

EXHIBIT AA



STATE MINING AND GEOLOGY BOARD
DEPARTMENT OF CONSERVATION

801 K Street • Suite 2015 • Sacramento, California 95814

PHONE: 916 / 322-1082 • FAX: 916 / 445-0738 • TDD: 916 / 324-2555 • INTERNET: conservation.ca.gov/smgb

ERIN D. GARNER, CHAIR
BRIAN BACA, VICE CHAIR

JOHN LANE

ROBERT TEPEL
CHARLIE WYATT

March 20, 2012

CERTIFIED MAIL: 7006 2150 0000 6804 6072

Richard Sykora
P. O. Box 622
Forest Hill, California 95631

**Re: Upholding of Order to Comply Issued to Red Ink Maid Mine
(CA ID #91-31-0020), Mr. Richard Sykora (Owner and Operator), County of Placer**

Dear Mr. Sykora:

Pursuant to California Code of Regulations, Section 3948, at its Regular Business Meeting held on March 8, 2012, the State Mining and Geology Board (SMGB), following review of the Notice and Order to Comply (Order) issued by the Department of Conservation (Department), heard testimony from you and your representatives. The SMGB determined to uphold the Department's Order issued to you on January 9, 2012. This was based upon finding that the evidence presented by the Department substantially supported the basis for the Order at the time it was issued.

While the SMGB determined to uphold the Department's Order, the Department agreed to add forty-five (45) days to each remedial measure and condition contained within the Order.

As a result of the SMGB's determination, the Department's Order is effective on March 8, 2012. Each remedial and corrective action contained within the Order compliance schedule is extended by forty-five (45) days. Enclosed is a copy of the Department's Notice and Order.

Please do not hesitate to contact me should you have any questions.

Sincerely,

Stephen M. Testa
Executive Officer

Enclosure

cc: Jim Pompy, Office of Mine Reclamation



DEPARTMENT OF CONSERVATION

Managing California's Working Lands

OFFICE OF MINE RECLAMATION

801 K STREET • MS 09-06 • SACRAMENTO, CALIFORNIA 95814

PHONE 916 / 323-9198 • FAX 916 / 445-6066 • TDD 916 / 324-2555 • WEB SITE conservation.ca.gov

January 9, 2012

Original Sent VIA Certified Mail: 7010 2780 0000 4767 9381

Mr. Richard Sykora, Owner/Agent
Wild Cat Mining Enterprises, LLC.
Red Ink Maid Mine, LLC.
P.O. Box 622
Foresthill, CA 95631

Copy Sent Via Certified Mail: 7010 2780 0000 4767 9350

Mr. Richard Sykora, Owner/Agent
Wild Cat Mining Enterprises, LLC.
Red Ink Maid Mine, LLC.
711 South Carson Street, Suite 4
Carson City, NV 89701

NOTICE AND ORDER TO COMPLY, RED INK MAID MINE, CA MINE ID# 91-31-0020

Dear Mr. Richard Sykora:

Enclosed with this letter is a NOTICE AND ORDER to comply with the California Surface Mining and Reclamation Act (SMARA), Public Resources Code, Division 2, Chapter 9, Section 2710 et seq., Case No. 91-31-0020-02.

If you have questions regarding this Notice and Order to comply, please contact me at (916) 323-8565 or by writing our office at:

Department of Conservation
Office of Mine Reclamation
801 K Street, MS 09-06
Sacramento, CA 95814

Please note that this matter has been scheduled for hearing before the State Mining and Geology Board (SMGB) on February 9, 2012, pursuant to PRC Section 2774.1.

Order to Comply
Red Ink Maid Mine
January 9, 2012
Page 2

If you have questions regarding the hearing procedure, please contact the Board at (916) 322-1082.

