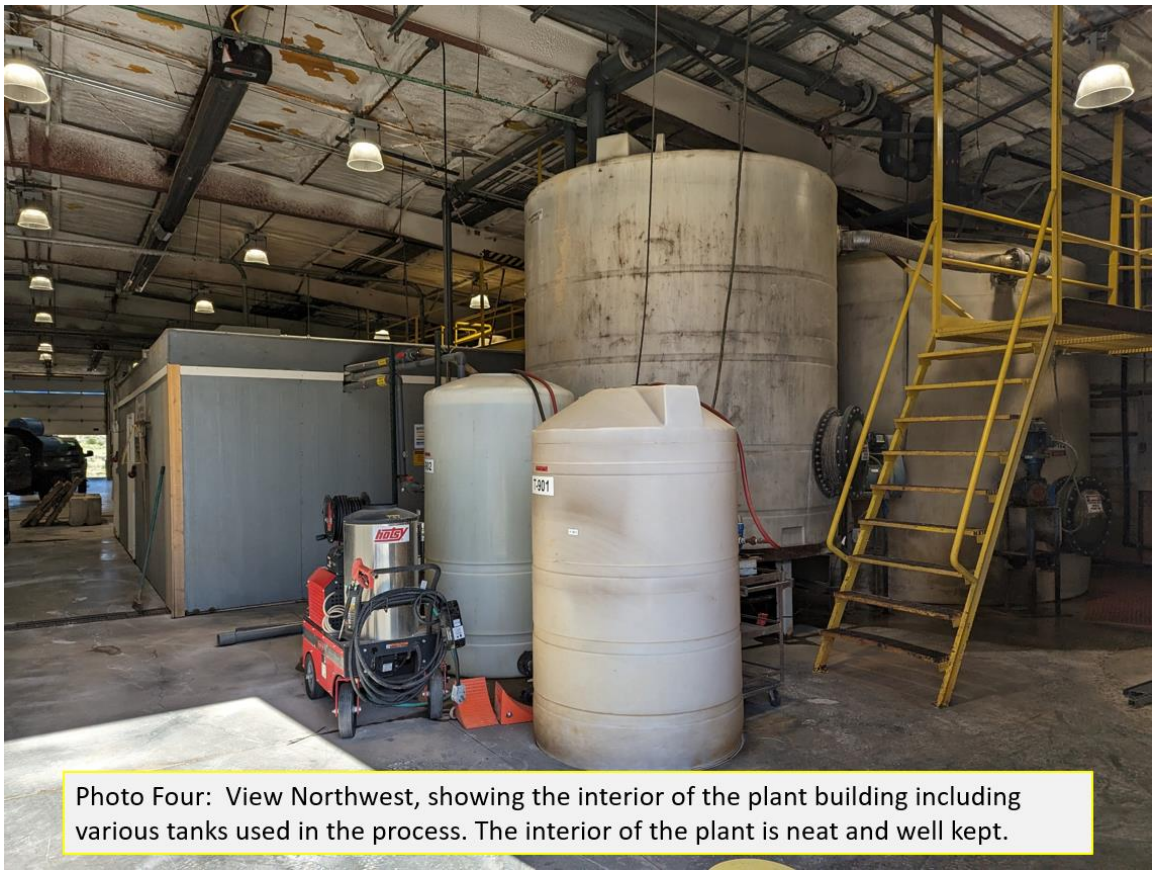

Photo Four: View Northwest, showing the interior of the plant building including various tanks used in the process. The interior of the plant is neat and well kept.

