



P.O. Box 326, Cañon City, CO 81215

angela@envalternatives.com

719-275-8951

April 13, 2020

Tim Cazier
Colorado Division of Reclamation, Mining and Safety
1313 Sherman Street, Room 215
Denver, Colorado 80203

RE: Zephyr Gold USA Ltd (Zephyr)
Dawson Gold Project
NOI Application

Dear Mr. Cazier,

Please accept this submission as Notice of Intent to Conduct Prospecting Operations in the El Plomo region of Zephyr's holding west of Cañon City, CO. This area, Sections 20 and 21, Township 19 South, Range 71 West, Fremont County, has the potential to contain a Broken Hill Deposit containing base metals. Exploration is proposed at three locations on public land controlled by US BLM. Drill site locations are presented as red circles on Figure 1. Due to the remoteness of the locations and rugged terrain, all exploration activities will require helicopter transport. No roads or drill pads will be constructed. Exploration will be conducted from wood platforms constructed on the sides of the mountains. No surface disturbance is anticipated. Earth moving equipment will not be utilized. Drilling will not discharge water into Grape Creek.

Fremont County approved a major modification to the Conditional Use Permit (CUP 12-003) on February 25, 2020. This extended the exploration permit boundary to now include 3,172 acres. Zephyr submitted a Plan of Operations to US BLM on June 21, 2019. On March 25, 2020, BLM determined (Exhibit A) that Zephyr may proceed with exploration as a notice to the bureau because exploration will not rely on wheeled or tracked equipment and no roads will be constructed. Zephyr will implement the wildlife mitigating conditions required by CO State Land Board (SLB) in Section 16 onto the BLM Wilderness Study and ACEC areas. The SLB lease is provided as Exhibit B of this submission. In addition, the resolution to the access from County Road 3A was recorded in Fremont County on February 5, 2020.

Exploration will be conducted from 20' x 30' wooden platforms. Ground disturbance will occur only where the support posts are set on the ground, less than 0.1 acre of total disturbance. Tanks for drill water and sediments will be set on the ground in the vicinity of the wooden platform. All supplies, equipment and personnel will be transported to the drill

platform by helicopter. Potential sites for helicopter landing are presented on Figure 1 as yellow and orange circles.

Exploration is planned for the NE ¼ of Section 20 and the NW ¼ of Section 21. The proposed latitude and longitude is provided in Table 1. One platform will be constructed initially. As exploration winds down at the first location, the second platform construction will commence. The drill rig will be moved by helicopter to the second location when finished at the first location. The first wooden platform will be disassembled, ready to be reassembled at the third location, depending on preliminary findings. Only one drill rig will be in service during the exploration season.

Table 1: 2020 Drill Hole Locations

Exploration Hole Name	Latitude	Longitude
EP 20-01	38.385721	-105.344528
EP 20-02	38.385677	-105.337511
EP 20-03	38.385065	-105.345724

Reclamation will be performed immediately. Due to the restrictions imposed by the dependence on helicopter transport, drill holes will be plugged and any surface disturbance will be reclaimed as exploration at each drill site is completed. Even though the total surface disturbance of less than 0.001 is covered by the currently posted bond, Zephyr understands that bonding for a helicopter will be necessary. Based on your email on February 21, 2020, Zephyr accepts the bond increase of \$11,600.

Zephyr provides the following responses to public comment received for NOI P-2013-002 Mod-05.

Wildlife Impact: CPW submitted comment to CO SLB for the Grape Creek-Horseshoe Mountain area (Exhibit C). Zephyr commits to complying with wildlife impact mitigation recommended by CPW and CO SLB including limiting exploration from July 1 thru October 30 of each year and maintaining a 500 ft. setback from Grape Creek.

Hydrologic Balance: The Upper Arkansas Water Conservation District agreed to lease Zephyr 3 acre-feet of Grape Creek water (Exhibit D). The required Substitute Water Supply Plan was submitted to DWR on behalf of Zephyr by Bishop-Brodgen Agency on February 21, 2020 (Exhibit E).

Roads: As stated in the CO SLB lease (Exhibit B), BLM Notice (Exhibit A) and Plan of Operations and the Fremont County CUP (Exhibit F), exploration in the Wilderness Study Area and Section 16 will rely on helicopter transport of equipment and personnel. Roads will NOT be constructed.

Lastly, Zephyr will convert the currently posted bond to a statewide bond with any required bond increase

Thank you in advance for your time and attention. Please contact me directly with any questions.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Angela M. Bellantoni".

Angela M. Bellantoni Ph.D.

Exhibit A: US BLM March 25, 2020 correspondence

Exhibit B: CO State Land Board lease

Exhibit C: CO Parks and Wildlife comments

Exhibit D: Upper Arkansas Water Conservation District lease

Exhibit E: Substitute Water Supply Plan

Exhibit F: Fremont County Conditional Use Permit

Cc: Loren Komperdo

Will Felderhof

Dave Felderhof

Stephanie Carter, BLM



P-2020-002

Form 2 (Public File)
NOTICE OF INTENT TO CONDUCT PROSPECTING OPERATIONS
FOR HARD ROCK/METAL MINES

CHECK ONE:

☐

**There is an NOI Number Already
Assigned to this Operation** (Please
reference the file number assigned to this
operation)

NOI # P-

-

☒

New NOI

☐

Modification to an Existing NOI (Provide
for Modifications to an existing NOI)

NOI# P-

-

GENERAL OPERATION INFORMATION

Type or print clearly, in the space provided, ALL information described below.

I. GENERAL INFORMATION

1. DATE NOI RECEIVED BY THE DIVISION:

APR 13 2020

(office use only)

2. PROJECT NAME:

Dawson Gold Project

3. PROSPECTOR:

David Felderhof

Name

President

Title

Zephyr Gold USA Ltd

Company Name

PERSON MLRB SHOULD CONTACT:

Angela Bellantoni

Name

Consultant

Title

Environmental Alternatives Inc.

Company Name



1959 Upper Water St. Suite 1300

Street

P.O. Box

Halifax, Nova Scotia, CA B3J 3N2

City, State, Zip

(902) 446-4189

Telephone

(866) 941-4715

Fax

4. **APPLICATION FEE: \$86.** (NOIs require an **\$86** fee which must accompany this notice or it cannot be processed by the Division).

5.

LOCATION INFORMATION:

County:

Fremont

Principal Meridian (check one):



6th (Colorado)



10th

(New Mexico)



Ute

Section (write number)

20

TOWNSHIP

19

N



S



RANGE

71

E



W



QUARTER SECTION (check one):

NE ☒

NW ☐

SE ☐

SW ☐

QUARTER/QUARTER SECTION (check one):

NE ☒

NW ☐

SE ☐

SW ☐

GENERAL DESCRIPTION: (the number of miles and direction to the nearest town and the approximate elevation):

7.8 miles southwest of Canon City, CO Elevation 6540 ft.

NOTE: Supply longitude and latitude or UTM coordinates if lands have not been surveyed or as supplemental information to this NOI. GPS measurements will be acceptable for this purpose:

Lat: 38.385372 X: _____
Long: -105.343331 Y: _____

6. LAND OWNERSHIP:

<input checked="" type="checkbox"/> Private	<input checked="" type="checkbox"/> Public Domain (BLM)	<input type="checkbox"/> National Forest (USFS)
<input checked="" type="checkbox"/> State	<input type="checkbox"/> State Sovereign Lands	<input type="checkbox"/> Other (please describe)

If prospecting is located on BLM or USFS land the remaining section must be completed, otherwise go to section II Maps & Drawings

7. PROSPECTING ON BUREAU OF LAND MANAGEMENT (BLM) LAND AND U.S. FOREST SERVICE (USFS) LAND

The Division and the BLM/USFS have entered into cooperative agreements that eliminate the need for a prospector to post a financial warranty with each agency and allow them to coordinate the review of the NOI in order to minimize administrative processing time and effort.

A. CLAIMANT:

Name Zephyr Gold USA Ltd
Address 451 Valley Road
City, State, Zip Canon City, CO 81212
Telephone ()
Fax ()

B. SITE/CLAIM INFORMATION:

List names, serial numbers and provide legal description to nearest quarter-quarter section of all sites or claims (attach additional page, if necessary).

NAME	SERIAL NUMBER	LEGAL DESCRIPTION
GC-40	CMC291394	NE 1/4 Sec 20 T19S,R71W
GC-41	CMC291395	NE 1/4 Sec 20 T19S, R71W
GC-47	CMC294091	NW 1/4 Sec 21 T19S,R71W
GC-43	CMC291397	NE 1/4 Sec 20 T19S,R71W
GC-44	CMC291398	NW 1/4 Sec 21 T19S,R71W
GC-46	CMC294090	NW 1/4 Sec 21 T19S, R 71 W

C. LOCATION MAP: Attach a USGS 7.5 minute quad, or similar map of adequate scale, which locates the prospecting site(s).

D. Are prospect sites (e.g., drill holes, trench locations, etc.) staked on the ground? Yes ☐ No ☒

E. Specify the Land Management Agency, Address and Telephone Number:

Agency	US BLM Royal Gorge Field Office
Address	3028 East Main Street
City, State, Zip	Canon City, CO 81212
Telephone	(719)269-8551

F. The prospector is required to document that the NOI has been sent to the BLM or the USFS. Processing of the NOI will not begin until the prospector has submitted evidence acceptable to the Division that the NOI was sent to the BLM or USFS. Check one:



Evidence of notification is attached to this NOI for BLM Land



Evidence of notification is attached to this NOI for USFS Land.



Other proof of notice is attached to this NOI

II. MAPS & DRAWINGS

An accurate topographic base map showing the location of the proposed project must be submitted with this notice. The prospector may submit a U.S.G.S. 7.5 minute quadrangle, or similar map of adequate scale that:

1. Identifies the proposed prospecting site(s) or activity areas involving surface disturbance. Activity areas include all drill holes, mud pits, excavations, trenches, adits, shafts, tunnels, rock dumps, stockpiles, impoundments and prospecting roads, and
2. Includes sufficient detail to identify and locate known prospecting features and facilities that may be affected and those that are not anticipated to be affected. This includes the location of all drill holes, mud pits, excavations, trenches, adits, shafts, tunnels, rock dumps, stockpiles, impoundments and prospecting roads. Color photographs, adequately labeled (including date, orientation and location), of the prospecting site may be used to fulfill this requirement if included with the NOI submittal.

III. PROJECT DESCRIPTION

1. Mineral(s) and/or Resource(s) being Investigated:

Base and precious metals

2. Estimated dates of commencement and completion:

Commencement:	7	/	1	/	2020
Completion	10	/	30	/	2021
3. Amount of material (specify units) to be extracted, moved or proposed to be moved:

<2.0	Units	tons
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Identify the type or method of prospecting proposed and quantity (place an "X")

- | | | |
|--|---------------------------------------|--|
| <input type="checkbox"/> Cuts | <input type="checkbox"/> Pits | <input type="checkbox"/> Trenches |
| <input type="checkbox"/> Shafts | <input type="checkbox"/> Tunnels | <input type="checkbox"/> Adits |
| <input type="checkbox"/> Declines | <input type="checkbox"/> Air Drilling | <input checked="" type="checkbox"/> Fluid Drilling |
| <input type="checkbox"/> Drilling and Blasting | | |

5. Describe proposed surface excavation or other land disturbance, including roads, pits, trenches, waste piles, drill pads and collar areas of underground workings, ponds, etc.

No surface excavation or other land disturbance is proposed with this NOI modification.

The remote and rugged nature of the terrain limits access to helicopter. Wooden drill platforms will serve as stages for drilling. All equipment, personnel and supplies will be helicoptered into and out of the site. Drill water will be contained in tubs. Water will be pumped from Grape Creek and stored in a tank at the platform site.

6. Proposed Disturbance (approximate) Describe the proposed drilling to be conducted, including anticipated number of holes, diameter, depth, location, etc. Submit additional pages if necessary:

A. Drill Pads:

Quantity	<u>0</u>	Average Width (ft)	<u> </u>	Average Length (ft)	<u> </u>
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B. Drill Holes:

Quantity	<u>3</u>	Depth (ft)	<u>1500</u>	Diameter (in)	<u>3</u>
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C. Mud Pits

Quantity	<u>0</u>	Average Width (ft)	<u> </u>	Average Length (ft)	<u> </u>	Average Depth (ft)	<u> </u>
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- D. Described proposed underground work, including reopening of old workings, advancement of adits or shafts, trenches, pits, cuts, rock dumps, or other types of disturbance, describe type, quantity and general dimensions:

Not applicable

E. Other Disturbances (please describe)

F. Indicate Chemicals and Fuels used or stored on site. List type, quantity and method to store.

Gasoline and diesel fuel will be stored in 45 gallon drums. Drill rig lubricants will be stored in 5 gallon containers. All liquids will be placed in secondary containment consisting of industrial plastic or galvanized tubs on the drill rig platform. A spill kit will be kept on the drill platform. Drilling water will be contained in plastic tubs where sediment will be able to settle and water reused. Sediment will be pumped into the hole during closure.

G. New Roads:

Length (ft): 0 Width (ft): 0

Significantly

Upgraded Roads

Length (ft): 0 Width (ft): 0

Are culverts or other crossings proposed? If so, please describe:

No.

H. Total project area to be disturbed (acres) < 0.001 acres

I. Describe the equipment to be used for the prospecting operations:

Helicopter, drill rig and water pump

J. Describe and locate any structures to be constructed (i.e. stockpiles, ponds, impoundments):

Temporary wooden drill platform will be constructed. It will be dismantled and moved either to the next location or off-site after the hole is completed and appropriately abandoned.

K. Describe anticipated relationship to surface water and groundwater (proximity to streams, penetration of ground water aquifers):

CO State Land Board requires a 500 ft. setback from Grape Creek. This setback will be maintained from Grape Creek outside SLB Section 16 as well. Drilling water will be leased from Upper Arkansas Conservation District and pumped from Grape Creek.

IV. OPERATION AND RECLAMATION MEASURES:

1. The Board suggests that a photographic record of the pre-prospecting and post-prospecting conditions be kept by the prospector. These photos should be taken from the same location and by the same method to clearly show the pre-prospecting condition of the land and the reclamation efforts. Upon completion of reclamation and request for bond or surety release, the Board may consider the photos as evidence of adequate reclamation, and thus, be able to act more quickly on the request for release.
2. Provide a description of the native vegetation of the area to be disturbed, including tree, shrub, and grass communities of the area. Color photographs, sufficient to adequately represent the ecology of the site and adequately labeled (including date, orientation and location), may be used in lieu of a written description. Based on the quality of the photographs, the Division may require additional detail.

Because the target areas are within BLM's Wilderness Study Area, native vegetation with a trunk diameter greater than two inches cannot be disturbed. In addition, surface disturbance is not anticipated as the wooden platform will be set on the ground surface.

3. Describe the estimated topsoil depth and how topsoil will be salvaged, stockpiled and redistributed for the re-establishment of vegetation. Specify approximate topsoil redistribution depth:

Topsoil will not be disturbed to any significant depth.

4. Describe how drill holes will be plugged (refer to Rule 5.4 of the Rules for required abandonment procedures):

Drill holes will be backfilled with materials removed during drill and securely plugged.

In the event groundwater is encountered, the drill hole will be plugged with cement grout or bentonite gel as required.

5. Describe how portals, adits, shafts, ponds, excavations, or other disturbances will be reclaimed (refer to Rule 3 and Rule 5 for specific reclamation performance standards). You may wish to contact the Division for closure specifications.

Not applicable

6. Describe how roads will be reclaimed or returned to their pre-prospecting (or better) condition:

Not applicable

7. List the seed mixture to be used in the re-establishment of vegetation. See the attached seed mixture calculation to obtain PLS/acre. For assistance with formulating seed mixtures and rates, contact the local NRCS if on private land, BLM/USFS if on public land or State Land Board if on state land.

A. Plant name and seeding rate:

Plant Name	Seeding Rate (PLS/Acre)
Little bluestem	14.00
Sideoats grama	18.00
Sand dropseed	1.00
Indian ricegrass	20.00
Blue grama	6.00
Needleandthread	22.00
Bottlebrush squirreltail	18.00

- B. Describe the method for seed bed preparation, and application method for grass/forb seeding:

Seed beds will be raked and leveled with hand tools. Seed will be broadcasted.
Mulch will be manually tracked.

V. TERMS AND CONDITIONS FOR PROSPECTING OPERATIONS:

1. Reclamation measures shall be fulfilled in a timely manner and completed within five (5) years of completion of prospecting activities.
2. The prospecting operations described in this Notice will be conducted in such a manner as to minimize surface disturbances. In addition to the measures required in Rule 5, precautions to be taken include:
 - A. Confinement of operations to areas near existing roads or trails, where practicable. Existing roads which are to remain as permanent roads after prospecting activities are completed shall be left in a condition equal to or better than the pre-prospecting condition;
 - B. Drilling shall be conducted in such a way as to prevent cuttings and fluids from directly entering any dry or flowing stream channel. Drill cuttings must be spread to a depth no greater than one-half (1/2) inch or buried in an approved disposal pit;
 - C. Proper and timely abandonment of drill holes upon completion of drilling;
 - D. Reclamation of affected lands upon completion of operations or phases of an operation;;
 - E. Backfilling and revegetating any pits to blend in with the surrounding land surface;

- F. Safeguarding mine entries, trenches and excavations from unauthorized entry at all times;
 - G. Disposal of any trash, scrap metal, wood, machinery, and buildings;
 - H. Control of noxious weeds within the area affected by the prospector
- 3. The prospecting operations shall be conducted in such a manner as to comply with all applicable local, state and federal laws and regulations including applicable state and federal air and water quality laws and regulations.
 - 4. The prospecting operations shall be conducted so as to minimize adverse effects upon wildlife to include covering of open drill holes until properly plugged.
 - 5. During the prospecting operations, the operator will perform the necessary stabilization and reclamation work to ensure those areas affected by prospecting activities are erosionally and geotechnically stable.
 - 6. All prospecting operations shall be in compliance with the Colorado Mined Land Reclamation Act, as amended (34-32-101 et seq. C.R.S.), and all rules and regulations currently in effect or promulgated pursuant thereto. See 2 CCR 407-1, Mined Land Reclamation Board Hardrock /Metal Mining Rules.

VI. ADDITIONAL TERMS AND CONDITIONS FOR PROSPECTING ON BLM/USFS LANDS

- 1. The prospector will supply a copy of this NOI to the appropriate BLM and/or USFS office.
- 2. The prospector authorizes the MLRB to discuss the information in this Notice of Intent with the BLM and/or USFS.
- 3. If on BLM land, the prospector will complete reclamation to the standards described in 43 CFR 3809.1-3 (d) and implement reasonable measures to prevent unnecessary or undue degradation of lands during operations.

VII. FINANCIAL WARRANTY

A financial warranty must be provided for the cost of reclamation of the disturbance described in this Notice. The prospector can either file a "One Site Prospecting Financial Warranty" or a "Statewide Financial Warranty." **The financial warranty must be submitted and approved by the Division prior to entry upon lands for the purpose of prospecting.**

A One-Site Prospecting Financial Warranty is usually filed by individuals or companies where prospecting activities are limited to a single area. It must be filed in the amount of \$2,000 per acre for land to be disturbed, or such other amount as determined by the Division, based on the projected costs of reclamation. A Statewide Financial Warranty is usually filed by companies with multiple prospecting sites. It must be filed in an amount equal to the estimated cost of reclamation per acre of affected land for all anticipated sites statewide. (You may increase the statewide bond at any time in order to cover additional or expanded prospecting activities.)

VIII. SIGNATURE REQUIREMENT

Please place your initials on the line provided:

DF I hereby verify that the foregoing information is true and accurate and commit to the reclamation of the aforementioned prospecting site as required by the Colorado Mined Reclamation Act and the rules as specified in the Hard Rock/Metal Mining Rules and Regulations and this NOI form.

DF I have enclosed the required permit fee.

DF I authorize the Division to contact and copy the BLM and/or USFS on any correspondence related to the prospecting operation, if the prospecting operation is located on federal public land.

DF I have also enclosed the appropriate reclamation surety amount or will post an amount as determined by the office, based on the projected costs of reclamation.

DF I understand that I am not authorized to create any surface disturbance until the surety amount is posted and approved in writing from the Division of Reclamation, Mining and Safety.

