

June 8, 2012

Roberta Hudson
PMB 2020
JOE FOSS BUILDING
523 EAST CAPITOL
PIERRE, SOUTH DAKOTA 57501-3182

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MINERALS & MINING PROGRAM

Ms. Hudson:

In response to your letter dated May 18, 2012

1. SDCL 45-6B-43 and ARSD 74:29:07:15: *Letters from the Lawrence County Invasive Species Supervisor requested, not received. US Forest Service letter requested, not yet received.*

2. SDCL 45-6B-92:

Wildlife -- No traffic, equipment or disturbance of that area will result from mining. The US Forest Service did not note any threatened or endangered species in the area therefore no impacts are anticipated to these species. The area to be mined has been mined previously and features uneven terrain of trenches and mounds not conducive to wildlife habitat. Even summer grazing livestock avoid this terrain, traveling up the creekbed to less disturbed meadows.

Game, Fish & Parks referred wildlife studies to the U.S. Forest Service, which mapped and addressed a known snail colony and identifies potential plant habitat. Both occur outside of the permit boundary and therefore should not be impacted by mining.

Mitigation with the US Forest Service states: The area within the placer mining and associated activities are authorized to take place and has been surveyed for cultural resources. However, should the operator locate any bones, artifacts, foundations or other indications of past human occupation of the area, he or she must notify the district or forest archaeologist immediately to determine appropriate course of action. Activities authorized in the Plan of Operations will not take place within the established site boundary for an identified cultural resource (Site 39LA0831). The district mineral specialist and archaeologist will ensure that this site is marked on the ground.

Water - The permit area is located within the Spearfish Creek watershed. A 25-foot buffer has been designed to protect Iron Creek, an intermittent stream, from mining and run-off and erosion. The only other known water source in the area is a well 3000+ feet distance upstream at Iron Creek Lake, clearly signed as "Not Potable". No danger of run-off to this shallow well is expected due to distance and approx. 250-foot rise in elevation to this point from the mine area. There is no private property in Section 23 where mining will occur, therefore it is reasonable to assume there are no private wells within that section.

Soils - All soils observed are high in organic materials and are clay-laden to resist erosion. These soils generate growth rapidly. No soils have been identified as having high erosion potential, but erosion control as part of ongoing reclamation will include

sediment control and re-seeding.

3. ARSD 74:29:06:01: *See attached*

In accordance with ARSD 74:29:06:02:

(1) Reclamation, due to high quality of several feet of topsoil, will be accomplished by simple recontouring of pits and redistribution of topsoil, rendering pits virtually undetectable by revegetation. All observations indicate topsoil throughout the mining area and amount of revegetated surface demonstrates capability of successful reclamation.

(2) Unnatural slopes created by historic mining prevent premium grazing in the immediate mine area. Reclamation to disturbed land will be to gradual slopes commensurate with forest grassland easily traversed by wildlife and livestock equivalent to grazing found below and above permit area.

(3) A bi-annual inspection along with a vigorous weed control program and maintenance of reclamation area fences throughout the year allow prevegetative grasses hardy development.

(4)(a) It is determined that reclamation will follow forest grassland to maintain prime wildlife habitat and grazing.

(4)(b) Postmine land use is supported by the US Forest Service and Lawrence County Conservation District. Teresa Fox has financial resources and is financially capable of maintaining postmine land use. Bonds will be in place with both the State of South Dakota and US Forest Service for reclamation and postmine maintenance.

(4)(c) Reclamation, due to high quality of several feet of topsoil, will be accomplished by simple recontouring of pits and redistribution of topsoil, rendering pits virtually undetectable by revegetation.

(4)(d) No more than one acre of disturbance will occur annually. A schedule of reclamation consists of following the first year of mining, one acre of disturbance will be backfilled, topsoiled and seeded along with fencing in place to protect vegetation from disturbance. Each successive year of operation will follow the same reclamation until postmine land use is approved as complete. Ongoing backfill of pit, topsoiling and seeding will accomplish this annual goal.

(4)(e) Postmine land use is supported by the US Forest Service and Lawrence County Conservation District.

(4)(f) Reclamation to disturbed land will be to gradual slopes commensurate with forest grassland easily traversed by wildlife and livestock equivalent to grazing found below and above permit area.

4. ARSD 74:29:07:02(9): On-going reclamation will result in minimum open disturbance while mining. This will cause minimal short-term impact to wildlife and grazing, but result in improved postmine land use.

The US Forest Service states: The proposed activity would occur in Management Area 5.6, which provides for non-motorized recreational opportunities such as hiking and horseback riding. The presence of mining activities in the area would be consistent with the setting for this management area. The forest plan desired condition for such an area includes the following, "the opportunity for solitude, risk, and a challenging environment

are less prevalent in these areas than those managed for more primitive recreational experiences. Because management activities occur in these areas, users are likely to encounter people associated with timber harvesting, livestock management, or other activities.” (USDA FS 2006A, P. 111-113).

5. ARSD 74:29:07:06(1): Sarah Eggebo, in a letter addressed May 7, approved as marked on attached US Forest Service required seed mix the North Zone High Altitude seed mix.

6. ARSD 74:29:07:08(2): *Permit application mail receipt attached.*

7. ARSD 74:29:07:14: Topsoil will be placed at the far north side of permitted area. This is to allow for maximum distance to intermittent Iron Creek, the only existing stream within the project boundaries. A 100-foot buffer protects ATPs as listed by the US Forest Service. Waste stockpiles will also be on the north boundary, but will generally be avoided by replacement of waste material as backfill to the pit. Waste material is limestone and porphyry-based containing no distinguishing pyrite. It is observed there is no chance of water pollution due to toxic or acid bearing properties.

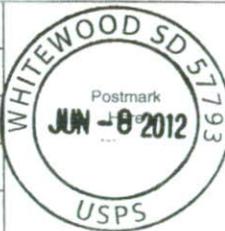
US Forest Service mitigation states that topsoil and mineral soils removed for reclamation activities be stockpiled out of the Water Influence Zone on Iron Creek and Pettigrew Gulch during operations.

8. 74:29:03:16. Technical revisions to mining operation permits. Technical revisions requested for this mining operation without the requirement of permit amendment include the following:

- (1) Modifying topsoil stripping plans and storage piles;
- (2) Modifying or relocating access roads within the permit boundary;
- (3) Modifying seeding mixtures or rates with approval of US Forest Service;
- (4) Modifying water usage or storage within the recirculating system;
- (5) Modifying the size of area to be worked at any one time;
- (6) Modifying or relocation of erosion, sedimentation, or drainage control;
- (7) Modifying the operating and reclamation plan to accommodate the approved US Forest Service operating plan within the constraints of ARSD 74:29:03;
- (8) Adding contiguous affected land within the permit area when the total of such additions does not exceed 20 percent of the originally permitted affected land area.
- (9) Modifying equipment list as conditions change in the pit.

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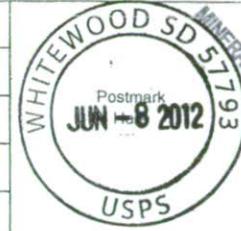
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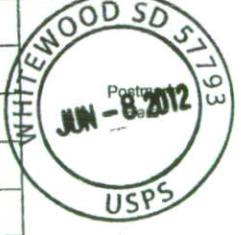
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