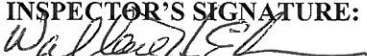




COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

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: Bachelor Syracuse Mine (Khedive Portal)	MINE/PROSPECTING ID#: M-1980-171	MINERAL: Silver and gold	COUNTY: Ouray
INSPECTION TYPE: Monitoring	INSPECTOR(S): Wallace H. Erickson	INSP. DATE: December 3, 2012	INSP. TIME: 16:00
OPERATOR: Bachelor Silver Mines Company	OPERATOR REPRESENTATIVE: Carl Dismant	TYPE OF OPERATION: 110(2) - Hard Rock Limited Impact	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: \$6,536.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Cloudy	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: December 13, 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>N</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>N</u>
(PW) PROCESSING WASTE/TAILING---- <u>NA</u>	(SF) PROCESSING FACILITIES----- <u>Y</u>	(TS) TOPSOIL----- <u>NA</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>N</u>	(SP) STORM WATER MGT PLAN---- <u>N</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 program for permitted operations. The Bachelor Syracuse Mine (Khedive Portal) is approved for 2 acres affected lands. Affected lands include the historic Khedive Portal and its waste rock stockpile (mine dump or mined materials) resulting from the original excavation of the adit, circa 1890's. Affected lands will be reclaimed to support wildlife habitat and recreation post-mining land use. The Division holds \$6,536 financial warranty. This report is accompanied by 7 photographs and an updated reclamation cost estimation totaling \$6,514.27.

The permit was issued September 25, 1980. The portal and mine dump pre-dated the permit. Topsoil was not salvaged during the pre-law activities and is not available for reclamation purposes. The original plan was to relocate the mined materials, estimated at approximately 80,000 tons, to the Camp Bird Mill for metalurgical processing. Permit document indicate approximately 25,000 tons were removed from the mine dump during 1980-1981. However, the removal activities ceased, leaving approximately 55,000 tons stockpiled on-site. On November 21, 2000, the Division approved TR-01, addressing reclamation of the approximate 55,000 tons of mined materials in place. Reclamation grading and revegetation efforts commenced shortly thereafter.

As shown in the enclosed photos, significant grading had recently occurred within the channel of Dexter Creek, located immediately upstream of the permit boundary and extending through the southwest corner of the permit area. The grading appeared to have been conducted in the interest of flood control, channel bank stabilization, and maintenance of the low water crossing for County Road 14. The Operator indicated the grading had been conducted by Ouray County. Large boulders buttressed portions of the toe of slope for the mine dump proximal to Dexter Creek. Vegetative cover ranged from dense and diverse, for areas of the mine dump not recently disturbed, to sparse and emerging for areas of the mine dump graded in accordance with the plans approved through TR-01. For areas characterized as exhibiting sparse vegetative cover, there were numerous volunteer conifer and cottonwood seedlings emerging. The stockpiled materials may be too rocky to support grasses but will support trees and shrubs. The west-central portion of the affected lands contained picnic tables and an outdoor cooking station. The Operator indicated chuck wagon type dinners are hosted at the site. A shed, located nearby the portal and shown on the recent annual report maps, was collapsed. The portal appeared open and not safeguarded from unauthorized entry. Portal discharge was estimated at 100 gallons per minute and appeared clear; no evidence of iron staining or metals precipitation was observed.

The primary use of the Khedive Portal has been to provide ventilation and secondary escapeway for the Syracuse Portal. The Syracuse Portal is permitted under a different permit, M-1980-170, also owned and controlled by Carl Dismant. During the late 1980's the Syracuse Portal was converted to a tourist mine. The Operator desires to maintain both of the DRMS permits is hopes of reactivating the mining operation.

As indicated by the updated reclamation cost estimation the existing \$6,536 financial warranty appears sufficient to ensure the completion of reclamation.

