

EXHIBIT Z



United States
Department of
Agriculture

Forest
Service

American River
Ranger
District

22830 Foresthill Road
Foresthill, CA 95631
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File Code: 2810

Date: July 19, 2010

Richard Sykora
PO Box 622
Foresthill, CA 95631

CERTIFIED MAIL - RETURN

RECEIPT REQUESTED

NUMBER: 7006 5150 0003 3382 9942

Dear Mr. Sykora:

My staff and I completed reviewing your proposed Plan of Operation for the Big Seam and Red Ink Mine dated April 9, 2009. Before I can approve your plan there are several issues that you need to resolve.

I have inquired with the Regional Water Quality Control Board to verify that you are current with your fees and monitoring reports. I have been informed that the RWQCB has not received your Annual Storm Water Report (2009-2010) for the Red Ink Maid Mine which was due by July 1, 2010. In addition, there is no record that you have submitted the Annual Monitoring Summary Reports required by the Monitoring and Reporting Program (MRP) for WDR Order Number R5-2007-0181 which are due on July 1st of every year and cover the previous monitoring year. Please see the attached NOV dated March 23, 2010 from the RWQCB. I will need written verification from the RWQCB that they have received these documents prior to approving your Plan of Operation.

On June 28, 2010 a Forest Service engineer conducted a cursory stability evaluation of the Waste Dump #5 (WD#5). This stability evaluation indicates that the current configuration of the slope at WD #5 is marginally stable with a slope inclination of 80% and a factor of safety approaching 1.0. At an inclination of 80%, the slope is potentially unsafe if it becomes saturated with water or subject to strong seismic forces.

At the elevation that you are currently placing waste rock material into the existing ravine, it will be difficult for you to construct a road down to the bedrock shelf where the gabion baskets are proposed to be installed. You have been sidecasting material from the top of the slope, and the result is that the waste rock material is being deposited at the angle of repose, which is resulting in the construction of marginally stable slopes. Using this method of construction will make it very difficult if not impossible to construct a road to the base of the slope. You are required to construct the fill from the bottom up as described in your consultant's revised stability report dated March 12, 2007 and the mitigation measures from you previous approved Plan of Operation that expired on December 1, 2009.



A Forest Service engineer has suggested that there are at least two potential options available to remedy this problem, and possibly others. An access road constructed at a lower elevation could be constructed that will allow access the toe of the slope for a bulldozer so that the fill can be properly placed. Another potential option is to anchor a bulldozer at the top of the slope and work the material to a less steep, more stable slope. Once you have the bulldozer at the base of the slope, you could continue to work material using benched construction. You may propose other reasonable options.

Before I can approve your plan of operation you must consult with a geotechnical engineer or engineering geologist and submit a report signed and stamped by a California Registered Engineer on an alternative method or plan that will fulfill the objectives to construct a stable slope that meet the conditions required by the Forest Service and Waste Discharge Order No. R5-2007-0181.

Until you have Forest Service authorization in an approved plan of operations, you may not conduct any mining operations on National Forest System lands. If you have any issues or questions regarding this notice, please contact this office and I will be happy to set up a time to meet with you and discuss your concerns.

Sincerely,

/s/ Chris Fischer
CHRIS FISCHER
District Ranger

cc: Rick Weaver
Rich Teixeira
Rose Miksovsky
Ted Rel
Jeff Huggins
Mike Luksic