



COLORADO DIVISION OF RECLAMATION MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT

PHONE: (303) 866-3567

NON CONFIDENTIAL

The Division of Reclamation, Mining, and Safety has conducted an inspection of the prospecting operation noted below. This report documents observations concerning compliance of the operation with the prospecting notice and the regulations of the Mined Land Reclamation Board. The report notes 1) Areas of successful compliance; 2) Problems and suggested corrective actions and/or 3) Possible violations to be considered for possible enforcement action by the Mined Land Reclamation Board. OPERATORS SHOULD READ THIS REPORT CAREFULLY BECAUSE IT MAY REQUIRE CORRECTIVE ACTION AND/OR RESPONSES TO THE DIVISION IN ORDER TO AVOID CONSIDERATION OF POSSIBLE ENFORCEMENT ACTION BY THE MINED LAND RECLAMATION BOARD.

MINE NAME: Centennial Uranium Project OPERATOR: Powertech (USA) Inc.
COUNTY: Weld MINERAL: U TYPE OF OPERATION: NOI
INSPECTOR(S): Allen Sorenson
MINE ID # OR PROSPECTING ID #: P-2008-043
INSPECTION DATE: 5-1-09 DATE OF COMPLAINT: NA
INSPECTOR'S INITIALS: ACS TIME OF DAY (MILITARY): 1500
INSPECTION TYPE CODE(1): MP POST INSP. CONTACTS(2): NO
JOINT INSP. AGENCY CODE(2): NO REASON FOR INSP. CODE(3): IE
WEATHER CODE(4): CL BOND CALCULATION TYPE(5): NN
OP. REP. PRESENT: Michael Beshore and Terry Walsh

- 1. INSPECTION TYPE CODE - [CL-IN: IL=Illegal Operation, MI=Monitoring, MP=Mineral Prospect, SI=Surety-related, PR=Pre-operation]
2. POST INSPECTION CONTACTS AND JOINT INSPECTION AGENCY CODE - [CL-AG: NO=None, BL=BLM, CH=Colo. Dept. Health; CL=Land Board, CT=Citizen; CW=Wildlife, FS=Forest Service, HW=Hwy. Dept., LG=Local Government, SE=State Engr.]
3. REASON FOR INSPECTION CODE - [CL-RS: AG=Other Agency Request, CT=Citizen Complaint, IE=Normal I&E Program, HP=High Priority, PY=Priority]
4. WEATHER CODE - [CL-WE: CL=Cloudy, CR=Clear, IN=Inclement - prevented inspection, RN=Raining, SN=Snowing, WD=Windy]
5. BOND CALCULATION TYPE: - [BC=Complete Bond, BP=Partial Bond, NN=None]

This list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each. IF PB OR PV IS INDICATED, YOU SHOULD READ THE FOLLOWING PAGES CAREFULLY IN ORDER TO ASSURE COMPLIANCE WITH THE TERMS OF YOUR PERMIT AND APPLICABLE RULES AND REGULATIONS. If PV is indicated, you will be notified under separate cover when the Mined Land reclamation Board will consider possible enforcement action.

GENERAL INSPECTION TOPICS

Table with 3 columns of inspection topics and their status (Y, PV, NA). Topics include (AR) RECORDS, (FN) FINANCIAL WARRANTY, (RD) ROADS, (HB) HYDROLOGIC BALANCE, (BG) BACKFILL & GRADING, (EX) EXPLOSIVES, (PW) PROCESSING WASTE/TAILING, (SF) PROCESSING FACILITIES, (TS) TOPSOIL, (MP) GENL MINE PLAN COMPLIANCE, (FW) FISH & WILDLIFE, (RV) REVEGETATION, (SM) SIGNS AND MARKERS, (SP) STORM WATER MGT PLAN, (SB) COMPLETE INSP, (ES) OVERBURDEN/DEV. WASTE, (SC) EROSION/SEDIMENTATION, (RS) RECL PLAN/COMP, (AT) ACID OR TOXIC MATERIALS, (OD) OFF-SITE DAMAGE, (ST) STIPULATIONS.

Y = Inspected and Found in Compliance PV = Inspected and Possible Violations Noted PB = Inspected and Problems Noted
N = Not Inspected NA = Not Applicable

OBSERVATIONS

During the late afternoon of April 30, 2009, drilling operations in the SW $\frac{1}{4}$, NE $\frac{1}{4}$, Section 33, T10N, R67W were briefly visited while inspecting other Powertech operations in the vicinity. The drill crew was onsite at the time of this visit, but appeared to be preparing to depart. It was noted that the mud pit had not been fenced and the drill hole was open. Michael Beshore of Powertech stated that the pit would be fenced and the hole would be covered.

At 1245 hours on 5-1-09, the drill site described above (east site) and a second drill site located in SE $\frac{1}{4}$, NW $\frac{1}{4}$, Section 33 (west site) were observed through binoculars from Weld County Road 110. There were no personnel at either drill site.

Commencing at 1500 hours, the east and west sites were inspected. There were no personnel on site. The mud pits were fenced at both sites. There were two drill holes observed at the west site. Powertech is approved to drill three monitoring wells at the west site. One of the west site holes was completed; the other west site hole was in the process of being drilled and had been covered using an inverted plastic bucket driven into the surrounding soil and weighted. At the east site, a single hole was in the process of being drilled. The hole was observed to be open. Holes must be securely covered when unattended in order to prevent introduction of contaminants or any unknown substances into the hole. See PB-01 on the fourth page of this report.

