




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: Smuggler Mine	MINE/PROSPECTING ID#: M-1995-097	MINERAL: Silver	COUNTY: Pitkin
INSPECTION TYPE: Monitoring	INSPECTOR(S): Dustin M. Czapla	INSP. DATE: August 23, 2013	INSP. TIME: 12:00
OPERATOR: New Smuggler Mine Company	OPERATOR REPRESENTATIVE: Roger Messler	TYPE OF OPERATION: 110(2) - Hard Rock Limited Impact	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: \$79,888.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: August 1, 2013

The following inspection topics were identified as having Problems or Possible Violations. OPERATORS SHOULD READ THE FOLLOWING PAGES CAREFULLY IN ORDER TO ASSURE COMPLIANCE WITH THE TERMS OF THE PERMIT AND APPLICABLE RULES AND REGULATIONS. If a Possible Violation is indicated, you will be notified under separate cover as to when the Mined Land Reclamation Board will consider possible enforcement action.

1. INSPECTION TOPIC: Availability Of Records

PROBLEM/POSSIBLE VIOLATION: Problem: Rule 1.13.5 states, if an Operator temporarily ceases production of the mining operation for one hundred eighty (180) days or more, the Operator must file a Notice of Temporary Cessation in writing to the Office.

CORRECTIVE ACTIONS: The Division recommends the Operator file for Temporary Cessation. The start date of the initial 5 year Temporary Cessation period is retroactive to the last date the site was active. If that date is more than 5 years ago, the operator is required to ask the Board for a 5 year extension to the Temporary Cessation period (per rule 1.13.5 (3) and 1.13.8 (b) or begin reclamation.

CORRECTIVE ACTION DUE DATE: 9/16/13

2. INSPECTION TOPIC: Financial Warranty

PROBLEM/POSSIBLE VIOLATION: Problem: The financial warranty is not adequate to reclaim the site in accordance with the approved reclamation plan. This is a failure to maintain the proper financial warranty amount to complete reclamation of the affected lands pursuant to C.R.S. 34-32-117(4)(b) of the Act.

CORRECTIVE ACTIONS: The operator shall submit adequate financial warranty, as determined by the Division. The Division will be sending a separate surety increase notice to the operator regarding the increase of the financial warranty. The operator will have 60 days from the date on the surety increase notice to post the additional financial warranty.

CORRECTIVE ACTION DUE DATE: 10/01/13

OBSERVATIONS

This inspection was conducted as part of the Division of Reclamation, Mining and Safety's (Division) normal monitoring program. Roger Messler, representing the Operator, was present during this inspection. Photographs are included with this report in order to illustrate some of the conditions observed.

The Smuggler Mine is located on the northeast flank of the town of Aspen and accessed from Smuggler Mountain Road. The site is a 110(2) operation that includes a total of 9.9 permitted acres. The Division currently holds a financial warranty amount of \$79,888.00 for this site. The Division has reviewed the reclamation costs, in order to ensure the financial warranty reflects the actual current cost of fulfilling the requirements of the Reclamation Plan, and determined that the current financial warranty amount is insufficient. The Operator will be notified under separate cover of a financial warranty increase.

Adequate mine identification signage was noted at the entrance to the site.

The affected area was marked by fencing that was clearly visible and adequate to delineate the affected area boundary.

According to annual reports submitted by the operator, since permit issuance, activity at the site has primarily been related to operations as a tourist mine. Any mining activity appears to have been limited to minimal exploration. Pursuant to Rule 1.13.5 the operator must file a Notice of Temporary Cessation or begin final reclamation. The Division will follow up with the operator regarding the operational status of this site, and any future plans for commencing production. If the site will not be utilized as a mining operation, but only as a tourist mine, than a reclamation permit may not be appropriate for this site.

A large amount of various scrap material and equipment, much of which is unrelated to the mining operation, is still located in various areas throughout the site.

Fuel stored on site was placed in an adequate containment structure.

Tunnel No. 1A and the Smuggler Shaft, located on the Main Mine Pad level, were locked securely. The Clark Tunnel and Tunnel No. 2, which are utilized by the tours, were open. A tour was taking place during this inspection. Tunnel No. 3 has been covered with the adjacent dump material.

No other problems or violations were noted during this inspection.

Responses to this inspection report should be directed to Dustin Czapla at the Division of Reclamation, Mining and Safety, Grand Junction Field Office, 101 South 3rd Street, Room 301, Grand Junction, Colorado 81501, phone number (970) 243-6299.

