

# R. T. HICKS CONSULTANTS, LTD.

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November 8, 2011

Chris Eustice  
Sr. Environmental Engineer  
MMD, Mining Act Reclamation Bureau  
1220 South St. Francis Drive  
Santa Fe, NM 87505

RE: Iron Duke Financial Assurance Proposal

Dear Mr. Eustice

This letter is to propose a phased plan of providing financial assurance (FA) for the Iron Duke Project. MMD's Guidance for Estimating Reclamation Costs (Part 3) was used in the preparation of this proposal. The disturbed area will total 6.87 acres. Gulf Coast proposes to proceed with mining reclamation at the site in two phases. In Phase 1, 4.09 acres will be subject to MMD FA. Some of these areas will then be reclaimed while the remaining areas will be used within the Phase 2 activities. During Phase 2, 4.07 acres are subject to MMD FA.

Activities during Phase 1 requiring MMD FA will occur in this order:

- The Iron Duke Waste Pile (Area 13 on Plate 1A, 0.90 acres) will be removed by accessing the waste rock from the Upper Iron Duke Pad (Area 2, 0.20 acres) and an access strip (Area 18, 0.14 acres, Plates 1A and 1B) parallel to the northern edge of the Iron Duke Waste Rock Pile. Staging and processing occur through use of Areas 1, 3, 4, 6-9, 11, and 12.
- After waste rock removal is completed, Areas 2, 12, 13, and 18 are reclaimed.

Areas 15, 16 and part of Area 7 are on BLM land and are not part of this proposed activity and FA (see Plate 1A and Plate 1B). Ownership of the road (Area 10) connecting the Bottom Pad (Area 3) and the Lowermost Pad (Area 4) is in dispute and is also not part of the FA.

The total working area during Phase 1 is 4.09 acres which are subject to MMD financial assurance. Using the MMD guideline, this corresponds to \$15,597.

$$\begin{aligned}\text{Phase 1 FA} &= 1 \text{ acre} * \$5,400 \text{ (first acre)} + 3.09 \text{ acres} * \$3,300 \text{ (additional acres)} \\ &= \$15,597\end{aligned}$$

Not all of the Areas used in Phase 1 will be reclaimed as several of them are used in Phase 2. As mentioned above, at the conclusion of Phase 1, Areas 2, 12, 13, and 18 will have been reclaimed (1.44 acres out of the 4.09 acres). It is proposed to move this portion of the financial assurance to Phase 2 less a re-vegetation contingency. The re-vegetation contingency is calculated as per MMD practice as:

$$\begin{aligned}\text{Re-veg. Conting.} &= \$800 \text{ per acre re-vegetation cost} * 0.6 \text{ failure rate} * 1.44 \text{ acres} \\ &= \$691\end{aligned}$$

Therefore, most of the Phase 1 FA can be applied to the Phase 2 FA. With vegetation re-established in the reclaimed areas of Phase 1, the sum held in financial assurance from this portion of Phase 1 (\$691) can be applied to the Phase 2 FA reducing the total amount of FA at that time.

In Phase 2, activities will occur in this order:

- The North Side Waste Rock Pile will be removed in 200-foot by 200-foot segments (about 0.92 acres at a time of the 2.27 acre area) through use of the Cinco de Mayo access and upper pad (Area 5, 0.30 acres) and an access strip parallel to the eastern side of the North side Waste Rock Pile (Area 17, 0.21 acres, Plates 1A and 1B). Staging and processing occur through use of Areas 1, 3, 4, 6-10, and 11.
- After waste rock removal is completed, Areas 1, 3-9, 11, the last portion of 14, and 17 are reclaimed.

The total area working area during Phase 2 is 4.07 acres subject to MMD FA. Using the MMD guideline, this corresponds to \$15,531 plus the \$691 re-vegetation contingency for the Phase 1 areas.

$$\begin{aligned}\text{Phase 2 FA} &= 1 \text{ acre} * \$5,400 \text{ (first acre)} + 3.08 \text{ acres} * \$3,300 \text{ (additional acres)} \\ &= \$15,564\end{aligned}$$

$$\begin{aligned}\text{Total Phase 2 FA} &= \text{Phase 2 FA} + \text{Re-vegetation contingency} \\ &= \$15,564 + \$691 \\ &= \$16,225\end{aligned}$$

This total is \$16,225. If re-vegetation of the Phase 1 areas is demonstrated before Phase 2 operations are completed, the Phase 2 FA can be reduced by this amount.

