



COLORADO

Division of Reclamation,
Mining and Safety

Department of Natural Resources

1313 Sherman Street, Room 215
Denver, CO 80203

December 19, 2016

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-3**

Dear Mr. Felderhol:

On November 21, 2016 the Division of Reclamation, Mining and (Division) received your application to modify your Notice of Intent to Conduct Prospecting Operations (NOI) Modification (MD-03). The Division assumes no information in the NOI application is to be considered confidential as only Form 2 was submitted. The Division has reviewed the NOI modification application for deficiencies. Please address the following items:

Application:

1. Project Description – Items III.12.F and G, pages 4 and 5. Item 12.F indicates 9,377 feet of new road with a 10-foot width will be added (note, the cover letter indicates there will be 9,722 feet of new roads). The 9,377 feet of new road leads to a disturbance of 2.15 acres. In addition, modifications MD-1 (three 1,000 square foot drill pads) and MD-2 (1,700 feet of 10-foot road) resulting in 0.46 acres of disturbance for a total proposed disturbance of 2.61 acres. Item 12.G states there will be less than 2 acres of disturbance. Please explain the discrepancy.

Agency Comments:

2. The Division was copied on comments from the BLM related to the propose road cut(s). As the Division coordinates financial warranty estimates with the BLM, we will need this information as well in order to calculate the reclamation liability. Based on observations of new road construction for the 2016 drilling program during a joint inspection with the BLM on September 29, 2016, both the Division and the BLM believe a more detailed description of the plan for additional drill road reclamation is needed. Please describe in more detail and/or provide a typical road cut cross-section showing the planned backfill/recontouring of the proposed roads. Also indicate what type of equipment is planned to accomplish this effort.

Financial Warranty:

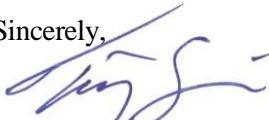
Please note the Division will estimate a cost to reclaim the site based on the application and your response to the adequacy review issues above. Please be reminded that the proposed prospecting operations identified in the current modification application may not commence until the adequacy issues are 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 February 17, 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