DF I accept and agree to comply with the foregoing terms and conditions and with all of the provisions of Rules 3 and 5, and C.R.S. 34-32-101.

DF I hereby certify that concurrent with submittal of this NOI to the Division, I have sent notice to the Boards of County Commissioners in the counties where the proposed activities will occur. This notice also indicated that non-confidential information regarding the proposed activities will be available for review at the Division's website.

This form has been approved by the Mined Land Reclamation Board pursuant to section 34-32-113, C.R.S., of the Mined Land Reclamation Act. Any alteration or modification of this form shall result in voiding any NOI issued on the altered or modified form and subject the operator to cease and desist orders and civil penalties for operating without a NOI pursuant to section 34-32-123, C.R.S.

I, the undersigned, being the NOI holder or the person authorized to sign on behalf of the NOI holder, declare that the information given in this NOI form is true and correct.

SIGNATURES MUST BE IN BLUE INK

Signed and dated this 23 day of March, 2020
(date) (month) (year)

Signature of NOI holder or person authorized to sign: 

Name (typed or printed): David Felderhof

Title/Position: President

M:\min\oss\slb\MineralsForms\ProspectForm2
30 Aug 2017



Exhibit A

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Royal Gorge Field Office
3028 East Main Street
Cañon City, Colorado 81212



3809 LLCOF02000
COC 080006

Zephyr Gold USA Ltd. :
Attn: David Felderhof :
1301-1959 Upper Water Street : Surface Management
Purdy's Wharf Tower 1 :
Halifax, Nova Scotia B3J 3N2 :
Canada :

Dear Mr. Felderhof,

Your Plan of Operations to conduct exploration activities at Township 19 South, Range 71 West, Sections 15, 16, 17, 20, 21 and 22 in Fremont County, CO was originally received in this office on June 21, 2019. Additional information was formally received on November 22, 2019, January 6, 2020 and February 24, 2020.

Consistent with surface management regulations at 43 CFR 3809, the BLM has reviewed the Plan of Operations to determine if it contains a level of detail sufficient for the BLM to determine that it prevents unnecessary or undue degradation (UUD). As a portion of this proposal is also located within the Lower Grape Creek Wilderness Study Area (WSA), regulations at 43 CFR 3802 apply in those portions, which also include the requirement to prevent impairment of suitability of lands under wilderness review for inclusion in the wilderness system.

On February 24, 2020, Zephyr Gold USA Ltd. (Zephyr) provided a modified proposal to only conduct exploration operations within Section 21 of the WSA and Section 16, as well as complete reclamation of the portion of the trenches that were inadvertently dug slightly within the Grape Creek Area of Critical Environmental Concern. Therefore, only the regulations at 43 CFR 3802 will now apply to the exploration activities.

Based on the revised exploration proposal and requirements of the 43 CFR 3802 regulations, no Plan of Operations will be required for submittal. However, BLM will continue coordination with Zephyr and monitoring of activities during exploration to ensure that compliance with the

regulations and integrity of the lands involved with the proposal are maintained. Zephyr will also need to coordinate with the Colorado Division of Reclamation, Mining and Safety, as applicable.

If you have any questions, please contact Stephanie Carter at 719-269-8551.

Sincerely,

Keith E. Berger
Field Manager
Royal Gorge Field Office

cc: Angela Bellantoni, EAI
David Felderhof, Zephyr – Return Receipt Email
Tim Cazier, CDRMS

Exhibit B

EXECUTION COPY



STATE OF COLORADO
STATE BOARD OF LAND COMMISSIONERS

MINING LEASE NO. 112413

THIS MINING LEASE (the "Lease"), is entered into this 1st day of June, 2019, (the "Effective Date") by and between the State of Colorado, acting through its STATE BOARD OF LAND COMMISSIONERS, located at 1127 Sherman Street, Suite 300, Denver, CO 80203 ("Lessor"), and Zephyr Gold USA Ltd., whose address is 1959 Upper Water Street, Suite 1300, Purdy's Wharf Tower 1, Halifax NS B3J 3N2 Canada ("Lessee") (with Lessor and Lessee collectively being the, "Parties").

1. **LEASE, RENTAL, FEES** -- Lessor, for and in consideration of the sum of **Two Thousand Four Hundred Twenty Dollars (\$ 2,420.00)**, receipt of which is hereby acknowledged as payment of the filing fee in the amount of **Five Hundred Dollars (\$ 500.00)**, first year's rent in the amount of **One Thousand Nine Hundred Twenty Dollars (\$ 1,920.00)**, and in further consideration of Lessee's agreement to pay **Three Dollars (\$ 3.00)** per acre annually as rental in advance of the anniversary date of this Lease so long as this Lease shall remain in effect; and in further consideration of the terms, conditions and agreements herein and of the payments of annual rentals and royalties reserved herein, to be kept and performed by Lessee, its successors and assigns, does hereby lease to Lessee the right and privilege of exploring and prospecting for and developing, mining, and removing **gold ("Gold") and silver, copper, zinc and lead (individually, "Other Mineral" and collectively "Other Minerals") (with Gold and Other Minerals collectively being "Minerals")** from the Leased Premises, situated in the County of **Fremont**, State of Colorado as described below. Lessee may extract Minerals using only underground mining methods and surface mining is prohibited under this Lease.

2. **LEASED PREMISES**

ACRES	SUBDIVISION	SEC.TWP.RGE.	PATENTS
640	ALL	16-T19S-R71W	None

FUND: **SCHOOL**

containing **640** mineral acres, more or less, together with the right to use up to one (1) acre of the surface estate, in accordance with the Exploration Plan and the Mining and Operation Plan as set forth in Paragraphs 8 and 16 of this Lease, as may be reasonably required for safety features such as ventilation shafts, reasonable ingress and egress as may be reasonably necessary in the exploration, mining and removal of Minerals; subject, however, to all existing easements and rights-of-way of third parties, and the rights of surface lessees and surface patentees, and further subject to Lessor's approval and the terms, conditions and agreements set out in this Lease (the "Leased Premises"). The above-mentioned rights may be exercised in connection with mining on other or adjacent lands only when mining on such lands is carried on in conjunction with the actual mining on the Leased Premises.

3. **RESERVATIONS TO STATE** -- Reserving, however, to Lessor:
 - a). All rights, privileges and uses of every kind and nature not specifically granted to Lessee by this Lease.
 - b). The right to use or lease the Leased Premises or any part thereof at any time for any purpose, including the right to explore and prospect the Leased Premises, which use and leasing of the

Leased Premises shall be for purposes other than and not inconsistent with the rights and privileges herein specifically granted.

- c). The right to dispose of or lease the surface of the Leased Premises where Lessor is the surface owner.
- d). The right at all times during the life of this Lease to go upon the Leased Premises and every part thereof for the purpose of inspecting the Leased Premises, and the books of accounts and records of Mineral workings therein, and of ascertaining whether or not Lessee and those holding thereunder by and from it, are carrying out the terms, covenants and agreements in this Lease contained.
- e). The right at any time to grant a right-of-way upon, over or across all or any part of the Leased Premises for any ditch, reservoir, railroad, communication system, electric powerline, or pipeline, schoolhouse or other lawful purpose; but that such grants shall be subject to the rights of Lessee.

4. **TERM** -- Lessee may have and hold the Leased Premises for the term of ten (10) years beginning on the 1st day of June, 2019, and ending at Twelve O'clock noon on the 1st day of June, 2029 (the "Primary Term"), subject to compliance with the royalties, rentals, and other terms, conditions, and agreements of this Lease. This Lease may continue in effect for an additional twenty (20) years to the 1st day of June, 2049, (the "Secondary Term") as long as a Mining and Operations Plan to mine the Minerals has been submitted to the Lessor prior to the end of the Primary Term and a Mining and Operations Plan has been approved by the Lessor pursuant to Paragraph 16 within twelve (12) months of the commencement of the Secondary Term, and the Lessee is in compliance with the terms, conditions, and agreements of this Lease, and the royalties and rentals provided for herein are being paid. This Lease may continue in effect past the Secondary Term in accordance with Paragraph 7.

5. **ADVANCE MINIMUM ROYALTY** -- As Advance Minimum Royalty ("AMR"), without relation to the amount of Minerals mined from the Leased Premises, Lessee shall pay annually in advance to Lessor the following amounts:

LEASE YEAR	AMR
<u>1-10</u>	<u>\$ 0</u>
<u>11-20</u>	<u>\$32,000</u>
<u>21-30</u>	<u>\$50,000</u>

Acreage changes resulting from surrender or partial assignment will not reduce the AMR proportionately. If Lessee does not extract Minerals from the Leased Premises sufficient to return to the Lessor the minimum amounts above specified, it is nevertheless understood that the above sums of money are due and payable to Lessor whether or not Minerals are mined, but that such AMR shall be credited upon the first royalties due as herein provided for Minerals actually produced from the Leased Premises. In the absence of production of Minerals in continuous Paying Quantities necessary to fully use the AMR before the expiration date of this Lease, all AMR and all rentals shall be forfeited to Lessor.

6. **PRODUCTION ROYALTY** -- Lessor reserves as royalties, and Lessee agrees to pay to Lessor royalties, on all Minerals produced from the Leased Premises and sold by Lessee, based on the following:

Monthly Royalty: Lessee shall pay Lessor the Monthly Royalty for Gold and the Monthly Royalty for Other Minerals in relation to any Gold and Other Minerals produced from the Leased Premises on the

following basis:

1. Monthly Royalty for Gold = (Gold Index Price (per ounce) x Number of Troy Ounces of Gold Sold during month) x Royalty Rate for Gold

Monthly Royalty for Other Minerals = Other Minerals Proceeds x Royalty Rate for Other Minerals

Royalty Rate for Gold: The Royalty Rate for Gold shall be determined based on the scale below, which is indexed to the Gold Index Price as defined below and with the Gold Index Price to be adjusted for inflation as set out below:

<u>Gold Index Price (per ounce)</u>	<u>Royalty Rate for Gold</u>
\$1500.00 and below	4.0%
\$1500.01-\$2000.00	5.0%
\$2000.01 and above	6.0%

Each Gold Index Price (per ounce) in the chart above shall be adjusted for inflation every ten (10) years during the Term on the following basis. At the end of each calendar year, each Gold Index Price (per ounce) shall be multiplied by the average of the consumer price index ("CPI") for each month in such calendar year as published by the Bureau of Labor Statistics of the United States Department of Labor. The CPI-adjusted Gold Index Price (per ounce) at the end of each ten (10) year period shall be the applicable Gold Index Price (per ounce) for the succeeding ten (10) year period.

The "Gold Index Price" shall be the average monthly New York Spot Gold Price per ounce, calculated by dividing the sum of all such prices reported for the month by the number of days for which such prices were reported. If the New York Spot Gold Price ceases to be published, the Gold Index Price shall be determined by reference to prices for refined Gold for immediate delivery in the most nearly comparable established market, as such prices are published in "Platts Metals Week" or a similar publication mutually agreed upon by the Parties.

Other Minerals Proceeds: In relation to a particular month, the "Other Minerals Proceeds" is defined as the aggregate of all invoices received by Lessee for each Other Mineral sold during such month.

Royalty Rate for Other Minerals: The Royalty Rate for Other Minerals shall be four percent (4%).

Production Reports: Production reports for each month shall be submitted to Lessor within thirty (30) days after the end of such month, commencing within thirty (30) days of the first month of production. The requirements for these reports are further outlined in Paragraph 9.

No Deductions: It is expressly understood and agreed that none of Lessee's exploration, mining, production or processing costs, including but not limited to costs for materials, labor, overhead, distribution, transportation, loading, crushing, processing, or general and administrative activities, may be deducted in computing Lessor's Monthly Royalty for Gold and Monthly Royalty for Other Minerals. All such costs shall be entirely borne by Lessee and are anticipated by the Royalty Rate for Gold and the Royalty Rate for Other Minerals set forth in this Lease.

Payment: The Monthly Royalty for Gold and the Monthly Royalty for Other Minerals, together with the

amount of Monthly Royalty for Gold and the Monthly Royalty for Other Minerals that is credited against AMR, shall be due and payable to Lessor on or before the last day of each calendar month for Minerals sold by Lessee during the preceding calendar month. Reporting of royalty that is credited against AMR is also due on or before the last day of each calendar month following the month of production.

Payment from the Lessee shall be accompanied by a settlement sheet indicating: (i) amount and calculation of the Monthly Royalty for Gold due to the Lessor; (ii) the amount and calculation of the Monthly Royalty for Other Minerals due to the Lessor; (iii) the quantities of each Minerals sold during the month; (iv) Gold Index Price; (v) the calculation of the Other Mineral Proceeds; (vi) the Royalty Rate for Gold; and (vii) the Royalty Rate for Other Minerals.

Sampling: The Monthly Royalty for Gold and Monthly Royalties for Other Minerals shall be due and payable on Minerals extracted or removed from the Leased Premises for the purposes of sampling, testing, analysis or evaluation in order to determine Mineral values of the Leased Premises, if and when such Minerals are sold.

7. **EXTENSION BY PRODUCTION** -- This Lease shall not be held in perpetuity; however, this Lease will continue in effect subsequent to the Secondary Term, or any extended term, so long as Minerals are produced in Paying Quantities. "Paying Quantities" is defined as production and sales of Minerals sufficient to return to Lessor production royalty payments greater than the AMR as set forth in Paragraph 5. Following the Secondary Term or during any extended term, cessation of production for a period in excess of one hundred eighty (180) consecutive days will automatically remove this Lease from producing status unless otherwise agreed to in writing by Lessor. Lessee shall notify Lessor in writing prior to the 180th day following the last production stating the reasons for the cessation, and the time period during which production ceased, an explanation of when production will resume, and a description of the plan to resume production. Upon receipt of Lessee's notice, Lessor shall determine, in its sole and absolute discretion: (i) whether Lessee must continue production and, if production does not resume, if Lessee is in default; and (ii) whether cessation of production may continue, the amount of time that cessation of production may continue, and any other conditions under which cessation of production may continue. Failure to notify Lessee of a cessation of production prior to the 180th day following the last production will be considered a default of this Lease.

8. **EXPLORATION** -- Lessee will diligently explore and develop the Leased Premises by utilizing methods of exploration commonly used in the industry, such as mapping, sampling, drilling, trenching, geophysical exploration, and laboratory analysis.

Exploration Plan: An exploration plan ("Exploration Plan") detailing the methods to be used for exploration and the timing of exploration activities shall be submitted to Lessor prior to commencing exploration activities. No surface disturbance shall occur prior to receipt of written approval of the Exploration Plan from the Lessor. A Reclamation Plan as set forth in Paragraph 18 of this Lease for all areas disturbed during exploration shall be included in the Exploration Plan. Lessor shall notify Lessee within thirty (30) days of receipt of the Exploration Plan if Lessor finds, in its sole discretion, that the Exploration Plan is inadequate for continued work on the Leased Premises by the Lessee.

Exploration Report: A full report detailing the results of the exploration activities must be submitted to the Lessor within six (6) months after completing exploration activities approved in the Exploration Plan. The report shall include all data collected during exploration and include adequate details of the exploration and documentation of the Mineral resources on the Leased Premises, as well as a plan for

at least the next twelve (12) months for continued work on the Leased Premises by the Lessee and any other information required under Paragraph 23 of this Lease. All additional reports completed by the Lessee on the Leased Premises shall be submitted to the Lessor within ten (10) days of filing with the applicable regulatory authorities.

If the Lessee pursues diligent exploration and determines that development of the Minerals is economically feasible, a Mining and Operations Plan (per the requirements of Paragraph 16) must be submitted to the Lessor for review and approval prior to commencement of mining activities. Such Mining and Operations Plan, and subsequent supplements of such Mining and Operations Plan, when approved, will authorize the mining activities described for the period of time described in such Mining and Operations Plan or supplement.

9. **REPORTS AND RECORDS** -- After operations begin, it is agreed that on or before the last day of each month during the term of this Lease, Lessee shall submit sworn, verified, written production reports to Lessor, in accordance with Paragraph 6. Lessee agrees to keep and to have in possession complete and accurate books and records showing the production and disposition of any and all substances produced on the Leased Premises along with purchaser's support documentation and to permit Lessor, at all reasonable hours, to examine such books and records or to furnish copies of such books and records to Lessor within sixty (60) days following written request. All such books and records shall be retained by Lessee and made available in Colorado to Lessor for a period of not less than ten (10) years. If any such examination shall reveal, or if either Party shall discover any error or inaccuracy in its own or the other Party's statement, payment, calculation, or determination, then proper adjustment or correction thereof shall be made as promptly as practicable thereafter, except that no adjustment or correction shall be made if more than ten (10) years have elapsed between the time the error or inaccuracy occurred and the discovery by either Party of such error or inaccuracy.

Further, Lessee shall furnish annually within ninety (90) days of the end of the preceding year a complete operations report to Lessor disclosing the amount and the assay thereof of all ores and Minerals mined from the Leased Premises during the preceding year. Lessee shall also furnish in such report geologic interpretations and recoverable reserve calculations, and maps and cross sections showing location of any mineral-bearing outcrops, drill holes, trenches, ore bodies and other prospecting and exploration activities, along with assays showing the amount of mineral contained in the ore. The records required to be maintained by Lessee and provided to Lessor upon request include logs of all strata penetrated and all geologic and hydrologic conditions encountered, and copies of in-hole surveys, with this information to be collected and prepared under the supervision of a Qualified Person, as defined below. A Qualified Person may collect and prepare this data, if agreed to in writing between Lessee and Lessor. Any request to keep certain information confidential should be in writing to Lessor at the time such information is submitted to Lessor, and such data may be kept confidential as consistent with State law. Lessee shall submit, if requested by Lessor, such additional reports, records or documents regarding Lessee's operation on the Leased Premises as necessary for the compliance with the provisions of this Lease. A "Qualified Person" is defined as an individual who: (i) is an engineer or geoscientist with a university degree, or equivalent accreditation, in an area of geoscience, or engineering, relating to mineral exploration or mining; (ii) has at least five (5) years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, that is relevant to his or her professional degree or area of practice; (iii) has experience relevant to the subject matter of the mineral project and the technical report; and (d) is in good standing with a recognized professional association in the United States.

10. **OVERRIDING ROYALTY LIMITATIONS** -- This Lease or any subsequent assignment hereof shall not be burdened with overriding royalties the aggregate of which exceeds two percent (2%) of the gross value of the Minerals at the first point of sale. Lessor must be notified of all overriding royalties accruing to this Lease.
11. **PENALTIES** -- A penalty shall be imposed for, but not limited to, late payments, improper payments, operational deficiencies of any kind whatsoever, violations of any covenants of this Lease, or any false statements made to Lessor. Penalties shall be determined by Lessor in accordance with applicable laws and may be in the form of, but not limited to, interest, fees, fines, and/or lease cancellation. A penalty schedule shall be prepared by Lessor. Such schedule may be changed from time to time and shall be made available by Lessor to Lessee.
12. **ASSIGNMENT** -- Lessee may not assign this Lease in whole or part except with the written approval of Lessor. No assignment of undivided interests or retention or reservation of overriding royalties will be recognized or approved by Lessor. The effect, if any, of any such assignments or reservations will be strictly and only as between the parties thereto and outside the terms of this Lease. No dispute between parties to any assignment or reservation shall operate to relieve Lessee from or postpone performance of any terms or conditions hereof. Lessor will at all times be entitled to look solely to Lessee or its assignee shown on Lessor's books as being sole owner hereof, for the sending of all notices required by this Lease, and for the performance of all terms and conditions hereof.

If assignment of a part of this Lease is approved, a new lease, designated as an assignment, will be issued to the assignee covering the lands assigned for the balance of the term of this Lease on the lease form in use at the time of assignment and limited as to term as this Lease is limited.