Sincerely,



Bret M. Koehler, Senior Geologist
Reporting, Compliance and Review Unit

cc: Michael Johnson, Placer County
Ted Rel, Placer County
Stephen M. Testa, Executive Officer, SMGB
Mr. Greg Tenorio, Department of Conservation, Legal Department
Mr. Jeff Huggins, CA RWQCB
Mr. Rick Weaver, Tahoe National Forest, Property Owner
Mike Luksic, OMR
Debra Marsh for placement into CAMC #s 29686 and 29687 claim files at the Bureau of Land Management

IN THE MATTER OF)
 RED INK MAID MINE)
)
 MINING OPERATION)
 WILD CAT MINING ENTERPRISES, LLC,)
 And all successor operations)
)
 AGENT)
 MR. RICHARD SYKORA)
)

NOTICE AND ORDER TO
 COMPLY WITH SMARA
 [Pub. Res. § 2774.1]
 CASE NO. 31-0020-02

NOTICE IS HEREBY GIVEN THAT:

Wild Cat Mining Enterprises, LLC.(WCME) has violated provisions of California’s Surface Mining and Reclamation Act, (“SMARA”) found at Public Resources Code, Division 2, Chapter 9, beginning at §2710 et seq. and associated regulations (the “Regulations”) found at Title 14, California Code of Regulations §3500 et seq., for which the Department of Conservation (hereinafter “Department”) may issue Notices of Violations, Cease and Desist Orders, Orders to Comply and administrative penalties under Public Resources Code § 2774.1.

At all times mentioned herein, WCME has engaged in surface mining operations as defined by Public Resources Code (PRC) § 2735 in the County of Placer at the Red Ink Maid Mine, CA Mine ID No. 91-31-0020, also known as California Mining Claim (CAMC) numbers 29686 and 29687. Red Ink Maid Mine is located east of Foresthill and south of Mosquito Ridge Road. At all times mentioned herein, the Mine has been, and is subject to the provisions of SMARA and the Regulations. WCME mining operations are subject to an approved reclamation plan (the “Reclamation Plan”) that was approved by the County of Placer on December 7, 2006.

On June 27, 2011, the Department provided Placer County, the SMARA lead agency for the Red Ink Maid Mine, a 15-day notice to take appropriate enforcement action against the mine for an out-of-date financial assurance mechanism, violations of its approved reclamation plan, particularly of provisions for the reclamation of waste dumps nos.1-4. The 15-day notice was taken pursuant to PRC §2774.1 and based upon information available to the Department at the time. The lead agency responded on July 8, 2011, asked for an extension of time to respond to the 15-day notice until July 25, 2011, citing staff workload issues and budgetary constraints, and the need to consult with County counsel and its Executive Office to formalize and confirm its proposed actions.

On July 28, 2011, the lead agency responded to the Department’s 15-day notice that it conceded enforcement to the Department based upon Red Ink Maid Mine’s location on Federal land, and the concerns identified by the California Central Valley Regional Water Quality Control Board (CWQCB). The lead agency held that the Federal and State agencies involved with this particular mine “go beyond the lead agency’s local lead agency role.” The lead agency further went on to say that the deferral of its enforcement of SMARA applied only to this mine, and not other regulated mines in Placer County.

Based on the lead agency’s failure to take appropriate enforcement action, on August 15, 2011, Richard Sykora, owner and agent of WCME received a Notice of Violation from the Department dated August 11, 2011, by certified mail informing WCME that the mining operations conducted at the Red Ink Maid Mine are in violation of the reclamation plan and SMARA performance standards for stream, surface and groundwater protection, and for failure to reclaim waste dumps nos. 1-4 in accordance with the reclamation plan and SMARA performance standards. In addition, the operator was notified that the financial assurance mechanism was not only not current, but expiring on December 1, 2011. The Notice

of Violation directed him to update and replace the mechanism. The operator did not respond to the Department's Notice of Violation.

