




COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
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: Preoperation Inspection	INSPECTOR(S): Bob Oswald	INSP. DATE: July 19, 2012	INSP. TIME: 10:00
OPERATOR: Star Mine Operations, LLC	OPERATOR REPRESENTATIVE: Rory Williams	TYPE OF OPERATION: 112d-1 - Designated Mining Operation	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: NA
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: August 21, 2012

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>NA</u>	(RD) ROADS----- <u>NA</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>NA</u>	(EX) EXPLOSIVES----- <u>NA</u>
(PW) PROCESSING WASTE/TAILING---- <u>NA</u>	(SF) PROCESSING FACILITIES----- <u>Y</u>	(TS) TOPSOIL----- <u>NA</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>NA</u>	(FW) FISH & WILDLIFE----- <u>NA</u>	(RV) REVEGETATION---- <u>NA</u>
(SM) SIGNS AND MARKERS----- <u>NA</u>	(SP) STORM WATER MGT PLAN---- <u>NA</u>	(SB) COMPLETE INSP---- <u>NA</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>NA</u>	(SC) EROSION/SEDIMENTATION-- <u>NA</u>	(RS) RECL PLAN/COMP-- <u>NA</u>
(AT) ACID OR TOXIC MATERIALS----- <u>Y</u>	(OD) OFF-SITE DAMAGE----- <u>NA</u>	(ST) STIPULATIONS----- <u>NA</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 was a pre-operation inspection performed by the Division as part of its review of a new 112 DMO permit application submitted to the Division. The operator named on page one was present; several others were also present representing the operator: James Williams, John Trujillo, and John Bettridge. Also present from DRMS was Russ Means. All persons were present throughout the inspection. The locked gate on the access bridge to the site contained the required posted notice of the 112 DMO application. The gate helps control against unauthorized access to the site.

The application involves land that has been previously disturbed under an earlier permit and to pre-law mining activity. All proposed affected areas within the permitted area are on lands owned or controlled by the applicant. A couple small areas are within 200 feet of national forest land and/or county roads. The operator has provided evidence of mailing notices to those parties.

There were several activities being carried out onsite during the inspection, mainly consisting of site clean-up and structural rehabilitation, both of which were unrelated to this permit application and to any mining-related matters. Metal debris was being placed in large roll-off dumpsters for offsite disposal or salvage, and wood debris was piled for onsite burning, if appropriate. There were no contaminants or hazardous materials observed.

The site contains a large, pre-law development rock dump at the portal level, extending from the portal and toe of the hillside to the creek. A pond was created decades ago by the placement of part of the development rock. Portal discharge is directed into the pond, where it drops its sediment before it exits at the other end of the pond. There is a wetland below (north of) part of the development rock dump, containing a small seep (possibly piped) from the pond and several historic structures and pieces of equipment, which will be relocated prior to any disturbance.

The rock dump contains a small pile of low grade ore that has existed there for several decades. It was not milled or hauled away due to low metal prices in the past. It was observed that the ore does not exhibit any sign typical of mineralization: no staining of the ground or oxidized surfaces on the ore. The operator's mine geologist explained that the host rock contains a high amount of buffering capacity, reducing the rock's potential for acid generation from weathering and leaching of minerals. The proposed plan is for the low grade ore to be removed from the surface and processed. Future mined ore will be processed before it reaches the surface.

The application is to re-open the mine and to construct a mill to process the ores onsite. All ores will be hauled directly to an underground mill for processing. The proposed plan is to fill the existing pond with a mix of new development rock and mill tailings that are decanted and hauled there. Other development rock and tails placement in the footprint of the existing wetland will create a new pond, for sediment control. Further placement of rock and tails will raise the surface elevation of a large portion of the proposed affected area. It is planned that placement and grading of these materials will help blend the new surface with the hill slope and contribute to its stability also. Placement of these fill materials on the western cell will require the construction of a new creek crossing; the proposed bridge and spur road location were observed (below the Atlas tailings).

There will be three new shafts developed for ventilation and/or secondary escape. These will be on upland settings within the claims owned by the applicant, and in locations accessible via existing roads.

The permit is located in a drainage basin that has been impacted by a high amount of natural mineralization as well as decades of mining and milling. The operator has been carrying out a quarterly water sampling program, which will be continued for several more quarters to establish baseline water quality. Beyond the first five consecutive quarters (the minimum required before any mining may commence), sampling will continue on a defined schedule throughout the life of the permit. All surface sampling locations were inspected. They are located to account for impacts from various upstream and downstream disturbances, and contributions from each portion of the mine itself. The sampling results are forwarded to the Division for review.

All technical adequacy questions related to the permit application will be discussed in separate correspondence, as needed. The site clean-up and rehabilitation were being carried out in orderly fashion. There were no problems noted. This inspector appreciates the applicant's time provided for this inspection.

For questions related to this report, please contact the inspector at the Division's Durango Field Office:

DRMS – Durango Field Office

691 CR 233, Room A-2

Durango, CO 81301

Telephone: 970-247-5193

Inspection Contact Address

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CC: John Trujillo, Mine Manager, PO Box 835, Ouray, CO 81427
Greg Lewicki and Associates, 11541 Warrington Ct., Parker, CO 80138

(There are two pages of inspection photos following this page.)

PHOTOGRAPHS



