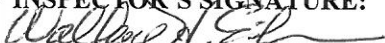




COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

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: Upper Animas Sand and Gravel Pit	MINE/PROSPECTING ID#: M-2005-065	MINERAL: Sand and gravel	COUNTY: San Juan
INSPECTION TYPE: Monitoring	INSPECTOR(S): Wallace H. Erickson	INSP. DATE: September 25, 2012	INSP. TIME: 14:00
OPERATOR: Jack Clark Jr.	OPERATOR REPRESENTATIVE: Charles R. Ponchak	TYPE OF OPERATION: 112c - Construction Regular Operation	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: Partial Bond	BOND AMOUNT: \$32,500.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Raining	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: September 27, 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>NA</u>	(FN) FINANCIAL WARRANTY----- <u>Y</u>	(RD) ROADS----- <u>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>Y</u>	(EX) EXPLOSIVES----- <u>NA</u>
(PW) PROCESSING WASTE/TAILING---- <u>NA</u>	(SF) PROCESSING FACILITIES----- <u>Y</u>	(TS) TOPSOIL----- <u>Y</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>Y</u>	(FW) FISH & WILDLIFE----- <u>Y</u>	(RV) REVEGETATION---- <u>Y</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN---- <u>Y</u>	(SB) COMPLETE INSP---- <u>Y</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>Y</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(RS) RECL PLAN/COMP-- <u>Y</u>
(AT) ACID OR TOXIC MATERIALS----- <u>Y</u>	(OD) OFF-SITE DAMAGE----- <u>Y</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 inspection occurred as part of the Division's routine monitoring of permitted operations. The 112 type permit is approved for extraction of alluvial materials from the floodplain of the Animas River, 16.3 acres affected lands, which include the Pit 1, 2, 3 and 4 areas. The Division holds \$32,500 financial warranty. This report is accompanied by 7 photos.

As shown in the photos, excavation activity had occurred at the Pit 1 and Pit 2 areas. Reclamation materials for the Pit 1 area were stockpiled along the east side of the active Pit 1 area. Reclamation materials for the Pit 2 area were stockpiled along the east side of the active Pit 2 area. Evidence of significant excavation activity at the Pit 3 and 4 areas was not observed. Pit 3 area contained various stockpiles of processed materials and was stabilized with gravel surface. Pit 4 area had been graded flat and revegetated. Affected lands appeared well maintained and stable; evidence of slumping, sliding, excessive erosion, sedimentation or infestation by weeds was not observed.

The existing \$32,500 financial warranty was calculated on March 10, 2011, as part of the CN-01 process. The existing \$32,500 financial warranty addresses reclamation for the entire 16.3 acres affected lands and appears sufficient to ensure the completion of reclamation.

No problems or possible violations were observed.

Response to this inspection report should be addressed to Wally Erickson at the Division's office in Durango at 691 County Road 233, Suite A-2, Durango, CO 81301, phone (970) 247-5469.

