




MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

The Division of Reclamation, Mining and Safety has conducted an inspection of the mining operation noted below. This report documents observations concerning compliance with the terms of the permit and applicable rules and regulations of the Mined Land Reclamation Board.

MINE NAME: Dawson Gold Project	MINE/PROSPECTING ID#: P-2013-002	MINERAL: Gold	COUNTY: Fremont
INSPECTION TYPE: Monitoring	INSPECTOR(S): Timothy A. Cazier	INSP. DATE: September 29, 2016	INSP. TIME: 12:50
OPERATOR: Zephyr Gold USA Ltd	OPERATOR REPRESENTATIVE: Angela Bellantoni	TYPE OF OPERATION: MP - Mineral Prospecting	
REASON FOR INSPECTION: Normal I&e Program	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: \$92,655.00	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: U.S.BLM	JOINT INSP. AGENCY: U.S.BLM	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: November 3, 2017	

GENERAL INSPECTION TOPICS

This list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each. No problems or possible violations were noted during the inspection. The mine operation was found to be in full compliance with Mineral Rules and Regulations of the Colorado Mined Land Reclamation Board for the Extraction of Construction Materials and/or for Hard Rock, Metal and Designated Mining Operations. Any person engaged in any mining operation shall notify the office of any failure or imminent failure, as soon as reasonably practicable after such person has knowledge of such condition or of any impoundment, embankment, or slope that poses a reasonable potential for danger to any persons or property or to the environment; or any environmental protection facility designed to contain or control chemicals or waste which are acid or toxic-forming, as identified in the permit.

(AR) RECORDS----- <u>Y</u>	(FN) FINANCIAL WARRANTY----- <u>Y</u>	(RD) ROADS----- <u>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>Y</u>	(EX) EXPLOSIVES----- <u>NA</u>
(PW) PROCESSING WASTE/TAILING---- <u>Y</u>	(SF) PROCESSING FACILITIES----- <u>NA</u>	(TS) TOPSOIL----- <u>NA</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>Y</u>	(FW) FISH & WILDLIFE----- <u>Y</u>	(RV) REVEGETATION---- <u>Y</u>
(SM) SIGNS AND MARKERS----- <u>NA</u>	(SP) STORM WATER MGT PLAN---- <u>Y</u>	(RS) RECL PLAN/COMP-- <u>Y</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>NA</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(ST) STIPULATIONS----- <u>Y</u>
(AT) ACID OR TOXIC MATERIALS----- <u>NA</u>	(OD) OFF-SITE DAMAGE----- <u>NA</u>	

Y = Inspected and found in compliance / N = Not inspected / NA = Not applicable to this operation / PB = Problem cited / PV = Possible violation cited

OBSERVATIONS

This inspection was conducted as part of the regular monitoring program. The Prospector, Zephyr Gold was represented by Ms. Angela Bellantoni (Environmental Alternatives) during the inspection. Ms. Stephanie Carter (BLM) was also present for the inspection. The Dawson Project site is located approximately 4.5 miles southwest of Cañon City, in Fremont County. The site was accessed from Temple Canyon Road/CR 3.

Availability of Records: Annual fees are paid through March 2017. The previous inspection was on August 7, 2013. There are no open infractions. Subsequent to this inspection, the Division received and approved a third modification (MD-03) to the NOI to increase length of new drill roads for further exploration to 7,150 feet. Borehole abandonment reports were received for 13 holes (WG-13-08 through WG-13-20) on July 17, 2013 and 16 holes (WG-16-21 through WG-16-36) on October 31, 2016. All 29 reports documented appropriate abandonment of the boreholes.

Backfilling and Grading: This project allows new roads and road improvements, most of which are on land managed by the BLM. These roads are required to be reclaimed. The Prospector has proposed a method using an excavator to pull the cast material from the road construction up to backfill the roads, which was approved by the Division.

Grout seals were located for four boreholes: WG-16-21, WG-16-30, WG-16-35, and WG-16-36.

No pits, trenches, adits or shafts were observed.

Financial Warranty: The \$92,655.00 bond held by the Division is adequate for the observed disturbance. The bond held reflects the revised financial warranty calculated for MD-03.

Fish and Wildlife: No impacts to fish or wildlife were observed.

Hydrologic Balance: No standing water was observed and the borehole abandonment reports indicated not groundwater was encountered. However, petroleum product staining was observed at most observed drill sites (see **Photos 1, 2 and 3**). This was cited as a problem, but documentation of the cleanup was received (11/1/2016) prior to generating this report.

Gen. Compliance with Mine Plan: The operation appeared to be in compliance with the approved NOI. Representatives have indicated they are currently working on submitting a mine reclamation permit application.

Processing Waste: None from the current operation. Some historic disturbance was observed near WG-16-36.

Roads: Access roads did not were not a source of sediment that could be tracked offsite (see **Photo 4**).

Reclamation Success: No reclamation had been initiated with the exception of the 29 borehole abandonments.

Revegetation: No revegetation had been initiated at the time of the inspection. No noxious weeds were observed.

Sediment Control: Grout overflow was observed at WG-16-36 (see **Photo 5**). No BMPS appeared necessary at the time of the inspection.

Permit Stipulations: There are no permit stipulations.

Storm Water MGT Plan: As mentioned above, fuel/oil stains were observed at each drill site. They were cleaned up and documentation of the cleanup was received by the Division on 11/1/2016.

Please contact Tim Cazier (303)866-3567 ext. 8169 or email at tim.cazier@state.co.us if you have any questions regarding this report.

PHOTOGRAPHS



Photo 1. Petroleum product staining observed at drill site WG-16-35.

PHOTOGRAPHS (cont.)



Photo 2. Petroleum product staining observed at drill site WG-16-30.



Photo 3. Petroleum product staining observed at drill site WG-16-21.

PHOTOGRAPHS (cont.)



Photo 4. Typical access road.



Photo 5. Grout overflow was observed at WG-16-36.

Inspection Contact Address

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EC: DRMS File
Angela Bellantoni (EAI),
Stephanie Carter (BLM)