13. **ASSIGNMENT CONSIDERATION** -- Assignments, if approved by Lessor, shall be subject to payment of consideration to Lessor in the amount of **ten percent (10 %)** of the value of any consideration tendered to Lessee for the assignment. Divulgence of the value of these considerations shall be mandatory, in affidavit form, which form shall be presented to Lessor along with the other assignment instruments in order to seek Lessor's approval for the assignment. Any attempt to withhold this information shall render this Lease null, void and nonexistent, and all monies paid to Lessor shall be forfeited to Lessor. In addition, any amounts owed to Lessor under this Lease must be paid at the time an assignment is requested.
14. **WEIGHTS** -- It is agreed that all Minerals mined and taken from the Leased Premises shall be weighed and assayed and the weight and assay thereof shall be entered in due form in weight and assay records kept for such purposes by Lessee. Ton means Two Thousand (2000) pounds. One troy ounce is equivalent to 31.1034768 grams.
15. **STEWARDSHIP TRUST STIPULATION** -- Lessee acknowledges that the Leased Premises was placed in the Stewardship Trust as set forth in Section 10(1)(b)(I) of Article IX, of the State Constitution prior to the Effective Date of this Lease. Lessee agrees to comply with the following stipulations:
 - a) All plans for exploration, mining, and reclamation on the Leased Premises shall be submitted to Lessor for review and approval. No exploration, mining, and reclamation activities are permitted until Lessor provides written approval for such activities.
 - b) Only underground mining methods are permitted under this Lease.
 - c) Total surface disturbance will not exceed one (1) acre and shall be only for the purposes

described in Paragraph 2 of this Lease and as approved by Lessor.

- d) No surface disturbance will be allowed within five hundred (500) feet of Grape Creek.
- e) Lessee is not permitted to construct new roads or access existing roads on the Leased Premises.
- f) All proposed plans for surface disturbance are subject to Lessor's review and approval. Lessee will submit plans involving surface disturbance to Lessor prior to submittal of applications to the applicable permitting agencies.
- g) No disposal of mining wastes, including tailings, may occur on the Leased Premises.
- h) Lessee will conduct biological surveys for rare plant species in any part of the Leased Premises where surface disturbance is contemplated. Best management practices that will protect any identified species will be approved by Lessor to avoid negative impacts associated with surface disturbance.
- i) Lessee will consult with Colorado Parks & Wildlife ("CPW") prior to any surface disturbance and incorporate CPW's recommendations into operation plans, including seasonal closures and restrictions to protect sensitive species during breeding, spawning, and nesting seasons.
- j) Lessee shall comply with CPW's timing restrictions limiting all activities on the Leased Premises under this Lease to occur between July 1 and October 30 of each year.
- k) Lessee shall conduct baseline studies of cultural, archeological, historic, and paleontological resources prior to commencing any exploration activities that may disturb the surface and develop mitigation plans to protect any identified resources.
- l) Only native seed mixes may be used to establish vegetation. Lessor approval of the seed mix is required prior to the start of reclamation activities.
- m) In addition to a weed control plan required under Paragraph 16 of this Lease, Lessee will prepare and implement a plan to treat and mitigate the spread of noxious weeds in lands disturbed by Lessee on the Leased Premises.

16. **MINING AND OPERATIONS PLAN** -- Pursuant to Paragraph 8, a mining and operations plan ("Mining and Operations Plan") detailing the orderly development of the mineral resources must be submitted to Lessor and approved by Lessor prior to commencement of mining activities. Lessor shall notify Lessee within forty five (45) days of receipt of the Mining and Operations Plan if it finds, in its sole discretion, that the Mining and Operations Plan is inadequate. Supplements and modifications to the Mining and Operations Plan detailing the orderly development of the mineral resources shall be submitted to Lessor for review and approval prior to the execution of any changes or modifications to mining activities as outlined in the initial Mining and Operations Plan. Once approved by Lessor, compliance with the Mining and Operations Plan, and any subsequently approved supplements or modifications, shall be mandatory and Lessor shall review compliance annually and provide notice to Lessee on non-compliance issues and terminate this Lease if compliance is not forthcoming within one (1) year after written notice is delivered to Lessee unless conditions warrant a shorter time period and that period is included in the above referenced written notice to Lessee. If the non-compliance issue requires more than one year to remedy, Lessee shall request additional time in writing and diligently pursue compliance and demonstrate such to Lessor. The Mining and Operations Plan will include, but not be limited to the following:

- a) Shall provide for the orderly, logical development of the Leased Premises using only underground mining methods.
- b) Lessee shall not be permitted to commingle the ore and concentrates from Minerals produced from the Leased Premises with ore and concentrates from minerals produced from other properties unless there is a signed written agreement between the Parties setting out the agreed

method for measuring, weighing, sampling and assaying the ores and concentrates prior to commingling.

- c) A weed control plan to treat and prevent the spread of noxious weeds to be approved by Lessor and that must comply with the Colorado Noxious Weed Act, C.R.S. § 35-5.5-101, et seq., as may be amended from time to time. Weed control will only be required on lands disturbed by Lessee, unless it is determined that undisturbed lands have been impacted due to Lessee's activities on site.
- d) Plans for regulatory compliance, including requirements of the Colorado Department of Public Health and Environment, CPW, U.S. Army Corps of Engineers, Colorado Division of Reclamation, Mining and Safety ("DRMS") and any other federal, state or local agency with jurisdiction over operations of this type, including but not limited to Fremont County.
- e) All areas proposed for disturbance shall be surveyed for rare plant species. If identified, these areas should be avoided to the greatest extent practical.
- f) An outline form of the Reclamation Plan (the complete Reclamation Plan is required under Paragraph 18), such Reclamation Plan to include provisions for grading and contouring Leased Premises.
- g) Provisions and plans to conclude mining and reclamation activities prior to the termination of the Lease.

17. **ENVIRONMENTAL ANALYSIS** -- Lessee shall comply with all applicable federal, state, and local laws, rules, regulations, permits, codes and ordinances to identify and reduce adverse impacts to the environment, and the public health, safety and welfare, including the rules, regulations and requirements of the DRMS.

Prior to any surface occupancy on the Leased Premises, Lessee must perform environmental analyses that are required by any local, state or federal agency or regulation. Lessor may require that Lessee submit the environmental analyses required by other jurisdictions, including proposed mitigation plans, for review by Lessor before any exploration or mining begins on the Leased Premises.

18. **RECLAMATION** -- Lessee shall submit a plan for restoration and reclamation of Leased Premises ("Reclamation Plan") to Lessor for Lessor's approval before submitting the appropriate permit or permits pursuant to the Colorado Mined Land Reclamation Act, C.R.S. §§ 34-32-101 et. seq., as may be amended from time to time, and all reports required by Fremont County. Rules and regulations as set forth by DRMS for recovery and restoration of mined land shall apply where applicable to the Leased Premises. Elements of the Reclamation Plan shall include but not be limited to:

- a) Final reclamation shall meet all requirements of the Colorado Mined Land Reclamation Act, C.R.S. §§ 34-32-101 et. seq., C.R.S., as may be amended from time to time, and any other applicable laws and regulations.
- b) Contouring map showing approximate contours that will exist upon final reclamation. Final slopes shall be aesthetically pleasing and natural in character, but in all cases shall be no steeper than 3h:1v. Modifications to the originally approved contour map may be allowed if it is in the best interest of Lessor and Lessee, or if reasonably necessary to comply with state, federal or local permits.
- c) All mined areas shall be mapped on a master map and the depth and type of backfill and the prominent survey points shall be depicted on the map. The map will also depict geologic and hydrologic conditions encountered during mining or exploration. As mining operations are completed and the areas are no longer needed for the operation, and future mining adjacent

to that land will not adversely affect the success of reclamation, the mined land will be backfilled, graded, top soiled, and revegetated.

- d) Control of noxious weeds shall be implemented on all land disturbed as a consequence of the mining operation.

Variations from the Reclamation Plan as originally submitted to the Lessor for approval may be granted only with the written approval of Lessor.

19. **LESSOR'S APPROVAL** -- Whenever approval by Lessor is required or contemplated by Lessee, approval must be in writing and shall be optional and shall be within the sole and absolute discretion of Lessor. Lessor will make best efforts to provide a notice of approval or disapproval within thirty (30) days of the receipt of a written request for approval from the Lessee.
20. **OTHER STATE AGENCIES** -- Lessee shall notify and give Lessor full rights to access to any documents filed with any other federal, state, or local government entity which relates in any way to this Lease or the Leased Premises.
21. **INSPECTION** -- During all proper hours and at all times during this Lease, Lessor or Lessor's duly authorized agent, representative or consultant is authorized to check assays and scales as to their accuracy, to go through or on any part or all of the Leased Premises to examine, inspect, survey and take measurements of the same and to take samples of any kind and to examine and make extracts from or copies of all books and weight sheets and records which show in any way the ore output, ore values, payments and royalties from and of the Leased Premises. All conveniences necessary for such inspection, survey, or examination shall be furnished to Lessor. Lessor may require Lessee to provide all instruments and documents of any kind and nature whatever which affect Lessor's interests. Any agent, representative or consultant of the Lessor must follow standard safety practices while on the Leased Premises. Examples of standard safety practices may include driving only on marked roads, avoiding equipment that is in operation, making every effort to remain visible, wearing personal protective equipment such as high visibility clothing, protective eyewear and protective footwear. Lessor will make best efforts to provide a minimum of twenty four (24) hours advance notice prior to conducting an inspection or consultant activities. Lessor's agents, representatives or consultants will follow all check-in and check-out procedures that are established by the Lessee. Lessor shall not be responsible for injury or damage caused by the gross negligence of any Lessor agent, representative or consultant during inspection of the Leased Premises.
22. **NOTICES** -- Any notice, demand, request, designation, consent, approval or other document or instrument required under the provisions of this Lease shall be in writing, shall be deemed to have been duly served on the day of receipt or rejection by a Party and shall be sent by registered or certified United States mail, postage prepaid, return receipt requested, or by a nationally recognized overnight courier service that provides written evidence of delivery, as addressed to the Parties. The Parties may change the place for serving such papers on it, or provide for the delivery of not more than two (2) additional copies, by giving the other Party at least thirty (30) days prior written notice to such effect. Notices shall be sent to:

Lessee:
Zephyr Gold USA Ltd.
1959 Upper Water Street, Suite 1300
Purdy's Wharf Tower 1
Halifax, NS B3J 3N2 Canada
with a copy to (which shall not
constitute notice for purposes of this
Lease Agreement):
Bennett Jones LLP
3400 One First Canadian Place
Toronto, ON M5X 1A4 Canada
Attention: Michael Melanson

State Land Board:
Colorado State Board of Land Commissioners
Minerals Director
1127 Sherman Street Suite 300
Denver Colorado 80203

23. **PROSPECTING** -- Lessee agrees that while using and operating any drill on the Leased Premises, Lessee shall keep an accurate log on all work so done and performed, showing geological formations penetrated, the depth and thickness of each, the mineral character of each including but not limited to, the location and elevation of each tied to a corner established by United States survey, and each and everything necessary to make a complete log of the hole throughout its entire depth. A true copy of such log shall be furnished to Lessor.

The methods used in carrying out any program of exploration, and the rate of progress of such program shall be determined by Lessee. If Lessee carries on any program of exploration, other than drilling, Lessee shall submit to Lessor written reports showing the character and extent of prospecting being carried out on the Leased Premises and giving any details of Mineral occurrences which may have been encountered; and Lessor agrees that during the term of this Lease all such information so supplied by Lessee shall remain confidential and unpublished for the duration of this Lease insofar as such confidentiality is consistent within the law.

24. **NOTIFICATION OF MINING OPERATIONS** -- If Lessor does not own or control, or has leased to a third party the surface of the Leased Premises, Lessee shall be responsible for identifying and notifying such surface owner or lessee(s) in advance of any on-site activity. Notification will be given thirty (30) days in advance for untilled or grazing acreage and sixty (60) days in advance for tilled farm ground prior to any on-site activity. Lessee shall closely coordinate any on-site activity with the surface owner or lessee, and make a reasonable effort to protect the integrity of surface owner's or lessee's roads, fences, gates, cattleguards, and other property.

25. **SURFACE DAMAGE** -- Lessee has the right to utilize up to one (1) acre of the surface of the Leased Premises in accordance with Paragraph 2 of this Lease; however, Lessee shall be liable and agrees to pay for all damages, caused by Lessee or as a result of Lessee's operations, to the surface of the Leased Premises not permitted for use by Lessee and livestock, growing crops, water wells, reservoirs, or other improvements. Lessee shall be responsible for and agrees to pay for all damages from subsidence.

26. **LIABILITY** --

a) The Lessor shall not be liable to the Lessee, its agents, employees, invitees, patrons or any other

person whomsoever, for injury to or death of any person or damage to or loss of property in, upon or adjacent to the Leased Premises or other property contiguous or appurtenant thereto, which may arise during the Lessee's development, use or occupancy of the Leased Premises or by any person so doing through or under the Lessee or with its permission, express or implied. The Lessee further waives any claim against the Lessor regarding the Lessor's approval or disapproval of any plans or specifications whether or not defective.

- b) The Lessee agrees to indemnify the Lessor and save it harmless against and from any and all claims by or on behalf of any person(s), firm(s), corporation(s) arising from the conduct or management of or from any work or thing done on or about the Leased Premises and to indemnify and save the Lessor harmless against and from any and all claims arising during the Term of this Lease from: (i) environmental issues, erosion, sedimentation, surface and sub-surface damage caused by Lessee or any of its agents, contractors, servants, assignees, employees, invitees or licensees; (ii) any claims for injury or death of any persons, or any damage, loss, or destruction of any property, real or personal, under any theory of tort, contract, strict liability, or statutory liability resulting from the actions of Lessee or any of its agents, contractors, servants, assignees, employees, invitees or licensees; (iii) any of those matters specified in this Paragraph; (iv) any breach or default on the part of the Lessee hereunder; and (v) any act or omission of the Lessee or any of its agents, contractors, servants, assignees, employees, invitees or licensees, on or about the Leased Premises or other property contiguous or appurtenant to the Leased Premises, including all reasonable costs, reasonable attorney's fees, expenses and liabilities incurred in or about any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against the Lessor by reason of any such claim upon notice from Lessor, the Lessee covenants to promptly effect the dismissal thereof or to diligently resist and defend such action or proceeding by counsel satisfactory to the Lessor, at the sole cost and expense of the Lessee.
- c) Lessee shall comply with all applicable federal, state and local environmental, wetlands protection, health and hazardous waste laws, ordinances and regulations. In addition to the foregoing, and not in limitation thereof, Lessee shall not cause or permit any Hazardous Material as defined below to be brought upon, kept or used in or about the Leased Premises by Lessee or Lessee's agents, employees, contractors or invitees, without the prior written consent of Lessor. If Lessee breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Leased Premises caused or permitted by Lessee results in contamination of the Leased Premises, or if contamination of the Leased Premises by Hazardous Material otherwise occurs for which Lessee is legally liable, then Lessee shall indemnify, defend and hold Lessor harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the Leased Premises, damages for the loss or restriction on use of the Leased Premises, damages arising from any adverse impact on future leasing of the Leased Premises, and sums paid in settlement of claims, reasonable attorney fees, consultant fees and expert fees) which arise during or after the lease term as a result of such contamination. This indemnification of Lessor by Lessee includes, without limitation, reasonable costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state, or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Leased Premises. Without limiting the foregoing, if the presence of any Hazardous Material on the Leased Premises caused or permitted by Lessee results in any contamination of the Leased Premises, Lessee shall promptly take all actions at Lessee's sole expense as are necessary to return the Leased Premises to the condition existing prior to the introduction of any such Hazardous Material to the Leased Premises; provided that Lessor's

approval of such actions shall first be obtained. "Hazardous Material" is defined as any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of Colorado or the United States Government. The term Hazardous Material includes, without limitation, any material or substance that is defined or designated as a "hazardous substance", "hazardous waste" or a "regulated substance" under appropriate state or federal law.

27. **LIENS AND CLAIMS** -- Lessee shall not suffer or permit to be enforced against the Leased Premises, any part thereof, or any improvements thereon any liens arising from, or any claim for damage arising in any way from Lessee's operation. Lessee shall pay or cause to be paid all of such liens, claims, or demands before any action is brought to enforce the same against the Leased Premises or improvements. Lessee agrees to defend, indemnify and hold Lessor and the Leased Premises free and harmless from all liability for any and all liens, claims, demands, and actions together with reasonable attorney fees and all reasonable costs and expenses in connection therewith. Lessee shall be liable for all taxes, assessments, and other charges assessed on the Leased Premises or any property related thereto.

Lessee shall, upon execution of this Lease at its cost, prepare a Notice, pursuant to C.R.S. § 38-22-105 (1973), and cause the same to be posted for the purpose of protecting Lessor against any liens or encumbrances upon the Leased Premises by reason of work, labor, services or materials contracted for or supplied to Lessee.

28. **BOND** -- No operations are to be commenced on the lands herein described unless and until Lessee has filed a good and sufficient bond with Lessor in an amount fixed by Lessor, to secure the payment for damages caused by Lessee's or Lessee's agent's operations on such lands. Lessor may require such bond to be held in full force and effect for an extended time period after cessation of operations for which the bond was intended with approval of Lessor. This requirement may be satisfied by the financial warranty requirements of the DRMS.
29. **WATER RIGHTS** -- To the fullest extent permitted by law, Lessor reserves all water, water rights, ditch rights, water stock and/or ditch stock appurtenant to or used in connection with the Leased Premises including, without limitation, tributary and non-tributary water rights, and any rights in pending applications for permits or adjudications in water rights, wells, rights in ditch water in canal organizations or companies. All such uses shall be and remain the property of the Lessor. The Lessee may not explore, drill, or establish any water use right or well without written permission of the Lessor. All applications and documents pertaining to any such water right must be made in the name of the Lessor, and the Lessor reserves the right to make or convert any related applications or documents in or to its own name; provided, however, that Lessor shall not be named on any substitute water supply plans approved in Lessee's name pursuant to C.R.S. § 37-92-308. Additional payment may be required for the use of any waters as may be defined as tributary, non-tributary or not non-tributary.
30. **SURRENDER AND RELINQUISHMENT** -- Lessee may, at any time, by paying to Lessor all amounts then due as provided herein, surrender and cancel this Lease as to all or any portion of the Leased Premises and be relieved from further obligations or liability hereunder with respect to the lands so surrendered except for reclamation requirements and environmental conditions caused or created by Lessee or its agents prior to such surrender or relinquishment; provided that no partial surrender or cancellation shall be for less than tracts of approximately forty (40) acres or governmental lot corresponding to a quarter-quarter section, and the rental will be reduced proportionately.

This right of Lessee to surrender this Lease shall cease and become absolutely inoperative immediately upon the institution of any suit in any court of law to enforce this Lease or any of its terms, expressed or implied. In no case shall surrender be effective until Lessee has made full provision for conservation of the Minerals and protection of the surface rights of the Leased Premises as may be determined by Lessor.

Further, no surrender of this Lease shall be effective unless and until all reports, documents and information required under this Lease, are submitted to the Lessor or other applicable governmental agencies.

31. **RIGHT OF REMOVAL** -- If this Lease is terminated by surrender, or expiration of its term, and all obligations of Lessee under this Lease are satisfied, Lessee's improvements, equipment, man-made objects of any type shall be removed from the Leased Premises within six (6) months from the date of such termination at Lessee's expense. Such removal is to be accomplished without unnecessary waste or damage to the Leased Premises and Lessee shall restore the surface of the Leased Premises to the condition in which the Leased Premises existed immediately prior to the execution of this Lease. All improvements and equipment remaining on the Leased Premises six (6) months after the termination of this Lease shall, at the option of Lessor, be forfeited to and become property of Lessor without compensation to Lessee and without necessity of execution of additional documents.
32. **CONDEMNATION** -- If all of the Leased Premises is taken in any condemnation proceeding, this Lease shall automatically terminate as of the date of taking. The award for such condemnation shall be paid to Lessor, except for any specific award(s) paid to Lessee for severed Mineral reserves, in which event a percent of such specific award(s) equal to royalty shall be paid to Lessor in lieu of royalty lost by virtue of the condemnation. Improvements shall be removed by Lessee pursuant to the preceding paragraph. If only a portion of the Leased Premises is taken by condemnation, Lessor may, at its option, terminate only that portion of this Lease so taken.
33. **COMPLIANCE WITH LAWS** -- The Lessee shall comply with all applicable federal, state and local ordinances, regulations and laws regarding the Leased Premises and activities conducted thereon or by virtue thereof. Furthermore, the Lessee shall not use or permit the Leased Premises to be used in violation of any such rule, regulation or law or for any purpose tending to damage or harm the Leased Premises or improvements thereon, or the image or attractiveness thereof, or for any improper, offensive or immoral use or purpose, or in any manner which shall constitute waste, nuisance or public annoyance. Lessee further agrees that good mining methods shall be used at all times of active mining so long as such methods are consistent within the law.
34. **ARCHAEOLOGY** -- Under no circumstances may Lessee or any person injure, destroy, disturb, mar, appropriate, collect, remove, alter or excavate, any historical, prehistoric or archaeological site or resource on any lands administered by Lessor. Discovery or indication of a suspected site or resource shall be immediately brought to the attention of Lessor and the State Archaeologist or Lessee shall provide evidence that no significant archaeological sites exist on the Leased Premises which could be destroyed by Lessee's operations. Lessee shall comply with the requirements of C.R.S. §§ 24-80-401 through 411, as may be amended from time to time.
35. **DEFAULT AND REMEDIES**
 - a) **Defaults.** The occurrences of any one or more of the following events shall constitute a default

hereunder by the Lessee:

1. Failure by the Lessee to make any payment of rental or other payment of additional rental or charge required to be made by the Lessee hereunder, as and when due.
2. Use of the Leased Premises by the Lessee, its successors and assigns or attempted use of the Leased Premises for any other purpose than those permitted by this Lease without the prior written consent of the Lessor.
3. Failure by the Lessee to perform any of the covenants, conditions or requirements contained herein.