Inspection Contact Address

Jack Clark Jr.
Upper Animas Sand & Gravel
P.O. Box 767
Silverton, CO 81433

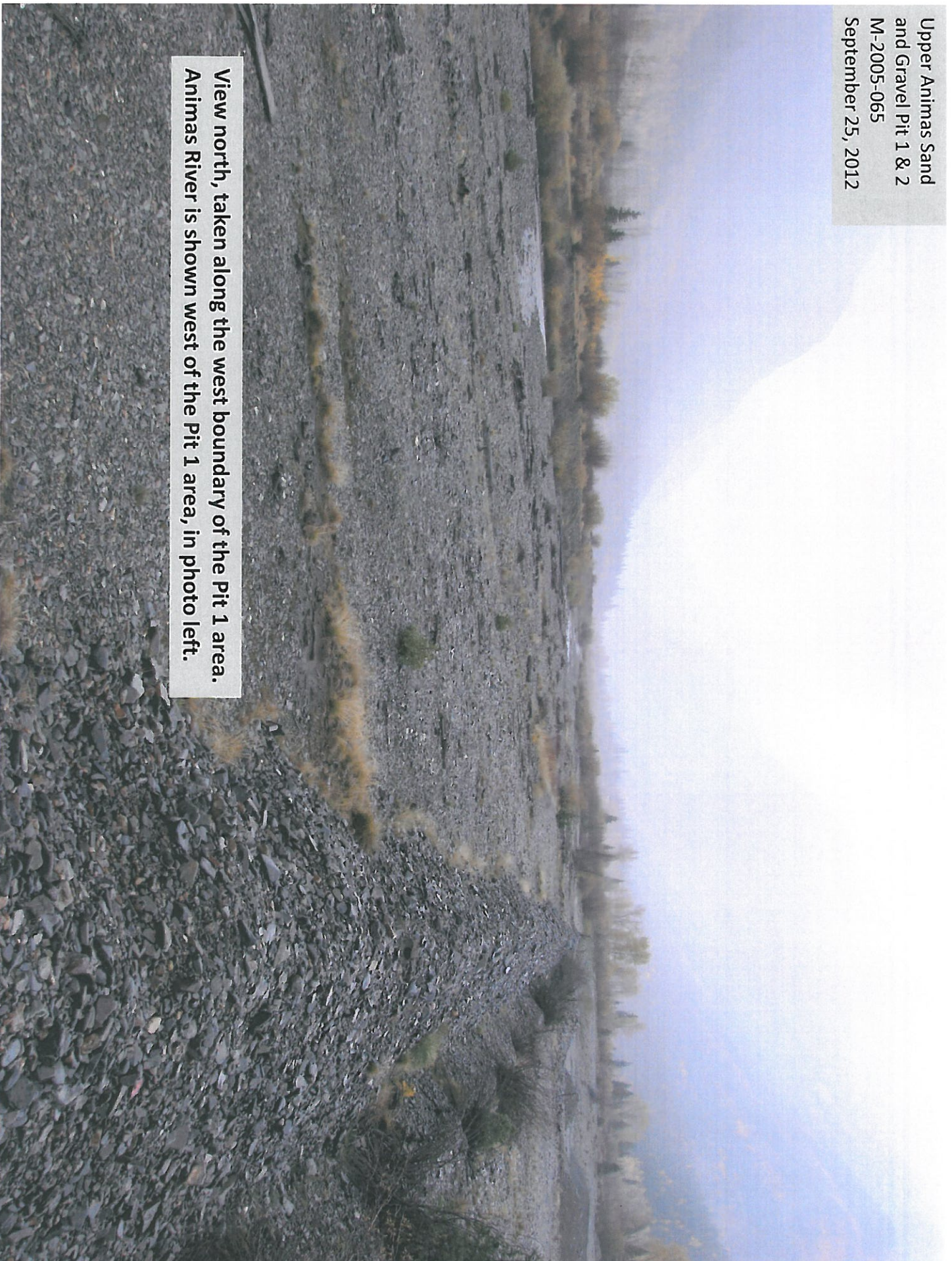
Enclosure: 7 photos

Cc w/enclosure: Charles Ponchak, Permitting Agent and Consulting Geologist

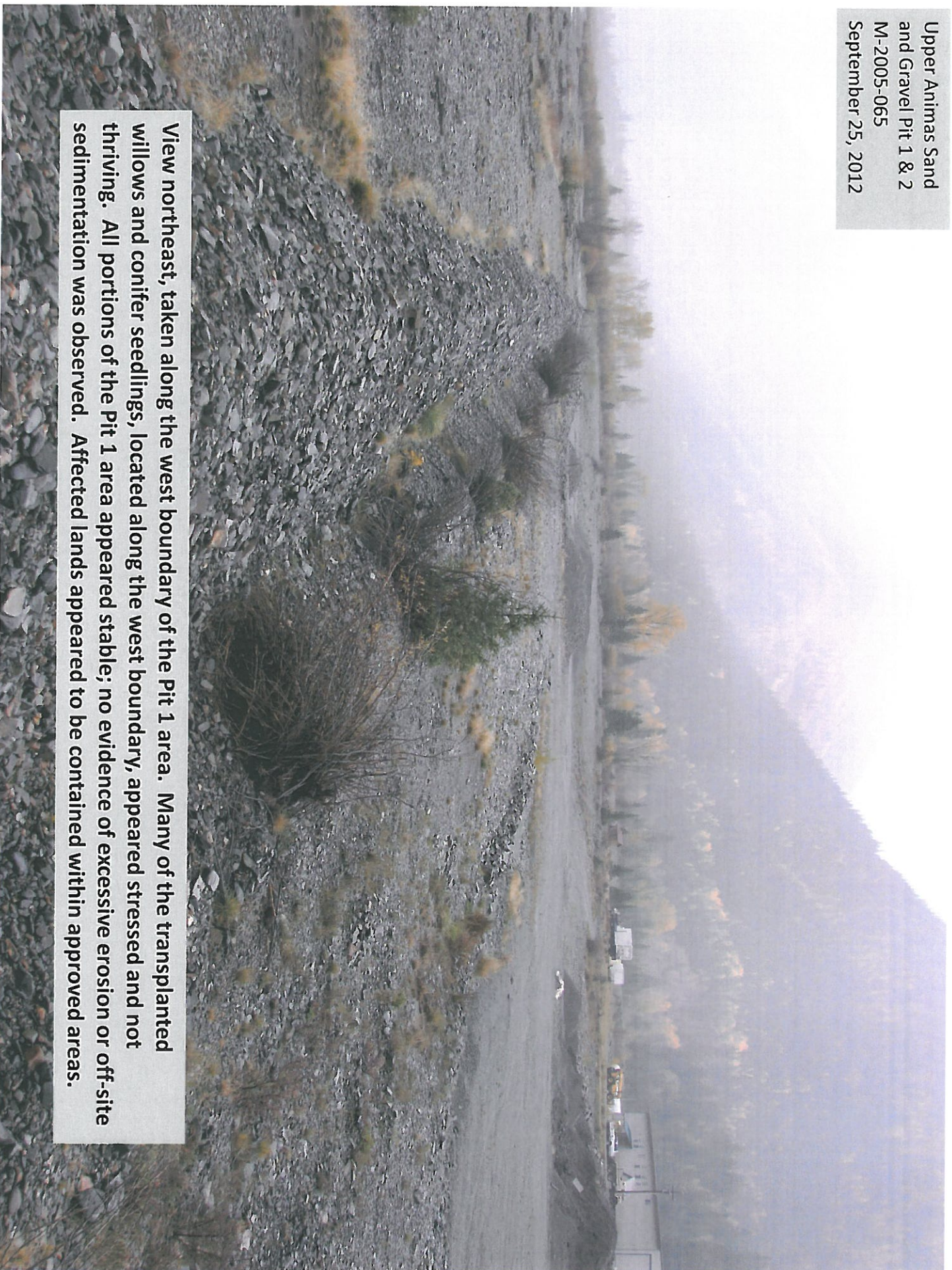
Ec w/enclosure: Jack Clark, Upper Animas Sand & Gravel
Russ Means, DRMS GJFO

Upper Animas Sand
and Gravel Pit 1 & 2
M-2005-065
September 25, 2012

View north, taken along the west boundary of the Pit 1 area.
Animas River is shown west of the Pit 1 area, in photo left.

