

New Smuggler Mine Company
C/o Chris H. Preusch
2755 Lower River Road
Snowmass, CO 81654
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RECEIVED

AUG 26 2013
GRAND JUNCTION FIELD OFFICE
DIVISION OF
RECLAMATION MINING & SAFETY

August 20, 2013

State of Colorado
Environmental Protection Specialist
Department of Natural Resources
Division of Reclamation, Mining and Safety
101 South 3rd, Suite 301
Grand Junction, CO 81501
Attn: Dustin Czapla
(970) 243.6299
(970) 241.1516 fax

Re: Smuggler Mine, Permit No. M-1995-097. C.D. # 16522
Financial Warranty Cost Estimate.

Dear Dustin,

I first must apologize for not being available for your site visit. Over the years I have always accompanied Steve Shuey for the site visits at the mine. After reviewing your report I feel I must bring to light a couple of items that Steve and I had gone through back in 08-01-2003

On his inspection report that originated 7/18/2003 Mr. Shuey had charged us for the same mine closures.

Upon re inspection he admitted that the closures meet with the Divisions Specifications and re evaluated the bond, removing the enclosure costs since this was redundant.

In your report dated August 1, 2013 you have \$16,408.00 allocated to these closures.

4 portal closures and 1 shaft, we only have 2 portals that are covered by approved enclosures, the remaining 2 are collapsed and would require re opening before enclosures could be built. The shaft is protected by locked gate and fence.

I would like a re inspection so these items can be removed from the bond since we have complied with the regulations on closures.

In addition you have a tremendous amount of import soils for a clean up at the site. The Mine Dumps are on the National Register for Historic Places and by our AOC with the EPA these dumps cannot be altered in any way shape or form. Upon our Delisting with the EPA all soil had been placed for capping and revegetation on the mine site. Currently we have over 700 yds of topsoil stockpiled on the site for future re-vegetation when needed.

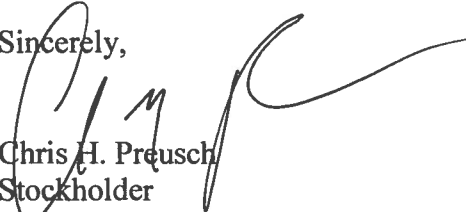
I would look forward to meeting you and possibly taking a look at the site again before we increase this bond.

Over the next 30 days we will be removing with the help of Pacific Steel a tremendous amount of the old and non valuable pieces of equipment from the property.

Given the balances of the bond I feel that within the next 30 days we may be in a position to decrease our bond amount and limit our level of exposure.

I look forward to hearing from you and hope we can look at this once more as we have done in the past with Mr. Shuey

Sincerely,



Chris H. Preusch
Stockholder
Board of Directors