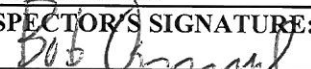




COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

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: Bulldog Mine Operation	MINE/PROSPECTING ID#: M-1977-215	MINERAL: Lead and silver	COUNTY: Mineral
INSPECTION TYPE: Preoperation Inspection	INSPECTOR(S): Bob Oswald	INSP. DATE: September 27, 2012	INSP. TIME: 10:00
OPERATOR: Rio Grande Silver, Inc.	OPERATOR REPRESENTATIVE: Randy McClure, Tom Day	TYPE OF OPERATION: 112 - Hard Rock Regular Operation	

REASON FOR INSPECTION: Preoperation Inspection	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: \$117,812.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: U.S. Forest Service	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: October 25, 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>Y</u>	(RD) ROADS----- <u>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>NA</u>	(EX) EXPLOSIVES----- <u>Y</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>NA</u>	(RV) REVEGETATION---- <u>NA</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN---- <u>NA</u>	(SB) COMPLETE INSP---- <u>NA</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>Y</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(RS) RECL PLAN/COMP-- <u>NA</u>
(AT) ACID OR TOXIC MATERIALS----- <u>Y</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 partial inspection of the Bulldog Mine, a Hard Rock 112 permit, that was performed by the Division to monitor changes that have previously been approved, and to check the site of a proposed revision prior to its installation. The operator's representatives named on page one were present throughout the inspection. The site was active at the time of the inspection. The required permit ID sign was posted at the entrance to the 9360 level facilities area.

Onsite activities at the 9360 level facilities area observed during the inspection included the continuing advancement of the new 9400 decline and portal area. The arched steel sets and lacing now extend out from the face up approximately six feet, and the operator reported that the decline has been driven about 70 feet inby. The development rock generated by the drift has been deposited below the portal in the approved manner such that it is creating a wider staging pad at the 9400 level. Topsoil has been stripped back from the area where development rock is being dumped, and windrowed along the NE edge of the waste rock area footprint. Sediment fence was installed along the lower edge of the topsoil berm.

Overhead electric power supply to the portal has been established as planned and approved. Electric supply panels have been set up and diesel generators are also present at the portal area.

The building approved in TR-19 for the shotcrete equipment was not fully completed, as it still lacked its superstructure and cover. The diesel fuel storage area appeared clean with no spilled fuel. The impermeable liner appeared to be performing well, since a small amount of precipitation was impounded in it. The operator wished to install a roof or cover structure over the fuel tanks and liner, before winter arrives. It was agreed that it could be included in the revision TR-20 that is under review.

The operator also wishes to install a water storage tank, to supply water for the facilities and offices, plus fire suppression. A suitable location behind the office building, which is currently being remodeled, was identified. The tank would need to be installed on a competent base and inside a heated building space. The location being considered would therefore require constructing a room to adjoin the existing building. This addition would also be appropriate to include in the revision TR-20 that is under review.

TR-20 was submitted originally to propose the construction of a core logging building, on a pad to be constructed by cut and fill earthwork, and accessed by a new road leading down a short distance from the office building. All disturbance would be contained within the present permit boundary and on the patented Acanthus claim. The permit boundary was marked on the ground, as was the claim boundary, making it easy to estimate the location of the access road and core building pad. Since all construction would be on a hill slope, it will be important for the operator to control sediment and runoff that will potentially increase, by use of standard sediment and runoff control measures. Likewise, all necessary earthwork practices to ensure adequate compaction and stability must be employed. These details will need to be specified in the revision before it is approved.

No other areas or features of the Bulldog mine permit were inspected at this time. All technical revision-related correspondence will be sent to the operator under separate cover. The bond was recently recalculated for TR-19 and is sufficient. There were no problems noted during the inspection.

