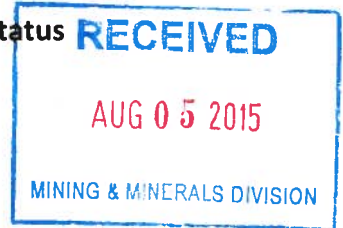


Application for Revision of HI001RE Mining Act Permit to Standby Status

The Lordsburg Mining Company

PO Box 129

Lordsburg, NM 88045



A. Due to a temporary cessation of mining operations exceeding 180 days, The Lordsburg Mining Company (LMC) is submitting this application to revise the Mining Act permit No. HI001RE to Standby status for the Banner Mill and Tailings impoundment facilities pursuant to 19.10.7.701 NMAC.

B. Standby status is requested for both units of the Banner mill site; the milling facility and the tailings facility. The following is provided in support of this application:

(1) The term limit for this Standby Status is five years from 180 days following the last date of shipment of concentrate from the mill (September , 2014 + 180 days = March , 2015). It is the goal of LMC to resume operations before this date, but at present a resumption date is indeterminate. Prior to the end of the five year term, if operations have not resumed, or no other permit revision and revised plan of operation is in process to re-establish operations, the facilities will be evaluated whether to begin immediately to bring the property into post mine land use, or to reapply for a continuance of standby status. LMC also may also choose to begin placement of a portion or all of the facilities into post mine land use at any time within the five year period. LMC will provide notice to MMD per MMD-MARP rules prior to commencement of reclamation/post mining use activities.

(2) Prior characterization test work of the ores and tailings produced by the Summit Mine and Banner Mill operations show that they do not have acid formation potential. The ores contain less than one percent total sulfide while also containing several percent calcium carbonate. In addition, the ores do not contain significant content of arsenic, mercury, antimony, lead, or other common deleterious elements that might potentially leach from the ore or tailings materials in the event of acid generation. Further, only a minimal quantity of Summit ore material remains present on the site, and all drainage from the mill site is contained in an HDPE lined retention pond. The tailings impoundment is also contained by a 60 mil HDPE liner. The impoundment is designed to contain the 100 year flood when at full capacity. The impoundment is not filled to capacity, and thus has the capability to contain much more than the 100 year event.

(3) The mill and tailing facilities are constructed in a manner that precludes the escape of surface or ground water into the adjacent environment. Rainfall upstream from the facilities is diverted around the site, and all rainfall within the facilities is contained in the HDPE lined impoundment or retention pond. As needed, airborne dust will be contained by the application to exposed tailings surfaces of a water-polymer mixture designed for such use to form a crust on the surface to prevent airborne dust.

(4) The operations do not include any leach piles or pits. The mill contains three small low grade ore piles that have been stabilized and are not subject to rainfall erosion. Further, the piles all contain rock particles that are not subject to generation of wind blown dust. The tailings are all contained within an area that drains into an HDPE lined impoundment. Any loose tailings will be graded at a 3 to 1 or flatter slope and compacted on the surface. The surface will be treated as previously described with a stabilizing polymer. These areas will be monitored and retreated as may be necessary to ensure stability with respect to airborne dust.

(5) describe how the applicable requirements of the Act and 19.10 NMAC will be met during the term of the standby status for the operations proposed for standby status; and

(6) Economic Analysis. The economic viability of the mill is a function of the grade of ores that are shipped to it as well as metal prices. The Summit mine operation did not complete development to the higher grade ores of the deposit before the company's financial resources were depleted; and thus forced the shut-down of operations. The company is presently in the process of evaluating other financial sources. The operating costs for the Summit/Banner operation can be summarized as follow: Mining \$80.93/ton, Trucking \$18.50/ton and Milling \$22.54/ton, for a total cash cost of \$121.97/ton. At current metal prices of \$1180/oz Au and \$16.00/oz Ag, and the average grade of the total resource at the Summit mine (0.115 opt Au, 7.50 opt Ag), the concentrates produced from the mill have a net smelter value after all marketing costs of \$124.50/ton of ore produced. The Summit has higher grade resources available that are yet to be developed. At a 10% increase in grade produced using the same metal prices, the net value per ton of ore is \$146.16/ton. A proportionate increase in metal prices can also give an increase in net ore value. From the above it can be seen that at current prices and the average grade of ore from the Summit, the operation at the mill is just above break even. Given development of higher grade ores, increase in metal prices, or both, the operation becomes economically profitable.

C. Copies of the notices required pursuant to 19.10.9 NMAC and the permit revision fee pursuant to 19.10.2 NMAC are enclosed with this application.

D. LMC is available to provide additional information as the Director deems necessary.

E. 6 copies of this permit revision application are enclosed.