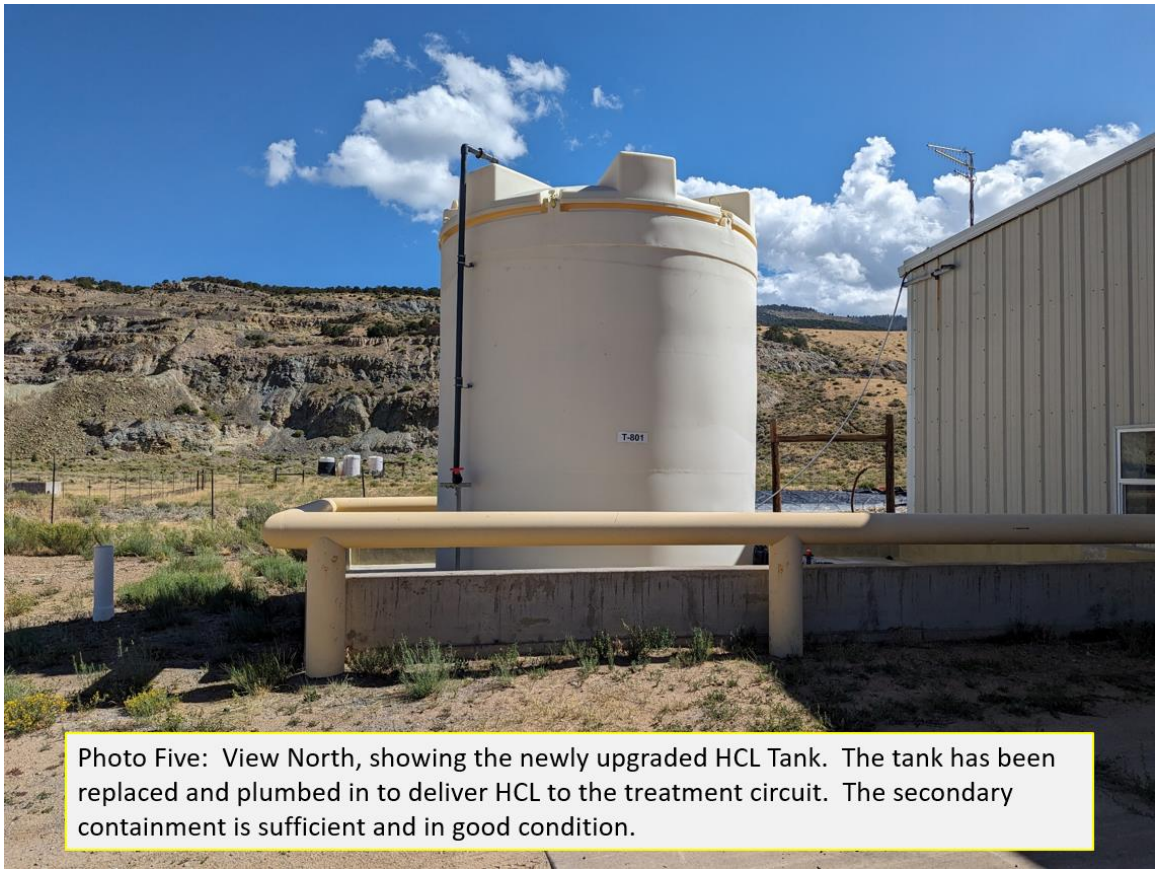

Photo Five: View North, showing the newly upgraded HCL Tank. The tank has been replaced and plumbed in to deliver HCL to the treatment circuit. The secondary containment is sufficient and in good condition.

Photo Six: View North, showing the lined Pond 1. This pond receives pump water being held prior to treatment in the plant. The pond is covered with bird balls to prevent waterfowl interaction.

Photo Seven: View East, showing the recently upgraded Pond 2. Both Ponds 2 and 3 were upgraded to a concrete liner for ease of maintenance. Pond 2 contained minimal water and was covered with bird balls at the time of the inspection.

Photo Eight: View East, showing the recently upgraded Pond 3. The bird balls are in process of being moved from pond to pond.

Photo Nine: View West, showing the HDPE lined Pond 4. The liner was observed to be in good condition with no signs of compromise and the pond contained significant algae growth.