PHOTOGRAPHS

Proposed core building location



Core access road location



Proposed water tank location



Shotcrete equipment building



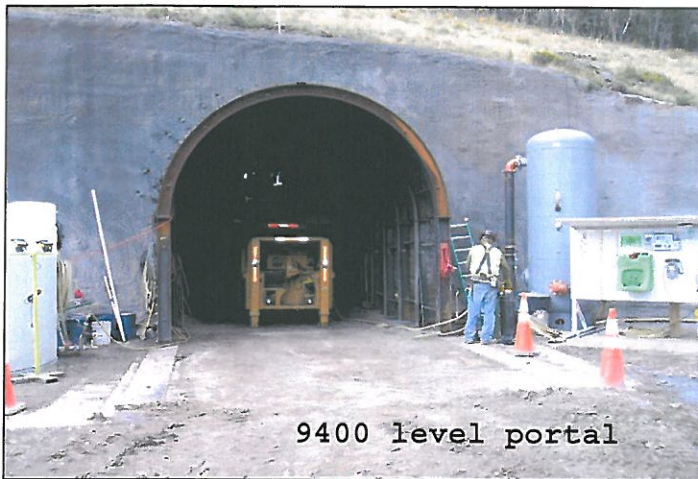
Fuel spill containment berm



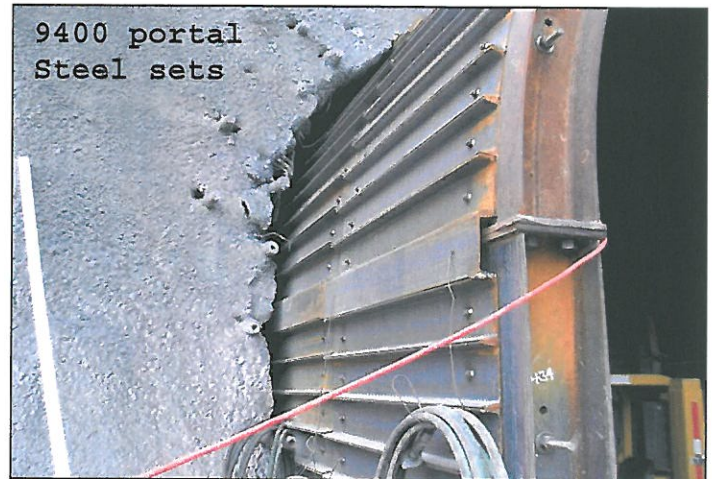
Waste rock
Storage area



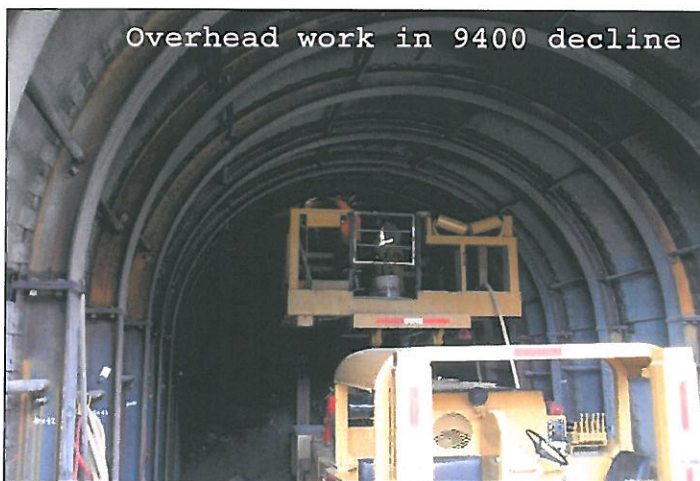
PHOTOGRAPHS



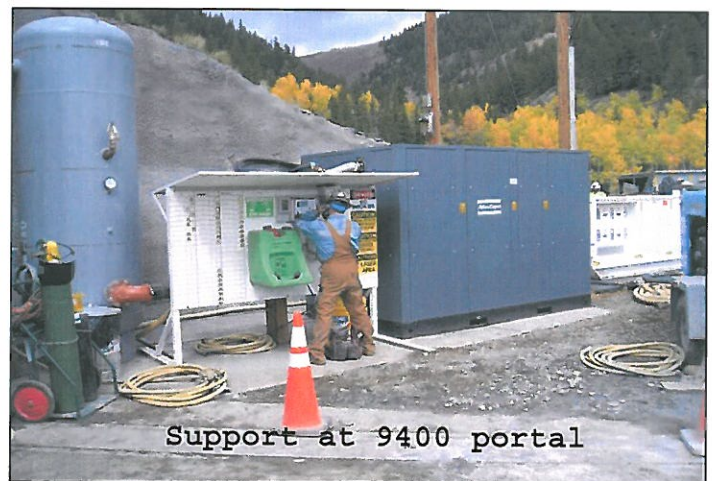
9400 level portal



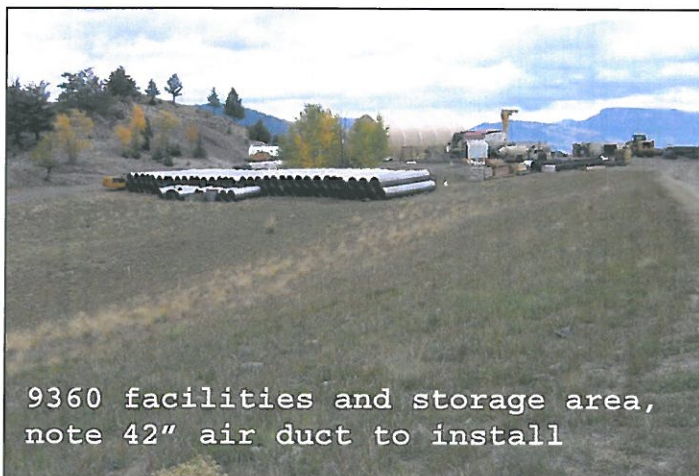
9400 portal
Steel sets



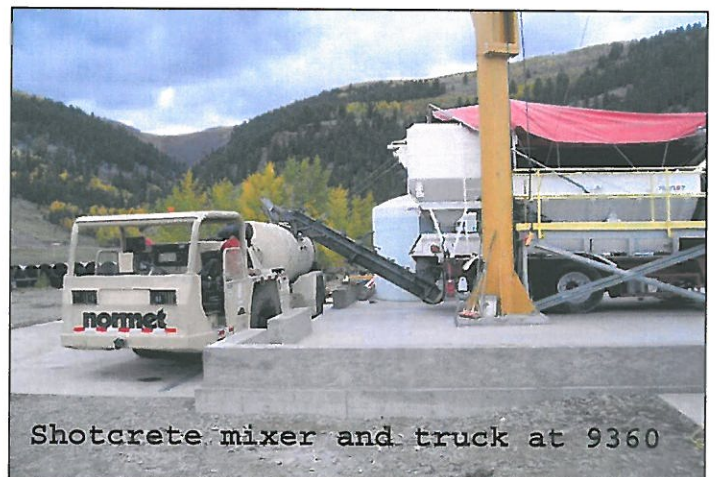
Overhead work in 9400 decline



Support at 9400 portal



9360 facilities and storage area,
note 42" air duct to install



Shotcrete mixer and truck at 9360

For questions related to this report, please contact this inspector at the Division's Durango Field Office:

DRMS – Durango Field Office
691 CR 233, Room A-2
Durango, CO 81301
Telephone 970-247-5193

Inspection Contact Address

Randy McClure
Rio Grande Silver, Inc.
112 E. 12th Street
P.O. Box 610
Creede, CO 81130

CC: Nic Sandoval, USFS, 13308 W Hwy 160, Monte Vista, CO 81144