

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

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October 21, 2012

Mr. Randy McClure
Rio Grande Silver, Inc.
112 E. 12th Street
Creede, CO 81130

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Pifeda
Director

Re: Bulldog Mine, Permit No. M-1977-215, Technical Revision Approval, Revision TR-20

Dear Mr. McClure,

On October 18, 2012 the Division of Reclamation, Mining and Safety approved the Technical Revision application submitted to the Division on September 20, 2012, addressing the following:

New core logging building with access road, plus water storage tank and fuel facility roof.

The terms of the Technical Revision No. 20 approved by the Division are hereby incorporated into Permit No. M-1977-215. All other conditions and requirements of Permit No. M-1977-215 remain in full force and effect.

The estimate for the additional bond amount associated with this revision is \$3,249.00. The packet of cost figures is enclosed herewith. Please notify me promptly if you notice any errors or omissions.

The estimated liability amount of \$127,104.00 exceeds the \$123,855.00 performance bond currently held. If you have not already done so, please submit additional bond in the amount of \$3,249.00. The revision will not be final until the bond is approved by the Division. All bond documents should be submitted directly to Barbara Coria in the Division's Denver office.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Bob Oswald". The signature is written in a cursive, flowing style.

Bob Oswald
Environmental Protection Specialist

Enclosure: TR-20 bond estimate

Ec: Russ Means, DRMS Grand Junction
Barbara Coria, DRMS Denver

(c:\12-10 docs\Bulldog TR-20 appr&fw/rco)

COST SUMMARY WORK

Task description: Cost summary

Site: Bulldog Mine Operation

Permit Action: TR-20

Permit/Job#: M1977215

PROJECT IDENTIFICATION

Task #: 000
Date: 10/18/2012
User: RCO

State: Colorado
County: Mineral

Abbreviation: None
Filename: M215-000

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
001	Remove and dispose of debris	DEMOLISH	1	16.00	\$300.49
002	Grade cut/fill slopes and affected surface	DOZER	1	3.40	\$884.51
003	Replace topsoil on affected areas	DOZER	1	1.16	\$301.69
004	Revegetate disturbed areas	REVEGE	1	8.00	\$828.59
<u>SUBTOTALS:</u>				28.56	\$ \$2,315.28

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance: 2.02
Performance bond: 1.05
Job superintendent: 0.00
Profit: 10.00

Total = \$46.77
Total = \$24.31
Total = \$0.00
Total = \$231.53

TOTAL O & P = \$302.61

CONTRACT AMOUNT (direct + O & P) = \$2,617.89

LEGAL - ENGINEERING - PROJECT MANAGEMENT:

Financial warranty processing (legal/related costs): 500.00
Engineering work and/or contract/bid preparation: 0.00
Reclamation management and/or administration: 5.00

Total = 500.00
Total = \$0.00
Total = \$130.89

CONTINGENCY: 0.00

Total = \$0.00

TOTAL INDIRECT COST = \$933.50

TOTAL BOND AMOUNT (direct + indirect) = \$3,248.78

Note:

No equipment mobilization costs are included because the cost has already been included in prior estimates.

DEMOLITION WORK

Task description: Remove and dispose of debris

Site: Bulldog Mine Operation

Permit Action: TR-20

Permit/Job#: M1977215

PROJECT IDENTIFICATION

Task #: 001

State: Colorado

Abbreviation: None

Date: 10/18/2012

County: Mineral

Filename: M215-201

User: RCO

Agency or organization name: DRMS

UNIT COSTS

Location adjustment: 99.50 %

Structure or Item Description	Dimensions	Demolition Menu Selection	Quantity	Unit	Unit Cost	Total Cost
Metal/wood debris - load on truck	Assume 20 cy	Loading and 2 mile haul, no salvage - Machine loading	20.00	CY	\$15.10	\$302.00

Job Hours: 16.00

Subtotal
(unadjusted): \$302.00

Total Cost
(adjusted for location): \$300.49

Notes:

Includes loading and hauling of misc debris from demolition of fuel station roof structure and from site of office trailer after its removal. Materials to be taken to local landfill.

