



July 17, 2009

70928

Charles Watson  
 Professional Geologist  
 Advanced Geologic Exploration Inc.  
 P.O. Box 1956  
 Chester, CA 96020

**RE: Financial Assurance Cost Estimate  
 Blue Lead Gold Mining LLC**

Dear Mr. Watson:

The Financial Assurance Cost Estimate (FACE) for the Blue Lead quarry is enclosed. The FACE was prepared in response to a Notice of Violation issued by Nevada County for operating without a permit. The mine does not currently have a California mine identification number. The Reclamation Plan was not complete, and it has not been approved by the Office of Mine Reclamation. Because of this, we made the following assumptions in preparation of the FACE:

- ❖ Native seed is used for revegetation (estimate enclosed)
- ❖ Seed distribution ratio will be determined by the seed distributor (estimate enclosed)
- ❖ Seeding and planting of seedlings will be done by hand
- ❖ Salvage value is approximately 8 percent of value
- ❖ Use of Caltrans straw distribution rates (54 bales/acre)
- ❖ Use of weed-free straw
- ❖ Department of Industrial Relations prevailing wage rates are used
- ❖ CalTrans 2009-2010 equipment rental rates are used

The reclamation areas are outlined on the 2005 aerial photograph attached. Please contact me or Wendy Johnston if you have any questions or need further information.