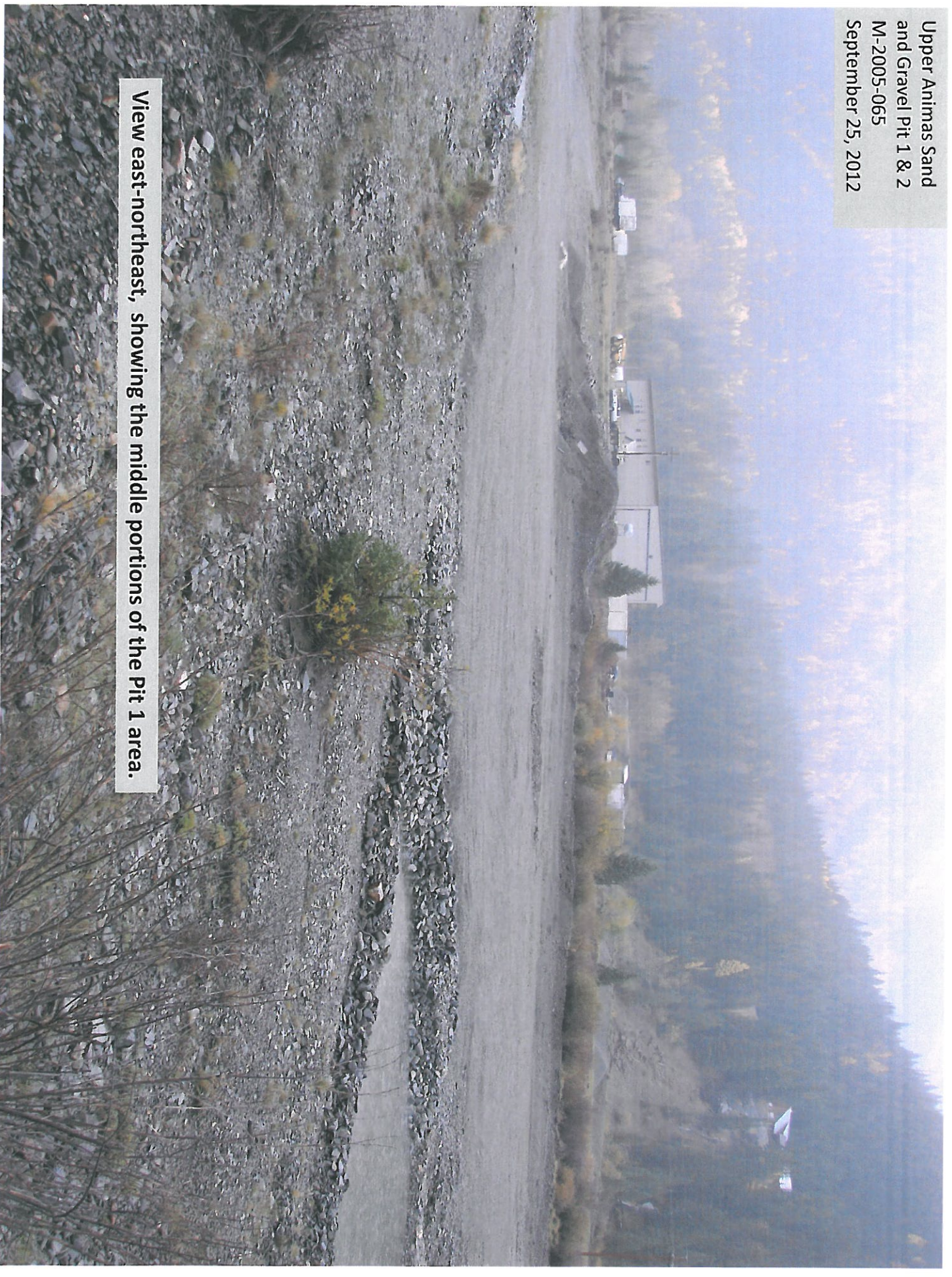


Upper Animas Sand
and Gravel Pit 1 & 2
M-2005-065
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View northeast, taken along the west boundary of the Pit 1 area. Many of the transplanted willows and conifer seedlings, located along the west boundary, appeared stressed and not thriving. All portions of the Pit 1 area appeared stable; no evidence of excessive erosion or off-site sedimentation was observed. Affected lands appeared to be contained within approved areas.

Upper Animas Sand
and Gravel Pit 1 & 2
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View east-northeast, showing the middle portions of the Pit 1 area.

