



**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: Wanakah Mine	MINE/PROSPECTING ID#: P-2013-010	MINERAL: Au, Ag, Cu, Zn, Pb	COUNTY: Ouray
INSPECTION TYPE: Multi Person Inspection	INSPECTOR(S): Wallace H. Erickson, G. Russell Means	INSP. DATE: June 4, 2013	INSP. TIME: 17:50
OPERATOR: Ouray 79 Mining, LLC	OPERATOR REPRESENTATIVE: Rick Wilson, Bob Larson	TYPE OF OPERATION: MP - Mineral Prospecting	

REASON FOR INSPECTION: Preoperational Inspection	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: NOI application in review
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Cloudy	INSPECTOR'S SIGNATURE: <i>Wallace H. Erickson</i>	SIGNATURE DATE: June 21, 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-----	NA	(FN) FINANCIAL WARRANTY-----	Y	(RD) ROADS-----	Y
(HB) HYDROLOGIC BALANCE-----	Y	(BG) BACKFILL & GRADING-----	Y	(EX) EXPLOSIVES-----	N
(PW) PROCESSING WASTE/TAILING---	NA	(SF) PROCESSING FACILITIES-----	NA	(TS) TOPSOIL-----	N
(MP) GENL MINE PLAN COMPLIANCE-	Y	(FW) FISH & WILDLIFE-----	N	(RV) REVEGETATION---	N
(SM) SIGNS AND MARKERS-----	NA	(SP) STORM WATER MGT PLAN---	N	(SB) COMPLETE INSP---	Y
(ES) OVERBURDEN/DEV. WASTE-----	Y	(SC) EROSION/SEDIMENTATION---	N	(RS) RECL PLAN/COMP-	N
(AT) ACID OR TOXIC MATERIALS-----	Y	(OD) OFF-SITE DAMAGE-----	N	(ST) STIPULATIONS-----	N

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 review process of an NOI application. The NOI application proposes five surface drill holes and underground core drilling to investigate a mineral deposit and extract samples prior to the commencement of mine development and/or mining operations. Limited rehabilitation of the historic underground workings are proposed, as necessary to safely access the locations selected for underground core drilling and to collect rock chip samples for laboratory analysis. No waste rock from the rehabilitation will be transported to surface. Mine waste will remain underground and stockpiled within the extensive workings. The Prospector proposes to procure 100 tons of rock samples from the drilling program and one ton of rock chip samples, to be collected by hand. Approximately 101 tons of sample materials will be transported to surface and/or taken from the site. The Prospector provided \$6,000 financial warranty with the application. This report is accompanied by five photos and a preliminary reclamation cost estimation totaling \$14,038.41.

Public access to the site is controlled by automated chain link gate, powered by photovoltaic cells.

The current condition of the three portals, proposed to be opened to gain access to the underground workings, is illustrated in the enclosed photos. As shown in the photos, no active mine drainage was observed at the three portals. However, iron precipitate was observed at the lowermost of the three (SW Portal, see photo), suggesting a potential for seasonal drainage, perhaps associated with snow melt and not from underground sources. Pursuant to Rules 3.1.6 and 3.1.7, the Division will require the Prospector to identify all sources of ground water encountered during the exploration and provide a detailed report to the Division describing and illustrating the location of the seep(s), water quantity and quality of the seep(s), and where the mine water goes after entering the workings.

There is an abundance of waste rock materials on site resulting from the historic operation. The mine waste observed on surface exhibited potential to generate acid and/or toxic producing materials and be a potential source of acid mine drainage. As shown in one of the enclosed photos, site conditions appear corrosive to iron implements. The Division will require the Prospector to commit to minimizing any/all contact with the historic mine waste materials on surface. Additionally, if the Prospector desires to develop the mine and pursue a mining permit the Division will require the Applicant to demonstrate the proposed mining operation is not a Designated Mining Operation, pursuant to Rules 1.1(1), 1.1(2), and 1.1(14). If it cannot be demonstrated the mining activities will not have the potential for acid generation, an appropriate 110d or 112d application with an appropriate Environmental Protection Plan, as described under Section 34-32-103(3.5) and Rule 6.4.21, shall be required.

The site is perched cliff-side and directly upslope of several permanent man-made structures. Measurements from Goggle Earth indicate the Wanakah Portal is approximately 1,178 feet above and 1,198 feet west of a dwelling structure (1,198H : 1,178V or 1H:1V slope), and approximately 1,155 feet above and 1,228 feet west of Hwy 550 (1,228H : 1,155V or 1H:1V slope). The potential for rock fall appears present, resulting from ground vibrations associated with underground blasting, rock drilling, and/or surface grading of the existing shelf road. Pursuant to Rule 3.1.5(3), the Prospector is obligated to protect off-site areas from damage.

