



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: Revenue Mine	MINE/PROSPECTING ID#: M-2012-032	MINERAL: Lead, silver and gold	COUNTY: Ouray
INSPECTION TYPE: Monitoring	INSPECTOR(S): Bob Oswald	INSP. DATE: March 1, 2013	INSP. TIME: 10:20
OPERATOR: Star Mine Operations, LLC	OPERATOR REPRESENTATIVE: Rory Williams	TYPE OF OPERATION: 112d-1 - Designated Mining Operation	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$277,078.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Snowing	INSPECTOR'S SIGNATURE: <i>Bob Oswald</i>	SIGNATURE DATE: March 18, 2013

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>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>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>NA</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>Y</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 routine inspection by the Division as part of its monitoring of Hard Rock and Metals 112d-1 permits, and to inspect the mine pond and discharge. The operator was contacted about the inspection and was present for it. Besides the operator named on page one, also present were Jim Williams and John Bettridge of Star Mine Operations, and Russ Means of DRMS. Snow on the site was about two feet deep or more, and the operator has been keeping the working areas on the pad and facilities plowed clear.

This was the first inspection of the site since the permit was issued for it. Pursuant to Rule 3.12, all permits must have an ID sign and boundary markers posted. There were signs posted on the entrance gate showing the site name, operator's name and MSHA number, but these did not constitute the DRMS-required permit ID sign. This was discussed with the operator, who confirmed that an ID sign was being made at a sign shop and would be installed soon. Likewise, it was pointed out to the operator that the permit's affected area boundary must also be marked in a visible and durable manner, as soon as winter ground conditions allow. Due to the recent permit issuance and winter conditions, lack of these items is not noted as a problem in this report. The operator is encouraged to install the sign and the markers as soon as practicable, and provide photos to the Division demonstrating compliance with the requirements.

The site was active at the time of the inspection. Activities included continued rehabilitation of the existing underground drifts; extension of the new underground shop drift, which will become part of the mill space; and driving a decline under the mill space to facilitate deep construction of the ore crusher bins. The mill drift has been driven to within about 30 feet from where the 90-degree turn has been planned. Other work that has been performed since the last inspection includes steel framing and superstructure installation for covering portions of the locomotive shop and office; new change/dry building; installing the alternative discharge line to change the mine pond; and installing shotcrete, paint, lights, concrete floor and rails in the underground shop space. A backup diesel generator is onsite, with its own diesel storage tank. All storage tanks onsite are two-walled, which is adequate for providing secondary containment. As before, construction and mining equipment and materials (mine timbers, sacked shotcrete, crusher, vent duct, flanged rolling stock) were stored in an orderly manner on the pad. Curtains suspended on cables across the portals helped to keep heat in the underground spaces that were under construction.

The hydrologic sampling is being carried out quarterly at the approved surface and underground locations, which now includes a sample taken at the Revenue portal itself. The drainage ditch at the portal was observed to be flowing at approximately the same rate that was reported in the February 2013 hydrology report. The mine pond was empty, as well as could be observed with two feet of snow throughout the site. After snow has melted and the site construction can be begin, the operator must proceed toward installation of the upland diversion ditches and the waste pad collection ditches and sediment ponds, as approved in the phased mine plan and environmental protection plan. The activities currently underway appeared to be in conformance with the approved plan in the permit. As the approved surface and underground activities proceed, and as surface runoff begins again for the season, there is potential for affecting discharge quality. It is imperative that the proper water quality control measures are constructed promptly and properly, and that the CDPHE discharge permit has been obtained. The operator is reminded that no mining may occur until the CDPHE discharge permit is obtained.

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For questions regarding 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

Rory Williams

Star Mine Operations, LLC

1675 Larimer Street, Suite 820

Denver, CO 80202

Cc: John Trujillo, Star Mine Operations, 219 10th Ave., Ouray, CO 81427

Inspection photos are on the following pages.

PHOTOGRAPHS



Mine pond, looking east



Mine pond, looking south



Backup generator



Crusher, mine timbers



Vent duct, shotcrete



Temporary office units



New change/dry building



New back wall (left)
for portal cover



Underground shop



Underground shop



Mill tunnel



Underground loader