




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-2020-002	MINERAL: Gold	COUNTY: Fremont
INSPECTION TYPE: Monitoring	INSPECTOR(S): Timothy Cazier	INSP. DATE: August 18, 2020	INSP. TIME: 11:00
OPERATOR: Zephyr Gold USA Ltd	OPERATOR REPRESENTATIVE: Driller ONLY	TYPE OF OPERATION: MP - Mineral Prospecting	
REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: Statewide: \$107,290 Allocated: \$14,635	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: U.S.BLM	JOINT INSP. AGENCY: U.S.BLM	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: March 19, 2021	

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>NA</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>Y</u>	(EX) EXPLOSIVES----- <u>NA</u>
(PW) PROCESSING WASTE/TAILING---- <u>NA</u>	(SF) PROCESSING FACILITIES----- <u>Y</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>NA</u>	(RS) RECL PLAN/COMP-- <u>Y</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>Y</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(ST) STIPULATIONS----- <u>Y</u>
(AT) ACID OR TOXIC MATERIALS----- <u>Y</u>	(OD) OFF-SITE DAMAGE----- <u>NA</u>	

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

OBSERVATIONS

This was a joint inspection with the Bureau of Land Management (BLM) conducted Tim Cazier (DRMS) as part of the regular monitoring program. The Prospector, Zephyr Gold was informed of the inspection and coordinated through the BLM. We expected to meet the project geologist on site, but he was unable to meet us. Two drillers with Godbe Drilling were present representing Zephyr. Ms. Stephanie Carter, Mr. Keith Berger and Ms. Sarah McClernan (BLM) were also present for the inspection. The Dawson Project site is located approximately 7.5 miles southwest of Cañon City, in Fremont County. The site was accessed from the Grape Creek trailhead off Temple Canyon Road/CR 3. The BLM secured access permission from the Colorado State Land Board and a private land owner to hike approximately 2.5 miles to the drill site for this inspection.

Availability of Records: The first annual fee and report are not due till June 5, 2021. This was the first DRMS inspection of this site. Both the surface and minerals are managed by the Bureau of Land Management (BLM).

Acid And Toxic Materials: No acid or toxic materials are involved in this operation. The driller stated no additives were being added for lubrication and only water was being used as drilling fluid.

Backfilling and Grading: Ground disturbance was observed to be minimal with a drill platform (see **Photo 1**) constructed from wood timbers brought in via helicopter. Two holes were drilled at this site: the first between August 5th and 7th, 2020 to a depth of 307 feet, and abandoned on 8/7/2020; and the second between August 11th and 27th, 2020 to a depth of 1366 feet, and abandoned on 8/27/2020. The DRMS received completed abandonment reports for both holes on October 19, 2020.

Excess Spoil and Dev. Waste: Drill cuttings were being stored in barrels to be transported offsite using a helicopter.

Financial Warranty: Zephyr Gold USA Ltd has posted a statewide bond (allowed pursuant to C.R.S 32-34-113(4)(b)) of \$107,290. Of that total, \$92,655 is allocated to NOI file no. P-2013-002. The remaining \$14,635 bond held by the DRMS was calculated as part to the NOI review process, allocated to this NOI (P-2020-002), and is deemed adequate.

Fish and Wildlife: No impact to wildlife was observed.

Hydrologic Balance: At the time of the inspection, the second hole depth was 750 feet at the time of the inspection and the driller stated groundwater had not been encountered. Drilling water was being pumped from Grape Creek (see **Photo 2**) as approved in the NOI and piped uphill to the drill platform (see **Photo 3**). Sanitary facilities were also set up at the site (see **Photo 4**). Lubricants and fuel was stored in bins or barrels on the platform over an impermeable barrier (see **Photo 5**).

Gen. Compliance with Mine Plan: The operation appeared to be in compliance with the approved plan.

Roads: No roads were constructed or used for this project.

Right of Entry: Zephyr Gold held a current Plan of Operations for exploration activities from the BLM during the drilling project.

Reclamation Success: No reclamation has been initiated at the time of the inspection.

Revegetation: The aforementioned hoses showed limited movement and did not appear to be damaging vegetation (see **Photo 6**). Vegetation was visible under the drill platform (see **Photo 7**). No noxious weeds were observed.

Sediment Control: No erosion problems were observed and no BMPs were needed at the time of the inspection.

Support Facilities On-site: A drill rig and platform, water pump, and appurtenant hoses were observed on site.

Permit Stipulations: Zephyr committed to providing a photographic record of pre- and post-prospecting site conditions. These were provided with the permanent abandonment reports received in October 2020.

Storm Water MGT Plan: No oil or fuel spills observed.

Topsoil: Minimal disturbance to topsoil was observed.

Please contact Tim Cazier (303)328-5229 [cell] or email at tim.cazier@state.co.us if you have any questions regarding this report.

PHOTOGRAPHS



Photo 1. Drill platform and derrick.

PHOTOGRAPHS (cont.)



Photo 2. Pump at Grape Creek.



Photo 3. Hoses in gully leading up to drill platform.

PHOTOGRAPHS (cont.)



Photo 4. Porta-potty tethered to platform.



Photo 5. Drill platform – arrows showing impermeable (visqueen) barrier; secondary storage bin circled.

PHOTOGRAPHS (cont.)



Photo 6. Hose layout – not damaging vegetation (looking down from railroad grade).



Photo 7. Vegetation visible under platform.

Inspection Contact Address

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ec: DRMS file
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