Any of the above events of default may be cured by the Lessee within thirty (30) days after written notice thereof from the Lessor to the Lessee in accordance with Paragraph 22.

Provided further that if the nature of the Lessee's default is such that more than thirty (30) days are reasonably required to cure such default, then the Lessee shall not be deemed to be in default if the Lessee shall commence such cure within such thirty (30) day period and thereafter diligently pursue such cure to completion.

b) **Remedies.** In any event of default and in addition to any or all other rights or remedies of the Lessor hereunder or by the law provided, the Lessor may exercise the following remedies at its sole option:

1. **Termination.** Terminate the Lessee's right to possession of the Leased Premises by any lawful means, in which case this Lease shall terminate and the Lessee shall immediately surrender possession of the Leased Premises to the Lessor according to the terms of Paragraph 30. In such event of termination, the Lessor shall be entitled to recover from the Lessee:
 - A. The unpaid rental, taxes and/or damages which have accrued up until the time of termination together with interest; and
 - B. Any other amount necessary to compensate the Lessor for the Lessee's failure to perform its obligations under this Lease or which would be likely to result therefrom, including, but not limited to, the cost of recovering possession of the Leased Premises, cost of reclamation, expenses of reletting, including necessary repair, renovation and alteration of the Leased Premises, reasonable attorney's fees, and any other reasonable costs; and
 - C. Interest upon such amounts, which shall be one point five percent (1.5%) per month or portion thereof or, in the alternative and at Lessor's sole discretion, at a rate as provided in Lessor's published fee schedules at the time the interest accrues. Such interest shall accrue from the dates such amounts accrued to the Lessor until paid by the Lessee.
2. **Possession of Leased Premises, Improvements and Equipment.** If, upon termination of this Lease for any reason, whether by surrender, forfeiture or expiration of term or otherwise, Lessee shall not have fully complied with the terms of this Lease, Lessor shall hold and retain possession of the Leased Premises, improvements, and equipment of Lessee as security unto Lessor for the payment of rents and royalties due Lessor, or to protect Lessor against liens, or to indemnify Lessor against any loss or damage sustained by Lessor by reason of the default of Lessee, for which purpose Lessor is hereby given a lien upon all the Leased Premises, improvements, and equipment, which lien shall attach as the same are placed upon the Leased Premises. In the event Lessor shall foreclose the lien in this Paragraph given to Lessor by Lessee, Lessor may itself be a purchaser at any sale thereof under such foreclosure.

c) **Unlawful Detainer.** Upon the termination of this Lease for any cause, if Lessee shall remain in

possession of the Leased Premises, Lessee shall be guilty of an unlawful detainer under the statutes in such case made and provided, and shall be subject to all the conditions and provisions thereof and to eviction and removal, forcibly or otherwise, with or without process of law, as above provided.

d) **Interest and Processing Fees; Penalties.** Interest and processing fees in the amount of one point five percent (1.5%) per month or, in the alternative and at Lessor's sole discretion, at a rate as provided in Lessor's published fee schedules at the time the interest accrues shall be imposed for late payments and improper or partial payments. In addition, the State Land Board may charge penalties as provided in the State Land Board's published fee schedules, as they may be amended from time to time. Such interest, processing fees, and penalties (if any) shall accrue from the dates such amounts accrued to the Lessor until paid by the Lessee.

e) **Cumulative Rights.** The rights and remedies reserved to the Lessor, including those not specifically described, shall be cumulative, and the Lessor may pursue any or all of such rights and remedies, at the same time or separately.

36. **INSURANCE --** The Lessee at its sole cost and expense, shall during the entire Term of this Lease procure, pay for and keep in full force and affect the following types of insurance:

- a) **Property Insurance.** A policy of property insurance covering all insurable improvements located on the Leased Premises (except for land, foundation, excavation, and other matters normally excluded from coverage), in an amount not less than necessary to cover the replacement cost. Such insurance shall afford protection against at least the following: (1) loss or damage from fire and other perils normally covered by the standard extended coverage endorsement; and (2) such risks as shall customarily be covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement where such is available.
- b) **Liability Insurance.** A commercial general liability insurance covering the improvements and the Leased Premises insuring the Lessee in an amount not less than Two Million Dollars (\$2,000,000), and covering bodily injury, including death to persons, personal injury, and property damage liability. Such coverage shall include, without limitation, legal liability of the insured for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of the Leased Premises. Coverage shall also include all reasonable legal expenses and other reasonable costs incurred by the Lessor related to any claim under this Lease.
- c) **Workers Compensation.** Workers' Compensation Insurance as required by State statute, and Employer's Liability Insurance covering all of Lessee or subcontractor employees acting within the course and scope of their employment.
- d) **Other Risks.** In addition, the Lessee shall obtain insurance against such other risks of a similar or dissimilar nature as the Lessor shall deem appropriate.
- e) **General Provisions of Insurance Policies:**
 - 1. All policies of insurance carried by the Lessee shall name the Lessee as insured and shall include the Lessor as an additional insured.
 - 2. The policy shall contain a provision that it cannot be cancelled until insurers have provided at least thirty (30) days prior written notice thereof to the Lessee and Lessee shall forward such notice to the Lessor in accordance with Paragraph 22 within seven (7) days of Lessee's receipt of such notice.
 - 3. Notwithstanding anything to the contrary contained herein, the Lessee's obligation to carry insurance as provided herein may be brought within the coverage of a "blanket" policy or policies

of insurance carried and maintained by the Lessee, so long as such policy(s) segregates the amount of coverage applicable to the Leased Premises.

4. A current certificate(s) of insurance shall be provided to the Lessor prior to the commencement of this Lease and at the request of the Lessor. The certificate shall refer to the location of the Premises and the lease number of this Lease.
5. Any deductibles must be declared to the Lessor.
6. Lessee shall be responsible for all claims and liabilities that fall within the Lessee's deductible.
7. Coverage required of Lessee shall be primary over any insurance or self-insurance program carried by Lessee or the Lessor.
8. All insurance policies in any way related to this Lease and secured and maintained by Lessee as required herein shall include clauses stating that each carrier shall waive all rights of recovery, under subrogation or otherwise, against Lessee or the Lessor, its agencies, institutions, organizations, officers, agents, employees, and volunteers.

f) Self Insurance:

1. Lessee must receive prior, written approval from the Lessor to self-insure.
2. At any time Lessee does not meet the self-insurance requirements of the Lessor, the Lessor may require Lessee to secure insurance.

37. MISCELLANEOUS PROVISIONS

a) **Waiver.** No failure by either Party to exercise and no delay in exercising any right, power or privilege hereunder will operate as a waiver hereof, nor will any single or partial exercise of any right or privilege hereunder preclude further exercise of the same right or the exercise of any right hereunder. A waiver on one or more occasions of any of the provisions hereof shall not be deemed a continuing one. Acceptance of payments by Lessor shall not be deemed to effect: (i) a ratification, renewal, extension, or amendment of this Lease; (ii) a waiver of any rights granted to Lessor, the obligations imposed upon Lessee, express or implied, or the remedies for Lessee's breach; or (iii) an estoppel against Lessor preventing Lessor from enforcing Lessor's rights or Lessee's obligations hereunder, express or implied, or from seeking damages for Lessee's breach thereof.

b) **Entire Understanding.** This Lease represents the complete integration of all understandings between the Parties and all prior representations and understandings, oral or written, are merged herein. Prior or contemporaneous additions, deletions, or other changes hereto shall not have any force or effect whatsoever, unless embodied herein.

c) **Captions.** Captions and paragraph headings in this Lease are intended for convenience and reference only and shall not define, limit or describe the scope or intent of any provisions of this Lease.

d) **Severability.** Provided this Lease can be executed and performance of the obligations of the Parties accomplished within its intent, the provisions hereof are severable and any provision that is declared invalid or becomes inoperable for any reason shall not affect the validity of any other provision hereof, provided that the Parties can continue to perform their obligations under this Lease in accordance with its intent.

e) **Survival.** Notwithstanding anything herein to the contrary, provisions of this Lease requiring continued performance, compliance, or effect after termination hereof, shall survive such termination and shall be enforceable by the State Land Board if Lessee fails to perform or comply as required.

- f) **Binding Effect.** This Lease and the rights and obligations created hereby shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns.
- g) **Modification or Amendment.**
- 1) By the Parties. Except as specifically provided in this Lease, modifications of this Lease shall not be effective unless agreed to in writing by the Parties in an amendment to this Lease.
 - 2) By Operation of Law. This Lease is subject to such modifications as may be required by changes in Federal or Colorado State law, or their implementing regulations. Any such required modification automatically shall be incorporated into and be part of this Lease on the effective date of such change, as if fully set forth herein.
- h) **Governing Law and Venue.** This Lease and its application shall be construed in accordance with the laws of the State of Colorado. The Parties agree that the venue for any litigated disputes regarding this Lease shall be the City and County of Denver.
- i) **Counterparts.** This Lease may be executed in multiple identical original counterparts, all of which shall constitute one (1) Lease.
- j) **No Third-Party Beneficiaries.** Enforcement of this Lease and all rights and obligations hereunder are reserved solely to the Parties. Any services or benefits which third parties receive as a result of this Lease are incidental to this Lease, and do not create any rights for such third parties.
- k) **Non-Business Days.** If the date of any action under this Lease falls on Saturday, Sunday or a day recognized as a holiday by the State of Colorado, then the relevant date shall be extended automatically until the next day that is not Saturday, Sunday or a holiday.
- l) **CORA Disclosure.** This Lease is subject to public release through the Colorado Open Records Act, C.R.S. § 24-72-201, et seq., as amended from time to time.
- m) **Costs of Suit, Attorney's Fees.** In the event that the State Land Board shall, without fault on the State Land Board's part, be made party to any litigation instituted by the Lessee or by any third party against the Lessee, or by or against any person holding under or using the Leased Premises by license of the Lessee, or for the foreclosure of any lien for labor or material furnished to or for the Lessee or any such other person or otherwise arising out of or resulting from any action or transaction of the Lessee or of any such other person, the Lessee hereby indemnifies and holds the State Land Board harmless from and against any judgment rendered against the State Land Board or the improvements or any part thereof, and all reasonable costs and expenses, including reasonable attorney's fees, incurred by the State Land Board in or in connection with such litigation.
- n) **Governmental Immunity.** Liability for claims for injuries to persons or property arising from the negligence of the State of Colorado, its departments, institutions, agencies, boards, officials, and employees is controlled and limited by the provisions of the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq., and the risk management statutes, C.R.S. § 24-30-1501 et seq. No term or condition of this Lease will be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protections, or other provisions, of the Governmental Immunity Act or risk management statutes as applicable now or hereafter amended.
- o) **Insolvency.** If Lessee becomes insolvent, bankrupt, or has a receiver appointed, Lessor may terminate this Lease. Insolvency as used in this Lease will mean the inability of the Lessee to meet obligations as they come due.

The State Land Board and the Lessee, by their signatures below, agree to the terms of this Lease.

LESSEE:

ZEPHYR GOLD USA LTD.

By: 
David Felderhof, President

Date: May 31, 2019

STATE LAND BOARD:

STATE OF COLORADO ACTING BY AND THROUGH
THE STATE BOARD OF LAND COMMISSIONERS

By: 
Christel Koranda, Minerals Director

Date: May 31, 2019



**COLORADO
STATE BOARD OF LAND COMMISSIONERS**

04.11.2019 | FINAL ACTION

TOPIC Mining Lease SM 112413
STRATEGIC PLAN Goal 1.2.a - Manage and expand existing lines of business
COUNTY Fremont County
PROJECT MANAGER Phillip Courtney, Solid Minerals Leasing Manager

Leases: Current						
Lease No.	Type	Lessee	Rent/Acre	Annual Rent	Acres	Exp. Date
109415	AG	Carl Javernick	\$0.55	\$355	640	4/20/2025
102359	REC	Colorado Parks & Wildlife/Public Access Program	\$1.87	\$1,196.80	640	6/30/2023
Lease: Proposed						
Lease No.	Type	Lessee	Rent/Acre	Annual Rent	Acres	Exp. Date
112413	SM	Zephyr Gold USA Ltd.	\$3.00	\$1,920 + production royalty and AMR	640	3/14/2029

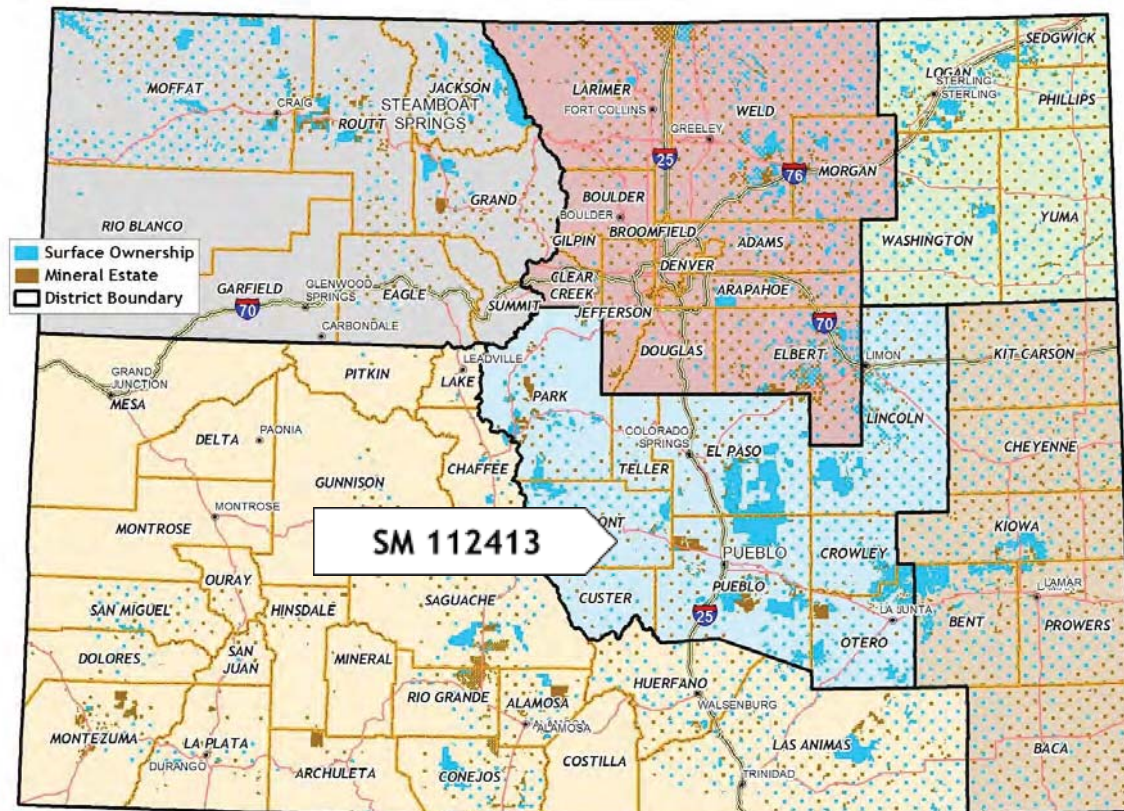
SUMMARY

State Land Board staff (Staff) recommends that the State Land Board Commissioners (Board) approve a new mining lease, SM 112413, to be issued to Zephyr Gold USA Ltd. (Zephyr) on 640 acres of state trust mineral estate in Fremont County.

BACKGROUND

The Colorado State Board of Land Commissioners (State Land Board) owns the surface and minerals on all lands included in the proposed lease. The property is located in Fremont County, approximately 7 miles southwest of Cañon City (**Figure 1**).

Figure 1: Property Location



The Zephyr lease application is on a section of state trust land (Section 16, T19S, R71W) that was designated into the Stewardship Trust in December 1998 (**Figure 2**). The property is commonly known as Grape Creek-Horseshoe Mountain. The property is currently leased for grazing and enrolled in the Colorado Parks & Wildlife (CPW) Public Access Program (PAP) lease.

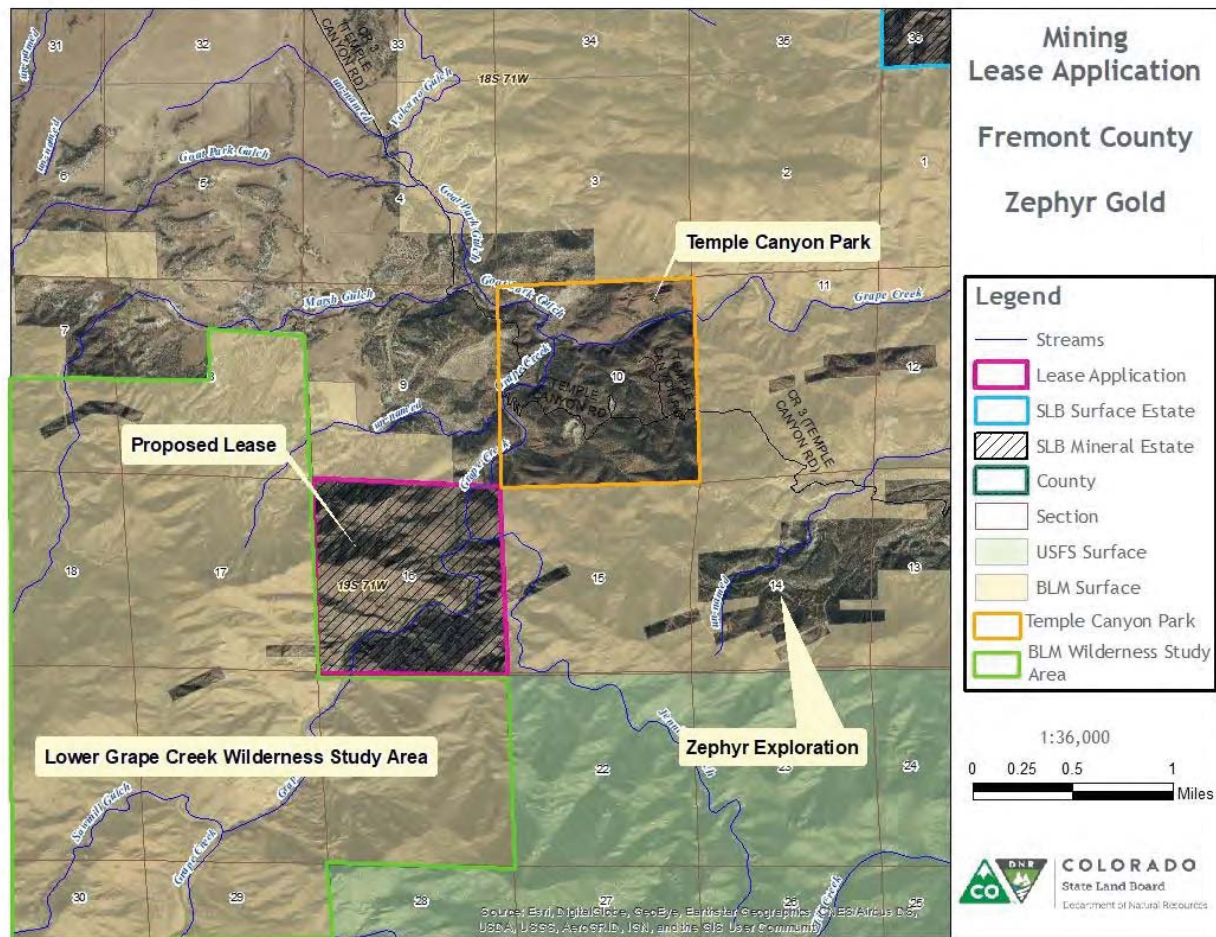
Section 16 is bordered on the east, south, west, and northwest by federal land managed by the Bureau of Land Management (BLM). The BLM land on the west and south side of this section is included in the Grape Creek Wilderness Study Area. Cañon City's Temple Canyon Park adjoins Section 16 on the northeast. Typical current conditions on the property are illustrated by the photographs attached in **Exhibit 1**.