VIOLATIONS OF SMARA

1. **WCME has failed to comply with the financial assurance requirements under SMARA as follows:**

- a. The applicant, Richard Ray Sykora, originally posted the Irrevocable Standby Letter of Credit, No. 4135883 in the amount of \$20,000.00 on June 15, 2005 through Placer Sierra Bank. The beneficiaries were the Placer County Planning Department, The California Department of Conservation, and the US Forest Service. This letter expired on December 1, 2011. No other financial assurance mechanisms were posted for this operation. The revocation of the financial assurances without replacement in an amount necessary to reclaim the mine according to its reclamation plan, is a violation of PRC § 2770, and 2773.1. The absence of financial assurances is in violation of PRC §§ 2770(a), 2770(d), and 2773.1(a), California Code of Regulations §3811(c), and the State Mining and Geology Board Financial Assurance Guidelines, which require the operator to maintain lead agency approved financial assurances guaranteeing that funds will be available to the lead agency and the Department to reclaim mined lands, and surrounding lands affected by mining activities in accordance with the approved reclamation plan.
- b. **WCME does not have an approved financial assurance cost estimate that meets the requirements of SMARA.**

From the date of posting WCME has failed to annually submit financial assurance cost estimates to the lead agency for review and approval. This is a violation PRC section 2773.1(a), 2774(c), and CCR sections 3804 and 3805. Based on the Department's internal cost estimate, an interim financial assurance must be posted on a SMARA compliant instrument in the amount of \$80,000.00.

2. **WCME has failed to comply with provisions of the Reclamation Plan:**

Compliance History. On December 2, 2003, the Office of Mine Reclamation issued a Notice and Order to Comply to Richard Sykora in the matter of the Red Ink Maid and Big Seam Mining Claims for failure to have a lead agency approved reclamation plan pursuant to SMARA and financial assurances consistent with SMARA and the State Mining and Geology Board Financial Assurance Guidelines. On February 19, 2004, at its regular business meeting the State Mining and Geology Board upheld the Notice and Order. On December 27, 2004, the Director of the DOC issued a Notice and Order Imposing Administrative Penalty to Mr. Sykora. The Administrative Penalty was in the amount of \$2,500 for conducting surface mining operations without benefit of an approved reclamation plan, \$2,500 for conducting surface mining operations without benefit of an approved financial assurance, and an additional \$50 per day for each violation from the date of the Order until the conditions are met. The operator was ordered to submit a reclamation plan to the Department certified by the lead agency by September 7, 2005, and interim financial assurance in the amount of \$20,000.00 by June 15, 2005.

In March and April, 2006, the Department, and the CWQCB, inspected the surface mining operation and noted slope instability, among other things. On December 7, 2006, the lead agency approved the reclamation plan for this surface mining operation. The conditions of approval for the reclamation

plan required that reclamation of waste dumps nos. 1 - 4 commence within 30 days of the approval date of the reclamation plan. In 2007 the CWQCB issued Waste Discharge Requirements., No. R5-2007-0181, which required completion of reclamation on waste dumps 1 - 4 by October 30, 2009. Inspections conducted by the Department in March 2010 and October 2011 revealed that reclamation on waste dumps nos. 1 - 4 had not been started or completed.

Reclamation Plan Violations. The violations of the conditions of the reclamation plan are noted below.