BULLDOZER WORKTask description: Grade cut/fill slopes and affected surfaceSite: Bulldog Mine OperationPermit Action: TR-20Permit/Job#: M1977215PROJECT IDENTIFICATIONTask #: 002State: ColoradoAbbreviation: NoneDate: 10/18/2012County: MineralFilename: M215-202User: RCOAgency or organization name: DRMSHOURLY EQUIPMENT COSTBasic Machine: Cat D9T - 9SUHorsepower: 405Blade Type: Semi-UniversalAttachment: 3-shank ripperShift Basis: 1 per dayData Source: (CRG)Cost Breakdown:

		<u>Utilization %</u>
Ownership Cost/Hour:	\$80.19	NA
Operating Cost/Hour:	\$140.68	100
Ripper op. Cost/Hour:	\$0.72	10
Operator Cost/Hour:	\$38.49	NA

Total unit Cost/Hour: \$260.07Total Fleet Cost/Hour: \$260.07MATERIAL QUANTITIESInitial Volume: 2,420Swell factor: 1.000Loose volume: 2,420 LCYSource of estimated volume: Division of Reclamation, Mining & SafetySource of estimated swell factor: Cat HandbookHOURLY PRODUCTIONAverage push distance: 60 feetUnadjusted hourly production: 1,872.0 LCY/hrMaterials consistency description: Partly consolidated stockpile 1.1Average push gradient: 0 %Average site altitude: 9,300 feetMaterial weight: 2,900 lbs/LCYWeight description: Decomposed rock - 50% Rock, 50% EarthJob Condition Correction Factor

		<u>Source</u>
Operator Skill:	0.750	(AVG.)
Material consistency:	1.100	(CAT HB)
Dozing method:	1.000	(GEN.)

Visibility:	1.000	(AVG.)
Job efficiency:	0.830	(1 SHIFT/DAY)
Spoil pile:	0.700	(FND-MF)
Push gradient:	1.000	(CAT HB)
Altitude:	1.000	(CAT HB)
Material Weight:	0.793	(CAT HB)
Blade type:	1.000	(PAT)

Net correction: 0.3801

Adjusted unit production: 711.55 LCY/hr

Adjusted fleet production: 711.55 LCY/hr

JOB TIME AND COST

Fleet size: 1 Dozer(s)

Unit cost: \$0.365/LCY

Total job time: 3.40 Hours

Total job cost: \$884.51

Notes:

Grade footprint of temporary office trailer after its removal.

Grade area of leach field.

Grade final cut and fill slopes of access road and core building pad.

BULLDOZER WORKTask description: Replace topsoil on affected areasSite: Bulldog Mine OperationPermit Action: TR-20Permit/Job#: M1977215PROJECT IDENTIFICATIONTask #: 003State: ColoradoAbbreviation: NoneDate: 10/18/2012County: MineralFilename: M215-203User: RCOAgency or organization name: DRMSHOURLY EQUIPMENT COSTBasic Machine: Cat D9T - 9SUHorsepower: 405Blade Type: Semi-UniversalAttachment: 3-shank ripperShift Basis: 1 per dayData Source: (CRG)Cost Breakdown:

		<u>Utilization %</u>
Ownership Cost/Hour:	\$80.19	NA
Operating Cost/Hour:	\$140.68	100
Ripper op. Cost/Hour:	\$0.00	0
Operator Cost/Hour:	\$38.49	NA

Total unit Cost/Hour: \$259.35Total Fleet Cost/Hour: \$259.35MATERIAL QUANTITIESInitial Volume: 807Swell factor: 1.000Loose volume: 807 LCYSource of estimated volume: Division of Reclamation, Mining & SafetySource of estimated swell factor: Cat HandbookHOURLY PRODUCTIONAverage push distance: 60 feetUnadjusted hourly production: 1,872.0 LCY/hrMaterials consistency description: Partly consolidated stockpile 1.1Average push gradient: 0 %Average site altitude: 9,300 feetMaterial weight: 2,550 lbs/LCYWeight description: Earth - Dry packedJob Condition Correction Factor

		<u>Source</u>
Operator Skill:	0.750	(AVG.)
Material consistency:	1.100	(CAT HB)
Dozing method:	1.000	(GEN.)

