



## COLORADO

Division of Reclamation,  
Mining and Safety

Department of Natural Resources

1313 Sherman Street, Room 215  
Denver, CO 80203

January 24, 2017

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;  
Second Notice of Deficiencies for NOI Modification, Revision No. MD-3**

Dear Mr. Felderhol:

On January 11, 2017 the Division of Reclamation, Mining and (Division) received your response to the first notice of deficiencies (NOD) for your Notice of Intent to Conduct Prospecting Operations (NOI) Modification (MD-03). Based on these responses, the Division has the following additional deficiencies. Please address the following items:

### Application:

1. Project Description – Items III.12.F and G, pages 4 and 5. Based on the proposed drill road cross section on Figure 2 of the response, the Division is compelled to consider the full section of the road cut as disturbance; including the cut slope and cast off material (shown as a 30-foot width). The Division used Google Earth to measure the disturbance width of the 2016 drill roads and found them to vary between 30 and 50 feet in width, with a typical width of about 40 feet. As such, it is appropriate to assume a 40 foot width of disturbance for the entire 9,722 feet of proposed new drill road. This amounts to an estimated disturbance of 388,880 sq. ft. or 8.9 acres. This is significantly more than the proposed 2.23 acres as well as a significant increase in the cumulative road cut disturbance to date.
  - a. Pursuant to Rule 3.1.5(3), All grading shall be done in a manner to control erosion and siltation of the affected lands, to protect areas outside the affected land from slides and other damage. If not eliminated, all highwalls (*also interpreted as deep road cuts*) shall be stabilized. Please provide a detailed reclamation plan for the road cuts that will satisfy this Rule. Please include method(s), proposed equipment, and a detailed cost estimate.
  - b. Please revise Items III.12.F and G, pages 4 and 5, accordingly.

### Agency Comments:

2. The response labeled No. 3 under Agency Comments indicates mud pits are to be included in the road cuts. The MD-03 application indicated there would be no (zero) mud pits. Please clarify:
  - a. Whether mud pits are planned (in or outside the road cuts) and how many, and
  - b. How the mud pits will be reclaimed (including the source of backfill material and what equipment is to be used).



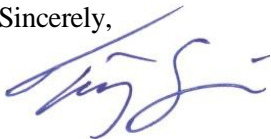
**Financial Warranty:**

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 March 25, 2017** (60 days from the date of this letter) 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