

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. Pineda
Director

July 23, 2012

Mr. Randy McClure
Rio Grande Silver, Inc.
112 E. 12th Street
Creede, CO 81130

Re: Bulldog Mine Operation, Permit No. M-1977-215, Technical Revision Approval, Revision No. TR-19

Dear Mr. McClure:

On July 18, 2012 the Division of Reclamation, Mining and Safety approved the Technical Revision application submitted to the Division on July 16, 2012, addressing the following:

Temporary building at 9360 facilities area.

The terms of the Technical Revision No. 19 approved by the Division are hereby incorporated into Permit No. M-1977-215. All other conditions and requirements of Permit No. M-1977-215 remain in full force and effect.

The additional reclamation costs associated with this revision are estimated to be \$6,043, bringing the new total estimated liability amount to \$123,855.00. This exceeds the bond amount of \$117,812.00 that is currently held by the Division. Please submit additional bond in the amount of \$6,043.00. The revision will not be final until the bond is approved by the Division. The reclamation costs for this revision are shown on the estimate enclosed herewith.

Additional bonding must be provided on an approved warranty form that can be found on our website: www.mining.state.co.us. For questions regarding the forms, please contact Barbara Coria in our Denver office (see letterhead address, above), or at 303-866-3567 ext. 8148.

If you have questions about the bond estimate or this revision, please contact me at 970-247-5193.

Sincerely,

Bob Oswald
Environmental Protection Specialist

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Randy McClure/M-1977-215
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Enclosure: Bond estimate

Ec: Barbara Coria, DRMS Denver

(c:\12-07 docs\Bulldog TR-19 Appr-FW/rco)

COST SUMMARY WORK

Task description: Cost summary

Site: Bulldog Mine Operation

Permit Action: TR-19

Permit/Job#: M1977215

PROJECT IDENTIFICATION

Task #: 000

State: Colorado

Abbreviation: None

Date: 7/16/2012

County: Mineral

Filename: M215-000

User: RCO

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
001	Remove shotcrete building	DEMOLISH	1	16.00	\$4,340.99
002	Grade footprint of building and disposal pit	DOZER	1	0.54	\$140.15
003	Replace topsoil on disturbed area	DOZER	1	0.09	\$22.06
004	Revegetate disturbed area	REVEGE	1	2.00	\$165.72
<u>SUBTOTALS:</u>				18.63	\$ \$4,668.92

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance: 2.02
Performance bond: 1.05
Job superintendent: 0.00
Profit: 10.00

Total = \$94.31

Total = \$49.02

Total = \$0.00

Total = \$466.89

TOTAL O & P = \$610.22

CONTRACT AMOUNT (direct + O & P) = \$5,279.14

LEGAL - ENGINEERING - PROJECT MANAGEMENT:

Financial warranty processing (legal/related costs): 500.00
Engineering work and/or contract/bid preparation: 0.00
Reclamation management and/or administration: 5.00

Total = 500.00

Total = \$0.00

\$263.96

CONTINGENCY: 0.00

Total = \$0.00

TOTAL INDIRECT COST = \$1,374.18

TOTAL BOND AMOUNT (direct + indirect) = \$6,043.10

Note: No additional mobilization cost is included, since it is included in the bond estimate for TR-17 and TR-18.

DEMOLITION WORK

Task description: Remove shotcrete building

Site: Bulldog Mine Operation

Permit Action: TR-19

Permit/Job#: M1977215

PROJECT IDENTIFICATION

Task #: 001

State: Colorado

Abbreviation: None

Date: 7/16/2012

County: Mineral

Filename: M215-001

User: RCO

Agency or organization name: DRMS

UNIT COSTS

Location adjustment: 99.50 %

Structure or Item Description	Dimensions	Demolition Menu Selection	Quantity	Unit	Unit Cost	Total Cost
Shotcrete bldg - remove superstructure	40 x 40 x 25	Bldg. (SN) demo./on-site disposal in existing pit or cut - Max. 50 ft. push	4,000.00	CF	\$0.15	\$608.00
Shotcrete bldg - concrete stemwalls	140' x 6' x 6"	Bldg. (SC) demo./on-site disposal in existing pit or cut - Max. 50 ft. push	1,000.00	CF	\$0.20	\$198.00
Shotcrete bldg - concrete floor	40 x 40	Demo. and on-site disposal in excavated pit, 6 in. thick - Max. 50 ft. push	1,600.00	SF	\$1.60	\$2,560.00
Shotcrete bldg - perimeter footer	160 x 1 x 2 ft	Demo. and on-site disposal in existing pit, 1.0 ft. x 2 ft. - Max. 50 ft. push	160.00	LF	\$6.23	\$996.80