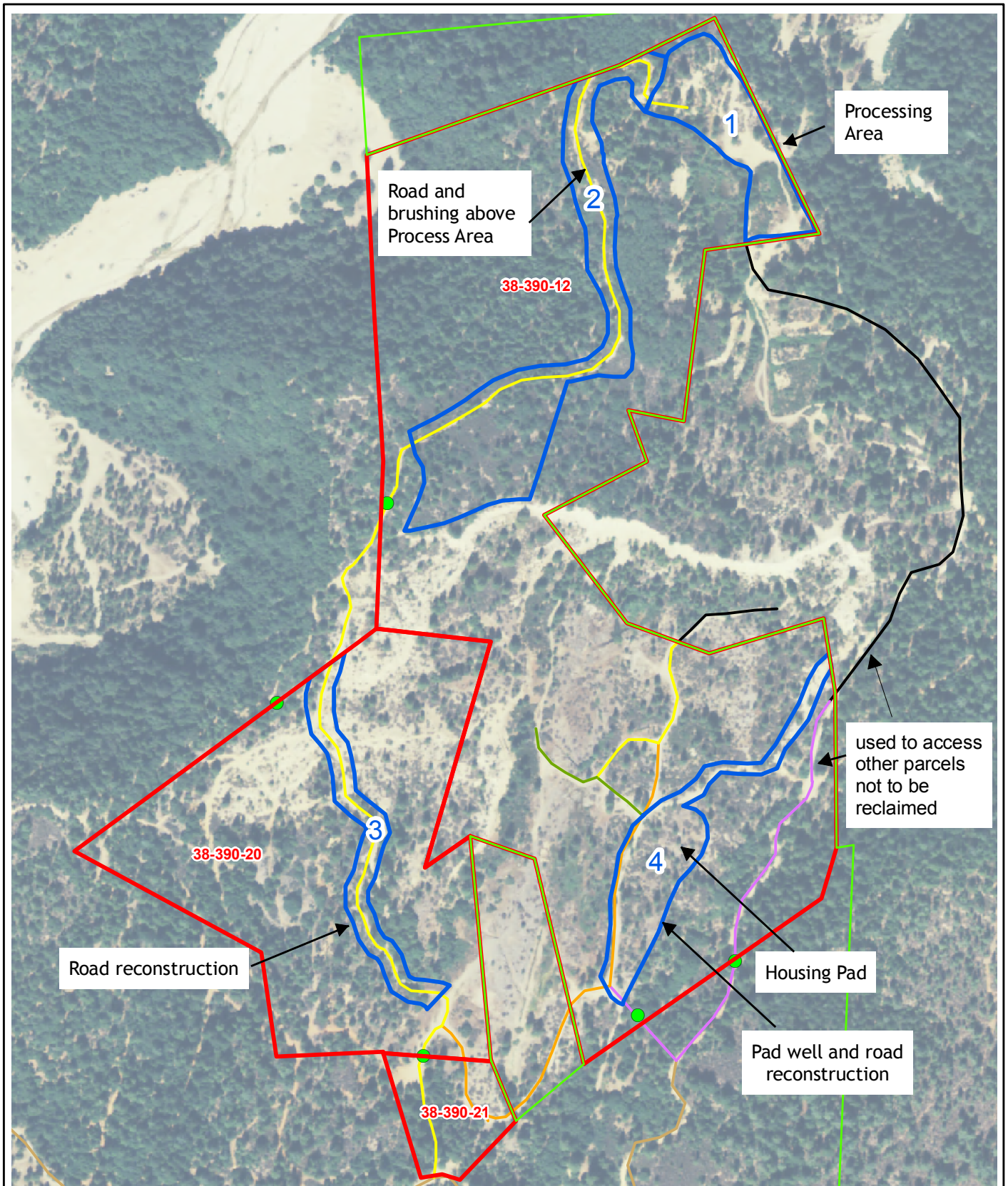
Sincerely,

**VESTRA Resources Inc.**

Talitha Penland  
 SMARA Consultant

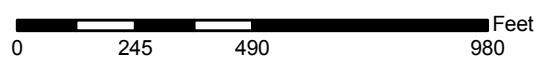
Wendy Johnston  
 Project Manager

Attachments



- Gate
- Access Road on BLM Lands
- Existing Access Road
- Existing Access Road (Improved)
- Existing Access Road (Non-Improved)
- Existing Access Road (Private & BLM Lands)
- Road
- Processing Area
- Approximate Parcel Boundary
- BLM Parcel Boundary

**VESTRA**  
SOURCE: NAIP 2005



**2005 AERIAL PHOTOGRAPH**  
BLUE LEAD GOLD MINE  
NEVADA COUNTY, CALIFORNIA

# Financial Assurance Guidelines

## State of California

DEPARTMENT OF CONSERVATION  
Financial Assurance Cost Estimate  
Form OMR-23 (New 06/96)

# FINANCIAL ASSURANCE COST ESTIMATE

## FOR

Blue Lead Gold Mining, LLC  
18272 Red Dog Road  
Grass Valley, California  
CA MINE ID # 91-

Prepared by:  
VESTRA Resources, Inc.  
5300 Aviation Drive  
Redding, CA 96002

Date: 7-15-09

**I. PRIMARY RECLAMATION ACTIVITIES**

Description of Task: Rip, grade and shape disturbed areas including road decommissioning. Fill and grade ponds. Remove trash. See the attached spreadsheet for a breakdown of equipment and hours per task.

Methods to be Used: A D6 will be used to rip, grade and shape the disturbed areas, including the roads. The pond will be filled using a 950 B loader and a D6. Trash will be removed with a 950 B loader and a 10-wheel dump truck.

Miscellaneous Information:

Overburden (cubic yards):                      Topsoil (cubic yards):                      Acres: see attached  
 Production Rate (cubic yards/hour): 1. 500                      2.                      3.                      4.  
 Haul Distance (feet): 1. varies                      2.                      3.                      4.

**See map and spreadsheet**

A. Equipment – List all equipment required to complete identified task. For large reclamation jobs separate mine areas for ease of accounting.

Equipment	Quantity	\$/Hour	# of Hours	Cost (\$)
1. 950 B loader	1	\$92.66	20	\$1853.20
2. D6	1	\$79.25	40	\$3170.00
3. 10-yd dump truck	1	\$64.77	12	\$777.24
4.				

Total Equipment Cost for this Task \$5800.44

B. Labor – List all labor categories to complete identified task.

Labor Category	Quantity	\$/Hour	# of Hours	Cost (\$)
1. Group 3 operator	1	\$56.98	20	\$1139.60
2. Group 4 operator	1	\$55.60	40	\$2224.00
3. Group 3 Teamster truck driver	1	\$45.10	12	541.20
4.				

Total Labor Cost for this Task \$3904.80

C. Materials – List all materials required to complete identified task (include disposal costs.)

Item	Quantity	\$/Unit	Cost (\$)
Trash Disposal	30 cu yds	\$8.25/cu yd	\$250.00

Total Materials Cost for this Task \$250.00

D. Direct Cost for this Task

Equipment Cost + Labor Cost + Materials Cost = \$9955.24

**II. REVEGETATION**

Description of Task: Plant native erosion control seed mix and ponderosa pine seedlings. Mulch with certified weed-free straw. See the attached spreadsheet for a breakdown of cost by task. See attached seed estimate for a list of species.

Methods to be Used: All planting and mulching will be done by hand.

A. Equipment – List all equipment required to complete identified task.

Equipment	Quantity	\$/unit	# of Hours	Cost (\$)
1. Seed spreader	2	\$40.00		\$80.00
2.				
3.				
4.				