- a. **Waste dump #1 has not been reclaimed in accordance with the approved reclamation plan.** Waste dump #1 is the oldest dump and is located immediately outside the active main mine portal. Waste dump #1 is a thin sliver fill, which means that there is a small difference in angle between the slope of the dump and natural slope. The slope consists of scattered larger scrub oak and pine trees and scattered scrub vegetation growing on the middle and lower areas of the dump. The absence of any tree planting on waste dump #1 fails to meet the requirements of the reclamation plan which call for 25 ponderosa pines and 25 canyon live oaks per acre to be done as pocket planting in islands one meter by three meters in size. Waste dump #1 has not met the reclamation plan requirements for an erosional control seed mix to be broadcasted that must attain 80% coverage of native species within one year, and 95% coverage of native species within two years of seeding with no bare areas greater than 5 by 5 feet providing soil is present. The reclamation plan requires the revegetation efforts to begin before the onset of the rainy season. The reclamation plan requires revegetation was to be completed by October 30, 2009. On March 10, 2010 and October 19, 2011 the Department conducted an inspection of the surface mining operation and found that none of the required revegetation has been done. This is a violation of Public Resources Code (PRC) §2773(a)(3), California Code of Resources (CCR) § 3503(f), and CCR §§3705, 3711 and 3712.
- b. **Waste dump #2 has not been reclaimed in accordance with the approved reclamation plan.** The waste dump has a hummocky, patchy surface indicative of active slope movement, and a fresh, one foot high ground crack cutting across the access road at the northeast head of the dump. This waste dump is deposited within a debris avalanche chute. The vegetation density on waste dump #2 does not meet the requirements of the reclamation plan performance standards which call for 25 ponderosa pines and 25 canyon live oaks per acre as pocket planting in islands one meter by three meters in size. Waste dump #2 has not met the reclamation plan requirements for an erosional control seed mix that must attain 80% coverage of native species within one year, and 95% coverage of native species within two years of seeding with no bare areas greater than five by five feet providing soil is present. The reclamation plan requires the revegetation efforts to begin before the onset of the rainy season. The reclamation plan requires revegetation was to be completed by October 30, 2009. On March 10, 2010 and October 19, 2011 inspections, the Department noted attempted revegetation with six pine seedlings planted. However, this planting does not meet the performance standards of the approved reclamation plan noted above. There is no evidence of any other revegetation on the site. Waste dump #2 is in violation of PRC§2773(a)(3) and CCR § 3503(f) and §§ 3705, 3711 and 3712. As a result of these violations and failure to complete reclamation, the slopes continue to fail, and move beyond the reclamation plan boundary.
- c. **Waste dump #3 has not been reclaimed in accordance with the approved reclamation plan.** Waste dump #3 is the smallest of the three dumps, and is emplaced on a low ridge between the debris avalanche chutes present under dumps #2 and #4. This dump does not appear to be unstable. The vegetation density on waste dump #3 does not meet the requirements of the reclamation plan which call for 25 ponderosa pines and 25 canyon live oaks per acre as pocket

plantings in islands one meter by three meters in size. Waste dump #3 has also not met the reclamation plan requirements for revegetation of an erosional control seed mix that must attain 80% coverage of native species within one year, and 95% coverage of native species within two years of seeding with no bare areas greater than five by five feet providing soil is present. The reclamation plan requires the revegetation efforts to begin before the onset of the rainy season. The revegetation was to be completed by October 30, 2009. On March 10, 2010 and on October 19, 2011 the Department's inspections show that reclamation on this waste dump has not been completed as required. This waste dump is in violation of Code (PRC) §2773(a)(3) and California Code of Resources (CCR) § 3503(f), and CCR §§ 3705, 3711 and 3712.

d. Waste dump #4 has not been reclaimed in accordance with the approved reclamation plan. Dump #4 is a thin sliver fill. As with dump #2, waste dump #4 was emplaced within a debris avalanche chute. This dump has exhibited episodic slope failures between 1993 and 2009, as seen in historical aerial photographs, and documented on the ground by the Department on April 27, 2006, this material is flowing beyond the reclamation plan boundary. The vegetation density on waste dump #4 does not meet the requirements of the reclamation plan which call for 25 ponderosa pines and 25 canyon live oaks per acre to be done as pocket planting in islands one meter by three meters in size. Waste dump #4 has also not met the reclamation plan requirements for revegetation of an erosional control seed mix that would attain 80% coverage of native species within one year, and 95% coverage of native species within two years of seeding with no bare areas greater than five by five feet providing soil is present. The reclamation plan requires the revegetation efforts to begin before the onset of the rainy season. The revegetation was to be completed by October 30, 2009. On March 10, 2010 and October 19, 2011 the Department inspected the surface mining operation and observed that there is no evidence that any revegetation efforts have occurred on this waste dump. This is a violation of Public Resources Code (PRC) 2773(a)(3) and California Code of Resources (CCR) § 3503(f), and CCR §§ 3705, 3711 and 3712. In addition, water from the main access road is being diverted onto the dump to a point about halfway down its toe likely enhancing instability of the slope, a violation of the reclamation plan BMPs for erosion control and CCR § 3706. As a result of these violations and failure to complete reclamation, the slopes continue to fail and move beyond the reclamation plan boundary.