Job Hours: 16.00

Subtotal
(unadjusted): \$4,362.80

Total Cost
(adjusted for location): \$4,340.99

Notes:

1. Costs for this task assume that all materials are inert can be buried for disposal in onsite pit.
2. No costs are included for contaminant or hydrocarbon disposal.
3. No costs are included for storage containers, since they are considered portable and reusable by contractor.

BULLDOZER WORKTask description: Grade footprint of building and disposal pitSite: Bulldog Mine OperationPermit Action: TR-19Permit/Job#: M1977215**PROJECT IDENTIFICATION**Task #: 002State: ColoradoAbbreviation: NoneDate: 7/16/2012County: MineralFilename: M215-002User: RCOAgency or organization name: DRMS**HOURLY EQUIPMENT COST**Basic Machine: Cat D9T - 9SUHorsepower: 405Blade Type: Semi-UniversalAttachment: 3-shank ripperShift Basis: 1 per dayData Source: (CRG)**Cost Breakdown:**

		<u>Utilization %</u>
Ownership Cost/Hour:	<u>\$80.19</u>	<u>NA</u>
Operating Cost/Hour:	<u>\$140.68</u>	<u>100</u>
Ripper op. Cost/Hour:	<u>\$0.00</u>	<u>0</u>
Operator Cost/Hour:	<u>\$38.49</u>	<u>NA</u>

Total unit Cost/Hour: \$259.35Total Fleet Cost/Hour: \$259.35**MATERIAL QUANTITIES**Initial Volume: 300Swell factor: 1.165Loose volume: 350 LCYSource of estimated volume: Division of Reclamation, Mining & SafetySource of estimated swell factor: Cat Handbook**HOURLY PRODUCTION**Average push distance: 60 feetUnadjusted hourly production: 1,872.0 LCY/hrMaterials consistency description: Consolidated stockpile 1.0Average push gradient: 0 %Average site altitude: 9,360 feetMaterial weight: 2,900 lbs/LCYWeight description: Decomposed rock - 50% Rock, 50% Earth**Job Condition Correction Factor**

		<u>Source</u>
Operator Skill:	<u>0.750</u>	<u>(AVG.)</u>
Material consistency:	<u>1.000</u>	<u>(CAT HB)</u>
Dozing method:	<u>1.000</u>	<u>(GEN.)</u>

Visibility:	1.000	(AVG.)
Job efficiency:	0.830	(1 SHIFT/DAY)
Spoil pile:	0.700	(FND-MF)
Push gradient:	1.000	(CAT HB)
Altitude:	1.000	(CAT HB)
Material Weight:	0.793	(CAT HB)
Blade type:	1.000	(PAT)

Net correction: 0.3455

Adjusted unit production: 646.78 LCY/hr
 Adjusted fleet production: **646.78 LCY/hr**

JOB TIME AND COST

Fleet size: 1 Dozer(s)
 Unit cost: \$0.401/LCY

 Total job time: **0.54 Hours**
 Total job cost: **\$140.15**

BULLDOZER WORKTask description: Replace topsoil on disturbed areaSite: Bulldog Mine OperationPermit Action: TR-19Permit/Job#: M1977215**PROJECT IDENTIFICATION**Task #: 003State: ColoradoAbbreviation: NoneDate: 7/16/2012County: MineralFilename: M215-003User: RCOAgency or organization name: DRMS**HOURLY EQUIPMENT COST**Basic Machine: Cat D9T - 9SUHorsepower: 405Blade Type: Semi-UniversalAttachment: 3-shank ripperShift Basis: 1 per dayData Source: (CRG)**Cost Breakdown:**

		<u>Utilization %</u>
Ownership Cost/Hour:	<u>\$80.19</u>	<u>NA</u>
Operating Cost/Hour:	<u>\$140.68</u>	<u>100</u>
Ripper op. Cost/Hour:	<u>\$0.00</u>	<u>0</u>
Operator Cost/Hour:	<u>\$38.49</u>	<u>NA</u>