Total Equipment Cost for this Task \$80.00

B. Labor – List all labor categories to complete identified task.

Labor Category	Quantity	\$/Hour	# of Hours	Cost (\$)
Laborer	2	\$38.17	56	\$2137.52

Total Labor Cost for this Task \$2137.52

C. Materials – List all materials required to complete identified task.

Item / Plant Species	Unit of Measure	# of Units	Cost (\$)
Ponderosa Pine seedlings	\$250/1000 seedlings	1.5	\$375.00
Erosion control seed mix (See estimate for species)	\$180.84/acre	12.5	\$2260.50
Certified weed-free straw mulch	\$6.50/bale	675	\$4387.50

Total Materials Cost for this Task \$7023.00

D. Direct Cost for this Task

Equipment Cost + Labor Cost + Materials Cost = \$9240.52

**III. PLANT STRUCTURES AND EQUIPMENT REMOVAL**

Description of Task: All processing area equipment will be removed from the site. This includes: concrete blocks, excavator, loader, D6, trailer, tanks, vehicles, and trammel. Two wells will also be abandoned.

Methods to be Used: A tow truck will be used to remove the trailer, and vehicles. A fuel pump truck will be used to empty the tanks. A loader, low bed and truck will be used to remove the trammel, excavator and loader. The concrete blocks will be removed with a loader, and D6, a truck and lowbed, and a hand laborer

A. Equipment – List all equipment required to complete identified task.

Equipment	Quantity	\$/Hour	# of Hours	Cost (\$)
Tow truck	1	\$40.61	40	\$1624.40
950 B Loader	1	\$92.66	28	\$2594.48
Low bed	1	\$12.88	72	\$927.36
Truck (for lowbed)	1	\$64.77	72	\$4663.44
D6	1	\$79.25	8	\$634.00
Fuel pump truck	1	\$64.77	6	\$388.62

Total Equipment Cost for this Task \$10,832.30

B. Labor – List all labor categories to complete identified task.

Labor Category	Quantity	\$/Hour	# of Hours	Cost (\$)
Group 3 operator	1	\$56.98	28	\$1595.44
Group 4 operator	1	\$55.60	8	\$444.80
Laborer	1	\$38.17	16	\$610.72
Group 3 teamster truck driver	1	\$45.10	118	\$5321.80

Total Labor Cost for this Task \$7972.76

C. Demolition – List all structures and equipment to be dismantled or demolished

Structure / Equipment	Type of Material	Volume (cubic feet)	Unit Cost Basis	Disposal Cost	Cost (\$)

Total Materials Cost for this Task \$18,805.06

D. Direct Cost for this Task

Equipment Cost + Labor Cost + Demolition Cost = \$

## E. Surplus / Salvage Value

- |   |             |
|---|-------------|
| 1. Total cost to reclaim plant structures and equipment pursuant to the approved reclamation plan   | \$18,805.06 |
| 2. Net salvage value of the plant structures and equipment.*  | \$30,400    |
| 3. Subtract Line 2 from Line 1  | \$0         |
| 4. If Line 3 is greater than \$0, enter this amount on the total plant structures and equipment removal cost line under Section VIII (Summary of Costs). If Line 3 is less than \$0, enter \$0 on the appropriate line in Section VIII. |             |

**\*NOTE** This is the value of plant structures, buildings and equipment on a salvage basis – e.g. after the structures and equipment have been removed for sale or use off-site. In order to include net salvage value in the financial assurance calculation, the operator must provide a letter of agreement, signed contract, bid or quote from an independent company which provides industrial dismantling or equipment salvage services, or is in the business of buying and selling scrap metals or similar products.

**IV. MISCELLANEOUS COSTS**

Examples of this type of cost include temporary storage of equipment and materials off site, special one-time permits (i.e. transportation permits for extra wide or overweight loads, etc.), decommissioning a process mill (i.e. decontamination of equipment), or disposal of warehouse inventories.

Item / Task	Quantity	\$/Unit	Cost (\$)
1. Well abandonment	2	\$2235.00	\$4470.00
2. County Annual Inspection Fee	1/yr for 3 yrs	300.00	\$900.00
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

Total Miscellaneous Costs \$5370.00

**V. MONITORING**

Monitoring Task	\$/Visit	# Visits/Year	# of Monitoring Years	Cost (\$)
1. Biologist report to inspect reclamation progress	\$500.00	1	3	\$1500.00
2.				
3.				
4.				
5.				