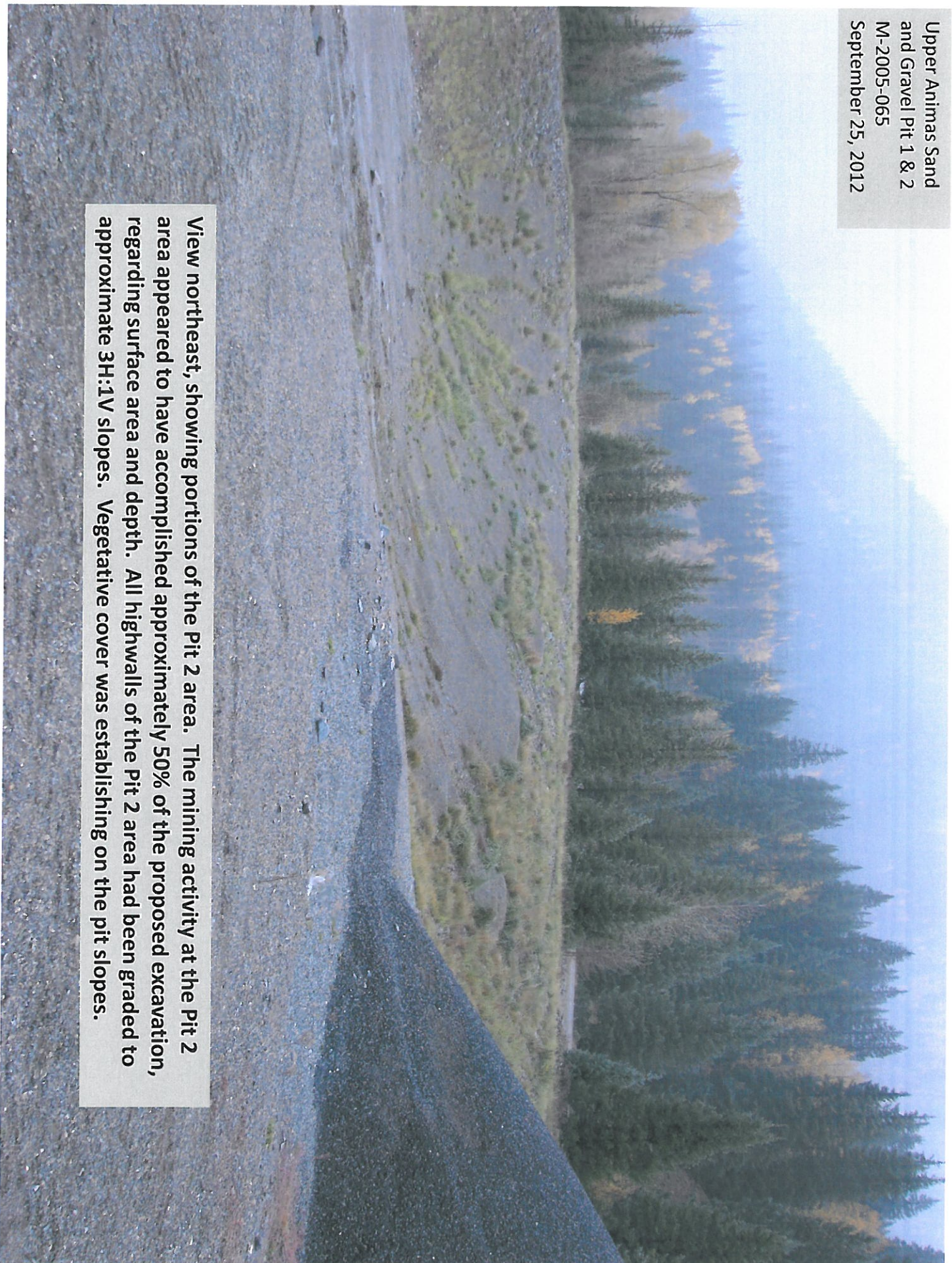
Upper Animas Sand
and Gravel Pit 1 & 2
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September 25, 2012

View east, showing the southern portions of the Pit 1 area.



