




**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: April 19, 2013	INSP. TIME: 08:00
OPERATOR: Rio Grande Silver, Inc.	OPERATOR REPRESENTATIVE: Randy McClure	TYPE OF OPERATION: 112 - Hard Rock Regular Operation	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$128,959.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: U.S. Forest Service	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: May 2, 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>N</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>Y</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>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>N</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 preoperation inspection performed as part of the Division's review of the current amendment AM-1, and a monitoring inspection of the approved new facilities at the 9360 pad and progress of the 9400 decline. The operator's representative named on page one accompanied the inspector on the inspection of surface features. The operator's representatives present during the underground portion of the inspection were Skip Leedy and Gordon Dillon.

The required notice for amendment AM-1 was observed posted at the entrance gate, near the permit ID sign and the MSHA sign.

The site was active at the time of the inspection. Active advancement of the 9400 decline was underway, alternating between removal of blasted/broken material, installation of the lattice sets, and shotcreting. The lattice sets include connections for supporting vent duct, pipes, communication and electric lines. All vehicles and equipment are rubber-tired; the decline is not tracked. There are several wide areas to allow mine traffic to pass. Safety and refuge facilities are located along the decline. The drift is mostly dry, with only a couple locations where water enters from the ribs or back. Most of it seeps back into the rock, or is drained to the 9360 through a connecting borehole. The decline has been driven approximately half the necessary distance to reach the workings. It was being well ventilated during the inspection.

The waste dump outside the 9400 portal has grown as the drift has been extended. The area approved for the waste dump is not yet fully occupied by development rock, but the operator anticipates needing to request a larger area. Visual inspection of waste rock did not reveal any obviously mineralized material coming out of the decline. The outer perimeter of the approved dump area is bermed to contain stormwater runoff and sediment.

Other facilities in the 9360 area that were recently approved and are newly constructed include: the lined and bermed pond is now fenced to exclude wildlife (several groups of deer were observed moving across the site during this inspection), a steel cover building for diesel fuel storage, steel cover shed for shotcrete truck, new water storage tank and building enclosure near admin building, new interior and exterior for existing admin building structure, and new addition to admin building. A contractor was manufacturing new spiral steel vent duct in the materials storage area of the 9360 pad, sufficient for the rest of the new decline.

The 40x80 core building was in the initial stages of construction, with perimeter footer poured, interior floor drain placed and slab reinforcement prepared for the upcoming pour. The cutwall into the hill behind the core building has exposed a rock face that does not appear to present much potential for raveling in the foreseeable future. The filled portion of the core building pad has been built up with the cut material and buttressed with 2x6 ft concrete revetment blocks and geotextile anchors. Drainage is controlled by french drains from the building, and pad surface grading toward a riprapped apron of ungrouted rock. Sediment control along the lower edge of the construction footprint is by straw wattles.

The entire outer (southern) edge of the 9360 facilities area is bermed for stormwater and safety.

The liner in the floor of tailings pond TP-2 was holding water; all of it is melted winter precipitation.

The second posted notice for amendment AM-1 was observed posted on the gate on the road down to Area D. The submittal of amendment AM-1 is for purposes of adding land to the 112 permitted area, for possible future mining activities, but no disturbance activities in those areas are proposed in this amendment. Existing areas in the permitted area are designated as Areas A, B, C, D, E, and F. New areas are designated in this amendment as Areas G, H, I (below the 9360 complex), and Area J and Revised Area D (at the southern end of the permit). The boundaries of the new areas were marked on the ground, and they were indicated to this inspector by the operator. All areas are undisturbed by mining activity, are mainly gently sloped rangeland (with minor areas of trees), do not exhibit erosional features, and are mostly far from significant structures.

The bond is sufficient for now, and will be recalculated as part of the amendment AM-1. No discussion regarding the Division's review of amendment AM-1 is included in this report, but will follow under separate cover. No further items were inspected or discussed at the site. There were no problems noted at this time.

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

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CC: Tom Malecek, USFS, Monte Vista

(See inspection photographs on pp.3-5)

PHOTOGRAPHS



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