Zephyr is a gold exploration and development company based in Halifax, Nova Scotia, Canada, and is listed on the Toronto Stock Exchange Venture Exchange. The company considers the Fremont County project to be an advanced stage high-grade gold property. Zephyr provided the State Land Board with an introductory letter that includes a discussion of their goals for the proposed mining project (**Exhibit 2**).

Zephyr applied for a mineral lease to explore and develop gold, silver, copper, zinc, and lead. Zephyr desires to conduct exploration to determine the suitability of an underground mine at this location. Zephyr acquired mineral rights on approximately 950 acres of land approximately two miles east of Section 16 on October 31, 2012. Those mineral rights consist of mining claims on both BLM and private land. Beginning in 2012, Zephyr staked additional mining claims on BLM land and now

holds mining rights on 2,790 acres that include lands adjacent to the state trust section on the east and west. A map illustrating Zephyr's mining claims is shown in **Figure 3**.

Figure 2: Proposed State Trust Mineral Lease

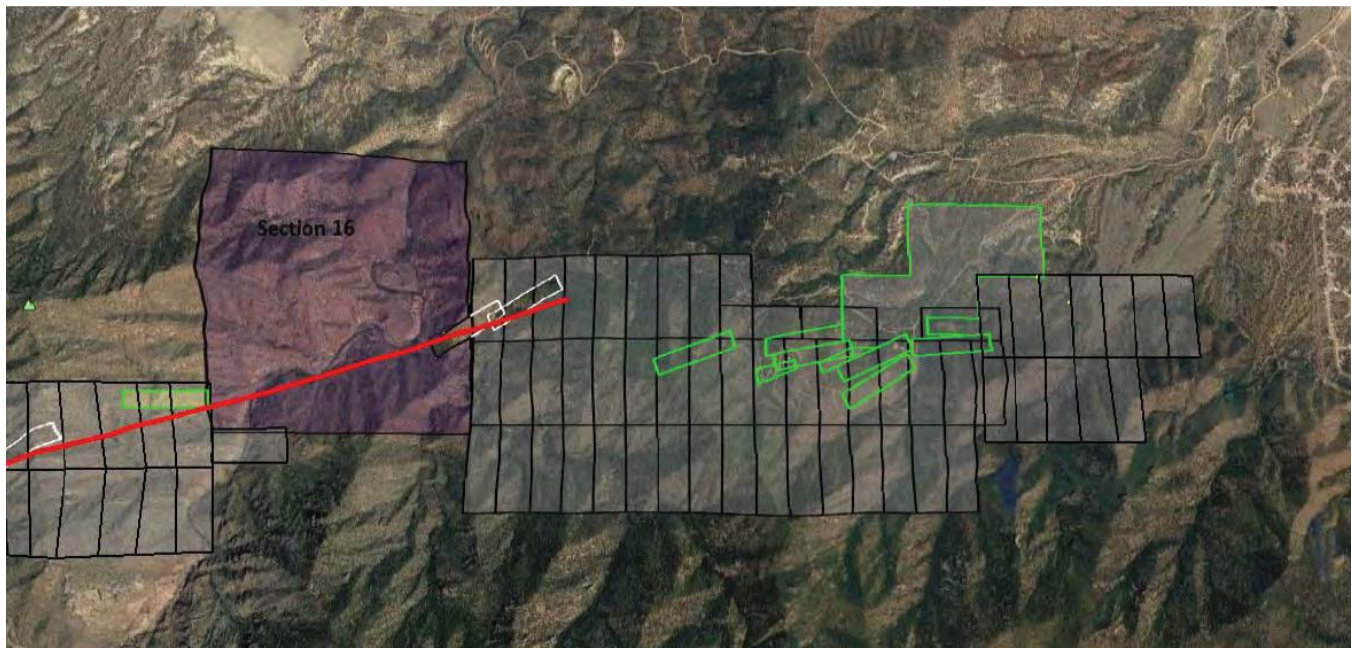


Zephyr began exploration of the mineral deposits in this area in 2012, and their current understanding of the geology suggests that deposits of gold, silver, copper, zinc, and lead may extend into Section 16. If a lease is approved, Zephyr will undertake exploration of Section 16 in three phases:

- Phase 1 - Airborne geophysical and mapping, reconnaissance geological mapping, and surface sample collection
- Phase 2 - Detailed ground mapping based on the results of Phase 1
- Phase 3 - Targeted drilling to test prospective mineral targets identified in Phases 1 & 2

The exploration program will likely take five to ten years to complete. Based on the exploration results, Zephyr will determine if extracting the minerals is economically feasible. If mineral extraction is feasible, Zephyr will design detailed mining and reclamation plans.

Figure 3: Zephyr Mining Claims



RECOMMENDATION FORMULATION

The proposed mining lease presents a unique opportunity for the Board to learn the value of the subsurface mineral assets under the Grape Creek-Horseshoe Mountain property. Should the permanent protection of this property become an important public goal in the future, a more complete understanding of the value of the Trust’s mineral assets will be an important consideration in the Board’s decision to retain or dispose of the property and at what value.

Public Comment

The State Land Board received a number of third-party comments regarding the proposed lease. All comments received by the State Land Board are included in **Exhibit 3**. The Solid Minerals Manager and Stewardship Trust Manager reviewed the third party comments and created specific “Stewardship Stipulations” (described in more detail below) that Staff believes enable development of the mineral resource while ensuring protection of the surface estate. Staff reviewed the proposed Stewardship Stipulations with Zephyr, and Zephyr stated the stipulations are acceptable and consistent with their anticipated mining plans.

Mining Plan and Lease Terms

Zephyr’s mining plan includes a surface portal on neighboring BLM land. The proposed lease will have no surface occupancy, except for a small amount of surface disturbance associated with mine safety features such as ventilation pipes, estimated to be less than one acre. For purposes of exploration activities such as drilling core holes, Zephyr plans to move equipment with a helicopter. As a result, no access roads will be constructed on state trust land. The drilling equipment used for exploration will be placed on a wooden platform approximately 20 feet by 30 feet in size, which minimizes surface disturbance. To minimize impacts to wildlife, Zephyr agreed to timing restrictions that limit activity to only four months of the year (July 1 - October 31).

Staff negotiated the following key lease terms for lease SM 112413:

- Primary lease term: 10 years
- Secondary lease term: 20 years
- Production lease term: Lease will be held by production if minerals are being produced.
- Sliding scale royalty for gold based on the gold index price, as shown below:

<u>Gold Index Price (per ounce)</u>	<u>Royalty Rate</u>
\$1500.00 and below	4.0%
\$1500.01-\$2000.00	5.0%
\$2000.01 and above	6.0%

- Royalty for silver, copper, zinc and lead will be 4% of the gross value of minerals produced.
- Production royalty rates and gold sliding scale index prices may be reviewed every five years and adjusted.
- Advance Minimum Royalty: \$32,000 per year beginning in the 11th year of the lease, increasing to \$50,000 per year in the 21st year of the lease.
- Annual Rent: \$3.00 per acre (\$1,920 per year)
- Results of exploration will be shared with the State Land Board.
- Stewardship Stipulations (outlined below)

Staff will review all proposed exploration, mining, and reclamation plans, which is a standard term for State Land Board mining leases. At this time, Staff anticipates that the existing grazing and Public Access Program (PAP) leases will remain in place. Zephyr understands that mining plans need to accommodate other surface activities at this location.

Stewardship Trust Review Process and Recommended Lease Stipulations

CRS 36-1-107.5 provides the Board the authority to allow a variety of uses on properties designated into the Stewardship Trust. Staff followed the State Land Board Stewardship Trust Policy 400-001 in reviewing this application that specifically requires (1) notification of the nominators of the property for the Stewardship Trust, all current lessees, appropriate governmental agencies, and (2) careful review and consideration of the potential impact to the property's natural values.

No comments were received from the current grazing lessee. The nominators for this parcel - the Sierra Club and the Upper Arkansas and South Platte Project (known as Wild Connections) - submitted comments (**Exhibit 4**). CPW provided input on potential impacts to wildlife and their recommendations regarding timing restrictions are incorporated into the proposed lease stewardship stipulations (**Exhibit 5**).

The State Historic Preservation Officer (SHPO) searched Colorado's cultural resource inventory and identified three previously recorded sites on the property: the Denver and Rio Grande Railroad-Grape Creek Narrow Gauge and two historic mine sites (**Exhibit 6**). A lease stipulation to protect cultural resources is described below.

State Land Board Policy 400-001 requires review and evaluation of any potential adverse impacts on the identified natural values for which the property was designated into the Stewardship Trust. The

Grape Creek-Horseshoe Mountain Stewardship Trust management plan lists the following identified natural values occurring on the property:

1. Rare Plant (Arkansas Canyon stickleaf, *Nuttallia densa* G2/S2, potential for Degener beardtongue)
2. Wildlife/Wildlife Habitat (overall habitat for mule deer, elk, black bear, bighorn sheep, mountain lion, and a variety of birds, including raptors such as bald eagles)
3. Open Space Connectivity
4. Beauty (on parcel)

Staff carefully reviewed these natural values, the property's Stewardship Trust Management Plan, and comments received from CPW, SHPO, and the public to develop the following Stewardship Stipulations that will minimize potential impacts on the state trust land subject to the proposed lease:

- Any/all plans for exploration, mining, and reclamation on state trust land will be submitted for review and approval by the State Land Board. No activities are allowed until approval is communicated to lessee in writing.
- Only underground mining methods will be allowed.
- No surface occupancy, except for an area up to one acre to accommodate required safety features such as a ventilation shaft. Total surface disturbance will not exceed one acre.
- No surface disturbance will be allowed within 500 feet of Grape Creek.
- No new roads will be allowed.
- All proposed plans for surface disturbance are subject to State Land Board review and approval. Lessee will submit plans involving surface disturbance to Staff prior to submittal of applications to permitting agencies.
- No disposal of mining wastes, including tailings, may occur on state trust land.
- Lessee will conduct biological surveys for rare plant species in any part of the property where surface disturbance is contemplated. Best management practices that will protect any identified species will be approved by Staff to avoid negative impacts associated with surface disturbance.
- Lessee will consult with CPW prior to any surface disturbance and incorporate CPW recommendations into operation plans, including seasonal closures and restrictions to protect sensitive species during breeding, spawning, and nesting seasons.
- Lessee shall conduct baseline studies of cultural, archeological, historic, and paleontological resources prior to commencing any exploration activities that may disturb the surface and develop mitigation plans to protect any identified resources.
- Only native seed mixes may be used to establish vegetation. Staff approval of the seed mix is required prior to the start of reclamation activities.
- Lessee will prepare and implement a plan to treat and prevent the spread of noxious weeds on any surface land disturbed under this lease.

Permitting Process and Requirements

The permitting processes (**Exhibit 7**) for Fremont County and the Division of Reclamation, Mining, and Safety (DRMS) consider impacts to surrounding land use and wildlife based on detailed plans developed by the lessee prior to any mining activities.

Fremont County requires a conditional use permit for mining. The conditional use permit process evaluates access, mitigation of traffic impacts, hours of operation, transportation, dust control, noise, weed control, and any other issues necessary to ensure the use is not detrimental to the public health, safety, or welfare of Fremont County residents. Fremont County considers conditional use permits during a public meeting. Standard lease terms require the lessee to comply with all governmental processes and regulations. Zephyr currently has a conditional use permit from Fremont County for exploration activities on lands near the proposed lease.

All mines in Colorado are subject to reclamation per DRMS rules and regulations. When considering a permit application, DRMS notifies surrounding landowners with details about how to locate the application materials submitted by the permit applicant. The applicant also must place advertisements in local newspapers to inform the surrounding community about the permit request. DRMS accepts comments from concerned citizens and other state agencies and will hold a public meeting regarding the permit if there is expressed opposition. If a permit is approved, DRMS requires the permit holder to maintain a bond in an amount sufficient to complete the approved reclamation plan.

FISCAL IMPACT

The Constitution of the State of Colorado, article IX, section 10, Colorado Revised Statute 36-1-112.5 and Board Policy #200-006 address the necessity of fiscal impact determinations associated with lease or development of state trust lands. Specifically, Colorado Revised Statute 36-1-112.5 requires that “prior to a sale or exchange of any lands for commercial, residential, or industrial development, the State Land Board shall determine that the income from such sale can reasonably be anticipated to exceed the fiscal impact of such development on local school districts and state funding of education from increased school enrollment associated with such development.”

The statute also requires a fiscal impact determination for an entire mining operation.

The fiscal impact determination for mining operations involves quantifying the beneficial tax revenue for the school district and lease and royalty revenues to the School Trust as compared to the negative impact of permanent housing on the site and resulting school children. The proposed lease does not include permanent housing. Therefore, there will be no cost to the school district or state funding of education. Based on this fiscal impact determination, the funds to the School Trust from the proposed lease will exceed the costs to local school districts and state funding of education.

PROGRAM MANAGER OR SECTION COMMENTS

Stewardship Trust Manager

The Grape Creek-Horseshoe Mountain Stewardship Trust property is one of three Stewardship Trust properties originally designated because it is adjacent to a large, contiguous block of federal lands (BLM and nearby United States Forest Service land). The surface operations of the Zephyr project will

be located on BLM or private land immediately east of the State Land Board Section 16. The Horseshoe Mountain property is largely accessible only by foot.

The Stewardship Trust Management Plan for this property states that the property will be *“leased for grazing and recreational use and managed to improve ecological condition through weed management.”* However, the management plan also recognizes that C.R.S. §36-1-107.5 provides the Board the authority to allow a variety of uses on properties designated into the Stewardship Trust provided that *“those uses...will protect and enhance the beauty, natural values, open space, and wildlife habitat thereof.”* In short, new uses may be approved so long as the property’s identified natural values are protected and enhanced. The management plan does not suggest that the Board eliminate any potential uses from consideration.

The primary feature of the Horseshoe Mountain property is Grape Creek - a strong, perennial stream that flows through the Grape Creek Canyon. The canyon is characterized by steep red canyon walls and large rock outcrops which contribute to the property’s scenic beauty.

The dominant vegetation community is piñon-juniper woodland with some riparian forest habitat and shrublands. The globally rare plant, Arkansas stickleaf (*Nuttallia densa*, G2/S2), has been observed on site. The property contains suitable habitat for a second rare plant, Degener’s Penstemon (*Penstemon degenerii*, G2/S2), which occurs in the immediate area, but biological surveys have yet to observe it on Section 16.

The property also contains wildlife habitat for large mammals, raptors, and bats that roost in the canyon walls, and reptiles and small mammals. Though water levels fluctuate based on irrigation needs, Grape Creek is a viable fishery with habitat for brown, brook, and rainbow trout. The challenges associated with accessing the parcel except on foot, particularly of the areas beyond Grape Creek Canyon, has contributed to its value for wildlife habitat.

Overall, the property is considered to be in fair ecological condition. The Grape Creek riparian corridor and floodplains in the north half of the property are in good to excellent functional and ecological condition with healthy populations of native species, particularly willows. However, much of the upland dry canyons are choked with noxious weeds (russian thistle, cheatgrass, Canada thistle, nodding thistle, and mullein), invasives (kochia), and large amounts of cholla cactus that inhibit grazing. As such, the property is far from pristine. One of the key goals of the Stewardship Trust Management Plan is to improve the ecological condition of the property by managing weeds.

Staff believes that limiting activity under the proposed lease to underground mining, restricting surface disturbance to less than one acre, requiring biological studies and adhering to all stipulations above, will adequately protect the property’s natural values.

Recreation Manager

This property is currently included in the PAP lease with CPW. The lease allows limited public access for purposes of hunting and fishing. Access is restricted to August 15 through May 31 for public hunting. Year-round access is allowed for purposes of fishing and wildlife watching. Commercial guiding, outfitting (e.g. hunting and/or fishing) and organized events by for-profit or non-profit groups are prohibited unless a special use permit is first obtained from the State Land Board. Inclusion in the PAP lease does not create a wildlife conservation area, easement, or special wildlife protection designation on the property.

Even though included in the PAP lease, public access to the property is quite challenging. The majority of the property consists of steep and rugged topography and the most convenient access route is along an existing railroad grade that follows Grape Creek. Legal public use of the railroad grade is not clear, since it travels across private property for approximately one-quarter mile before reaching state trust land. The only means to legally access the state trust land is by hiking across Cañon City and BLM property. This access route is extremely difficult.

With the proposed stipulations, including limited surface disturbance during exploration activities, no surface mining during production, and timing restrictions to minimize wildlife impacts, the Recreation Manager believes that impacts to the uses allowed by the Public Access Program lease will be minimized.

District Manager

This property is currently leased for grazing until April 20, 2025 (#AG 109415). The grazing lease includes two sections (Section 16, T19S, R71W and Section 36, T19S, R72W). Total AUMs for the lease is only 60 AUMs or 21.33 acres/AUM. Most of the grazable forage is found along the drainages of Grape Creek and Pine Gulch. Given the steep terrain, livestock are unable to graze certain portions of the property. During the lease renewal inspection in 2015, the grazing lessee stated he has not used the property in question in 10 years due to limited accessibility.

With the proposed stipulations, including limited surface disturbance during exploration activities and no surface mining during production, the District Manager believes that impacts to the uses allowed by the grazing lease will be minimized.

RECOMMENDATION

Based on the information provided to the Board at the April 2019 Board Meeting, Staff recommends that the Board approve mining lease SM 112413 for 640 acres in Fremont County with the terms and conditions presented and direct Staff to take appropriate action consistent with the Board's decision.

- END OF MEMORANDUM -

EXHIBITS

Exhibit 1: Site Photographs

Exhibit 2: Zephyr Letter

Exhibit 3: Public Comments

Exhibit 4: Stewardship Trust Nominator Comment Letters

Exhibit 5: CPW Comment Letter

Exhibit 6: Office of Archaeology and Historic Preservation Comment Letter

Exhibit 7: Solid Minerals Leasing Process

Exhibit 1 - Site Photographs

Photo 1 - Looking south along the old railroad bed visible in the right side of the photo.
(November 15, 2018, in the NE quarter of section 16)



Photo 2 - Looking west along Grape Creek, in the central part of Section 16



Photo 3 - Looking southwest in the southern half of the section



Photo 4 - Evidence of historic mine tailings on the property, center of the photo below.





COLORADO Parks and Wildlife

Exhibit C

Department of Natural Resources

Salida Service Center
7405 W Highway 50
Salida, CO 81201
P 719.530.5520 | F 719.539.5554

Mari Johnson
Stewardship Trust Manager
Colorado State Land Board
1127 Sherman Street, Suite 300
Denver, Co 80203

RE: Colorado Parks & Wildlife Review and Comments - Zephyr Gold USA Ltd. Surface sampling and drilling: Grape Creek-Horseshoe Mountain.

Dear Ms. Johnson,

Colorado Parks and Wildlife (CPW) would like to thank you for the opportunity to review the Zephyr Gold USA Ltd. request for surface sampling and drilling on the Grape Creek-Horseshoe Mountain STL.