Photo Ten: View North showing the Drying Pad where sludge from the plant is placed to dry prior to final placement in the tailings impoundment.

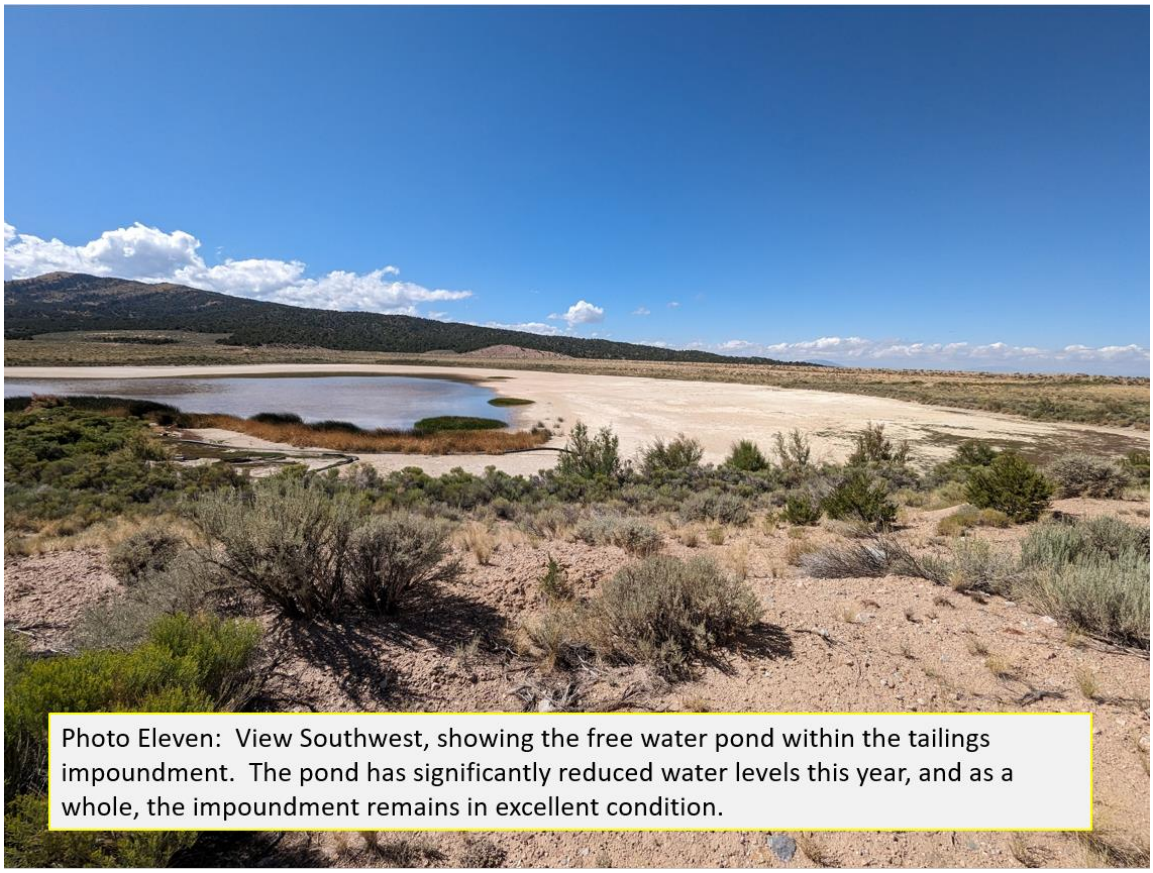

Photo Eleven: View Southwest, showing the free water pond within the tailings impoundment. The pond has significantly reduced water levels this year, and as a whole, the impoundment remains in excellent condition.