Inspection Contact Address

Carl Dismant
Bachelor Silver Mines Company
P.O. Box 965
Ouray, CO 81427

Enclosure: 7 photos and an updated reclamation cost
estimation totaling \$6,514.27

ec w/enclosure: Russ Means, DRMS GJFO

Bachelor Syracuse Mine
(Khedive Portal)
M-1980-171
December 3, 2012



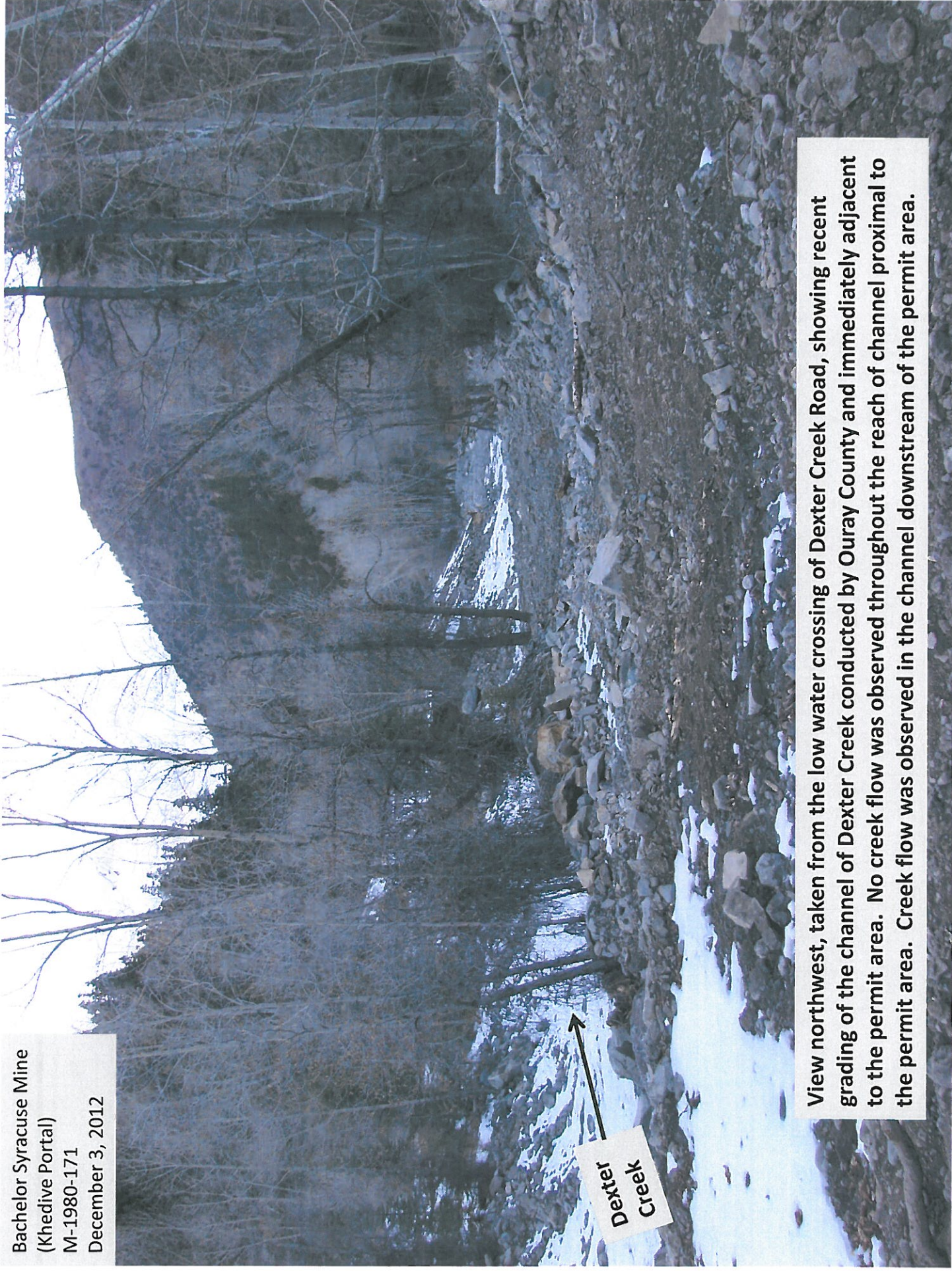
View east, approximately 160 feet upstream of the permit boundary, showing Dexter Creek and the low water crossing of the Dexter Creek Road (County Road 14 and/or USFS Road 871). At this point, Dexter Creek canyon widens significantly. Recent grading at the crossing was conducted by Ouray County.