Total unit Cost/Hour: \$259.35Total Fleet Cost/Hour: \$259.35**MATERIAL QUANTITIES**Initial Volume: 60Swell factor: 1.215Loose volume: 73 LCYSource of estimated volume: Division of Reclamation, Mining & SafetySource of estimated swell factor: Cat Handbook**HOURLY PRODUCTION**Average push distance: 100 feetUnadjusted hourly production: 1,243.2 LCY/hrMaterials consistency description: Partly consolidated stockpile 1.1Average push gradient: 0 %Average site altitude: 9,360 feetMaterial weight: 1,600 lbs/LCYWeight description: Top Soil**Job Condition Correction Factor**

		<u>Source</u>
Operator Skill:	<u>0.750</u>	<u>(AVG.)</u>
Material consistency:	<u>1.100</u>	<u>(CAT HB)</u>
Dozing method:	<u>1.000</u>	<u>(GEN.)</u>

Visibility:	1.000	(AVG.)
Job efficiency:	0.830	(1 SHIFT/DAY)
Spoil pile:	0.700	(FND-MF)
Push gradient:	1.000	(CAT HB)
Altitude:	1.000	(CAT HB)
Material Weight:	1.438	(CAT HB)
Blade type:	1.000	(PAT)

Net correction: 0.6893

Adjusted unit production: 856.94 LCY/hr

Adjusted fleet production: 856.94 LCY/hr

JOB TIME AND COST

Fleet size: 1 Dozer(s)
Unit cost: \$0.303/LCY

Total job time: 0.09 Hours
Total job cost: \$22.06

REVEGETATION WORKTask description: Revegetate disturbed areaSite: Bulldog Mine OperationPermit Action: TR-19Permit/Job#: M1977215**PROJECT IDENTIFICATION**Task #: 004State: ColoradoAbbreviation: NoneDate: 7/16/2012County: MineralFilename: M215-004User: RCOAgency or organization name: DRMS**FERTILIZING****Materials**

Description	Units / Acre	Unit	Cost / Unit	Cost /Acre
10-34-0, 18-46-0, 5-10-5	200.00	pound	\$0.32	\$64.00
			Total Fertilizer Materials Cost/Acre	\$64.00

Application

Description	Cost /Acre
Truck whirlwind spreader (MEANS 32 01 90.13 0140)	\$20.91
Total Fertilizer Application Cost/Acre	\$20.91

TILLING

Description	Cost /Acre
Weed control spraying (MEANS 31 31 16.13 3100)	\$145.20
Total Tilling Cost/Acre	\$145.20

SEEDING

Seed Mix	Rate – PLS LBS / Acre	Seeds per SQ. FT	Cost /Acre
Arizona Fescue - Redondo	1.00	11.48	\$10.80
Slender Wheatgrass - Native	9.00	32.85	\$19.80
Western Wheatgrass - Native	13.00	32.83	\$38.74
Flax, Lewis Blue	1.00	6.63	\$16.17
Penstemon, Rocky Mountain	2.00	31.35	\$66.00
Totals Seed Mix	26.00	115.14	\$151.51

Application

Description	Cost /Acre
Broadcast seeding [DMG]	\$255.76

Total Seed Application Cost/Acre	\$255.76
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MULCHING and MISCELLANEOUS**Materials**

Description	Units / Acre	Unit	Cost / Unit	Cost /Acre
			\$	\$
Total Mulch Materials Cost/Acre				\$0.00

Application

Description	Cost /Acre
	\$
Total Mulch Application Cost/Acre	\$0.00

NURSERY STOCK PLANTING

Common Name	No / Acre	Type and Size	Planting Cost	Fertilizer Pellet Cost	Cost /Acre
					\$
Totals Nursery Stock Cost / Acre					\$0.00

JOB TIME AND COST

No. of Acres:	0.2	Cost /Acre:	\$637.38
Estimated Failure Rate:	30%	Cost /Acre*:	\$637.38
*Selected Replanting Work Items: <u>FERTILIZING,TILLING,SEEDING</u>			
Initial Job Cost:	\$127.48		
Reseeding Job Cost:	\$38.24		
Total Job Cost:	\$165.72		
Job Hours:	2.00		