3. Reclamation has not been completed in accordance with the approved reclamation plan or SMARA's reclamation standards with respect to water quality and its approved waste discharge requirements. In March 2010 following a joint inspection with the Department, the lead agency, and the operator, the CWQCB issued a Notice of Violation to WCME for failing to follow Waste Discharge Requirements Order No. R5-2007-0181, not filing annual reports, and not paying annual fees, violations that have not been resolved. Following the Department's inspection of March 10, 2010 and October 19, 2011, the Department confirmed that reclamation of waste dumps 1-4 had not been fully reclaimed as evidenced by the failure to complete re-vegetation in accordance with the approved reclamation plan and CWQCB requirements which includes reclamation measures such as hydromulching or hydroseeding that establish self-sustaining plant cover to control erosion, reduce infiltration, and provide for increased slope stability, be implemented. SMARA requires that mining operations comply with any other applicable state and local regulatory and environmental protection law under PRC §2715(c). This is also a violation of PRC § 2772(c)(6), CCR § 3710(a).

4. WCME has not provided secure, locking gates for four of the five adits located on the Red Ink Mine Claim which is not in compliance with the approved reclamation plan. OMR's inspection on October 19, 2001 identified five adits on the Red Ink Mine Claim. One, the portal in active use by the operator has a locking steel door and appears to be well secured. The other four mine adits have

not been closed in accordance with the approved reclamation plan. The current condition and approximate location of each unsecured adit is as follows; 1) approximately 200 feet down the main mine access road from the intersection of Mosquito Ridge Road is an adit blocked by a ¾ thick plywood board chained to adjacent support timbers, 2) an adit is located approximately 100 feet above waste dump #4 that is blocked with a plywood board of unknown thickness, 3) an adit located below Mosquito Ridge road is open, unsecured, and partially caved, 4) an adit located above Mosquito Ridge Road that is blocked with leaning 2 by 8 inch boards covering wire mesh screening. These closures are not adequate to prevent public entry and must be secured pursuant to CCR §3713(b) and the requirements of the reclamation plan that state all surface openings must have locked gates installed at all times. Also, if the USFS determines the adits provide habitat for bats, bat-friendly gates shall be required. This is a violation of the reclamation plan, and SMARA performance standards PRC § 2773(a) and CCR § 3713.

5. WCME is not conducting surface mining operations in accordance with accepted Best Management Practices. WCME is conducting surface mining operations in violation of its reclamation plan and SMARA reclamation performance standards for stream, surface and groundwater protection as required by reclamation plan, and CCR § 3710(a), respectively.

The inspection conducted by the Department on October 19, 2011 confirmed that waste dumps nos. 2 and 4 are sliver fills placed in avalanche chutes. At the top of waste dump no. 4, a water bar diverts flow down and to the east of the dump, but the flow path re-enters the dump about halfway down to the toe. It is likely that this flow is contributing to the instability of the toe of the dump. The access road concentrates storm water at the top of waste dump no. 2. The hummocky shape of waste dumps nos. 2 and 4 and an obvious ground crack at the top of waste dump no. 2 indicate episodic movement down slope. Examination of past aerial photos show episodic failure tracks down the avalanche chutes below the waste dumps. The failed material is flowing beyond the reclamation plan boundary, to the stream channel below, as documented by the Department during its April 27, 2006 inspection.