When reclamation of the Phase 1 and Phase 2 areas subject to MMD FA is completed, MMD will release all remaining financial assurance.

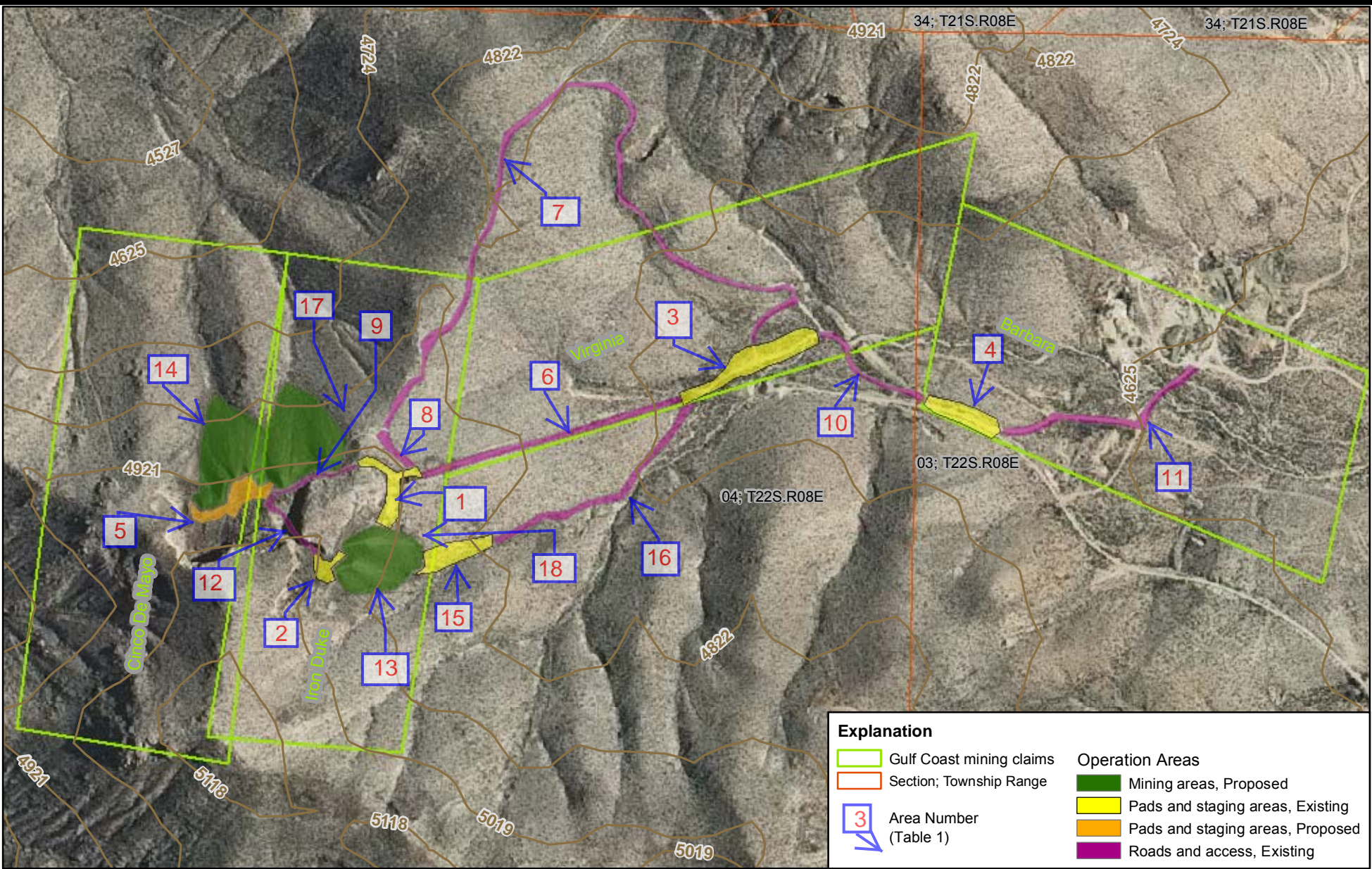
If you have any questions or comments regarding these responses, please contact me or David Hamilton at our Albuquerque office.

Sincerely,  
R.T. Hicks Consultants



Randall T. Hicks  
Principal

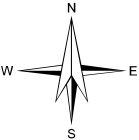
Copy: David Shaheen, David Davidson for Gulf Coast Mining Group, LLC.