Based on observations made during the inspection and recorded in this report, and on descriptions provided in the NOI application, and the requirements of the Act and Rules, the Division has completed a preliminary reclamation cost estimation totaling \$14,038.41. Please find enclosed seven pages of summary and task sheets utilized by the Division to estimate the cost of reclamation.

Response to this inspection report should be addressed to Wally Erickson at the Division's office in Durango at 691 County Road 233, Suite A-2, Durango, CO 81301, phone (970) 247-5469, fax (970) 247-5104, or email at wally.erickson@state.co.us.

Inspection Contact Address

John M. Clement
Executive VP & General Counsel
Ouray 79 Mining, LLC
P.O. Box 1917
Forney, TX 75126

Enclosure: 5 photos and reclamation cost estimation dated June 19, 2013, totaling \$14,038.41

cc w/enclosures: John M. Clement, Ouray 79 Mining
Bob Larson, Monandock Mineral Services
Russ Means, DRMS GJFO

COST SUMMARY WORK

Task description: Summary of tasks and associated costs

Site: Wanakah Mine

Permit Action: NOI review

Permit/Job#: P2013010

PROJECT IDENTIFICATION

Task #: 000

State: Colorado

Abbreviation: None

Date: 6/19/2013

County: Ouray

Filename: P010-000

User: WHE

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
001	Close 5 surface drill holes	BOREHOLE	1	5.00	\$663.16
002	Safeguard 3 portals with steel gate set in concrete	MINESEAL	1	24.00	\$8,025.15
003	Revegetate 0.5 acres affected lands	REVEGE	1	8.00	\$1,776.57
004	Haul reclamation equipment to and from job site	MOBILIZE	1	1.00	\$321.09
<u>SUBTOTALS:</u>				38	\$10,785.97

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance: 2.02%

Total = \$217.88

Performance bond: 1.05%

Total = \$113.25

Job superintendent: 10.00 hrs

Total = \$654.10

Profit: 10.00%

Total = \$1,078.60

TOTAL O & P = \$2,063.83

CONTRACT AMOUNT (direct + O & P) = \$12,849.80

LEGAL - ENGINEERING - PROJECT MANAGEMENT:

Financial warranty processing (legal/related costs): 0.00

Total = 0.00

Engineering work and/or contract/bid preparation: 4.25%

Total = \$546.12

Reclamation management and/or administration: 5.00%

\$642.49

CONTINGENCY: 0.00

Total = \$0.00

TOTAL INDIRECT COST = \$3,252.44

TOTAL BOND AMOUNT (direct + indirect) = \$14,038.41

BOREHOLE SEALING WORK

Task description: Close 5 surface drill holes

Site: Wanakah Mine

Permit Action: NOI review

Permit/Job#: P2013010

PROJECT IDENTIFICATION

Task #: 001

State: Colorado

Abbreviation: None

Date: 6/19/2013

County: Ouray

Filename: P010-001

User: WHE

Agency or organization name: DRMS

UNIT COSTS

Borehole Description	Sealing/Item Method	Diameter	Length	Quantity	Unit	Unit Cost	Total Cost
5 surface drill holes	Portland cement grout - 4 in. (labor, equip, materials)	3	3	15.00	LF	\$7.82	\$117.26
5 surface drill holes	Bentonite seal - 4 in. (lanor, equip, materials)	3	na	5.00	EA	\$109.18	\$545.90

Job Hours: 0.00

Total Cost: \$663.16

SAFEGUARDING UNDERGROUND OPENINGS

Task description: Safeguard 3 portals with steel gate set in concrete

Site: Wanakah Mine

Permit Action: NOI review

Permit/Job#: P2013010

PROJECT IDENTIFICATION

Task #: 002

State: Colorado

Abbreviation: None

Date: 6/19/2013

County: Ouray

Filename: P010-002

User: WHE

Agency or organization name: DRMS

UNIT COSTS

Opening Description	Dimensions	Closure Method	Quantity	Unit	Unit Cost	Total Cost
Wanakah Portal	8'H x 4'W	Adit closure - grated door (per opening)	1.00	EA	\$2,675.05	\$2,675.05
SW Portal	8'H x 10'W	Adit closure - grated door (per opening)	1.00	EA	\$2,675.05	\$2,675.05
Bright Diamond Portal	8'H x 4'W	Adit closure - grated door (per opening)	1.00	EA	\$2,675.05	\$2,675.05