Total Monitoring Costs \$ 900.00



**VI. SUPERVISION/PROFIT & OVERHEAD/CONTINGENCIES/MOBILIZATION**

A. Supervision - Supervision or reclamation management includes project inspection and supervision. These activities are usually performed by a consultant or staff member with experience in reclamation of disturbed lands. Reclamation management may include recommending change orders, verifying completed work, verifying compliance with project specifications, and other reclamation management oversight activities. Please refer to Graph No. 1 to determine the supervision cost factor.

B. Profit and Overhead - Where it becomes necessary for the Lead Agency or the Department of Conservation to complete reclamation of the mining site, a third party will be retained to do the actual reclamation work. Because profit and overhead costs are not included in the reclamation cost sheets, these costs must be added to the total reclamation estimate. Please refer to Graph No. 2 to determine the profit and overhead cost factor.

C. Contingencies - A contingency cost should be included in the financial assurance estimate to provide for project uncertainties and unexpected natural events. The U. S. Department of the Interior, Office of Surface Mining publishes the Handbook for Calculation of Reclamation Bond Amounts which recommends contingency percentages be based upon the level of direct costs, as shown below:

<u>Total Direct Cost (\$)</u>	<u>Contingency (%)</u>
0-\$500,000	10
\$500,00 - 5 million	7
5 million - 50 million	4
Greater than 50 million	2

D. Mobilization - Mobilization costs are attributed to moving equipment to the project site for reclamation purposes. These costs normally range between one and five percent of the total direct cost of the reclamation operations. These costs will vary depending upon the site location and the total value of the reclamation operations to be performed. Please insert the percentage used to estimate mobilization costs under Section VIII - Summary of Costs.

**VII. SUMMARY OF COST**

Total of all Primary Reclamation Activities Costs	\$9955.24
Total of all Revegetation Costs	\$9240.52
Total of all Plant Structures & Equipment Removal Costs	\$0
Total of all Miscellaneous Costs	\$5370.00
Total of all Monitoring Costs	\$1500.00
Total of Direct Costs	\$26,065.76
Supervision (6%)	\$1563.95
Profit/Overhead (14%)	\$3649.21
Contingencies (10%)	\$2606.58
Mobilization (5%)	\$1303.29
Total Indirect Cost	\$9123.03
Total of Direct and Indirect Costs	\$35,188.79
Lead Agency Administrative Cost* (Determined by the Lead Agency) Assumed 10%	\$3518.88
<b>Total Estimated Cost of Reclamation</b>	<b>\$38,707.67</b>

**\*NOTE** The Financial Assurance Guidelines recommend that when reviewing and approving a financial assurance cost estimate, lead agencies should include their administrative cost to draw on the financial assurance and implement the reclamation plan, should it become necessary.



Comstock Seed

DATE OF QUOTE: July 13, 2009  
 QUOTE EXPIRES: August 12, 2009

CUSTOMER: CASH U-Z

QUOTE BY: ED

PHONE:

FAX:

MOBILE:

TOTAL: \$2,170.08

PRICING: PLS

PROJECT NAME: VESTRA

PROJECT #: GENERAL EROSION CONTROL BLEND

AREA: Area 1	Total Area: 12.00 Acres	MIXED: Yes
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SPECIES	PLS LBS/ACRE	PLS LBS	FOB Gardnerville \$/LBS \$7.04 \$/ACRE \$180.84 Seed Rate LBS/ACRE 25.70
INDIAN RICEGRASS RIMROCK	1.00	12.00	
WHEATGRASS CRESTED NORDA	3.00	36.00	
WHEATGRASS BLUEBUNCH GOL	3.00	36.00	
WHEATGRASS SIBERIAN P-27	3.70	44.40	
BLUEGRASS SANDBERG	2.00	24.00	
FESCUE SHEEP COVAR	3.00	36.00	
WILD RYE BASIN 'TRAILHEAD'	3.00	36.00	
RYEGRASS ANNUAL GULF	6.00	72.00	
WILDFLOWER MIX DRYLAND	1.00	12.00	
AREA TOTALS	25.70	308.40	
GRAND TOTALS		308.40	

Plus applicable sales tax and freight. Please keep our prices confidential. **THANK YOU FOR LETTING US BID**