PHOTOGRAPHS

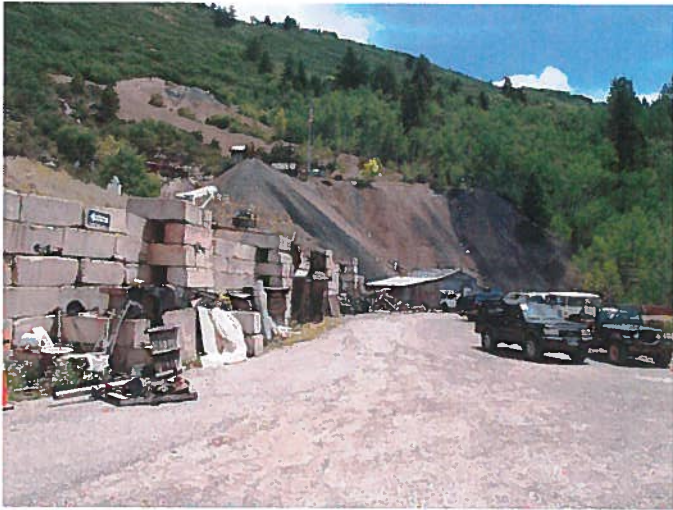


Figure 1: View toward the No. 2 Dump from the from the main mine pad



Figure 2: Various equipment, material and debris stored throughout the site



Figure 3: Various equipment, material and debris stored throughout the site



Figure 4: Fuel containment structure is shown on the left side of the photo

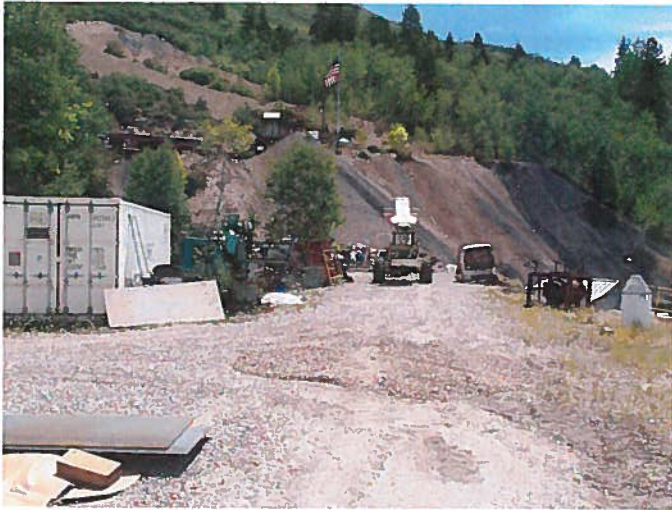


Figure 5: Various equipment, material and debris stored throughout the site

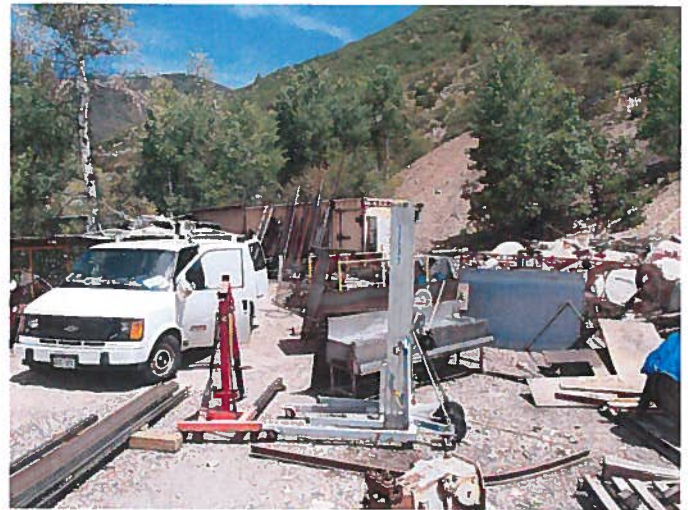


Figure 6: Various equipment, material and debris stored throughout the site

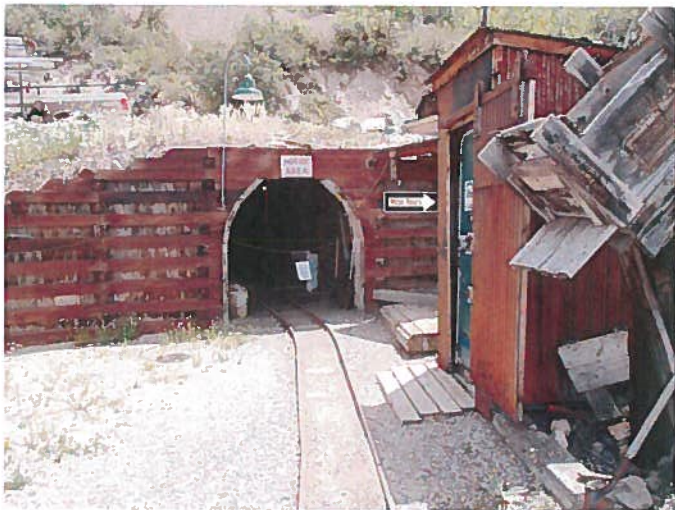


Figure 7: Clark Tunnel



Figure 8: Tunnel No. 2



Figure 9: View toward the watchman quarters located on the south side of Tunnel No. 2



Figure 10: Unused ordinance locker located on the north side of the Clark Tunnel



Figure 11: No. 3 Dump area



Figure 12: No. 3 Dump area



Figure 13: Smuggler Shaft



Figure 14: Tunnel 1A

GENERAL INSPECTION TOPICS

The following list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each

(AR) RECORDS----- <u>PB</u>	(FN) FINANCIAL WARRANTY----- <u>PB</u>	(RD) ROADS----- <u>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>N</u>	(EX) EXPLOSIVES----- <u>N</u>
(PW) PROCESSING WASTE/TAILING---- <u>N</u>	(SF) PROCESSING FACILITIES----- <u>Y</u>	(TS) TOPSOIL----- <u>N</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>Y</u>	(FW) FISH & WILDLIFE----- <u>N</u>	(RV) REVEGETATION---- <u>N</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN---- <u>N</u>	(SB) COMPLETE INSP---- <u>N</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>N</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>N</u>	(ST) STIPULATIONS----- <u>N</u>

Y = Inspected and found in compliance / N = Not inspected / NA = Not applicable to this operation / PB = Problem cited / PV = Possible violation cited

Inspection Contact Address

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