



COLORADO

Division of Reclamation,
Mining and Safety

Department of Natural Resources

1313 Sherman Street, Room 215
Denver, CO 80203

November 24, 2015

Mr. David Felderhol
Zephyr Gold USA Ltd
1959 Upper Water St.
Halifax, Nova Scotia B3J 3N2
Canada

**Re: Dawson Gold Project, DRMS NOI File No. P-2013-002;
Notice of Deficiencies for NOI Modification, Revision No. MD-1**

Dear Mr. Felderhol:

On November 6, 2015 the Division of Reclamation, Mining and (Division) received your Notice of Intent to Conduct Prospecting Operations (NOI) Modification (MD-01). The Division acknowledges that no information in the NOI application is to be considered confidential as the cover letter for the NOI modification listed only Form 2, and only Form 2 was submitted. The Division has reviewed the NOI modification application for deficiencies. Please address the following items:

Application:

1. Cover letter vs. Application Item No. III.12.B – The second paragraph of the cover letter states “less than 10 holes are proposed. Item III.12.B of the application states 10 holes. The number of proposed holes is needed for financial warranty estimates. Please clarify the number of boreholes proposed.
2. Project Description – Item III.9, page 3. The Division acknowledges the electronic form does not yet allow units to be entered here. We assume the units intended to be associated with the “2.00” entered are tons. If the units are not tons, please specify the intended units, otherwise no response is necessary.
3. Application Item No. III.12.B vs. Application Item No. III.12.K – Item III.12.B of the application indicates holes are to be 500 feet deep. Item III.12.K of the application states the drill rig is able to drill to a depth of 122 feet. The depth of proposed holes is needed for financial warranty estimates. Please clarify the maximum depth of boreholes proposed.

Hard Rock/Metal Mines Rules (reference: Mineral Rules and Regulations of the Colorado Mined Land Reclamation Board for Hard Rock, Metal, and Designated Mining Operations):

4. Rule 5.1.2(m) states: “Concurrent with submitting the NOI to the Office, the prospector shall send a notice to the local Boards of County Commissioners in the counties where the proposed prospecting activities occur.” Please provide certification that such notice was submitted to the county commissioners.

Financial Warranty:

Please note the Division will estimate a cost to reclaim the site based on the application and your response to the adequacy review issues above. The financial warranty may or may not exceed \$2,000 per acre of affected land depending on the Division cost estimate. Please be reminded that the proposed prospecting operations

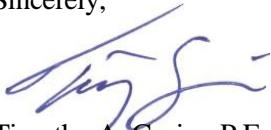


identified in the current modification application may not commence until the adequacy issues are addressed and the bond is submitted and approved by the Division.

Pursuant to Rule 5.1.3(c), the above deficiencies are required to be addressed within 60 days of this notice or the Division may deny the modification application. **Please be advised the Dawson Gold Project Prospecting Modification Application may be deemed deficient and the application may be denied on January 25, 2016** unless the abovementioned deficiencies are addressed to the satisfaction of the Division.

If you have any questions, please contact me (303-866-3567 ext. 8169).

Sincerely,



Timothy A. Cazier, P.E.
Environmental Protection Specialist

ec: Wally Erickson, DRMS
DRMS file
Dr. Angela Bellantoni, EAI
Stephanie Carter, BLM