CPW has a statutory responsibility to manage all wildlife species in Colorado; as such we encourage conservation of Colorado's wildlife species and habitats through sound wildlife management advice and comments to land use regulators. Management of core wildlife areas, quality fisheries and habitat, big game winter range and seasonal migration corridors, and raptor nesting locations are of extreme importance. CPW recommends that all proposed projects be assessed to avoid, minimize, or mitigate impacts to sensitive wildlife habitats and species. That includes species of concern as well as Federal and/or State listed species, big game wildlife, migration corridors, winter range, parturition areas, breeding and nesting habitats for sensitive ground-nesting birds, and nests of raptors sensitive to development, in order to prevent loss of habitat or fragmentation of habitat.

In assessing potential impacts to wildlife, CPW considers potential negative impacts on big game species through direct habitat loss and fragmentation but also considers the impacts from the displacement of big game during parturition, during winter, and the functional habitat loss associated with increased human activity in these habitats. To balance the needs of development, recreational use, and wildlife, CPW supports land use planning that includes protecting areas of heavy winter use with minimal development, low intensity use, and seasonal closures where appropriate. CPW also recommends limiting the density of surface facilities to maintain existing big game populations. This recommendation is consistent with the recommendations made by other state fish and game agencies in the Rocky Mountain Region (Hebblewhite 2008, Lutz et al. 2011, Sawyer et al. 2013).

Without a specific mining plan or scope of work by Zephyr Gold USA, CPW respectfully submits the following comments, concerns, and recommendations. These are based on our review of the request for comment submitted by the Colorado State Land Board and our knowledge of the project locale, habitat, and the animals that use that habitat. We believe our recommendations offer the greatest opportunity for avoiding development impacts. The possibility for impacts within the proposed site will be high and difficult to remedy.

Grape Creek STL is listed as a State Stewardship Trust Land. The Stewardship Trust is defined on the Colorado State Land Board website as a management designation placed on State Trust Lands containing the highest natural values of beauty, open space, wildlife habitat, rare plants, geologic features and/or paleontological, and historic features. This designation is of special value to the state. Any surface or subsurface sampling on this special designation land will have adverse effects on the landscape. This will in turn diminish the natural values of the land and the designation that the Stewardship Trust was implemented to protect.



CPW also maintains a public access lease on the proposed site. This lease allows the public to access Grape Creek STL to enjoy numerous outdoor activities to include hunting, fishing, and wildlife viewing. Surface and sub-surface manipulations within the proposed site will impact recreational opportunities for the sportsmen and women of the state and decrease the value of the lease that CPW maintains.

Wildlife Species and Habitat affected by the proposed mineral lease.

CPW maps important wildlife species and habitat within the State of Colorado using the Species Activity Mapping (SAM) database. These maps are updated by wildlife professionals every four years with the most up-to-date information regarding species' use of the landscape.

The high priority habitats found within the proposed Zephyr Gold USA mineral lease on Grape Creek-Horseshoe Mountain STL (Township 19 S, Range 71 W, Section 16) include habitat for the following Big Game animals:

Bighorn sheep (*Ovis canadensis*)
Mule Deer (*Odocoileus hemionus*)
Pronghorn (*Antilocapra americana*)
Elk (*Cervus canadensis*)
Mountain Lion (*Puma concolor*)
Black Bear (*Ursus americana*)

The Zephyr Gold USA mineral lease on Grape Creek STL, as proposed, would potentially impact important habitat and the wildlife that use that habitat. Based on CPW's SAM database information and CPW's field staff (Biologist and District Wildlife Manager) knowledge of the project location's habitat diversity, and the myriad of species that utilize these habitats, CPW has prepared a list of when these ecosystems are most important to wildlife:

- Bighorn sheep - year round range, winter range, winter concentration area, severe winter range, migration corridors, and lamb production area.
- Mule deer - year round range, winter range, fawn production area.
- Pronghorn - migration corridor, winter range.
- Elk - Winter range.
- Mountain Lion - year round range.
- Black Bear - year round range.

Rocky Mountain Bighorn Sheep Production Area

Lambing/production areas are of the highest priority to CPW and are crucial to lamb survival and the vitality of the herd. CPW recommends a no surface occupancy stipulation in all CPW-identified bighorn sheep production and winter areas and recommend a timing limitation for human activities in these habitats (including over flights) from April 15-June 30 for production areas and from November 1-April 15 for winter areas.

Rocky Mountain Bighorn Sheep Winter Range

Rocky Mountain bighorn sheep winter range is that part of the overall range where 90% of the individuals are located during the average five winters out of ten from the first heavy snowfall to spring green-up. CPW recommends deferral of these parcels from leasing. If deferral of the nominated parcels is not granted, CPW recommends a no surface occupancy stipulation for all mapped Rocky Mountain bighorn sheep winter range.

Mule Deer Winter Range

Mule deer critical winter ranges are considered of highest priority for protection from disturbance from development. Protection of these parts of mule deer winter range is considered critical to sustain mule deer populations across Colorado. CPW recommends the stipulation: restriction on construction, drilling, and completions surface use from December 1 to April 15.

Pronghorn Winter Concentration Area

Pronghorn winter concentration areas are defined where densities are at least 200% greater than the surrounding winter range density. To protect pronghorn in these areas west of I-25, CPW recommends a stipulation that restricts construction, drilling, and completions surface use from January 1 through March 31 in these applicable parcels.

Bighorn sheep is the species of most critical concern within the proposed site. Bighorn sheep are most vulnerable to impacts from human disturbance. Direct disturbance results from the physical loss and fragmentation of habitat from roads, surface disturbance, and any associated infrastructure. When Bighorn sheep are threatened by increased human activities they can be displaced to less desirable habitats and experience. Bighorn sheep are limited in available habitat by topography and any significant displacement from their existing range would be more detrimental than displacement for other big game species with more available habitat.

Crucial winter habitats and migratory corridors are known to be a limiting factor on big game populations in Colorado and other mountain areas of the western United States (Sawyer et al. 2009, Bishop et al. 2009, Bartman et al. 1992). Disturbance to big game in the winter can lead to poor body condition. Shift distribution to suboptimal habitat types can affect over winter survival of adults and/or result in decreased neo-natal survival rates (Ciuti et al. 2012). CPW believes that there is no way to avoid an impact on Bighorn sheep populations in Grape Creek STL and the vicinity if surface and sub-surface exploration and mining takes place

Townsend big-eared bat

As described within Township 19S, Range 71W, Section 16 the project does overlap with multiple known Townsend's big-eared bat winter hibernation sites. Townsend's big-eared bats are a state species of concern as well as a BLM sensitive species. There are six mines that have been gated to protect Townsend's big-eared bats within the proposed project vicinity. Disturbance that causes hibernating bats to arouse, or wake up, during the hibernation time period can cause bats to burn vital fat reserves, which can lead to the starvation of the bat prior to the end of the winter season. Surface disturbance can transmit to underground locations from both direct and indirect means. The transfer of sound through the rock to the roost site may be at high levels, if surface activity is close to roost sites. Additionally, if such activity is very close, the surface disturbance may cause the collapse of internal passages.

Aquatics

Colorado has very little riparian habitat overall, and even less riparian habitat that supports active sport fishing. As such, any activities that impact fisheries in Colorado are significant. Grape Creek/Horseshoe STL is located on the Grape Creek Drainage. Grape Creek runs through the proposed site, and all runoff from this parcel flows into Grape Creek. Grape Creek is occupied by amphibians, native fish assemblages and sport fish populations. Rainbow Trout (*Oncorhynchus mykiss*), Brown Trout

(*Salmo trutta*), Longnose dace (*Rhinichthys cataractae*), Longnose sucker (*Catostomus catostomus*), and White sucker (*Catostomus commersonii*) are found in the drainage. Riparian corridors such as Grape Creek and the habitat it provides, is vital to aquatic, terrestrial, and transitory wildlife health. CPW recognizes the potential for impact to the drainage. Exploration on slopes above presents the opportunity for erosion and down drainage sedimentation in the Grape Creek drainage. The impacts it can have on aquatic insects, wildlife, and stream health could be significant.

Once again Colorado Parks and Wildlife appreciates the State Land Board's request for recommendations on the application for a mineral lease on Grape Creek STL by Zephyr Gold USA. If the mineral lease is granted by the State Land Board and the project moves forward, CPW would greatly appreciate the opportunity to provide additional comments and recommendations.

If you have any questions regarding this letter, please contact Canon City District Wildlife Manager, Zach Holder, at (719) 269-0656.

Sincerely,

Jim Aragon
Area Wildlife Manager
Area 13

WATER LEASE AGREEMENT
(One year lease)

THIS AGREEMENT is entered into this 21 day of January 2020, by and between Zephyr Gold USA Ltd. (hereinafter referred to as "Lessee"), whose address is 1301 – 1959 Upper Water Street, Purdy's Wharf Tower 1, Halifax, NS, B3J 3N2, Canada, Attn: Mr. David Felderhof, and the Upper Arkansas Water Conservancy District through its water activity enterprise, known as Upper Arkansas Water Activity Enterprise (hereinafter referred to as "District"), whose address is P.O. Box 1090, Salida, Colorado, 81201.

RECITALS

A. Lessee needs a temporary supply of replacement water to meet out-of-priority depletions. Lessee desires for this water to be made available in the Arkansas River basin from the District's water supplies in Twin Lakes Reservoir, Pueblo Reservoir or from other District owned or controlled sources in order to meet the requirements of a court or administratively approved substitute supply plan, replacement plan, or similar plan for the replacement of out-of-priority depletions ("Lessee's Replacement Plan").

The location of the Lessee's operations is ("Place of Need"): Out of Grape Creek below DeWeese Reservoir.

B. The District owns, leases, or controls fully consumable water supplies from various sources, including but not limited to water attributable to shares of stock in Twin Lakes Reservoir and Canal Company (collectively "District Consumable Water").

C. Lessee desires to lease a portion of such water from the District for use in Lessee's Replacement Plan; and the District is willing to lease such water to Lessee under the terms and conditions hereof.

NOW, THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Lease of Water. Lessee shall lease from District, and District shall lease to Lessee, one (1.0) acre-feet of District Consumable Water. This amount shall be both the minimum and the maximum quantity of water to be paid for and delivered under this Lease. Lessee's failure to take delivery of its full leased amount of water shall not entitle Lessee to an extension of the terms of this lease.

2. Purpose. The water delivered pursuant to this Lease may be used by Lessee only to replace depletions pursuant to Lessee's Replacement Plan. District will cooperate with Lessee to identify the sources of the District's Consumable Water delivered pursuant to this Lease. Lessee

shall be responsible for drafting any such plan, obtaining necessary approvals for any such plan, administration and accounting for any such plan, and for all costs associated with such plan.

3. Rental. In consideration of the water to be delivered under this Lease, Lessee shall pay District the following:

(a) a nonrefundable original application fee of \$500.00; and

(b) a lease payment of \$300.00 per acre foot (\$135.00 as a per acre foot water fee and \$165.00 per acre foot for annual storage, maintenance and administration fee);

for a **total lease payment of \$800.00** due and payable upon execution of this Lease.

4. Term. This Lease shall be effective from July 1, 2020 through October 30, 2020. The District shall not be responsible for delivering water to replace any depletions from Lessee's Replacement Plan, including any post-plan depletions after the term of this Lease.

5. Water. The water to be delivered pursuant to this Lease will be raw, untreated water from any one or a combination of sources available to the District. Once such water is delivered to Lessee pursuant to this Lease, Lessee shall have the right to recapture, reuse, and dispose of such water to its extinction. The District does not warrant and shall not be responsible for the quality of the water or the adequacy of such quality for any specific purpose.

6. Location of Delivery of Water. The District will deliver the leased water to the Arkansas River basin at a location or locations to be determined by the District. Although the District shall consult with Lessee and make reasonable attempts to deliver the leased water at a location or locations sufficient to meet the requirements of Lessee's Replacement Plan, the District does not warrant that the leased water can or will be delivered at a location sufficient for Lessee's Replacement Plan. If the leased water is from stored sources, the District may deliver it to the reservoir or at the outlet to the reservoir. If the leased water is not from storage, the District may deliver it at the location where such water flows into the stream. The District shall not be responsible for any diversion, measuring, or storage of the leased water after delivery of the water by the District.

7. Rate of Delivery of Water. The District shall deliver the leased water at times and rates to be determined by the District. Upon execution of this Lease, Lessee shall provide the District with a proposed monthly delivery schedule for the term of the Lease. The proposed delivery schedule shall include monthly totals in terms of acre-feet per month and maximum and minimum daily rates in terms of acre-feet per day. Although the District shall make reasonable attempts to deliver the leased water at times and rates specified in the proposed schedule, the District does not warrant delivery of the leased water at times and rates sufficient for Lessee's Replacement Plan.

8. Determination of Water Availability by the District Board. The District Board allows surplus water to be leased to others on a temporary basis, such as this lease, until the same is

needed by participants in the District's augmentation, substitute supply, or replacement plans. The extent to which surplus water is needed by participants in the District's plans is a fact to be determined by the District Board in the exercise of its reasonable discretion from time to time as occasion may require.

9. Interruption of Water Supply Beyond District Control. Both parties to this Lease recognize that the District's Consumable Water is variable in quantity for reasons beyond the control of the District. The District shall not be liable in tort or contract for any failure to accurately anticipate availability of water supply or because of an actual failure to supply water due to circumstances beyond the reasonable control of the District, including but not limited to act of God, strike, war, insurrection, or inability to serve arising out of the order of any court, or the lawful order of any governmental administrative body or agency clothed with authority to regulate matters pertaining to water, public utilities, public health or pollution control.

10. Emergency Water Limitations. The parties agree that from time to time emergency situations may require the District to limit leases of or the use of water leased from the District. The parties agree that the necessity for such limitation is a fact to be determined by the District in the exercise of its reasonable discretion from time to time, as occasion may require. The parties agree that the District may adopt such reasonable restrictions on the use of this leased water or priorities for curtailed use, as may be necessary to adapt to such emergency conditions, including limitations on Lessee's supplies pursuant to this Lease. The District shall not be liable in tort or contract for imposing such reasonable restrictions. In the event that the District is unable to deliver the leased water as specified in this Lease, then Lessee's payment for water shall be reduced or refunded in proportion to the amount of any reduction of deliveries by the District.

11. Not a Permanent Supply. The parties understand and agree that this Lease is not to be interpreted as any commitment on the part of the District to furnish water to Lessee on a permanent basis, but rather to assist Lessee in supplementing Lessee's own supplies by the leased water from the District for a temporary period.

12. Right to Object. The parties understand and agree that the District specifically reserves its right to object and may object to any Replacement Plan filed by Lessee to protect its interests in the water and this Agreement and to ensure compliance with applicable law, including the prevention of injury to other vested or conditional water rights, regardless of how Lessee uses the water.

13. Time of Essence/Remedies. Time is of the essence, and if any obligation created by this Lease is not performed by either party, then the nondefaulting party shall have all remedies available to it in law and equity.

14. This Lease may be assigned by Lessee only upon prior written consent of the District and at the District's sole discretion.

15. This Lease does not give Lessee any legal or equitable title in or to the water rights

from which the water is derived or any water or water rights of the District. This Lease does not entitle Lessee to seek judicial approval of permanent commitment of or a change in the water rights from which the water is derived.

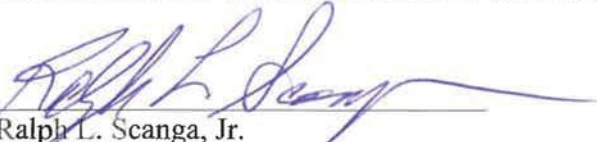
16. In the event of litigation regarding this Lease, the prevailing party shall be awarded its costs, including reasonable attorneys' fees.

17. This Lease shall be governed by the laws of the State of Colorado.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the day and year first above written.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT, by and through its
UPPER ARKANSAS WATER ACTIVITY ENTERPRISE

By:


Ralph L. Scanga, Jr.
General Manager

LESSEE:

Zephyr Gold USA Ltd.

By:


DAVID FELDERHOF

Title

PRESIDENT

WATER LEASE AGREEMENT
(One year lease)

THIS AGREEMENT is entered into this 26 day of Feb, 2020, by and between Zephyr Gold USA Ltd. (hereinafter referred to as "Lessee"), whose address is 1301 – 1959 Upper Water Street, Purdy's Wharf Tower 1, Halifax, NS, B3J 3N2, Canada, Attn: Mr. David Felderhof, and the Upper Arkansas Water Conservancy District through its water activity enterprise, known as Upper Arkansas Water Activity Enterprise (hereinafter referred to as "District"), whose address is P.O. Box 1090, Salida, Colorado, 81201.

RECITALS

A. Lessee needs a temporary supply of replacement water to meet out-of-priority depletions. Lessee desires for this water to be made available in the Arkansas River basin from the District's water supplies in Twin Lakes Reservoir, Pueblo Reservoir or from other District owned or controlled sources in order to meet the requirements of a court or administratively approved substitute supply plan, replacement plan, or similar plan for the replacement of out-of-priority depletions ("Lessee's Replacement Plan").

The location of the Lessee's operations is ("Place of Need"): Out of Grape Creek below DeWeese Reservoir.

B. The District owns, leases, or controls fully consumable water supplies from various sources, including but not limited to water attributable to shares of stock in Twin Lakes Reservoir and Canal Company (collectively "District Consumable Water").

C. Lessee desires to lease a portion of such water from the District for use in Lessee's Replacement Plan; and the District is willing to lease such water to Lessee under the terms and conditions hereof.

NOW, THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Lease of Water. Lessee shall lease from District, and District shall lease to Lessee, two (2.0) acre-feet of District Consumable Water. This amount shall be both the minimum and the maximum quantity of water to be paid for and delivered under this Lease. Lessee's failure to take delivery of its full leased amount of water shall not entitle Lessee to an extension of the terms of this lease.

2. Purpose. The water delivered pursuant to this Lease may be used by Lessee only to replace depletions pursuant to Lessee's Replacement Plan. District will cooperate with Lessee to identify the sources of the District's Consumable Water delivered pursuant to this Lease. Lessee

shall be responsible for drafting any such plan, obtaining necessary approvals for any such plan, administration and accounting for any such plan, and for all costs associated with such plan.

3. Rental. In consideration of the water to be delivered under this Lease, Lessee shall pay District the following:

(a) a lease payment of \$300.00 per acre foot (\$135.00 as a per acre foot water fee and \$165.00 per acre foot for annual storage, maintenance and administration fee);

for a total lease payment of \$600.00 due and payable upon execution of this Lease.

4. Term. This Lease shall be effective from July 1, 2020 through October 30, 2020. The District shall not be responsible for delivering water to replace any depletions from Lessee's Replacement Plan, including any post-plan depletions after the term of this Lease.

5. Water. The water to be delivered pursuant to this Lease will be raw, untreated water from any one or a combination of sources available to the District. Once such water is delivered to Lessee pursuant to this Lease, Lessee shall have the right to recapture, reuse, and dispose of such water to its extinction. The District does not warrant and shall not be responsible for the quality of the water or the adequacy of such quality for any specific purpose.

6. Location of Delivery of Water. The District will deliver the leased water to the Arkansas River basin at a location or locations to be determined by the District. Although the District shall consult with Lessee and make reasonable attempts to deliver the leased water at a location or locations sufficient to meet the requirements of Lessee's Replacement Plan, the District does not warrant that the leased water can or will be delivered at a location sufficient for Lessee's Replacement Plan. If the leased water is from stored sources, the District may deliver it to the reservoir or at the outlet to the reservoir. If the leased water is not from storage, the District may deliver it at the location where such water flows into the stream. The District shall not be responsible for any diversion, measuring, or storage of the leased water after delivery of the water by the District.

7. Rate of Delivery of Water. The District shall deliver the leased water at times and rates to be determined by the District. Upon execution of this Lease, Lessee shall provide the District with a proposed monthly delivery schedule for the term of the Lease. The proposed delivery schedule shall include monthly totals in terms of acre-feet per month and maximum and minimum daily rates in terms of acre-feet per day. Although the District shall make reasonable attempts to deliver the leased water at times and rates specified in the proposed schedule, the District does not warrant delivery of the leased water at times and rates sufficient for Lessee's Replacement Plan.

8. Determination of Water Availability by the District Board. The District Board allows surplus water to be leased to others on a temporary basis, such as this lease, until the same is needed by participants in the District's augmentation, substitute supply, or replacement plans. The extent to which surplus water is needed by participants in the District's plans is a fact to be

determined by the District Board in the exercise of its reasonable discretion from time to time as occasion may require.