Given the above described site conditions, Wild Cat Enterprises, LLC, is conducting surface mining operations in violation of its reclamation plan (CUP PMPB 2005 0399) and CWQCB standards for stream, surface and groundwater protection as required by reclamation plan condition of approval No. 4, and California Code of Regulations (CCR) § 3710(a), respectively. Exhibit D of the reclamation plan (also Appendix A of the USFS Plan of Operations) stipulates that all reclamation activities on-site shall comply with Best Management Practices (BMPs) for non-point pollution control and water quality protection set forth in the regulations and requirements of the CWQCB. This is a violation of CCR § 3706(a), which provides the protection of on-site and downstream beneficial uses of water from surface mining and reclamation activities in accordance with the Porter-Cologne Water Quality Control Act, Water Code § 13000, et seq., and the Federal Clean Water Act, 33 U.S.C. § 1251, et seq.

IN THE MATTER OF)
RED INK MAID MINE)
)
MINING OPERATION)
WILD CAT MINING ENTERPRISES, LLC)
)
AGENT)
MR. RICHARD SYKORA)
_____)

NOTICE AND ORDER TO
COMPLY WITH SMARA
[Pub. Res. § 2774.1]
CASE NO. 31-0020-02

ORDER

Wild Cat Mining Enterprises, LLC., IS HEREBY ORDERED TO COME INTO COMPLIANCE with California's Surface Mining and Reclamation Act, ("SMARA") found at Public Resources Code, Division 2, Chapter 9, beginning at §2710 et seq. and associated regulations (the "Regulations) found at Title 14, California Code of Regulations §3500 et seq., Specifically, Wild Cat Mining Enterprises, LLC, is ordered to take the following actions.

1. Within 15 calendar days of the effective date of this order, provide an interim financial assurance mechanism in the amount of \$80,000.00. (PRC § 2773.1(a), CCR §3803 and the State Mining and Geology Board's Financial Assurance Guidelines)
2. Within 30 calendar days from the effective date of this order, provide a financial assurance cost estimate to the lead agency for its review. (PRC § 2773.1, CCR §3804 and SMGB Financial Assurance Guidelines)
3. Within six (6) months of the effective date of this order, post a financial assurance mechanism, in an amount of the approved financial assurance cost estimate. (PRC §§2770 and 2773.1(a), CCR 3803 and SMGB Financial Assurance Guidelines)
4. Complete reclamation at waste dumps #1 through #4 pursuant to the approved reclamation plan as follows:
 - a. Within six (6) months of the effective date of this order, complete revegetation pursuant to the approved reclamation plan, whereupon revegetation success monitoring shall begin.
 - b. Reclamation must continue until successful revegetation is established in accordance with the approved reclamation plan.
5. Within 60 days of the effective date of this order, construct closure for mine adits with locked, steel doors sufficient to prevent public entry. If the USFS finds that bat colonies are present in adits, closures shall be constructed to be bat-friendly.
6. Within six (6) months of the effective date of this order, comply with reclamation plan Condition #4 regarding waste discharge requirements and perform reporting and monitoring per the Central Valley Regional Water Quality Control Board's (CVRWQCB) Notice of Violation dated March 23, 2010.

7. Within six (6) months of the effective date of this order, provide OMR and the USFS written verification from the CVRWQCB of compliance with all of the CVRWQCB's Waste Discharge Requirements.
8. Submit to Department inspections of the Red Ink Maid Mine to certify compliance with this order.
9. Appear before the State Mining and Geology Board on February 9, 2012 for the hearing pursuant to PRC §2774.1(b).

This Order shall be effective immediately following the hearing before the State Mining and Geology Board on February 9, 2012. If Wild Cat Mining Enterprises, LLC. fails to comply with this Order, it may be subject to administrative penalties pursuant to PRC §2774.1(c) of up to five thousand (\$5,000) dollars per day, assessed from the original date of noncompliance.

If you have any questions regarding this Order, please contact my office at (916) 323-9198.

Jan. 9, 2012

Date



Bret M. Koehler

Office of Mine Reclamation