A Trimble Geo XT device was used to survey the open hole location using the Global Positioning System. The Geo XT survey was taken approximately ten feet east of the open hole because the drill rig blocked the device antenna from collecting data at the hole location. The coordinates measured are 40°47'31.9"N, 104°53'32.2"W, at elevation 5563'.

Michael Beshore was contacted by phone at Powertech's Wellington Office at 1514 hours and notified of the open unattended hole. Discussion of how the situation should be remedied ensued, and at approximately 1600 hours Michael Beshore and Terry Walsh of Powertech arrived at the site with new steel pails, five gallon plastic buckets, and a heavy rubber mallet purchased at the Wellington hardware store. An inverted steel pail was driven into the soil around the open hole; a five gallon bucket was then driven into the soil over the steel pail. The

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stiffness of the soil prevented penetration of the five gallon bucket more than a few inches past the surface, but it was observed that the steel pail was well embedded. The actions taken were sufficient to prevent rain runoff from entering the hole. Typically, the Division recommends that the drill Kelly be lowered onto hole covers when the drill rig will be unattended, but since there were no drill crew onsite, this could not be done.

The Division reported the open unattended hole to the Office of the State Engineer (OSE) on 5-4-09. The Division understands that the OSE inspected the drilling operation on 5-6-09 and gave the driller a verbal admonition about the open unattended hole, but is not taking a formal enforcement action.

Inspection & Enforcement Contact Address

NAME Richard Blubaugh
OPERATOR Powertech (USA) Inc.
STREET 5575 DTC Parkway, Suite 140
CITY/STATE/ZIP Greenwood Village, CO 80111

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The following problems (PB) and/or possible violations (PV) (and suggested corrective actions) were identified during this inspection. The problems should be corrected by the dates given, or they will become possible violations. The possible violations should be corrected by the dates given to reduce their severity when considered by the Mined Land Reclamation Board. The inspector noted on the previous page should be notified of all corrective actions taken.

PROBLEMS/POSSIBLE VIOLATIONS
AND
CORRECTIVE ACTIONS

CORRECTION
DATE

1. Open unattended drill hole.

7 / 31 / 09
PB or PV: ~~PB~~ ^{PV}

TOPIC(S): HB

CORRECTIVE ACTION:

Time critical corrective actions were completed prior to inspector leaving site. Further corrective action required is submittal of a report by Powertech describing actions taken to assure that this type of incident will not be repeated.

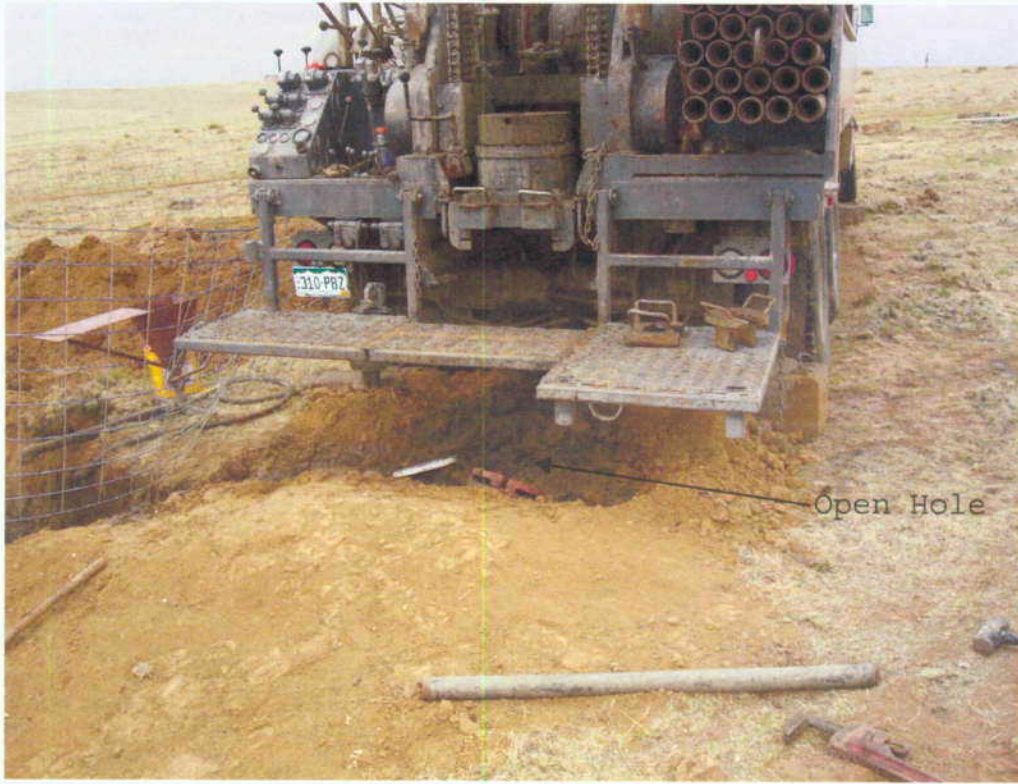


Photo #1: Drill rig, east site



Photo #2: Open hole, east site



Photo #3: Water truck, east site



Photo #4: Overview, east site



Photo #5: Hole covered, east site



Photo #6: Hole covered, west site



Photo #6: Completed hole, west site



Photo #7: Overview, west site