Bachelor Syracuse Mine
(Khedive Portal)
M-1980-171
December 3, 2012



View southeast, taken from the Dexter Creek Road at the low water crossing of Dexter Creek, approximately 160 feet upstream of the permit boundary. Creek flow was a trickle and visually estimated at 1 gallon per minute within the narrow canyon. Recent grading at the crossing was conducted by Ouray County.

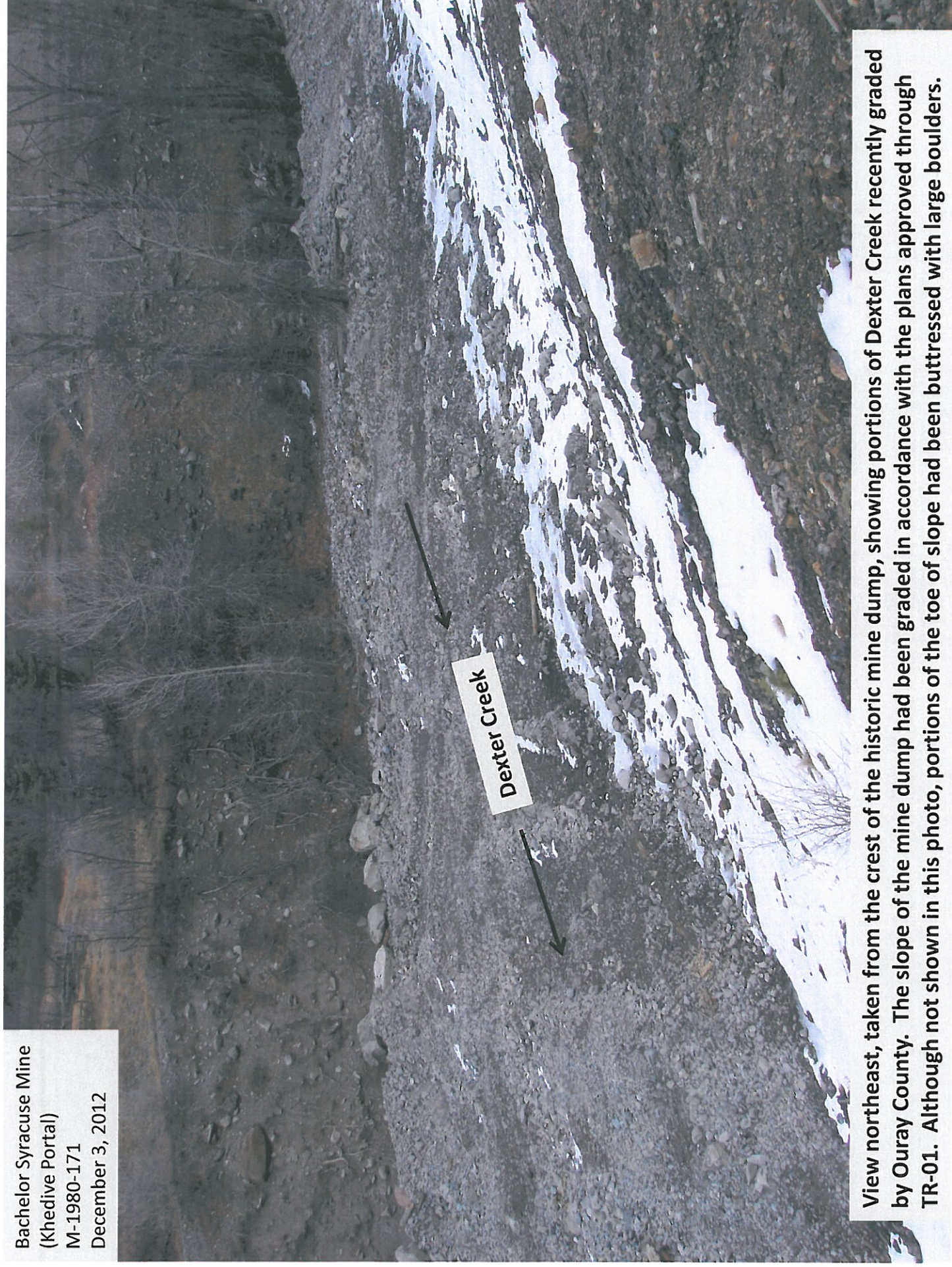
Bachelor Syracuse Mine
(Khedive Portal)
M-1980-171
December 3, 2012



Dexter
Creek

View northwest, taken from the low water crossing of Dexter Creek Road, showing recent grading of the channel of Dexter Creek conducted by Ouray County and immediately adjacent to the permit area. No creek flow was observed throughout the reach of channel proximal to the permit area. Creek flow was observed in the channel downstream of the permit area.