9. Interruption of Water Supply Beyond District Control. Both parties to this Lease recognize that the District's Consumable Water is variable in quantity for reasons beyond the control of the District. The District shall not be liable in tort or contract for any failure to accurately anticipate availability of water supply or because of an actual failure to supply water due to circumstances beyond the reasonable control of the District, including but not limited to act of God, strike, war, insurrection, or inability to serve arising out of the order of any court, or the lawful order of any governmental administrative body or agency clothed with authority to regulate matters pertaining to water, public utilities, public health or pollution control.

10. Emergency Water Limitations. The parties agree that from time to time emergency situations may require the District to limit leases of or the use of water leased from the District. The parties agree that the necessity for such limitation is a fact to be determined by the District in the exercise of its reasonable discretion from time to time, as occasion may require. The parties agree that the District may adopt such reasonable restrictions on the use of this leased water or priorities for curtailed use, as may be necessary to adapt to such emergency conditions, including limitations on Lessee's supplies pursuant to this Lease. The District shall not be liable in tort or contract for imposing such reasonable restrictions. In the event that the District is unable to deliver the leased water as specified in this Lease, then Lessee's payment for water shall be reduced or refunded in proportion to the amount of any reduction of deliveries by the District.

11. Not a Permanent Supply. The parties understand and agree that this Lease is not to be interpreted as any commitment on the part of the District to furnish water to Lessee on a permanent basis, but rather to assist Lessee in supplementing Lessee's own supplies by the leased water from the District for a temporary period.

12. Right to Object. The parties understand and agree that the District specifically reserves its right to object and may object to any Replacement Plan filed by Lessee to protect its interests in the water and this Agreement and to ensure compliance with applicable law, including the prevention of injury to other vested or conditional water rights, regardless of how Lessee uses the water.

13. Time of Essence/Remedies. Time is of the essence, and if any obligation created by this Lease is not performed by either party, then the nondefaulting party shall have all remedies available to it in law and equity.

14. This Lease may be assigned by Lessee only upon prior written consent of the District and at the District's sole discretion.

15. This Lease does not give Lessee any legal or equitable title in or to the water rights from which the water is derived or any water or water rights of the District. This Lease does not entitle Lessee to seek judicial approval of permanent commitment of or a change in the water rights

from which the water is derived.

16. In the event of litigation regarding this Lease, the prevailing party shall be awarded its costs, including reasonable attorneys' fees.

17. This Lease shall be governed by the laws of the State of Colorado.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the day and year first above written.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT, by and through its
UPPER ARKANSAS WATER ACTIVITY ENTERPRISE

By: 

Ralph L. Scanga, Jr.
General Manager

LESSEE:

Zephyr Gold USA Ltd.

By: 

Title

President DAVID FELDERHOF



Exhibit E

Christopher J. Sanchez
Jeffrey A. Clark
Daniel O. Niemela
Jonathan D. George
Michael A. Sayler
Charles E. Stanzione

Kristina L. Wynne
Austin P. Malotte

February 21, 2020

Melissa van der Poel
State Engineer's Office
Division of Water Resources
1313 Sherman Street, Room 818
Denver, CO 80203

by email only to dwrpermitsonline@state.co.us

RE: Substitute Water Supply Plan Request for Zephyr Gold USA, Ltd. on Grape Creek, Water Division 2, District 12, Pursuant Colorado Revised Statute §37-92-308(5), for Duration July 1, 2020 through October 30, 2020.

Dear Melissa:

On behalf of our client, Zephyr Gold USA, Ltd. (Zephyr Gold), this letter requests a Substitute Water Supply Plan (SWSP) for an exploratory drilling program in Fremont County in the vicinity of Section 20, Township 19 South, Range 71 West (Figure 1). This request is made for a temporary water use pursuant to Colorado Revised Statute §37-92-308(5). The term for this SWSP request is July 1, 2020 through October 30, 2020. More detail about this requested SWSP is provided below.

As required in Colorado Revised Statute §37-92-308(5)(a)(II), notice has been provided by electronic mail to all parties who have subscribed to the Division 2 substitute water supply plan notification list. The statutory SWSP application fee of \$300.00 for this request will be submitted by phone following receipt of this request by the State Engineer's Office.

Project Description

Zephyr Gold's exploratory drilling program will entail core drilling for exploratory mineral mining purposes in the vicinity of Horseshoe Mountain, southwest of Canon City. Water requirements for the drilling operation will consist of approximately 8,000 gallons per day, on days when drilling is occurring, with up to 90 days of drilling projected during the exploration period. The exploratory drilling effort is anticipated to be completed between July 1st and October 30th, 2020.

Depletions

Diversions to satisfy the projected water demand will be made by surface diversions from Grape Creek. Three diversion locations are proposed and are shown in Figure 1. Diversions will be assumed to be 100% consumptive, with depletions to the stream equal to diversions. Diversions will not exceed 2.58 acre-feet during the July 1 to October 30, 2020 period.

Replacement Source

Zephyr Gold has a total of 3 AF of water leased from the Upper Arkansas Water Conservancy District (UAWCD) that it is seeking to use as the substitute supply for this SWSP. Releases on behalf of Zephyr Gold to provide the replacement water supply will be made from DeWeese Reservoir, which is an on-channel reservoir on Grape Creek located upstream of the proposed points of diversion. Zephyr Gold has two leases from UAWCD, a 1-AF lease that has been signed and included as Attachment A and a 2-AF lease that is in the process of being finalized and will be submitted the Division as soon as it is available.

Operation of Plan

Measurement and Notice

Zephyr Gold will measure their diversions from Grape Creek with a totalizing flow meter (TFM) that is certified to comply with the Division of Water Resources (DWR) Measurement Rules. The meter will be read on a daily basis. Diversions from Grape Creek are anticipated to be made at a rate between 10 gpm and 60 gpm. Typical drilling operations will require diversions from Grape Creek of approximately 8,000 gallons per day. Prior to diverting from Grape Creek, Zephyr Gold will give UAWCD¹ and the District 13 Water Commissioner², who operates DeWeese Reservoir, 24 to 48 hour notice so that adequate replacement supplies may be released.

In the case of complications encountered during drilling, there is the potential for water demand to increase to as much as 20,000 gallons per day for short periods. If this occurs, Zephyr Gold will provide immediate notice to UAWCD and the District 13 Water Commissioner about the temporary change in their operations. If diversions from Grape Creek exceed releases from DeWeese Reservoir on any day, additional releases will be made on the following day to target full replacement over the two-day period.

Accounting

Zephyr Gold will meter all diversions made from Grape Creek and record diversions and UAWCD replacement releases on a daily basis. The distance from the DeWeese Reservoir outlet to the most downstream Zephyr Gold diversion point is 19.85 miles. Transit loss on replacement supply from DeWeese Reservoir will be calculated at 0.7% per mile. The accounting form will be substantially

¹ Jord Gertson, UAWCD Hydrologist, (719) 539-5425

² Jerry Livengood, District 13 Water Commissioner, (719) 429-1863

the same as shown in Attachment B, with the actual depletion volumes shown for each month instead of the projections shown in the attached version.

Proposed Terms and Conditions

1. This SWSP shall be valid for the period July 1, 2020 through October 30, 2020.
2. Diversions from Grape Creek made under this SWSP will not exceed 2.58 acre-feet, which is equal to the 3 acre-feet of leased water from UAWCD reduced by the projected 13.9% transit loss from DeWeese Reservoir to Zephyr Gold's most downstream diversion point on Grape Creek.
3. The source of substitute supply for this SWSP will be releases made from UAWCD's DeWeese Reservoir on Grape Creek.
4. Zephyr Gold will provide UAWCD and the District 13 Water Commissioner with 24 to 48 hour notice prior to making diversions from Grape Creek and will notify UAWCD and the District 13 Water Commissioner immediately if significant changes to their diversion rate occur due to unanticipated drilling conditions.
5. Zephyr Gold will use a totalizing flow meter to meter their diversions from Grape Creek. The meter will be certified in compliance with DWR Measurement Rules.
6. Daily accounting records of Grape Creek diversions and UAWCD releases will be maintained and submitted to the Division Engineer on a monthly basis, or as otherwise required by the Division Engineer.

These proposed terms and conditions and plan operations are adequate to prevent injury to other water users.

Please contact us if you have questions or would like to discuss this request.

Very truly yours,

BBA Water Consultants, Inc.



Tara Meininger, P.E.
Water Resources Engineer



Christopher J. Sanchez
Principal

TOM/CJS/jeb
Enclosures: Figure 1, Attachment A, Attachment B
cc: Loren Komperdo
1307.01

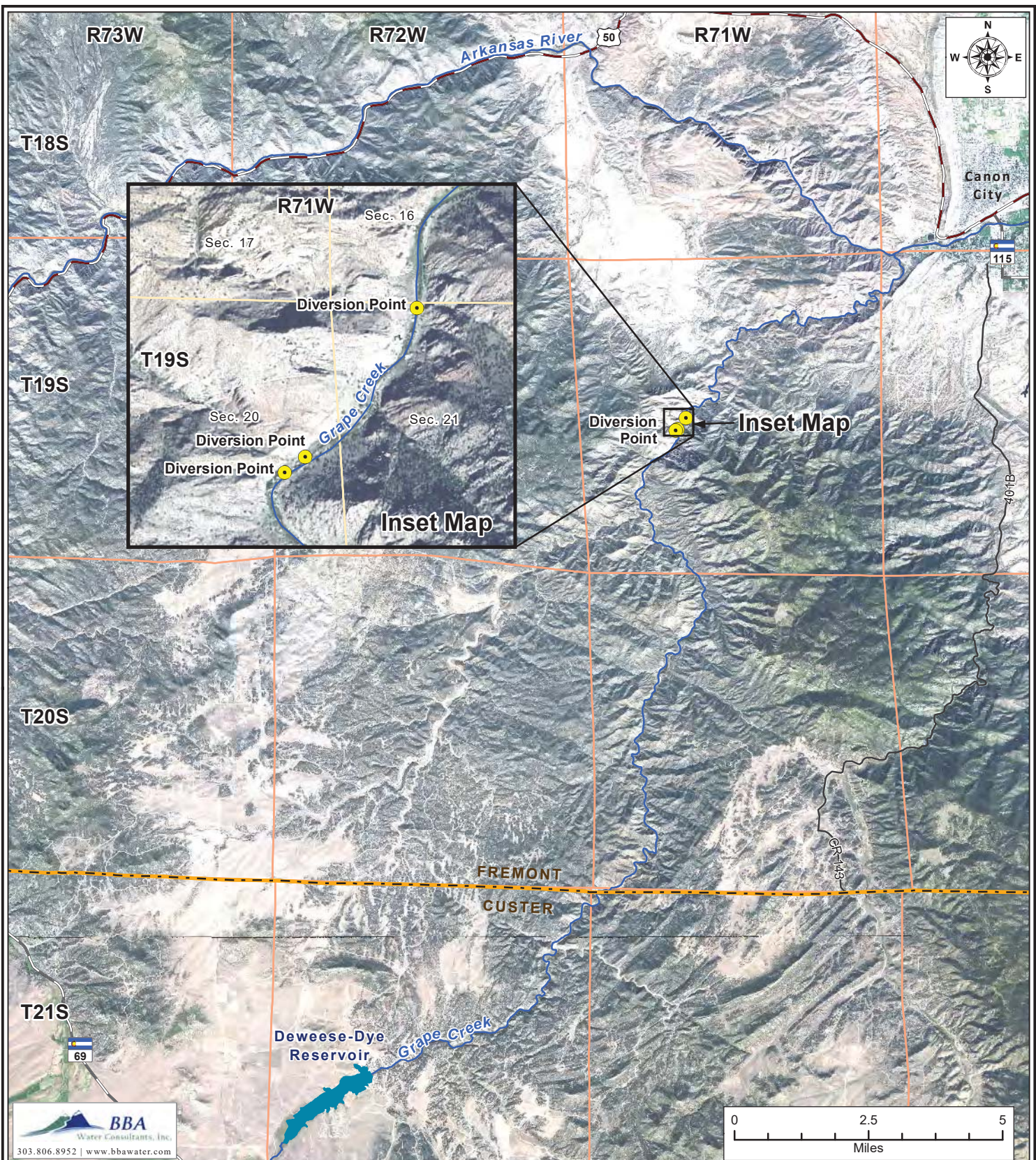


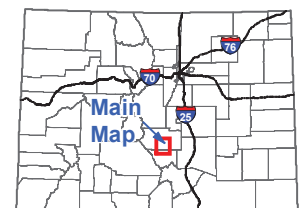
Figure 1 Zephyr Gold SWSP Map

Date: 2/21/2020 | Job No. 1307.01

Legend

- #### ● Diversion Point

Data Source: CDSS, CDOT, BLM, USGS



WATER LEASE AGREEMENT
(One year lease)

THIS AGREEMENT is entered into this 21 day of January 2020, by and between Zephyr Gold USA Ltd. (hereinafter referred to as "Lessee"), whose address is 1301 – 1959 Upper Water Street, Purdy's Wharf Tower 1, Halifax, NS, B3J 3N2, Canada, Attn: Mr. David Felderhof, and the Upper Arkansas Water Conservancy District through its water activity enterprise, known as Upper Arkansas Water Activity Enterprise (hereinafter referred to as "District"), whose address is P.O. Box 1090, Salida, Colorado, 81201.

RECITALS

A. Lessee needs a temporary supply of replacement water to meet out-of-priority depletions. Lessee desires for this water to be made available in the Arkansas River basin from the District's water supplies in Twin Lakes Reservoir, Pueblo Reservoir or from other District owned or controlled sources in order to meet the requirements of a court or administratively approved substitute supply plan, replacement plan, or similar plan for the replacement of out-of-priority depletions ("Lessee's Replacement Plan").

The location of the Lessee's operations is ("Place of Need"): Out of Grape Creek below DeWeese Reservoir.

B. The District owns, leases, or controls fully consumable water supplies from various sources, including but not limited to water attributable to shares of stock in Twin Lakes Reservoir and Canal Company (collectively "District Consumable Water").

C. Lessee desires to lease a portion of such water from the District for use in Lessee's Replacement Plan; and the District is willing to lease such water to Lessee under the terms and conditions hereof.

NOW, THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Lease of Water. Lessee shall lease from District, and District shall lease to Lessee, one (1.0) acre-feet of District Consumable Water. This amount shall be both the minimum and the maximum quantity of water to be paid for and delivered under this Lease. Lessee's failure to take delivery of its full leased amount of water shall not entitle Lessee to an extension of the terms of this lease.

2. Purpose. The water delivered pursuant to this Lease may be used by Lessee only to replace depletions pursuant to Lessee's Replacement Plan. District will cooperate with Lessee to identify the sources of the District's Consumable Water delivered pursuant to this Lease. Lessee

Attachment A

shall be responsible for drafting any such plan, obtaining necessary approvals for any such plan, administration and accounting for any such plan, and for all costs associated with such plan.

3. Rental. In consideration of the water to be delivered under this Lease, Lessee shall pay District the following:

(a) a nonrefundable original application fee of \$500.00; and

(b) a lease payment of \$300.00 per acre foot (\$135.00 as a per acre foot water fee and \$165.00 per acre foot for annual storage, maintenance and administration fee);

for a **total lease payment of \$800.00** due and payable upon execution of this Lease.

4. Term. This Lease shall be effective from July 1, 2020 through October 30, 2020. The District shall not be responsible for delivering water to replace any depletions from Lessee's Replacement Plan, including any post-plan depletions after the term of this Lease.

5. Water. The water to be delivered pursuant to this Lease will be raw, untreated water from any one or a combination of sources available to the District. Once such water is delivered to Lessee pursuant to this Lease, Lessee shall have the right to recapture, reuse, and dispose of such water to its extinction. The District does not warrant and shall not be responsible for the quality of the water or the adequacy of such quality for any specific purpose.

6. Location of Delivery of Water. The District will deliver the leased water to the Arkansas River basin at a location or locations to be determined by the District. Although the District shall consult with Lessee and make reasonable attempts to deliver the leased water at a location or locations sufficient to meet the requirements of Lessee's Replacement Plan, the District does not warrant that the leased water can or will be delivered at a location sufficient for Lessee's Replacement Plan. If the leased water is from stored sources, the District may deliver it to the reservoir or at the outlet to the reservoir. If the leased water is not from storage, the District may deliver it at the location where such water flows into the stream. The District shall not be responsible for any diversion, measuring, or storage of the leased water after delivery of the water by the District.

7. Rate of Delivery of Water. The District shall deliver the leased water at times and rates to be determined by the District. Upon execution of this Lease, Lessee shall provide the District with a proposed monthly delivery schedule for the term of the Lease. The proposed delivery schedule shall include monthly totals in terms of acre-feet per month and maximum and minimum daily rates in terms of acre-feet per day. Although the District shall make reasonable attempts to deliver the leased water at times and rates specified in the proposed schedule, the District does not warrant delivery of the leased water at times and rates sufficient for Lessee's Replacement Plan.

8. Determination of Water Availability by the District Board. The District Board allows surplus water to be leased to others on a temporary basis, such as this lease, until the same is

Attachment A

needed by participants in the District's augmentation, substitute supply, or replacement plans. The extent to which surplus water is needed by participants in the District's plans is a fact to be determined by the District Board in the exercise of its reasonable discretion from time to time as occasion may require.

9. Interruption of Water Supply Beyond District Control. Both parties to this Lease recognize that the District's Consumable Water is variable in quantity for reasons beyond the control of the District. The District shall not be liable in tort or contract for any failure to accurately anticipate availability of water supply or because of an actual failure to supply water due to circumstances beyond the reasonable control of the District, including but not limited to act of God, strike, war, insurrection, or inability to serve arising out of the order of any court, or the lawful order of any governmental administrative body or agency clothed with authority to regulate matters pertaining to water, public utilities, public health or pollution control.

10. Emergency Water Limitations. The parties agree that from time to time emergency situations may require the District to limit leases of or the use of water leased from the District. The parties agree that the necessity for such limitation is a fact to be determined by the District in the exercise of its reasonable discretion from time to time, as occasion may require. The parties agree that the District may adopt such reasonable restrictions on the use of this leased water or priorities for curtailed use, as may be necessary to adapt to such emergency conditions, including limitations on Lessee's supplies pursuant to this Lease. The District shall not be liable in tort or contract for imposing such reasonable restrictions. In the event that the District is unable to deliver the leased water as specified in this Lease, then Lessee's payment for water shall be reduced or refunded in proportion to the amount of any reduction of deliveries by the District.

11. Not a Permanent Supply. The parties understand and agree that this Lease is not to be interpreted as any commitment on the part of the District to furnish water to Lessee on a permanent basis, but rather to assist Lessee in supplementing Lessee's own supplies by the leased water from the District for a temporary period.

12. Right to Object. The parties understand and agree that the District specifically reserves its right to object and may object to any Replacement Plan filed by Lessee to protect its interests in the water and this Agreement and to ensure compliance with applicable law, including the prevention of injury to other vested or conditional water rights, regardless of how Lessee uses the water.

13. Time of Essence/Remedies. Time is of the essence, and if any obligation created by this Lease is not performed by either party, then the nondefaulting party shall have all remedies available to it in law and equity.

14. This Lease may be assigned by Lessee only upon prior written consent of the District and at the District's sole discretion.

15. This Lease does not give Lessee any legal or equitable title in or to the water rights

Attachment A

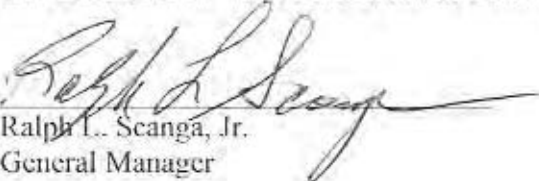
from which the water is derived or any water or water rights of the District. This Lease does not entitle Lessee to seek judicial approval of permanent commitment of or a change in the water rights from which the water is derived.

16. In the event of litigation regarding this Lease, the prevailing party shall be awarded its costs, including reasonable attorneys' fees.

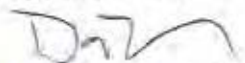
17. This Lease shall be governed by the laws of the State of Colorado.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the day and year first above written.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT, by and through its
UPPER ARKANSAS WATER ACTIVITY ENTERPRISE

By: 
Ralph L. Scanga, Jr.
General Manager

LESSEE:
Zephyr Gold USA Ltd.