917 Highway 88  
 Gardnerville, NV 89460  
 (775) 265-0090 FAX (775) 265-0040

## Cal Forest Nurseries

PO Box 719  
1838 Eastside Road  
Etna, CA 96027  
530-467-5211

### 2008 Conifer Seedling Pricelist Price per 1000 FOB Nursery US Dollars

Container Cells/cont.	.5	6	8	10D	10	15	20
	160	112	91	112	77	60	45
<u>Species</u>							
Ponderosa pine	\$150	\$181	\$222	\$222	\$255	\$327	\$460
Jeffrey pine							
Lodgepole pine							
Douglas fir							
Sugar pine							
Englemann spruce							
Western larch	\$155	\$186	\$229	\$229	\$267	\$339	\$471
Red alder							
White alder							
Port Orford cedar							
Monterey pine							
Grand fir							
Red fir							
White fir							
Noble fir							
Western White pine	\$161	\$190	\$235	\$235	\$274	\$354	\$478
Western hemlock							
Mountain hemlock							
Incense cedar							
Coastal redwood							
Giant sequoia							
Western red cedar							

Other Charges May Apply

bc 07/13/2039

CASH2 Customer Pickup CASH 14:35:31

CASH SALE CASH SALE QUOTE  
ANDERSON CA 96007 ANDERSON CA 96007

PAGE: 1  
QUOTE: 445547  
TAX EXEMPT#:

11 STRAW-WF STRAW-CERT WEED FREE-3W \*\*T\* 1 1 6.5000 6.50 Y  
Prices Subject to Change

CASH SALE

WEIGHT: .00  
TAXABLE: 6.50  
NON-TAX: .00  
LABOR: .00  
TENDER: .00 CA  
CHANGE: .00

SUB TOTAL: 6.50  
TAX: .54  
FREIGHT: .00  
INV TOTAL: 7.04

13 AND



RECEIVED  
JUL 09 2009  
BY: *Cal*

# WELL DRILLING COMPANY

July 7, 2009

Wendy Johnston  
FAX 530-223-6985  
Vestra Resources  
5300 Aviation Drive  
Redding, CA 96002

SUBJECT: Nevada County APN: 38-390-12, Blue Lead Gold Mining

Dear Wendy,

The estimate for abandonment of the well on the aforementioned property is \$2,235.00 including the required County permit.

Please contact me if you have any further questions.

Sincerely,

Pat Mooney  
Pump Manager

1660 OLD AIRPORT ROAD • AUBURN, CA 95602  
FAX (530) 823-2377  
AUBURN (530) 823-0354  
GRASS VALLEY (530) 268-2117  
PLACERVILLE (530) 622-2320  
1-800-995-WELL

Blue Lead Mine, Nevada City, California

	950 B Loader \$92.66/hr.		Group 3 Operator \$56.98/hr.		D6 D \$79.25/hr.		Group 4 Operator \$55.60/hr.		Fuel Pump Truck \$64.77/hr.		Hay 54 bales/acre \$6.50/bale		Seed 26 lbs/acre \$180.84/acre		Ponderosa Pine Seedlings 120 sdngs/acre \$250/1000		Laborer \$38.17/hr.		Low bed (12.88/hr) & Truck (\$64.77/hr)		Group 3 Teamster Truck Driver \$45.10/hr.		10 yd Dump \$64.77/hr.		Tow Truck \$40.61/hr.		Misc.	Salvage Value	TOTALS	
	# Hours	Total	# Hours	Total	# Hours	Total	# Hours	Total	# Hours	Total	# Bales	Total	# Acres	Total	# Sdngs	Total	# Hours	Total	# Hours	Total	# Hours	Total	# Hours	Total	# Hours	Total				# Hours
<b>PROCESSING AREA AND PONDS</b>																													\$ -	
Remove Concrete blocks																													\$ -	
Load and haul	16	\$ 1,482.56	16	\$ 911.68	8	\$ 634.00	8	\$ 444.80									16	\$ 610.72	32	\$ 2,484.80	32	\$ 1,443.20							\$ 8,011.76	
																												\$ -		
Fill and Grade ponds	8	\$ 741.28	8	\$ 455.84	4	\$ 317.00	4	\$ 222.40																				\$ 1,736.52		
																												\$ -		
Abandon Well																												\$ -		
Driller estimate																											\$ 2,235.00	\$ 2,235.00		
																												\$ -		
Remove Excavator/Loader/D6																												\$ -		
Salvage value \$ (assumed 8% of equipment value)																											\$ 8,000.00	\$ (8,000.00)		
Trucking																					22	\$ 992.20			22	\$ 893.42			\$ 1,885.62	
																												\$ -		
Remove Trailer/Tanks/Vehicles									6	\$ 388.62											24	\$ 1,082.40			18	\$ 730.98			\$ 2,202.00	
Salvage Value (assumed 8% of equipment value)																											\$ 12,800.00	\$ (12,800.00)		
																												\$ -		
Remove Trammel and equipment																												\$ -		
Salvage Value (assumed 8% of equipment value)																											\$ 9,600.00	\$ (9,600.00)		
Trucking cost	12	\$ 1,111.92	12	\$ 683.76																40	\$ 3,106.00	40	\$ 1,804.00					\$ 6,705.68		
																												\$ -		
Trash removal																												\$ -		
Est 3 loads (10 cu. yds. per load)	12	\$ 1,111.92	12	\$ 683.76																	12	\$ 541.20	12	\$ 777.24				\$ 3,114.12		
Est Disposal Cost (\$8.25/cu. yd.)																											\$ 250.00	\$ 250.00		
																												\$ -		
Rip/Grade (2.5 acres)					8	\$ 634.00	8	\$ 444.80																				\$ 1,078.80		
																												\$ -		
Planting/mulching (2.5 acres)																												\$ -		
Seed spreader (2 @ 40.00)																											\$ 80.00	\$ 80.00		
Hay mulch											135	\$ 877.50																\$ 877.50		
Seed cost													2.5	\$ 452.10														\$ 452.10		
Ponderosa Pine seedlings															300	\$ 75.00												\$ 75.00		
Labor																	10	\$ 381.70									\$ 381.70			
																											\$ -			
<b>Subtotal Processing Area</b>		\$ 4,447.68		\$ 2,735.04		\$ 1,585.00		\$ 1,112.00		\$ 388.62		\$ 877.50		\$ 452.10		\$ 75.00		\$ 992.42		\$ 5,590.80		\$ 5,863.00		\$ 777.24		\$ 1,624.40		\$ 2,565.00	\$ 30,400.00	\$ 10,280.74





