

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

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John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Piñeda
Director

July 18, 2012

Shannon Murphy
Smuggler Gold Mine, LLC.
100 West Bennett Ave.
P.O. Box 661
Cripple Creek, CO 80813

RE: Smuggler Gold Mine; DRMS File No. P-2012-011; Notice of Intent to Conduct
Prospecting Operations; Incomplete Application

Dear Mr. Murphy,

On June 28, 2012, the Division of Reclamation, Mining and Safety (Division) received an incomplete Notice of Intent to Conduct Prospecting Operations (NOI) for the Smuggler Gold Mine in Gilpin County, File No. P-2012-011. The following must be received by the Division before the NOI is considered filed and review may begin:

1. Pursuant to Rule 5.3.3(1), upon filing a NOI, the Prospector shall provide Financial Warranty in the amount of \$2,000 per acre of the land to be disturbed, or other such amount as determined by the Office. The Applicant indicated that the total disturbance would be less than two acres; therefore, a Financial Warranty in the amount of \$4,000 must be submitted.
2. Pursuant to Rule 5.1.2(h)(ii), the Applicant must submit two separate forms. One form will contain all information, including both public and confidential information (with confidential information designated as such). The second form will contain only the information the Applicant believes is public with the applicant redacting all information to be held as confidential. The Applicant shall submit Form 2 (Public File), a copy of Form 2 has been enclosed with this letter.

In addition to identifying the above deficiencies, the Division completed a cursory review of the NOI application. Based upon the Division's review, the activities described in the proposed NOI appear to meet the definition of a mining operation rather than prospecting. Under this NOI application the Applicant is proposing to develop the tunnel level of the Smuggler Gold Mine in order to conduct test production runs at 25 TPD. Rule 1.1(31) defines a mining operation as the development or extraction of a mineral from its natural occurrences on affected land. The term includes but is not limited to, open mining, in situ mining, in situ leach mining, surface operations, and the disposal of refuse from underground mining, in situ mining and in situ leach

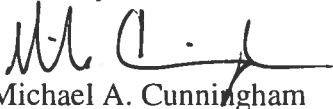
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mining. The Division will not be able to approve this NOI application in its current form. The Applicant may withdraw the NOI application and submit an application for a Reclamation Permit. In the event the NOI application is withdrawn, the \$86.00 application fee will be refunded or applied to the application fee for a Reclamation Permit. Final determination as to whether the proposed activities constitute as mining or prospecting will be made once the NOI application has been filed for review.

Please be advised that if these items have not been addressed within sixty days of the date of this letter (September 17, 2012), the Division may terminate the NOI Application in accordance with Rule 5.1.3(c) of the Mineral Rules and Regulations of the Mined Land Reclamation Board. The Division's notification process, review period of the NOI and associated Financial Warranty, and the public comment period will not commence until this information is submitted by the Applicant.

If you have any questions, please contact me at (303)866-3567 x8116.

Sincerely,



Michael A. Cunningham
Environmental Protection Specialist

CERTIFIED MAIL NO. 7010 1060 0001 0936 7856
Return Receipt Requested

CC: Tom Kaldenbach, DRMS
Tony Waldron, DRMS
Tom Hendricks, Smuggler Gold Mine, LLC