




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: Monitoring	INSPECTOR(S): Bob Oswald	INSP. DATE: July 25, 2012	INSP. TIME: 10:30
OPERATOR: Star Mine Operations, LLC	OPERATOR REPRESENTATIVE: James 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: Cloudy	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: August 22, 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>N</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>Y</u>	(RS) RECL PLAN/COMP-- <u>NA</u>
(AT) ACID OR TOXIC MATERIALS----- <u>NA</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 follow-up inspection of the proposed 112 DMO permitted area, performed by the Division for purposes of providing introduction and orientation of the site to additional DRMS staff members. Present onsite representing the operator were James Williams, John Trujillo and John Bettridge. Present from DRMS were this inspector, Division Director Loretta Pineda, and Minerals Program Supervisor Tony Waldron. All parties were present throughout the inspection. Since not all areas of the site were inspected this is considered to be a partial inspection.

Crews were working onsite during the inspection, upgrading the surface structures and rehabilitating the underground workings. (These are presently being carried out for a separate project, and to comply with MSHA, and are not associated with this as-yet unpermitted operation. However, they will be utilized by this operation upon it becoming permitted.) Old surface structures are being rehabilitated, including better lighting and insulation. The proposed tailings disposal areas were inspected. There will be two cells, one nearer to the mine facilities and the other farther to the west. There will be a space left between the two cells which will allow future avalanches to avoid disturbing them. Visible up on the slope above the mine facilities complex is a small dump indicating the location of the 960 incline vent raise, one of the three vents to be part of the new operation. The route of the upland drainage channel was indicated, up on the wooded slope above the mine complex; it will be constructed and maintained by hand.

Many new areas for proposed activities will be constructed underground, for better visual quality of the site and for durability against weather and avalanches. The inspection party walked into the Revenue Tunnel to inspect recent changes. A new electric substation will be installed in a small bay that has been created a short distance in by the portal. The substation space has been meshed and rock bolted, and will be shotcreted. New, quieter ventilation fans have been installed, and with the new brattice cloth, air is directed to the headings and work areas. Drillers were active in the tunnel, and a slusher and mucker were set up to remove blasted development rock. About 550 feet in by is the intersection of the Revenue Tunnel and the Yellow Rose Vein Drift, where the group stopped. At this intersection there are two of the groundwater sampling locations, since both branches of the mine here make water. Other improvements that were observed underground include: better underground drainage control, new brattice cloth for ventilation, new cabling and pipe, new rail, new ties (wood and steel), The existing Revenue Tunnel dimensions (8' x 14') do not need to be enlarged for this new operation.

Mine Manager John Trujillo is also project geologist and he explained the nature of the ore found in the veins of this mine. The buffering capacity of the country rock and cleaner ore due to propylitic alteration lend a somewhat benign quality to the ore. This helps to explain the lack of visible staining (oxidation and leaching) on and near the low grade ore pile, which has been present on the pad surface for several decades.

Aspects of the proposed reclamation plan were discussed. Some concurrent reclamation is proposed, and the operator is committed to performing those tasks wherever possible, for the appearance of the site, plus stability.

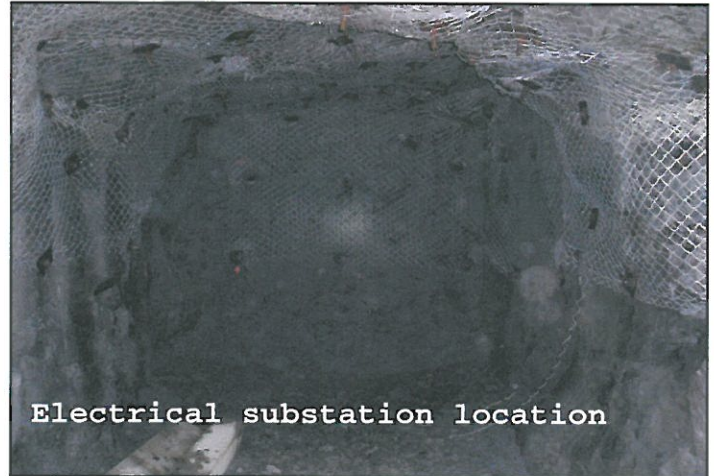
The Division staff appreciates the time and effort spent by the operator for this follow-up inspection. For questions related to this report, please contact the inspector at the Division's Durango Field Office: DRMS – Durango Field Office, 691 CR 233, Room A-2, Durango, CO 81301.

PHOTOGRAPHS

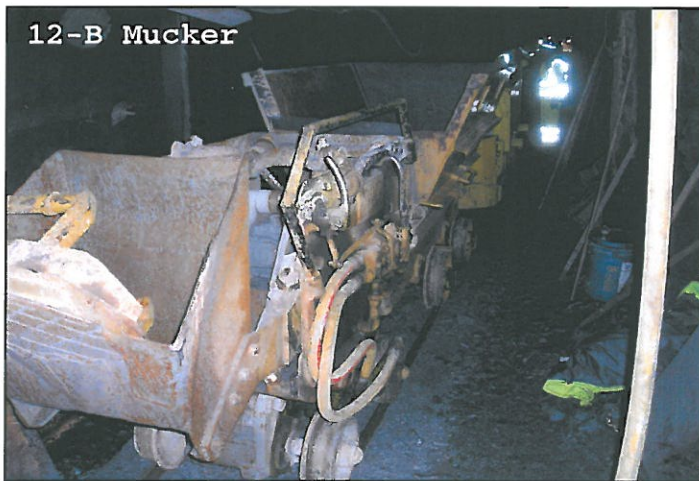
Inspection Contact Address

Rory Williams
Star Mine Operations, LLC
1675 Larimer Street, Suite 820
Denver, CO 80202

Cc: John Trujillo
Star Mine Operations LLC
PO Box 835
Ouray, CO 81427



Electrical substation location



12-B Mucker



960 incline vent (photo center)

(no photo)



Compressor