	950 B Loader \$92.66/hr.		Group 3 Operator \$56.98/hr.		D6 D \$79.25/hr.		Group 4 Operator \$55.60/hr.		Fuel Pump Truck \$64.77/hr.		Hay 54 bales/acre \$6.50/bale		Seed 26 lbs/acre \$180.84/acre		Ponderosa Pine Seedlings 120 sdngs/acre \$250/1000		Laborer \$38.17/hr.		Low bed (12.88/hr) & Truck (\$64.77/hr)		Group 3 Teamster Truck Driver \$45.10/hr.		10 yd Dump \$64.77/hr.		Tow Truck \$40.61/hr.		Misc.	Salvage Value	TOTALS
	# Hours	Total	# Hours	Total	# Hours	Total	# Hours	Total	# Hours	Total	# Bales	Total	# Acres	Total	# Sdngs	Total	# Hours	Total	# Hours	Total	# Hours	Total	# Hours	Total	# Hours	Total			
<b>AREA 5 BUILDING PAD AND NEW ACCESS</b>																													
Rip/grade/shape/pad and decommission road (3 acres)					8	\$ 634.00	8	\$ 444.80																					\$ 1,078.80
Seed/Plant																													\$ -
Hay Mulch										162	\$ 1,053.00																		\$ 1,053.00
Seed												3	\$ 542.52																\$ 542.52
Ponderosa Pine Seedlings														360	\$ 90.00														\$ 90.00
Labor																	12	\$ 458.04											\$ 458.04
Abandon well																													\$ -
Drillers estimate attached																											\$ 2,235.00	\$ 2,235.00	
																													\$ -
<b>Subtotal Area 5</b>		\$ -			\$ 634.00	\$ 444.80	\$ -	\$ 1,053.00	\$ 542.52	\$ 90.00	\$ 458.04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,235.00	\$ -	\$ 5,457.36	
<b>TOTALS</b>		\$ 4,447.68		\$ -	\$ 3,804.00	\$ 2,668.80	\$ 388.62	\$ 4,387.50	\$ 2,260.50	\$ 375.00	\$ 2,748.24	\$ 5,590.80	\$ 5,863.00	\$ 777.24	\$ 1,624.40	\$ 4,800.00	\$ 30,400.00												\$ 23,665.76

Footnotes:

A. Uses Director of Industrial Relation rates August 2008

B. Uses Labor Surcharges and Equipment Rental Rates (Cal Trans) Effective 4-1-09 to 3-31-10

C. The subtotal for reclamation of the processing area takes into consideration the salvage value of equipment, canceling out equipment reclamation cost. This puts a 0 in the calculation not a negative number.