




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: Brown Derby Mine	MINE/PROSPECTING ID#: M-1999-074	MINERAL: Gems, lepidolite	COUNTY: Gunnison
INSPECTION TYPE: Monitoring	INSPECTOR(S): Dustin M. Czapla	INSP. DATE: August 16, 2012	INSP. TIME: 09:30
OPERATOR: Precious Offerings Minerals Exchange, Inc.	OPERATOR REPRESENTATIVE: Jake Wilkinson	TYPE OF OPERATION: 110(2) - Hard Rock Limited Impact	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: \$1,919.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: August 24, 2012

The following inspection topics were identified as having Problems or Possible Violations. OPERATORS SHOULD READ THE FOLLOWING PAGES CAREFULLY IN ORDER TO ASSURE COMPLIANCE WITH THE TERMS OF THE PERMIT AND APPLICABLE RULES AND REGULATIONS. If a Possible Violation is indicated, you will be notified under separate cover as to when the Mined Land Reclamation Board will consider possible enforcement action.

INSPECTION TOPIC: Financial Warranty

PROBLEM/POSSIBLE VIOLATION: Problem: The financial warranty is not adequate to reclaim the site in accordance with the approved reclamation plan. This is a failure to maintain the proper financial warranty amount to complete reclamation of the affected lands pursuant to C.R.S. 34-32-117(4)(b) of the Act.

CORRECTIVE ACTIONS: The operator shall submit adequate financial warranty, as determined by the Division. The Division will be sending a separate surety increase notice to the operator regarding the increase of the financial warranty. The operator will have 60 days from the date on the surety increase notice to post the additional financial warranty.

CORRECTIVE ACTION DUE DATE: 10/23/12

OBSERVATIONS

This inspection was conducted as part of the Division of Reclamation, Mining and Safety's (Division) normal monitoring program. Jake Wilkinson, representing the operator was present during this inspection. Photographs are included with this report in order to illustrate some of the conditions observed.

The site is located approximately 16 miles east of Gunnison. Directions to the site are as follows:

1. From CR76 at (38.521879°, -106.667623°)
2. Turn onto CR44 and go southeast 1.1 miles to (38.507293°, -106.663938°)
3. Turn east onto CR 802A and go .7 miles to (38.502672°, -106.653766°)
4. Veer left and go .1 miles to (38.502775°, -106.652183°)
5. Turn left onto CR 802 and go east 2.1 miles to (38.516890°, -106.620560°)
6. Turn left and go north .1 miles to (38.518031°, -106.620924°)
7. Veer left and continue north 1.7 miles to (38.538592°, -106.626345°)
8. Turn left and go .1 mile to (38.539736°, -106.625564°)
9. Stay left and go .2 miles to (38.539929°, -106.628124°)
10. Stay right and go .2 miles to site at (38.541480°, -106.626470°)

There is alternate access from CR76 available, through private property, at 38.544059°, -106.644403°.

The Division currently holds a financial warranty amount of \$1,919.00 for this site. The Division has reviewed the reclamation costs, in order to ensure the financial warranty reflects the actual current cost of fulfilling the requirements of the Reclamation Plan, and determined that the current financial warranty amount is insufficient. The Operator will be notified under separate cover of a financial warranty increase.

Adequate mine identification signage was located inside the portal entrance, behind the steel grating.

The affected area boundary was adequately marked by corner posts.

The site consists of a headwall cut into the west slope of the hill, where a grated portal is located. A flat bench area is located just outside the portal.

The site was free of debris and noxious weeds.

No stability, erosion or sedimentation concerns were noted. Overall, the site appears to be in good order.

No other problems or violations were noted during this inspection.

Responses to this inspection report should be directed to Dustin Czapla at the Division of Reclamation, Mining and Safety, Grand Junction Field Office, 101 South 3rd Street, Room 301, Grand Junction, Colorado 81501, phone number (970) 243-6299.

PHOTOGRAPHS



GENERAL INSPECTION TOPICS

The following list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each

(AR) RECORDS----- <u>Y</u>	(FN) FINANCIAL WARRANTY----- <u>PB</u>	(RD) ROADS----- <u>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>N</u>	(EX) EXPLOSIVES----- <u>N</u>
(PW) PROCESSING WASTE/TAILING---- <u>N</u>	(SF) PROCESSING FACILITIES----- <u>NA</u>	(TS) TOPSOIL----- <u>N</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>Y</u>	(FW) FISH & WILDLIFE----- <u>Y</u>	(RV) REVEGETATION---- <u>N</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN---- <u>NA</u>	(SB) COMPLETE INSP---- <u>N</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>Y</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(RS) RECL PLAN/COMP-- <u>N</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

Inspection Contact Address

Glynda Yoder
Precious Offerings Minerals Exchange, Inc.
200 Alder Lane
Boulder, CO
80304

Enclosure

CC: