

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



January 17, 2013

Rory Williams
Star Mine Operations, LLC
1675 Larimer Street, Suite 820
Denver, CO 80202

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Pineda
Director

Re: File No. M-2012-032, Revenue Mine, 112d-1 Decision Letter - Conditions, Financial and Performance Warranty Request - Hard Rock Mining Operation

Dear Mr. Williams,

On January 17, 2013, the Division of Reclamation, Mining and Safety approved with conditions your 112d-1 mining permit application. The Conditions to the approval are noted in the Rider on the following page.

The amount of financial warranty set by the Division for this operation is \$277,078.00. You must submit a financial warranty in this amount and a performance warranty in order for us to issue a permit. In the event you have requested a financial warranty form, we have enclosed it in this letter. If you have not, please select a type of financial warranty from Rule 4.3. Then contact us so that we can provide you with the appropriate warranty form, or obtain one from our website: www.mining.state.co.us/. We have enclosed a performance warranty form with this letter for your use.

PLEASE NOTE THAT MINING OPERATIONS MAY NOT COMMENCE UNTIL A PERMIT HAS BEEN ISSUED BY THE DIVISION AFTER RECEIPT OF YOUR FINANCIAL WARRANTY AND PERFORMANCE WARRANTY. A PERMIT WILL NOT BE ISSUED UNTIL WE VERIFY THE ADEQUACY OF BOTH YOUR FINANCIAL WARRANTY AND PERFORMANCE WARRANTY.

If there are questions about the Financial Warranty or Performance Warranty forms, please contact Barbara Coria in the Division's Denver office (see letterhead above). If you have any other questions, please contact me at the Division's Durango Field Office: 691 CR 233, Room A-2, Durango, CO 81301; telephone 970-247-5193.

Sincerely,

A handwritten signature in blue ink that reads "Bob Oswald".

Bob Oswald
Environmental Protection Specialist

Enclosure: Performance Warranty form

cc: Greg Lewicki, Greg Lewicki and Associates

RIDER TO MINING PERMIT

Permit Issue Date: To be determined upon receipt of warranty documents.

Permit No: M-2012-032

Upon issuance, the following additional stipulations and conditions will form an integral part of the permit:

Condition No. 1

The Operator must continue the approved water quality monitoring program for the life of the permit including the underground water sampling and surface water sampling. Analysis shall include the set of approved parameters or as modified under a revision. Results of analyses must be forwarded to the Division within 15 days of receipt by the operator.

Condition No. 2

The Operator may not commence production-level operation of the mill until a limited test run of the mill circuit has generated sufficient tailings materials to be analyzed and certified by the Division. Tailings analysis of 250 tons of ore, or a greater amount as approved by the Division, must indicate that tailings will not adversely affect the hydrologic balance if disposed of in the manner described in the plan. No production level milling operations can commence until written acceptance of the tailings analysis and a notice to proceed are issued by the Division. Tailings analysis will be performed thereafter on a quarterly basis during each quarter that the mill is operational.

Condition No. 3

The Operator must conduct periodical geochemical analysis of waste and ore rock. Rock analysis will be performed on a quarterly basis during each quarter that waste rock is generated and disposed of in a waste rock disposal area. Ore analysis will be performed quarterly or when new areas not previously tested are initially opened for production. All test results will be forwarded to the Division within 15 days of receipt by the operator.

Condition No. 4

The Operator shall not install the proposed perforated line to be buried in the existing waste rock dump in lieu of discharging the groundwater into the existing mine pond until all waste rock analysis has been performed and accepted by the Division. Geochemical analysis must demonstrate that the waste rock will not release constituents of concern above acceptable groundwater limits. The Division must approve the location of waste rock to be analyzed, sampling method and type of analysis, construction details and schedule of pipeline installation, all under a revision to the permit.

CC:

Mr. Greg Lewicki
Greg Lewicki and Associates
11541 Warrington Ct.
Parker, CO 80138

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PERFORMANCE WARRANTY

Permittee: Star Mine Operations, LLC

Operation: Revenue Mine

Permit No: M-2012-032

This form has been approved by the Mined Land Reclamation Board pursuant to sections 34-32-117, C.R.S., of the Mined Land Reclamation Act and 34-32.5-117, C.R.S., of the Colorado Land Reclamation Act for the Extraction of Construction Materials. Any alteration or modification of this form, without approval by the Board shall result in the financial warranty being invalid and result in the voiding of any permit issued in conjunction with such invalid financial warranty and subject the operator to cease and desist orders and civil penalties for operating without a permit pursuant to sections 34-32-123, C.R.S., of the Mined Land Reclamation Act and 34-32.5-123, C.R.S., of the Colorado Land Reclamation Act for the Extraction of Construction Materials.

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the Colorado Mined Land Reclamation Act, C.R.S. 34-32-101 et seq. (the "Act"), as amended, and the Colorado Land Reclamation Act for the Extraction of Construction Materials, C.R.S. 34-32.5-101 et seq. (the "Act"), as amended, provides that no permit may be issued under the Act until the Mined Land Reclamation Board (the "Board") receives a performance warranty (or warranties) that is a written promise to comply with all applicable requirements of the Act.

WHEREAS, Star Mine Operations, LLC (the "Permittee"), has applied for a permit to conduct a mining operation known as Revenue Mine (the "Operation") on certain lands in Ouray County, Colorado. These lands are described in the permit application, as amended and supplemented, and are referred to herein as the "Affected Lands".

WHEREAS, in its application for the permit, the Permittee has agreed to be bound by all requirements of the Act and all applicable rules and regulations of the Board, as amended from time to time.

WHEREAS, the Board has determined, in accordance with the Act, that the estimated costs of reclamation with regard to those affected lands in Ouray County which are now or may become subject to the permit are those amounts for the stated periods of time as set forth in the financial warranty, which may be amended from time to time to reflect revised estimates of said costs of reclamation.

WHEREAS, the Permittee hereby gives the Board a performance warranty pursuant to Section 34-32-117(2) or Section 34-32.5-117(2) of the Act, and herein promises the Board that it will comply with all applicable requirements of the Act with regard to those Affected Lands.

NOW, THEREFORE, the Permittee hereby promises the Board that it will comply with all applicable requirements of the Act and rules and regulations of the Board with respect to the Affected Lands.

FURTHER, the Permittee hereby promises the Board that it will comply with all of the terms of the application for a permit, as amended and supplemented, as well as any conditions attached to the permit by the Board.

FURTHER, the Permittee promises the Board, pursuant to 34-32-112(2)(d) or 34-32.5-112(1)(c)(iv) of the Act, that it has the lawful authority to enter upon the Affected Lands to conduct mining operations, including, but not limited to, reclamation. The Permittee further recognizes the right of the Board to enter to reclaim lands affected by the operation.

The description of lands herein is for convenience of reference only, and no error in such description, nor any revision of the permitted mining area, nor the disturbance by the Warrantor of lands outside of the permitted mining area shall alter or diminish the Permittee's obligation hereunder, which shall extend to the reclamation of all such lands disturbed.

The obligation of the Permittee hereunder is such that, if the Permittee shall successfully comply with the requirements of the Act, applicable rules and regulations, and the permit, then the Board, upon a finding that the Permittee has so complied, shall release this performance warranty, and the Permittee from its obligation hereunder, to the extent that the Board determines that such compliance has been accomplished. The obligation of the Permittee hereunder shall continue until released in whole or in part by the Board in accordance with applicable law.

In further satisfaction of the requirements of the Act, the Permittee promises to be responsible for the cost of reclamation up to the amount established by the Board and has attached hereto its financial warranty, which may be amended from time to time. The Permittee agrees that it will maintain a financial warranty (or warranties) for the estimated costs of reclamation in good standing for the entire life of the permit. Please note that under the provisions of the Colorado Mined Land Reclamation Act and the Colorado Land Reclamation Act for the Extraction of Construction Materials, any Applicant or Permittee that submits proof, acceptable to the Board or Division of Reclamation, Mining and Safety, that an Applicant or Permittee is a unit of County or Municipal government, or is a department or division of State government, the Applicant or Permittee is not required to submit or post any other instrument of financial responsibility but hereby promises to be responsible for the cost of reclamation up to the amount specified by the Board.

If the Board determines that the Permittee is in default under this performance warranty and has failed to cure such default, although written notice of such default and ample time to cure such default have been given, the Permittee's financial warranty shall be subject to forfeiture.

This performance warranty may be executed in multiple copies, each of which shall be treated as an original, but together they constitute only one agreement, the validity and interpretation of which shall be governed by the laws of the State of Colorado.

The provisions hereof shall bind and inure to the benefit of the parties hereto and their successors and assigns.

SIGNED, SEALED AND DATED this _____ day of _____, _____.

Star Mine Operations, LLC (SEAL)
Permittee

By: _____

Title: _____

NOTARIZATION OF PERMITTEE'S ACKNOWLEDGEMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____
, _____, by _____ as _____ of _____
_____.

NOTARY PUBLIC

My Commission expires: _____

APPROVED:
State of Colorado
Mined Land Reclamation Board
Division of Reclamation, Mining and Safety

By: _____ Date: _____
Division Director