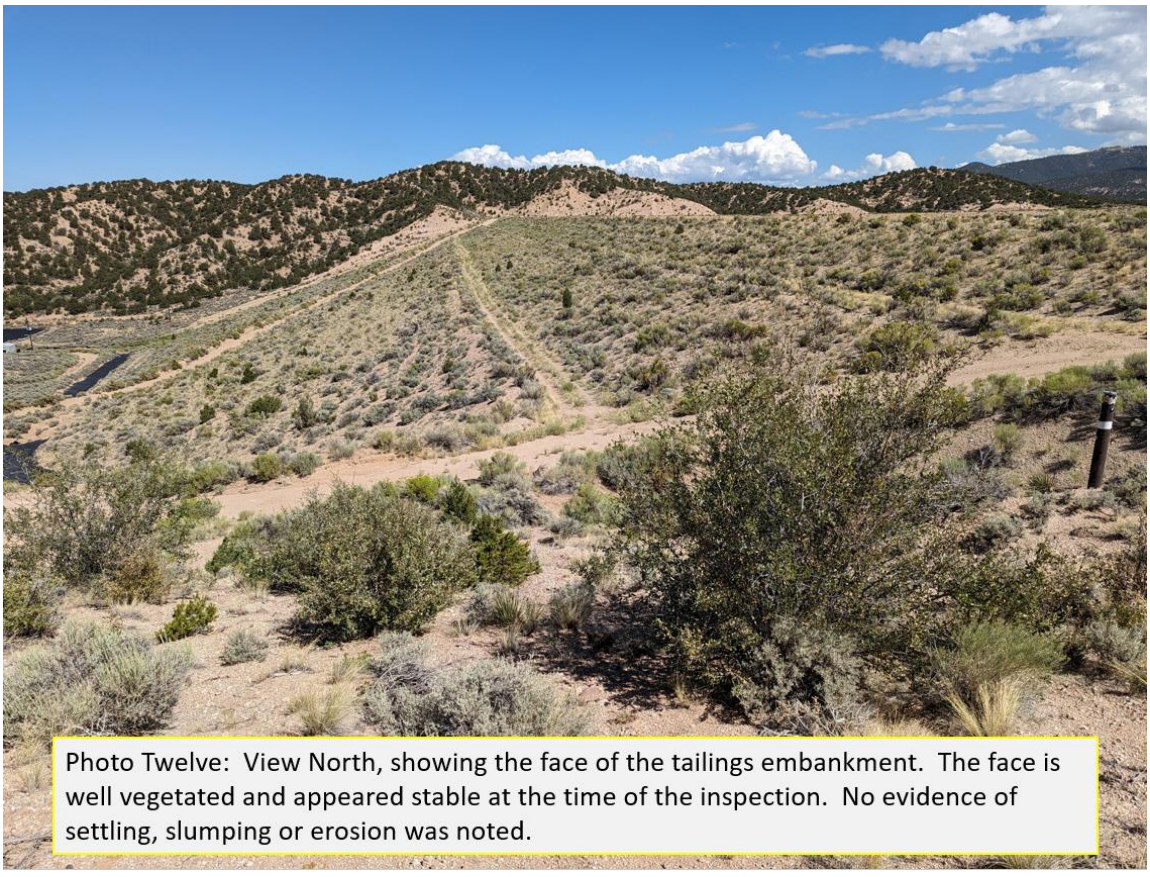

Photo Twelve: View North, showing the face of the tailings embankment. The face is well vegetated and appeared stable at the time of the inspection. No evidence of settling, slumping or erosion was noted.

Photo Thirteen: View East, showing the outlet of the underdrains that deliver water from the impoundment to the collection pond. The drains have recently been jetted and inspected, and at the time, appear to be functioning as designed.

Photo Fourteen: View West, showing the collection pond, which the underdrains report to. This pond was recently pumped up to the free water pond but also shows a reduced water level.

Photo Fifteen: View West, showing the drop structure along the diversion channel that runs along the south side of the tailings impoundment. The structure showed no signs of flow and was in good condition.

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