Bachelor Syracuse Mine
(Khedive Portal)
M-1980-171
December 3, 2012



View northeast, taken from the crest of the historic mine dump, showing portions of Dexter Creek recently graded by Ouray County. The slope of the mine dump had been graded in accordance with the plans approved through TR-01. Although not shown in this photo, portions of the toe of slope had been buttressed with large boulders.

Bachelor Syracuse Mine
(Khedive Portal)
M-1980-171
December 3, 2012



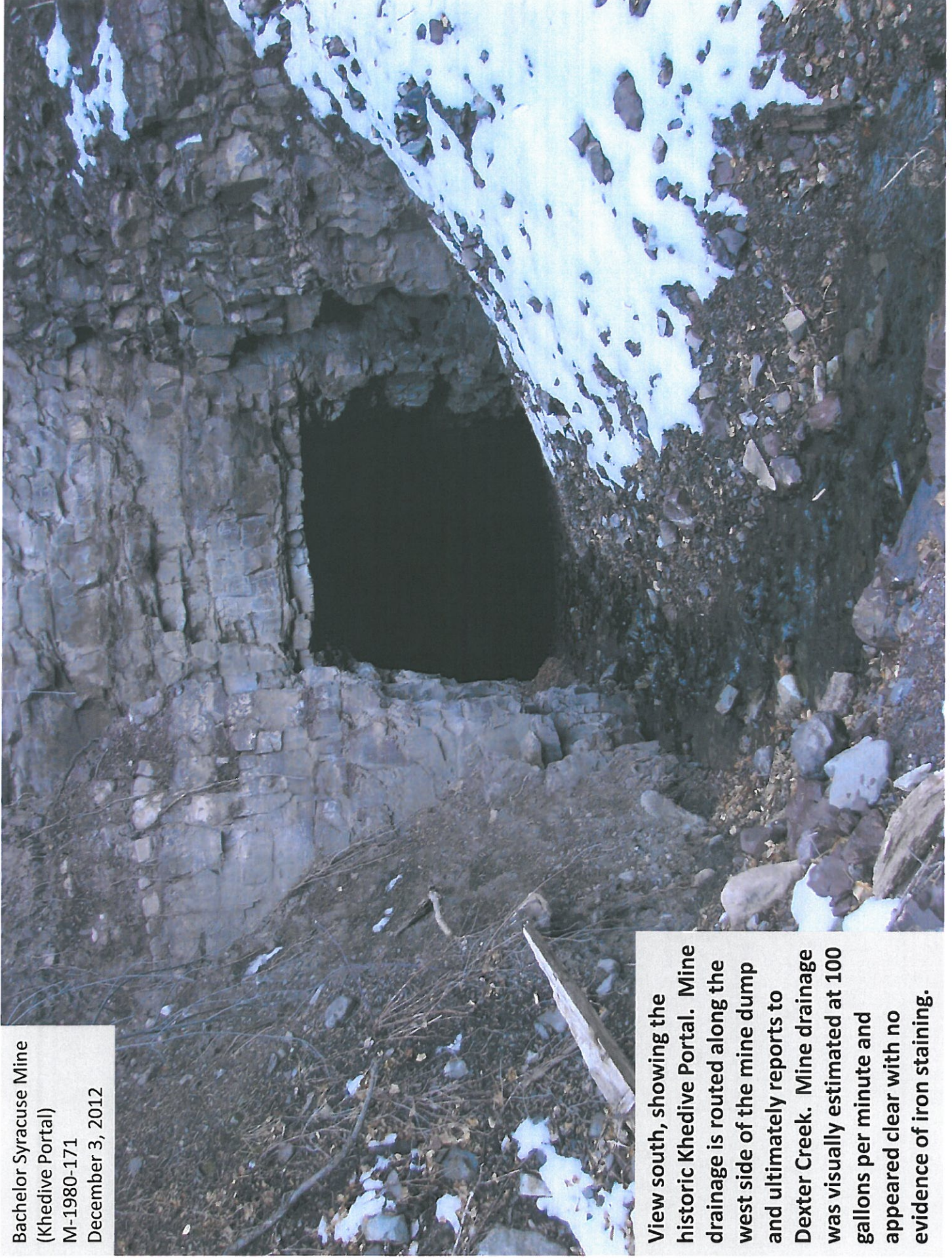
View east, taken from the crest of the historic mine dump, showing vegetative cover establishing for areas graded in accordance with the plans approved through TR-01. Affected lands appeared stable; evidence of slumping, sliding or excessive erosion was not observed.

Bachelor Syracuse Mine
(Khedive Portal)
M-1980-171
December 3, 2012



View south, taken from the crest of the historic mine dump, showing dense and diverse vegetative cover well established for affected lands not disturbed by recent grading. All portions of the historic mine dump appeared stable; evidence of slumping, sliding or excessive erosion was not observed.

Bachelor Syracuse Mine
(Khedive Portal)
M-1980-171
December 3, 2012



View south, showing the historic Khedive Portal. Mine drainage is routed along the west side of the mine dump and ultimately reports to Dexter Creek. Mine drainage was visually estimated at 100 gallons per minute and appeared clear with no evidence of iron staining.

COST SUMMARY WORK

Task description: Summary of tasks and associated costs

Site: Bachelor Syracuse Mine
(Khedive Portal)

Permit Action: Routine update

Permit/Job#: M1980171

PROJECT IDENTIFICATION

Task #: 000
Date: 12/5/2012
User: WHE

State: Colorado
County: Ouray

Abbreviation: None
Filename: M171-000

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
001	Close and/or safeguard Khedive Portal	MINESEAL	1	0.00	\$3,500.00
002	Remove mine related structure	DEMOLISH	1	0.00	\$390.29
003	Place riprap along toe of slope mine dump	EXCAVATE	1	1.65	\$120.00
004	Revegetate 0.25 acres affected land	REVEGE	1	0.00	\$664.05
005	Haul reclamation equipment to and from job site	MOBILIZE	1	2.80	\$812.59
<u>SUBTOTALS:</u>				4.45	\$ \$5,486.93

INDIRECT COSTS

OVERHEAD AND PROFIT:

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

Total = \$110.84
Total = \$57.61
Total = \$0.00
Total = \$548.69

TOTAL O & P = \$717.14

CONTRACT AMOUNT (direct + O & P) = \$6,204.07

LEGAL - ENGINEERING - PROJECT MANAGEMENT:

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

Total = 0.00
Total = \$0.00
\$310.20

CONTINGENCY: 0.00

Total = \$0.00

TOTAL INDIRECT COST = \$1,027.34

TOTAL BOND AMOUNT (direct + indirect) = \$6,514.27

SAFEGUARDING UNDERGROUND OPENINGS

Task description: Close and/or safeguard Khedive Portal

Site: Bachelor Syracuse Mine
(Khedive Portal)

Permit Action: Routine update

Permit/Job#: M1980171

PROJECT IDENTIFICATION

Task #: 001
Date: 12/5/2012
User: WHE

State: Colorado
County: Ouray

Abbreviation: None
Filename: M171-001

Agency or organization name: DRMS

UNIT COSTS

Opening Description	Dimensions	Closure Method	Quantity	Unit	Unit Cost	Total Cost
Portal with mine drainage	10 x 10	Adit closure - grated door (per opening)	1.00	EA	\$3,500.00	\$3,500.00

Job Hours: 0.00

Total Cost: \$3,500.00

DEMOLITION WORK

Task description: Remove mine related structure

Site: Bachelor Syracuse Mine
(Khedive Portal)

Permit Action:

Routine update

Permit/Job#: M1980171

PROJECT IDENTIFICATION

Task #: 002
Date: 12/5/2012
User: WHE

State: Colorado
County: Ouray

Abbreviation: None
Filename: M171-002

Agency or organization name: DRMS

UNIT COSTS

Location adjustment: 94.00 %

Structure or Item Description	Dimensions	Demolition Menu Selection	Quantity	Unit	Unit Cost	Total Cost
Collapsed building and nearby debris	10 x 10 x 10	Bldg. (SN) demo./on-site disposal in excavated pit - Max. 50 ft. push	1,000.00	CF	\$0.17	\$166.00
Concrete foundation	10 x 10	Demo. and on-site disposal in existing pit, 1.0 ft. x 2 ft. - Max. 50 ft. push	40.00	LF	\$6.23	\$249.20

Job Hours: 0.00

Subtotal
(unadjusted): \$415.20

Total Cost
(adjusted for location): \$390.29

HYDRAULIC EXCAVATOR WORK

Task description: Place riprap along toe of slope mine dump

Bachelor Syracuse Mine
Site: (Khedive Portal)

Permit Action:
Routine update

Permit/Job#: M1980171

PROJECT IDENTIFICATION

Task #: 003 State: Colorado Abbreviation: None
Date: 12/5/2012 County: Ouray Filename: M171-003
User: WHE

Agency or organization name: DRMS

HOURLY EQUIPMENT COST

Basic Machine: Cat 307D 7'-3" Stick Horsepower: 56
Attachment 1: ROPS Cab Weight (MT): 7.23
Shift Basis: 1 per day
Data Source: (CRG)

Cost Breakdown:

		Utilization %
Ownership Cost/Hour:	\$15.06	NA
Operating Cost/Hour:	\$18.88	100
Operator Cost/Hour:	\$38.67	NA
Total Unit Cost/Hour:	\$72.62	
Total Fleet Cost/Hour:	\$72.62	

MATERIAL QUANTITIES

Initial volume: 27 CCY Swell factor: 1.000
Loose volume: 27 LCY

Source of estimated volume: Assume (3'H x 3'W x 80'L) / 27 - 26.67 cy
Source of estimated swell factor: NA

HOURLY PRODUCTION

Excavator Cycle Time (load bucket, swing loaded, dump bucket, swing empty):

Basic Job Condition Description: AVERAGE
Secondary Job Condition within Basic Description: AVERAGE
Cycle Time Value: 0.242 minutes

Load Bucket Capacity

Rated Capacity: 0.20 LCY (heaped) Bucket Size Class: Small
Bucket Fill Factor: 0.450 Rock - Poorly blasted (40% - 50%) 0.450
Adjusted Capacity: 0.09 LCY

Job Condition Correction Factors

Site Altitude: 8500 feet

		Source
Altitude Adj:	<u>0.87</u>	(CAT HB)
Job Efficiency:	<u>0.83</u>	(1 shift/day)
Net Correction:	<u>0.72</u>	multiplier

Unadjusted Hourly Unit Production: 22.31 LCY/Hour
Adjusted Hourly Unit Production: 16.11 LCY/Hour
Adjusted Hourly Fleet Production: 16.11 LCY/Hour

JOB TIME AND COST

Fleet size: 1 Excavator Total job time: 1.66 Hours

Unit cost: \$4.507 /LCY Total job cost: \$120.00

REVEGETATION WORKTask description: Revegetate 0.25 acres affected landSite: Bachelor Syracuse Mine
(Khedive Portal)Permit Action: Routine updatePermit/Job#: M1980171PROJECT IDENTIFICATIONTask #: 004
Date: 12/5/2012
User: WHEState: Colorado
County: OurayAbbreviation: None
Filename: M171-004Agency or organization name: DRMSFERTILIZING**Materials**

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
Hand spread (MEANS 32 01 90.13 0100)	\$498.76
Total Fertilizer Application Cost/Acre	\$498.76

TILLING

Description	Cost /Acre
Hand raking (MEANS 32 91 13.23 0250)	\$1,197.90
Total Tilling Cost/Acre	\$1,197.90

