

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

FAX: (303) 832-8106



October 1, 2012

Fred Frei
Flag Resources Inc
1412 CR 311
New Castle, CO 81641

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Pineda
Director

Silt Pit, Permit M-1981-202-SG, Annual Fee Invoice and Report Request

PLEASE READ CAREFULLY – ACTION REQUIRED

Please attach your COMPLETED written Annual Report and Annual Report Map to this form

Under the terms of your NOI or Reclamation Permit and Colorado Statutes, you must submit Annual Fees and Annual Reports (including a map). You must pay the Annual Fee and submit an Annual Report each year until reclamation responsibility release is granted. The Annual Fee is not a renewal fee. The Fee and Report are for LAST YEAR'S mining and reclamation season, and MUST be paid even if your operation was inactive.

The Annual Report and Fee requirement will be considered submitted when we have received the following components:

1. **APPROPRIATE ANNUAL FEE**
2. **COMPLETED ANNUAL REPORT**
3. **ASSOCIATED MAP as required by rule**

If you have requested reclamation responsibility release from the Division of Reclamation, Mining and Safety ("Division") but your permit is not released by the anniversary date listed below, the Annual Fee MUST be paid. If the permit is released before the anniversary date, then by Statute, it is not necessary to pay an Annual Fee or submit an Annual Report for that year.

Division records indicate the \$791.00 fee is due for the following:

| | |
|-------------------|---|
| Permit: | M-1981-202-SG |
| Operation Name: | Silt Pit |
| Anniversary Date: | November 27, 2012 |
| Total Fee Due: | \$791.00 (Due on or before your Anniversary Date) |

Return the enclosed Annual Report FORM, a MAP, and a CHECK or MONEY ORDER made payable to: Division of Reclamation, Mining and Safety, 1313 Sherman St., Room 215, Denver, CO 80203. If your records indicate these documents and fees have already been submitted, please notify the Division.

If you have additional comments and/or information that should be provided to the Division, please provide it below or attach it to this form along with your written report and map. Annual Report instructions are enclosed. If you have any questions, please feel free to contact Jim Dupler (303)866-3567 x8119 or Christine Brookshire (303)866-3567 x8132. Thank you for your cooperation in this matter.

IF THE ANNUAL FEE SUBMITTALS ARE NOT RECEIVED ON OR BEFORE YOUR ANNIVERSARY DATE, THE ENFORCEMENT PROCESS WILL AUTOMATICALLY BE INITIATED. ENFORCEMENT ACTIONS MAY RESULT IN CIVIL PENALTIES AND/OR REVOCATION OF YOUR PERMIT.

112c Annual Report

| | | | |
|-----------------|--------------------|-------------------|-------------------|
| Permittee Name: | Flag Resources Inc | Permit Number: | M-1981-202-SG |
| Operation Name: | Silt Pit | County: | Garfield |
| Annual Fee Due: | \$791.00 | Anniversary Date: | November 27, 2012 |
| Permit Acreage: | 170.70 | Current Bond Amt: | \$55,400.00 |

According to C.R.S. 34-32.5-116 or 34-32-116, each year, on the anniversary date of the permit, an operator shall submit the Annual Fee, an Annual Report and Map showing the extent of current disturbances to affected land, required monitoring information, reclamation accomplished to date and during the preceding year, any new disturbance that is anticipated to occur during the upcoming year, any reclamation that will be performed during the upcoming year, the dates for the beginning of active operations, and the date active operations ceased for the year.

Information contained in this report will be reviewed by the Division upon receipt and prior to the next compliance inspection of the site. If, while completing this report, you learn that your site is not in compliance with the rules and the act, it is advisable that the issues be rectified promptly to avoid possible enforcement action.

1. Is the site identification sign posted in accordance with Rule 3.1.12(1). YES NO
2. Is the affected area boundary clearly marked in accordance with Rule 3.1.12(2). YES NO
3. Is the mine site in final reclamation (all material extraction and stockpile removal is complete)? YES NO
If "YES," please note time limits related to completion of reclamation, Rule 3.1.3.
4. What was the date of last excavation, processing or hauling activity at the mine? _____
5. Does the mine operate more than 180 days per year? YES NO
If "NO", please review Rule 1.13 to assure that your mine is in compliance.
6. Has this mine been granted: YES NO
a) approval of TEMPORARY CESSATION Status? YES NO
b) approval for INTERMITTENT OPERATION?
7. Number of acres currently affected (mining + incomplete and or unreleased reclamation). _____
8. Number of acres that were newly affected during the current report year. _____
9. Number of acres that were reclaimed during the current report year. _____
10. Estimated new acreage to be affected in the next report year. _____
11. Estimated acres to be reclaimed in the next report year. _____
12. **Total acres** in various stages of reclamation, since permitted mining activities began:

| | | | | | | | |
|--------------------------|--|--|--|----------------------------------|--|--|--|
| Total acres backfilled: | | Total acres seeded w/ approved mix: | | Total acres w/topsoil replaced: | | Total acres mulched w/ approved mulch: | |
| Total acres graded: | | Total acres fertilized w/ apvd fertilizer: | | Topsoil replacement depth (in.): | | Mulch application rate (tons/ac): | |
| Seed application method: | | Fertilizer application method: | | Mulch application method: | | | |

13. Is weed control being conducted in accordance with an approved Weed Control Plan? YES NO N/A
If "YES", indicate the weed species, control area, control type, application rate and treatment date on the report map.
14. Is adequate topsoil reserved for reclamation, based on your approved permit? YES NO N/A
If "NO", please explain:
15. Is the reserved topsoil vegetated/stabilized in accordance with Rule 3.1.9(1)? YES NO N/A
If "NO" please explain:
16. If mining has exposed groundwater, is the site in compliance with the approved mining plan and Office of the State Engineer (Well Permit, S.W.S.P., and/or Permanent Augmentation Plan)? YES NO N/A
17. Are all hazardous materials stored within approved spill containment structures? YES NO N/A
18. Is your financial warranty value sufficient to cover the cost to complete reclamation? YES NO N/A
19. Is your basis for legal right to enter still valid? YES NO
20. Does your permit require you to submit monitoring information annually? YES NO N/A
If "Yes", please attach the required monitoring results to this Annual Report.
21. As required by rule, attach a map to this report that accurately depicts the permit boundary, current affected area boundary and location of the acreages specified in items 7- 12 and 14. UPDATED MAP ATTACHED: _____

Division records indicate the following permittee contact information. If this information is not current, please type or print **current** contact information:

| | | |
|--------------------|-------------------------------------|--|
| Permittee Contact: | Fred Frei | |
| Permittee Company: | Flag Resources Inc | |
| Address: | 1412 CR 311 New Castle, CO 81641 | |
| Phone Number: | (970) 876-2397 | |
| Fax Number: | (970) 876-5232 | |
| Email Address: | CF.PR.email | |

I, the undersigned, hereby state that the information provided in this report is true and accurate, and that site operations are being conducted in accordance with the Division approved mining and reclamation plans.

Signature of Permittee, Corporate Officer, Owner, or Documented Designee

Date