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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

April 8, 2014

Alexander H. Walker, Resident Agent
Hidden Splendor Resources, Inc.
57 West 200 South, Suite 400
Salt Lake City, Utah 84101

Subject: Completion of Midterm Review, Task ID #4512, Hidden Splendor Resources, Inc.,
Horizon Mine, C/007/0020

Dear Mr. Walker:

On February 19, 2014, the Division of Oil, Gas and Mining commenced a midterm permit review for the Horizon Mine.

The midterm review has now been completed and will now be closed; however, the Division has identified deficiencies that must be addressed. The deficiencies have been included with this letter (See Attached). The name of the author for each of the respective deficiencies has been provided.

Your response to these deficiencies will need to be submitted as an amendment to your MRP and will be processed as a separate task. Please submit the required amendment with the accompanying C1 and C2 forms by no later than May 9, 2014.

If you have any questions regarding these requirements or the Midterm Review process, please don't hesitate to call me at 801-538-5350 or Pete Hess at (435) 613-3731.

Sincerely,

Steve Christensen
Permit Supervisor

SKC/sqs
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Technical Analysis and Findings Utah Coal Regulatory Program

PID: C0070020
TaskID: 4512
Mine Name: HORIZON MINE
Title: MIDTERM PERMIT REVIEW

Operation Plan

Fish and Wildlife Protection and Enhancement Plan

Deficiencies Details:

Volume 3, Chapter 10 Section 10.2.3, Page 10-4, Paragraph 5 of the MRP indicates that macroinvertebrate surveys will be conducted every other year in the Spring and Fall with the Division being notified until final bond release. The next survey is due in the Spring of 2014.

jhelfric

Topsoil and Subsoil

Deficiencies Details:

During the March 11, 2014 site inspection the following observations were made on the topsoil that is presently stored on the bank to the left of the surface facilities pad as you enter the property:

There are a number of rills that have formed on the stockpile undercutting the waddle that runs parallel to the diversion ditch where topsoil is being deposited;

The waddles should be adjusted to prevent topsoil from being deposited into the diversion ditch;

The rills that have formed should be eliminated or a methodology employed to keep them from developing further and;

The topsoil in the diversion ditch should be protected from disturbed area runoff.

jhelfric

Reclamation Plan

Bonding Determination of Amount

Deficiencies Details:

R645-301-830.140. The Permittee must provide updated information for estimated bonding costs with supporting calculations for the estimates. This includes updated unit costs (to be used to update bond calculation spreadsheets) and updated escalation factors. Updates should be provided using the 2014 data from R.S. Means Heavy Construction Cost

data manual and the Caterpillar Handbook or other appropriate resources. The bond summary and corresponding bond calculation sheets in the MRP need to be updated and appropriately escalated to 2019 dollars using Division's approved 1.9% and 5 year escalation.

jowen