Job Hours: 0.00

Total Cost: \$8,025.15

REVEGETATION WORKTask description: Revegetate 0.5 acres affected landsSite: Wanakah MinePermit Action: NOI reviewPermit/Job#: P2013010**PROJECT IDENTIFICATION**Task #: 003State: ColoradoAbbreviation: NoneDate: 6/19/2013County: OurayFilename: P010-003User: WHEAgency or organization name: DRMS**FERTILIZING****Materials**

Description	Units / Acre	Unit	Cost / Unit	Cost /Acre
			\$	\$
			Total Fertilizer Materials Cost/Acre	\$0.00

Application

Description	Cost /Acre
	\$
Total Fertilizer Application Cost/Acre	\$0.00

TILLING

Description	Cost /Acre
Hand raking (MEANS 32 91 13.23 0250)	\$1,219.68
Total Tilling Cost/Acre	\$1,219.68

SEEDING

Seed Mix	Rate – PLS LBS / Acre	Seeds per SQ. FT	Cost /Acre
Bluebunch Wheatgrass - Secar	2.00	6.43	\$13.68
Canada Wildrye	2.00	5.28	\$11.96
Mountain Brome - Bromar	7.00	11.25	\$23.80
Slender Wheatgrass - Native	7.00	25.55	\$15.75
Flax, Lewis Blue	2.00	13.27	\$33.04
Totals Seed Mix	20.00	61.78	\$98.23

Application

Description	Cost /Acre
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Push spreader (MEANS 32 92 19.14 0020)	\$1,524.60
Total Seed Application Cost/Acre	\$1,524.60

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
					\$
Totals Nursery Stock Cost / Acre					\$0.00

JOB TIME AND COST

No. of Acres: 0.5 Cost / Acre: \$2,842.51
 Estimated Failure Rate: 25% Cost / Acre*: \$2,842.51
 *Selected Replanting Work Items: TILLING, SEEDING

Initial Job Cost: \$1,421.26
 Reseeding Job Cost: \$355.31
 Total Job Cost: \$1,776.57
 Job Hours: 0.00

EQUIPMENT MOBILIZATION/DEMobilIZATIONTask description: Haul reclamation equipment to and from job siteSite: Wanakah MinePermit Action: NOI reviewPermit/Job#: P2013010**PROJECT IDENTIFICATION**Task #: 004State: ColoradoAbbreviation: NoneDate: 6/19/2013County: OurayFilename: P010-004User: WHEAgency 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
Subtotals:					\$0.00	\$0.00	\$0.00

ROADABLE EQUIPMENT:

Machine Description	Total Cost/hr/ unit	Fleet Size	Haul Trip Cost/hr/ fleet	Return Trip Cost/hr/ fleet
Light Duty Pickup, 4x4, 1 T. Crew	\$107.03	3	\$321.09	\$321.09
Subtotals:			\$321.09	\$321.09

EQUIPMENT HAUL DISTANCE and Time

Nearest Major City or Town within project area region:	OURAY	
Total one-way travel distance:	5.00	miles
Average Travel Speed:	10.00	mph

Total Non-Roadable Mob/Demob Cost *	\$0.00
** two round trips with haul rig:	
Total Roadable Mob/Demob Cost **	\$321.09
** one round trip, no haul rig:	