**Explanation**

- |                          |                                  |
|--------------------------|----------------------------------|
| Gulf Coast mining claims | <b>Operation Areas</b>           |
| Section; Township Range  | Mining areas, Proposed           |
| Area Number (Table 1)    | Pads and staging areas, Existing |
|                          | Pads and staging areas, Proposed |
|                          | Roads and access, Existing       |

Base Map: RGIS, EDAC UNM



0 200 400  
Feet

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**Aerial Photograph with MS Claim Overlay; Existing and Proposed Operation Areas; and Contours**  
**Gulf Coast Mining Group, LLC**  
**Barbara, Cinco de Mayo, Iron Duke, & Virginia MS Claims**

**Plate 1A**  
**Nov, 2011**

Area Number	Name of Area	Description	Status	Acres	Area to be Mined - Reclaimed sequentially in 200 by 200 foot areas [acres]	Phase 1 (Iron Duke Waste Rock)		Phase 2 (North Side Waste Rock)		
						Active Areas during Phase 1	Inactive Areas during Phase 1	Active Areas during Phase 2		Inactive Areas during Phase 2
						Areas Used in Phase 1 for which MMD Reclamation Applies	Areas not used in Phase 1 (reserved for Phase 2)	Areas Used in Phase 2 for which MMD Reclamation Applies	Area to be mined or area that has been mined and reclaimed in Phase 2	Areas reclaimed from Phase 1
1	Upper Staging Area	Pads and staging areas	Existing	0.26		0.26		0.26		
2	Upper Iron Duke Pad	Pads and staging areas	Existing	0.20		0.20				0.20
3	Bottom Pad (foot of Rail Grade)	Pads and staging areas	Existing	0.56		0.56		0.56		
4	Lowermost Pad (on Barbara Patented Claim)	Pads and staging areas	Existing	0.28		0.28		0.28		
5	Cinco de Mayo Access and Upper Pad	Pads and staging areas	Proposed	0.30			0.30	0.30		
6	Cat Path- Old Rail Grade	Roads and access	Existing	0.41		0.41		0.41		
7	Access Road to Iron Duke and Cinco de Mayo (49% of length is on BLM Land and will not be used under this permit)	Roads and access	Existing	1.11		0.57		0.57		
8	Upper Junction Pad (from head of access road to ID And CdM to Cat Path)	Roads and access	Existing	0.09		0.09		0.09		
9	Upper Access Road (From Junction Pad to North Side Waste Rock)	Roads and access	Existing	0.08		0.08		0.08		
10	Pad Connecting Road (Ownership of Area is in dispute)	Roads and access	Existing	0.16						
11	Widened Drainage Crossing	Roads and access	Existing	0.40		0.40		0.40		
12	Iron Duke Access Road (to Upper pad from north)	Roads and access	Existing	0.20		0.20				0.20
13	Iron Duke Waste Rock	Mining/reclamation areas	Historic	0.90		0.90				0.90
14	North Side Waste Rock (Cinco de Mayo and Iron Duke)	Mining/reclamation areas	Historic	2.27	0.92		2.27	0.92	1.35	
15	Lower Iron Duke Pad (This area will not be used under this permit)	Pads and staging areas	New	0.28						
16	Access Road to Lower Iron Duke Waste Rock (This area will not be used under this permit)	Roads and access	New	0.38						
17	Proposed Access ro North Side Waste Rock	30 by 300 foot area on eastern edge of North Side Waste Rock	New	0.21			0.21	0.21		
18	Proposed Access ro Iron Duke Waste Rock	30 by 200 foot area on the northern edge of Iron Duke Waste Rock	New	0.14		0.14				0.14
		Subtotals for each Phase				4.09	2.78	4.08	1.35	1.44
		Total Area for each Phase. Does not include Areas that are not part of the Project (Areas 10, 15, 16, part of Area 7)				6.87		6.87		
R.T. Hicks Consultants, Ltd 901 Rio Grande Blvd NW, Suite F-142 Albuquerque, NM 87104 505-266-5004		Plate 1A Identifiers, Areas, and Categorization of Areas for Phased Mining of the Iron Duke Project				Plate 1B				
		Gulf Coast Mining Group, LLC. Barbara, Cinco de Mayo, Iron Duke, & Virginia MS Claims				November, 2011				