

STATE OF UTAH
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July 15, 2014

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

Subject: Hidden Splendor Resources, Inc., Horizon Mine, C/007/0020

Dear Mr. Walker:

The Division recognizes that the Horizon Mine is shut down and that it is in the latest, and presumably last, extension from the BLM to pay past-due royalties and update its lease bond. In addition, you were supposed to provide updated reclamation bond estimates and calculations to the Division by May 9th. You were given an extension to June 5th, and another extension to June 20th, but there has been no response.

It appears that, despite of your efforts to find a buyer, the Horizon Mine may be slated for reclamation this year. If Hidden Splendor initiates reclamation work and provides the Division a written reclamation timeline by August 8th the Division will consider foregoing the filing of a bond forfeiture action before the Board. That action would be the necessary first step followed by the foreclosure on the trust deed against the condominium held as bond.

If you are able to cure the deficiencies with the BLM and you, or a new party, intend to resume mining, the reclamation bond amount must be updated. You were advised on April 8, 2014, that the reclamation bond costs were evaluated in accordance with R645-301-830.400 and the current bond is inadequate. In order to maintain adequate reclamation bond for the Horizon Mine (see R645-301-812.700), the current bond amount needs to be escalated to account for inflation and other factors. The current bond amount is based on 2008 unit costs escalated 3 years to 2011 dollars. The requirement outlined in the midterm is to provide the Division with 2014 unit costs escalated 5 years to 2019 dollars using an escalation factor of 1.9%. The updated information for the estimated bonding costs, along with the supporting calculations, must be submitted by no later than August 8, 2014. Upon review and subsequent approval of the updated

bonding information, the Division will notify you via certified mail. Upon receipt of Division approval, you will have 45 days to revise your reclamation agreement and post any additional bond amount.

In the event that you fail to initiate reclamation work or begin the bond increase process by August 8, 2014, a Notice of Agency Action seeking to forfeit the reclamation bond will be filed with the Board of Oil, Gas and Mining on August 10, 2014 in order for the matter to be heard at the September Board hearing. The Notice will seek the required increase in the bond amount as part of the forfeiture order. No extension of the August 8 deadline will be granted.

If you, or your attorney, have any questions, please call me at (801) 538-5348.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven F. Alder". The signature is fluid and cursive, with the first name "Steven" and last name "Alder" clearly distinguishable.

Steven F. Alder, Esq.
Utah Attorney General's Office