SEEDING

Seed Mix	Rate – PLS LBS / Acre	Seeds per SQ. FT	Cost /Acre
Orchardgrass - Latar	0.48	5.95	\$1.04
Kentucky Bluegrass - Lato	0.16	7.90	\$0.49
Red Clover - Medium	0.64	3.97	\$1.16
Smooth Brome - Manchar	3.40	11.32	\$6.56
Slender Wheatgrass - Native	2.24	8.18	\$4.93
Timothy, Alpine - Native	1.44	42.98	\$38.16
Totals Seed Mix	8.36	80.28	\$52.34

Application

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

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
Fir, White	10	Tubling, 10 cu. in. container {(MEANS)}	\$1.77	\$2.40	\$17.70
Spruce, Blue	10	Tubling, 10 cu. in. container {(MEANS)}	\$3.85	\$2.40	\$38.50
Totals Nursery Stock Cost / Acre					\$56.20

JOB TIME AND COST

No. of Acres:	0.25	Cost /Acre:	\$2,124.96
Estimated Failure Rate:	25%	Cost /Acre*:	\$2,124.96
*Selected Replanting Work Items:	FERTILIZING,TILLING,SEEDING,NU RSERY		

Initial Job Cost:	\$531.24
Reseeding Job Cost:	\$132.81
Total Job Cost:	\$664.05
Job Hours:	0.00

EQUIPMENT MOBILIZATION/DEMobilIZATIONTask description: Haul reclamation equipment to and from job siteSite: Bachelor Syracuse Mine
(Khedive Portal)Permit Action: Routine updatePermit/Job#: M1980171**PROJECT IDENTIFICATION**Task #: 005
Date: 12/5/2012
User: WHEState: Colorado
County: OurayAbbreviation: None
Filename: M171-005Agency or organization name: DRMS**EQUIPMENT TRANSPORT RIG COST**Shift basis: 1 per day
Cost Data Source: CRG DataTruck Tractor Description: GENERIC ON-HIGHWAY TRUCK TRACTOR, 6X4, DIESEL POWERED,
400 HP (2ND HALF, 2006)Truck Trailer Description: GENERIC FOLDING GOOSENECK, DROP DECK EQUIPMENT TRAILER
(25T, 50T, AND 100T)**Cost Breakdown:**

Available Rig Capacities	0-25 Tons	26-50 Tons	51+ Tons
Ownership Cost/Hour:	\$16.63	\$18.37	\$22.33
Operating Cost/Hour:	\$44.38	\$46.13	\$50.07
Operator Cost/Hour:	\$27.66	\$27.66	\$27.66
Helper Cost/Hour:	\$0.00	\$25.39	\$25.39
Total Unit Cost/Hour:	\$88.67	\$117.55	\$125.45

NON ROADABLE EQUIPMENT:

Machine Description	Weight/ Unit (TONS)	Owner ship Cost/hr/ unit	Haul Rig Cost/hr/unit	Fleet Size	Haul Trip Cost/hr/ fleet	Return Trip Cost/hr/ fleet	DOT Permit Cost/ fleet
CAT 446D	9.80	\$17.87	\$88.67	1	\$106.54	\$88.67	\$250.00

Subtotals: **\$106.54** **\$88.67** **\$250.00****ROADABLE EQUIPMENT:**

Machine Description	Total Cost/hr/ unit	Fleet Size	Haul Trip Cost/hr/ fleet	Return Trip Cost/hr/ fleet
Light Duty Pickup, 4x4, 3/4 T.	\$53.58	1	\$53.58	\$53.58

Subtotals: **\$53.58** **\$53.58**

EQUIPMENT HAUL DISTANCE and Time

Nearest Major City or Town within project area region: OURAY
 Total one-way travel distance: 4.00 miles
 Average Travel Speed: 20.00 mph

Total Non-Roadable Mob/Demob Cost * \$791.16
 ** two round trips with haul rig:
 Total Roadable Mob/Demob Cost ** \$21.43
 ** one round trip, no haul rig:

Transportation Cycle Time:

	Non-Roadable Equipment	Roadable Equipment
Haul Time (Hours):	0.20	0.20
Return Time (Hours):	0.20	0.20
Loading Time (Hours):	0.50	NA
Unloading Time (Hours):	0.50	NA
Subtotals:	1.40	0.40

JOB TIME AND COST

Total job time: 2.80 Hours

Total job cost: \$812.59