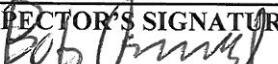




**COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY**  
**MINERALS PROGRAM INSPECTION REPORT**  
**PHONE: (303) 866-3567**

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.

<b>MINE NAME:</b> South Upper Rat Creek	<b>MINE/PROSPECTING ID#:</b> P-2011-023	<b>MINERAL:</b> Silver, gold, lead and	<b>COUNTY:</b> Mineral
<b>INSPECTION TYPE:</b> Mineral Prospect Inspection	<b>INSPECTOR(S):</b> Bob Oswald	<b>INSP. DATE:</b> July 11, 2013	<b>INSP. TIME:</b> 12:00
<b>OPERATOR:</b> Rio Grande Silver, Inc.	<b>OPERATOR REPRESENTATIVE:</b> Randy McClure, Cassady Harraden	<b>TYPE OF OPERATION:</b> MP - Mineral Prospecting	

<b>REASON FOR INSPECTION:</b> Surety Release Requested	<b>BOND CALCULATION TYPE:</b> None	<b>BOND AMOUNT:</b> \$16,435.00
<b>DATE OF COMPLAINT:</b> NA	<b>POST INSP. CONTACTS:</b> U.S. Forest Service	<b>JOINT INSP. AGENCY:</b> None
<b>WEATHER:</b> Cloudy	<b>INSPECTOR'S SIGNATURE:</b> 	<b>SIGNATURE DATE:</b> July 16, 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-----	NA	(RD) ROADS-----	NA
(HB) HYDROLOGIC BALANCE-----	NA	(BG) BACKFILL & GRADING-----	NA	(EX) EXPLOSIVES-----	NA
(PW) PROCESSING WASTE/TAILING----	NA	(SF) PROCESSING FACILITIES-----	NA	(TS) TOPSOIL-----	Y
(MP) GENL MINE PLAN COMPLIANCE-	NA	(FW) FISH & WILDLIFE-----	NA	(RV) REVEGETATION----	Y
(SM) SIGNS AND MARKERS-----	NA	(SP) STORM WATER MGT PLAN----	NA	(SB) COMPLETE INSP----	NA
(ES) OVERBURDEN/DEV. WASTE-----	NA	(SC) EROSION/SEDIMENTATION---	NA	(RS) RECL PLAN/COMP--	Y
(AT) ACID OR TOXIC MATERIALS-----	NA	(OD) OFF-SITE DAMAGE-----	NA	(ST) STIPULATIONS-----	NA

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 bond-release inspection performed by the Division in response to the operator's reclamation liability release request. The Division's inspection was postponed twice due to access: first for late spring snowy ground conditions, second for possible road closures from wildfire.

This project proposed a series of drill holes from three drill pads. They are all a short distance, and visible from, the USFS access road. The operator did not disturb any drill sites or construct any roads under this NOI. Therefore the release request did not need to provide a reclamation report describing the completion of all required reclamation. Observations made during this inspection showed that there was no disturbance of any kind, the sites were clean and stable, and there is no reclamation to be performed.

All annual fees and reports are current, and there are no outstanding problems to correct. The operator's release request is therefore approved. Formal notice of the Division's decision to approve the release will be sent to the operator under separate cover.

For questions related to 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**

Randy McClure  
Rio Grande Silver, Inc.  
P.O. Box 610  
Creede, CO 81130

CC: Tom Malecek, USFS, Monte Vista

PHOTOGRAPHS