By: 
DAVID FELDERHOF
Title PRESIDENT

Attachment B
Zephyr Gold - Grape Creek Exploratory Drilling Program
SWSP Accounting

Monthly Accounting					
Month	Diversion (af)	Release (af)	Transit Loss (af)	Replacement (af)	Net Balance (af)
Jul-20	0.368	0.442	0.061	0.381	0.012
Aug-20	0.638	0.766	0.106	0.660	0.021
Sep-20	0.589	0.707	0.098	0.609	0.020
Oct-20	0.614	0.737	0.102	0.634	0.020
Total	2.210	2.652	0.368	2.283	0.073

Daily Accounting						
Date	Creek Diversion Meter Reading	Creek Diversion Amount (gallons)	Release from DeWeese Reservoir (gallons)	Transit Loss to Most Downstream Zephyr Gold Diversion Point (gallons)	Replacement at Zephyr Gold Diversion Point (gallons)	Net Balance (gallons)
7/1/2020	0	0	0	0	0	0
7/2/2020	0	0	0	0	0	0
7/3/2020	0	0	0	0	0	0
7/4/2020	0	0	0	0	0	0
7/5/2020	0	0	0	0	0	0
7/6/2020	0	0	0	0	0	0
7/7/2020	0	0	0	0	0	0
7/8/2020	0	0	0	0	0	0
7/9/2020	0	0	0	0	0	0
7/10/2020	0	0	0	0	0	0
7/11/2020	0	0	0	0	0	0
7/12/2020	0	0	0	0	0	0
7/13/2020	0	0	0	0	0	0
7/14/2020	0	0	0	0	0	0
7/15/2020	8000	8000	9600	1334	8266	266
7/16/2020	16000	8000	9600	1334	8266	266
7/17/2020	24000	8000	9600	1334	8266	266
7/18/2020	32000	8000	9600	1334	8266	266
7/19/2020	40000	8000	9600	1334	8266	266
7/20/2020	48000	8000	9600	1334	8266	266
7/21/2020	56000	8000	9600	1334	8266	266
7/22/2020	64000	8000	9600	1334	8266	266
7/23/2020	72000	8000	9600	1334	8266	266
7/24/2020	80000	8000	9600	1334	8266	266
7/25/2020	80000	0	0	0	0	0
7/26/2020	80000	0	0	0	0	0
7/27/2020	88000	8000	9600	1334	8266	266
7/28/2020	96000	8000	9600	1334	8266	266
7/29/2020	104000	8000	9600	1334	8266	266
7/30/2020	112000	8000	9600	1334	8266	266
7/31/2020	120000	8000	9600	1334	8266	266
8/1/2020	128000	8000	9600	1334	8266	266
8/2/2020	136000	8000	9600	1334	8266	266
8/3/2020	144000	8000	9600	1334	8266	266
8/4/2020	152000	8000	9600	1334	8266	266
8/5/2020	152000	0	0	0	0	0
8/6/2020	152000	0	0	0	0	0
8/7/2020	160000	8000	9600	1334	8266	266
8/8/2020	168000	8000	9600	1334	8266	266
8/9/2020	176000	8000	9600	1334	8266	266
8/10/2020	184000	8000	9600	1334	8266	266
8/11/2020	192000	8000	9600	1334	8266	266
8/12/2020	200000	8000	9600	1334	8266	266
8/13/2020	208000	8000	9600	1334	8266	266
8/14/2020	216000	8000	9600	1334	8266	266
8/15/2020	224000	8000	9600	1334	8266	266
8/16/2020	232000	8000	9600	1334	8266	266
8/17/2020	240000	8000	9600	1334	8266	266
8/18/2020	240000	0	0	0	0	0
8/19/2020	240000	0	0	0	0	0
8/20/2020	248000	8000	9600	1334	8266	266

RESOLUTION NO. 13 SERIES OF 2020

**RESOLUTION APPROVING MODIFICATION OF CONDITIONAL USE PERMIT
FILE NUMBER CUP 12-003
ZEPHYR GOLD USA, LTD. DAWSON GOLD PROJECT**

WHEREAS, on June 17, 2019, Zephyr Gold USA, Ltd. (hereafter "Applicant" or "Zephyr") made application for approval of a major modification of a Conditional Use Permit: C.U.P. 12-003 Dawson Gold Project pursuant to Chapter 8 of the Zoning Resolution of Fremont County to expand the area of exploration for minerals, to include certain property located primarily on federal lands managed by the Bureau of Land Management and on Colorado State Section 16. Said application has been designated as file #CUP 12-003, Dawson Gold Project Modification; and

WHEREAS, pursuant to the Fremont County Zoning Resolution previously adopted; the Planning Commission of Fremont County reviewed the application at its December 3, 2019 regular meeting and recommended the approval of such application; and

WHEREAS, a notice containing the specific request, proposed use, location of the public hearing, telephone number of the Department of Planning and Zoning (hereafter "Department") and a site plan and vicinity map were mailed at least fourteen (14) days prior to the public hearing, by certified mail, return receipt to the Department, to all property owners within five-hundred (500) feet of the boundaries of the subject parcel; and to appropriate agencies, in accordance with regulations; and

WHEREAS, a notice containing the specific request, proposed use, location of the public hearing, and telephone number of the Department where additional information may be obtained, was posted on the property fourteen (14) days prior to the public hearing; and

WHEREAS, a notice of the public hearing was published in a newspaper of general circulation in Fremont County, a minimum of fourteen (14) days prior to the public hearing, and which contained the specific request, time and place of the public hearing, and an explanation of the proposed use and its location; and

WHEREAS, the Board held a public hearing concerning said application on February 11, 2020, at which time comments and evidence were considered, including all materials contained as part of the application and which were in the county's file concerning the application; and

WHEREAS, the Board received and considered additional written public comments, through the date of the public hearing on February 11, 2020; and

WHEREAS, the Board has received and considered written input and comments from various agencies including the Colorado State Land Board and Bureau of Land Management; and

WHEREAS, the Board believes that the approval of the application for a modification of CUP 12-003, to include additional properties as proposed by the Applicant, is appropriate and sufficiently supported by the evidence before the Board.

FINDINGS OF THE BOARD OF COUNTY COMMISSIONERS

1. This Application is for exploration and not mining. While exploration/prospecting may lead to mining if mineral deposits are discovered, the Board cannot presume that mining will occur and must consider the Application on its merits without speculation about what might or might not happen in the future. A considerable number of public comments received were inapplicable to an exploration operation. There is no obligation, promise, commitment or duty for the County to approve any mining operation in the future, regardless of what the Applicant learns from the exploration activities.

2. The financial security or insecurity of Applicant is a self-limiting circumstance. If the required reclamation bond is posted with the State of Colorado as required by law, further financial considerations are irrelevant. If Zephyr is unable to finance the exploration operations, then the operations will likely not occur.

3. The Applicant cannot conduct drilling operations without a source of water to use in the drilling process. While the water may be reused, the depth of the drilling will require the use of a tank to hold water. Applicant is aware that the logistics required to get water to the drill site may require the use of a helicopter, pump and hoses, or other means without the use of roadways and vehicular traffic and the Board finds that this is an operational issue for Applicant to resolve.

4. The acreage included in the exploration expansion request increases the total exploration area from 603 acres to 3,172 acres. The Board notes that the total affected area or surface disturbance in the original 603 acres was 7.8 acres and the proposed disturbance in the expansion area is 3 acres, a very minimal impact considering the size of the permitted area.

5. With respect to disruption of the wildlife in the area, the Colorado Division of Parks and Wildlife and the Bureau of Land Management have expertise regarding this issue and are tasked by law with the protection of the native wildlife. Applicant is required to adhere and comply with all recommendations from both of these agencies.

6. The lighting proposed for the drill site is minimal and does not exceed the amount that is necessary for the operation. The lighting will be removed with all other temporary drilling equipment and structure when the drilling activity is completed.

7. This approval of the conditional use permit is specifically contingent upon conditions and contingencies imposed by the Board and the findings are based upon the compliance by Zephyr with all conditions of the CUP. The conditions of the permit are responsive to the concerns expressed by individual members of the Fremont County Planning Commission and also the concerns expressed by citizens, organizations and governmental agencies.

8. The procedural requirements of the Fremont County Zoning Resolution (FCZR or Zoning Resolution) have been met and the application is complete. The property is zoned in the Agricultural Forestry Zone District which allows mining, subject to the issuance of a Conditional Use Permit. FCZR 4.1.3.2.

9. The present application was appropriately submitted and processed as a major modification of CUP 12-003, pursuant to Chapter 8 of the Zoning Resolution of Fremont County.

10. The proposed use is in accordance with the provisions of the Zoning Resolution. The requested use is gold and other minerals exploration. FCZR 1.5.103 defines mining to include exploring for or recovering minerals, sand and gravel, whether above or below ground. The property is zoned in the Agricultural Forestry Zone District which allows mining, subject to the issuance of a Conditional Use Permit. FCZR 4.1.3.2.

11. The proposed use is in accordance with the provisions of the 2015 Fremont County Master Plan (FCMP or Master Plan). Mining is a permitted activity in the Master Plan Southern Mountain District and exploration and mining operation have historically occurred near and within the proposed boundary. The proposed area is remote with rugged terrain that is a natural limitation on visual impacts.

12. The location of the proposed use is compatible and harmonious with the surrounding neighborhood. There are no residences in the vicinity of the proposed use. The proposed use is temporary in nature and complete surface reclamation will be performed on all areas where exploration/drilling occurs.

13. The proposed use will not have detrimental effects on property values. There is no credible evidence in the record to the contrary.

14. The proposed use will not impair public health, welfare, prosperity and safety by creating undesirable sanitary conditions. Applicant shall obtain approval from the Fremont County Board of Health for the use of portable toilets, and shall strictly adhere to a "carry in, carry out" for all materials and solid waste. The Board is satisfied that there will be no overburdening of utilities or other adverse environmental influences of this type.

15. The site is served by roads of sufficient capacity to carry the traffic generated by the proposed use and the proposed use will not result in undue traffic congestion or traffic hazards. The number of employees is small and Zephyr has indicated that transporting drilling rigs will not be a regular, daily occurrence throughout the duration of the project. The use of Fremont County Road #20X is appropriate. Should the County be required to perform maintenance or improvements to the roadway due to the increased traffic of this operation, Zephyr shall pay the costs of such work required to restore the original condition of the roadway prior to commencement of operations.

16. The site is clearly of sufficient size to accommodate the proposed use and no credible evidence or comment to the contrary has been presented.

17. The proposed use, if it complies with all conditions on which approval is made contingent, will not adversely affect other property in the vicinity or the general health, safety, and welfare of the inhabitants of the County, and will not cause significant air, water, noise, or other pollution.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS FOR THE COUNTY OF FREMONT THAT THE FOLLOWING CONDITIONS ARE HEREBY APPROVED AND ADOPTED AND SHALL BE IMPOSED AS CONDITIONS APPLICABLE TO ZEPHYR GOLD USA, LTD. DAWSON GOLD PROJECT UNDER CUP 12-003:

- A. The term of the Conditional Use Permit shall be for a ten (10) year term.
- B. The Department of Planning and Zoning ("Department") shall review the permit annually, or more frequently if required or appropriate, to determine compliance with the conditions of the permit and forward it to the Board for their review as required by regulations.
- C. Applicant shall conform to all plans, drawings and representations submitted with or contained within the application except as may be inconsistent with the other provisions of the permit.
- D. Applicant shall comply with all laws and regulations of the County of Fremont, its agencies or departments, the State of Colorado, its agencies or departments, and the United States of America, its agencies or departments, as now in force and effect or as the same may be hereafter amended.
- E. Applicant shall comply with all requirements of the Colorado State Board of Land Commissioners, as set forth in the Mining Lease No 112413, dated June 1, 2019.
- F. Applicant shall comply with all BLM requirements as set forth in its final approval documents, copies of which shall be provided to the County upon Applicant's receipt of the same.
- G. Applicant shall comply with all requirements of the Colorado Division of Reclamation, Mining, and Safety, or such agency as may lawfully succeed to the powers and duties of DRMS.
- H. The following requirements of the Colorado State Board of Land Commissioners Mining Lease No 112413 shall also be requirements of the entire land area included in this Conditional Use Permit, unless inconsistent with requirements of the Bureau of Land Management, in which case the BLM requirements shall override the requirements set forth herein:
 - 1. Obtain prior written approval from the for any exploration activities;
 - 2. No surface disturbance is allowed within five hundred feet of Grape Creek;

3. No construction of new roads or access on existing roads is permitted, except for access to the staging area at the terminus of County Road 20X;
4. All plans for surface disturbance must be pre-approved by the appropriate state agencies;
5. No disposal of mining wastes may occur on the site, including tailings and drill bore wastes;
6. Ensure protection of rare plant species in areas of surface disturbance to avoid negative impacts;
7. Consult and comply with Colorado Parks and Wildlife restrictions to protect sensitive species during breeding, spawning, and nesting seasons, including restricting exploration activities to July 1 through October 1 only;
8. Develop and comply with mitigation plans for any discovered cultural, archeological, historic, and paleontological resources in any surface disturbance areas;
9. Reseed disturbed areas with only native seed mixes;
10. Develop a weed control plan including preparation and implementation of a plan.

I. Applicant shall obtain and keep in effect all other necessary permits, licenses or the like required by any other governmental agency and as otherwise may be required by Fremont County. The revocation, suspension or expiration of any such other necessary permits, licenses or the like may in the discretion of the Board result in the revocation, suspension or termination of the permit authorized hereunder, as the case may be.

J. The applicant shall be entitled to conduct operations pursuant to this permit from July 1 through October 1 only and during that time, Applicant may conduct operations seven days a week, 24 hours a day in accordance with the mining exploration plan.

K. Total surface disturbance from exploration at any given time shall not exceed two acres. Applicant shall submit an annual report to the Department detailing the locations of all areas of surface disturbance.

L. If a conditional use is abandoned, discontinued or terminated for a period of six (6) months, the approval thereof shall be deemed withdrawn, and the use may not be resumed without approval of a new application. Provided, however, if the holder of the permit intends to, or does temporarily cease the conditional use for six (6) months or more without intending to abandon, discontinue or terminate the use, the holder shall file a notice thereof with the Department prior to the expiration of the six-month period stating the reasons thereof and the plan for the resumption of the use. The requirement of a notice of temporary cessation shall not apply to applicants who have included in their permit applications a statement that the use would continue for less than six (6) months in each year and such fact is noted on the permit. In no case, however, shall temporary cessation of use be continued for more than two (2) years without approval by the Board. So long as applicant continues with exploration activities related to the land covered by this permit, including such activities as exploration drilling, baseline studies, water monitoring operations or reclamation activities under this permit, it shall not be deemed to be abandoned, discontinued, terminated or in a state of cessation.

M. The applicant shall maintain legal water rights or other lawful, adequate source of water, for the duration of any exploration drilling activities or consumptive use under this permit. During times it intends to conduct drilling activities or consumptive use of water, the applicant shall keep in effect and provide copies of the following documents to the Department:

1. Documentation as to the water source and right of use of any on-site or off-site water rights to be used in the exploration drilling operation;
2. Written notice of any changes to the water source and documentation as to right of use;
3. All updated leases or newly acquired leases for any water to be used in the exploration drilling operation;
4. If water is not drawn out of Grape Creek within the CUP boundary as detailed in the Application and as stated at the Public Hearing, applicant will give written notice to the Department as to the location of where water will be drawn from the source or hauled from off-site.

N. Applicant shall comply with all requirements of the Fremont County Department of Transportation in its review letters dated November 20, 2019 and December 4, 2019, including routes, access permits, traffic plan, and dust mitigation, among other requirements.

O. Access to drill sites shall be by helicopter to areas not accessible by road or restrictions on road use. No new roads or reconstruction of existing roads, other than existing and identified county maintained and non-maintained roads shall be used. Applicant shall provide the name and license information to the Department for any helicopter services used in the operation.

P. Applicant shall obtain approval from the Fremont County Board of Health for the use of portable toilets or "sanitation closets" prior to commencing any exploration activities in the expansion area.

Q. Applicant shall develop and implement a noxious weed plan to treat and mitigate the spread of noxious weeds in disturbed lands, such plan to be coordinated through the Fremont County Weed Management Department, before commencing operations and remain in full compliance with the Plan throughout operations.

R. The conditions contained in the initial permit CUP 12-003, are hereby incorporated by reference into this Modification permit. Any such provisions that may be inconsistent with the provisions contained herein shall be deemed superseded by this Resolution.

S. If applicable under current state regulations, Applicant shall conform its Storm Water Management Plan ("SWMP") to the requirements of Colorado Department of Public Health and Environment, which has jurisdiction over SWMP.

T. If applicant intends to transfer this conditional use permit to a third party or transfer any other Federal, State or county permits or licenses held by applicant to operate on the lands included in this permit, such transfers shall be in compliance with applicable Federal, State and Fremont County laws and regulations. All persons, entities or others requesting Board approval to operate

under this Conditional Use Permit, or as a transferee of applicant, must agree to abide by all terms and conditions of this Conditional Use Permit and shall be required to be named on this Conditional Use Permit as additional parties or the transferee who are bound by the terms and conditions of this Conditional Use Permit.

U. The County to the extent allowed by its Zoning Resolution shall retain the right to modify any condition of the permit, if the actual exploration drilling operation demonstrates that a condition of the permit is inadequate to serve the intended purpose of the condition. Such modifications shall not be imposed without notice and a public hearing being provided to the applicant at which time Applicant and members of the public may appear and provide input concerning the proposed modifications to the conditions of the permit. Any modifications from the original representations and any changes may result in additional conditions being imposed.

V. The applicant shall be considered the operator under this permit. Only the applicant or contractors or agents authorized by applicant shall be allowed to conduct activities pursuant to this Conditional Use Permit. Applicant shall be responsible for all activities conducted by its contractors or agents.

W. Applicant shall provide a copy of the fire safety plan for operations on site to the Cañon City Area Fire Protection District, the Fremont County Sheriff, the Colorado State Forest Service and the Bureau of Land Management.

X. Any documentation submitted by Applicant that is designated as confidential by Applicant and which is required to be held as confidential pursuant to state law and/or regulations implemented by DRMS, shall be held as a confidential document by Fremont County and shall not be considered or treated as a public record absent the express written consent of Applicant.

WAIVER REQUESTS: Waivers of the following have been requested and are granted:

5.3.2 Surfacing: Surfacing for all business, commercial or industrial off-street parking areas shall be graded and surfaced to control dust and provide proper drainage. Spaces shall be asphalt or concrete surface unless waived by the Board. If asphalt or concrete, spaces shall be clearly marked. Curbs or barriers shall be installed to prevent parking vehicles from extending over any lot lines.

5.3.3 Lighting: All off-street business, commercial or industrial parking spaces may be required to be adequately lighted to protect the safety of the individual using the area. Said lighting shall not cast any glare on the surrounding properties.

5.3.4 Landscaping: All parking spaces (areas) used for business, commercial or industrial uses may be required to provide appropriate vegetation designed to break up the expanse of the parking area.

CONTINGENCY ITEMS TO BE COMPLETED PRIOR TO COMMENCING OPERATIONS:

1. Apply for and be issued an access permit for County 20X from the Fremont County Department of Transportation.

2. Obtain all necessary approvals and permits for the mining exploration operation from the Bureau of Land Management.

3. Obtain all necessary approvals and permits for the mining exploration operation from the Colorado Division of Reclamation, Mining and Safety.

BE IT FURTHER RESOLVED that all applicable provisions of the Fremont County Zoning Resolution, particularly Chapter 8, shall apply to all activities conducted pursuant to this permit and shall govern the process for enforcement, violations and other issues arising under the permit.

Commissioner Payne moved the adoption of the foregoing Resolution with a second by Commissioner McFall.

Debbie Bell	<u>AYE</u>	NAY	ABSTAIN	ABSENT
Dwayne McFall	<u>AYE</u>	NAY	ABSTAIN	ABSENT
Timothy R. Payne	<u>AYE</u>	NAY	ABSTAIN	ABSENT

The Resolution was declared to be duly adopted.

Date: February 25th, 2020

Debbie Bell
Chairman

Attest:

[Signature]
Clerk to the Board