Visibility:	1.000	(AVG.)
Job efficiency:	0.830	(1 SHIFT/DAY)
Spoil pile:	0.600	(FND-SF)
Push gradient:	1.000	(CAT HB)
Altitude:	1.000	(CAT HB)
Material Weight:	0.902	(CAT HB)
Blade type:	1.000	(PAT)

Net correction: 0.3706

Adjusted unit production: 693.76 LCY/hr

Adjusted fleet production: **693.76 LCY/hr**

JOB TIME AND COST

Fleet size: 1 Dozer(s)
Unit cost: \$0.374/LCY

Total job time: **1.16 Hours**
Total job cost: **\$301.69**

Notes:

Assumes 0.5 acre affected area to be topsoiled. Material to be spread 6 inches deep.
Stockpiled near affected area, no loader carry necessary.

REVEGETATION WORKTask description: Revegetate disturbed areasSite: Bulldog Mine OperationPermit Action: TR-20Permit/Job#: M1977215PROJECT IDENTIFICATIONTask #: 004State: ColoradoAbbreviation: NoneDate: 10/18/2012County: MineralFilename: M215-204User: RCOAgency or organization name: DRMSFERTILIZINGMaterials

Description	Units / Acre	Unit	Cost / Unit	Cost /Acre
10-34-0, 18-46-0, 5-10-5	200.00	pound	\$0.32	\$64.00
			Total Fertilizer Materials Cost/Acre	\$64.00

Application

Description	Cost /Acre
Truck whirlwind spreader (MEANS 32 01 90.13 0140)	\$20.91
Total Fertilizer Application Cost/Acre	\$20.91

TILLING

Description	Cost /Acre
Weed control spraying (MEANS 31 31 16.13 3100)	\$145.20
Total Tilling Cost/Acre	\$145.20

SEEDING

Seed Mix	Rate – PLS LBS / Acre	Seeds per SQ. FT	Cost /Acre
Arizona Fescue - Redondo	1.00	11.48	\$10.80
Slender Wheatgrass - Native	9.00	32.85	\$19.80
Western Wheatgrass - Native	13.00	32.83	\$38.74
Flax, Lewis Blue	1.00	6.63	\$16.17
Penstemon, Rocky Mountain	2.00	31.35	\$66.00
Totals Seed Mix	26.00	115.14	\$151.51

Application

Description	Cost /Acre
Broadcast seeding [DMG]	\$255.76

Total Seed Application Cost/Acre	\$255.76
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MULCHING and MISCELLANEOUS**Materials**

Description	Units / Acre	Unit	Cost / Unit	Cost /Acre
			\$	\$
Total Mulch Materials Cost/Acre				\$0.00

Application

Description	Cost /Acre
	\$
Total Mulch Application Cost/Acre	\$0.00

NURSERY STOCK PLANTING

Common Name	No / Acre	Type and Size	Planting Cost	Fertilizer Pellet Cost	Cost /Acre
					\$
Totals Nursery Stock Cost / Acre					\$0.00

JOB TIME AND COST

No. of Acres: 1.00 Cost /Acre: \$637.38
 Estimated Failure Rate: 30% Cost /Acre*: \$637.38
 *Selected Replanting Work Items: FERTILIZING, TILLING, SEEDING

Initial Job Cost: **\$637.38**
 Reseeding Job Cost: **\$191.21**
 Total Job Cost: **\$828.59**
 Job Hours: **8.00**