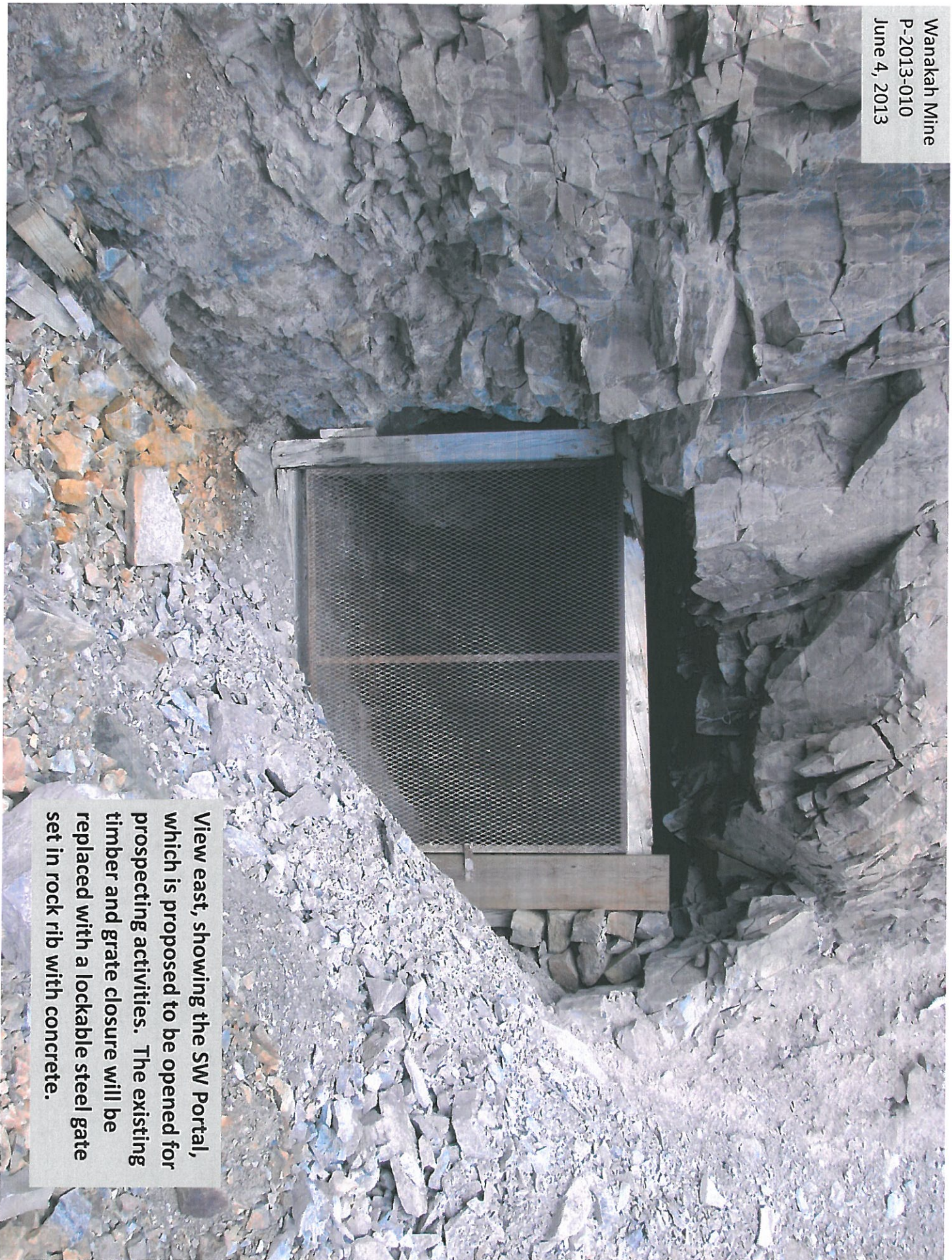
Transportation Cycle Time:

	Non-Roadable Equipment	Roadable Equipment
Haul Time (Hours):	0.50	0.50
Return Time (Hours):	0.50	0.50
Loading Time (Hours):	0.00	NA
Unloading Time (Hours):	0.00	NA
Subtotals:	1.00	1.00

JOB TIME AND COST

Total job time:	1.00	Hours
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Total job cost:	\$321.09
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A photograph showing a view east into a mine portal. A large, rectangular metal grate gate is set into a rough, uneven rock wall. The gate is made of a dark, perforated metal mesh. The surrounding rock is dark and jagged, with some lighter-colored debris and gravel on the floor. The lighting is somewhat dim, highlighting the texture of the rock and the structure of the gate.

View east, showing the SW Portal, which is proposed to be opened for prospecting activities. The existing timber and grate closure will be replaced with a lockable steel gate set in rock rib with concrete.

Wanakah Mine
P-2013-010
June 4, 2013



View northwest, showing portions of the historic Wanakah mine dump and the access road approach to the Wanakah Portal.

View east, showing the Wanakah Portal, which is proposed to be opened for prospecting activities. The existing timber and plywood closure will be replaced with a lockable steel gate set in rock rib with concrete.





View east, showing the Bright Diamond Portal, which is to be opened for prospecting activities. The existing timber and grate closure will be replaced by a lockable steel gate set in rock rib with concrete.

Wanakah Mine
P-2013-010
April 16, 2003

Photo, taken during a previous site inspection for an earlier NOI application, showing chemical erosion of iron located on the historic Wanakah mine dump.