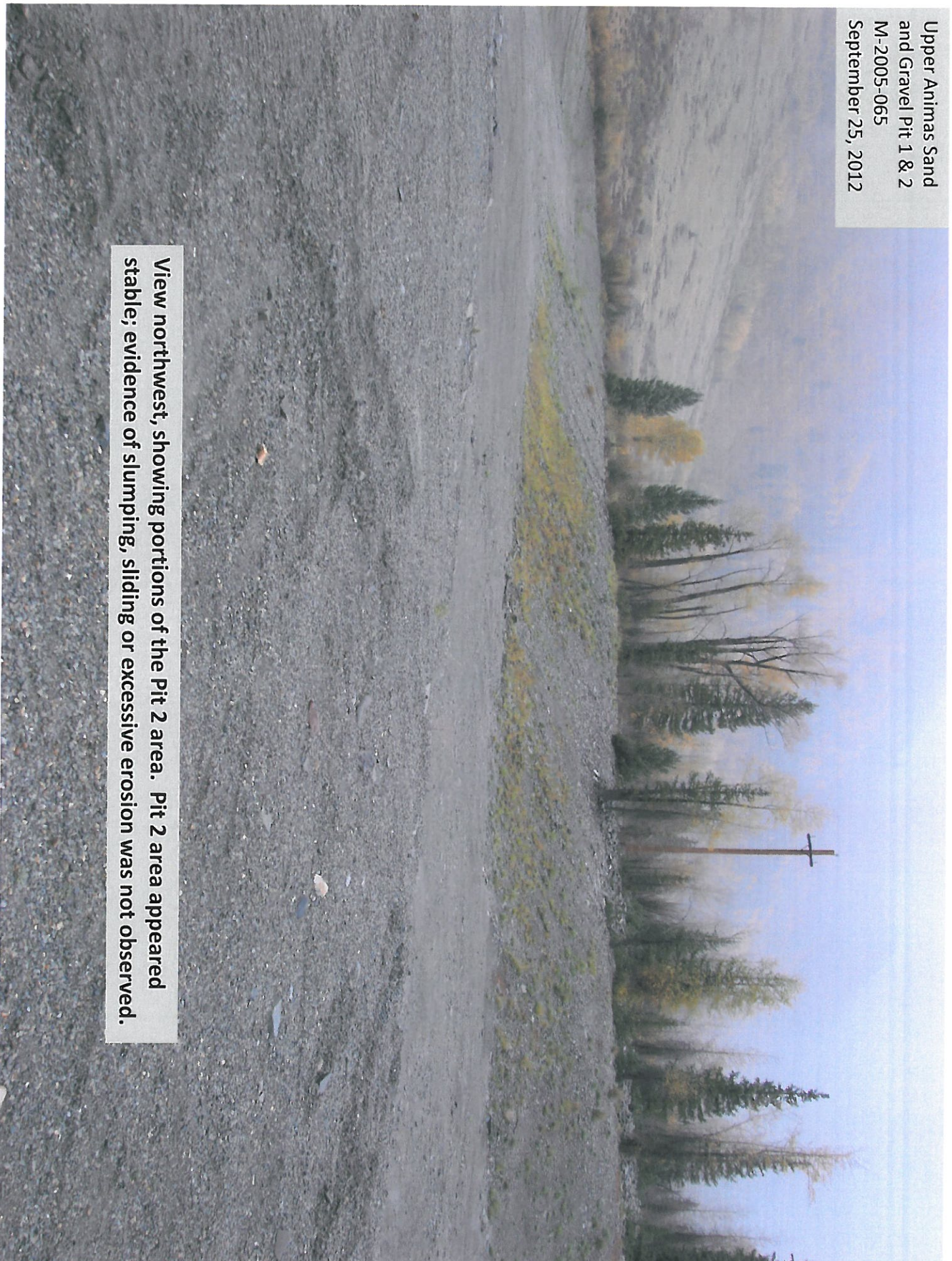
Upper Animas Sand
and Gravel Pit 1 & 2
M-2005-065
September 25, 2012

View northeast, showing portions of the Pit 2 area. The mining activity at the Pit 2 area appeared to have accomplished approximately 50% of the proposed excavation, regarding surface area and depth. All highwalls of the Pit 2 area had been graded to approximate 3H:1V slopes. Vegetative cover was establishing on the pit slopes.



Upper Animas Sand
and Gravel Pit 1 & 2
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View northwest, showing portions of the Pit 2 area. Pit 2 area appeared stable; evidence of slumping, sliding or excessive erosion was not observed.



Upper Animas Sand
and Gravel Pit 1 & 2
M-2005-065
September 25, 2012

View southeast, showing portions of the Pit 4 area. Excavation activity had not yet commenced at the Pit 3 and Pit 4 areas. Pit 3 area contained various stockpiles of processed materials and was surfaced with gravel. As shown in this photo, Pit 4 area exhibited a well established reclamation vegetative cover.

