



May 26, 2020

Mr. David Felderhof
Zephyr Gold USA Ltd.
1959 Upper Water St. Suite 1300
Halifax, Nova Scotia, CA B3J 3N2

**Re: Dawson Gold Project, Notice of Intent to Prospect ID No. P-2020-002;
Second Notice of Deficiencies**

Dear Mr. Felderhof:

On May 18, 2020 the Division of Reclamation, Mining and (Division) received your response to our May 11, 2020 Notice of Deficiencies. The Division has reviewed your responses and found some additional clarification is necessary:

Application:

1. Item I.7A, "CLAIMANT". The response is adequate.
2. Item III.5, Wooden Drill Platforms. The response is adequate.
3. Item III.5, Water Pumping. The response is adequate.
4. Item III.6.B, Drill Holes – (p.6). The response is adequate.
5. Item III.6.F, Drill Water Release – (p.7). The response is adequate.
6. Item III.6.H, Total Project Area – (p.7). The response is adequate.
7. Item IV.1, Photographic Record – (p.8). The Division accepts your commitment to keep a photographic record of pre- and post-prospecting conditions.
8. Item IV.4, Drill Hole Plugging – (p.9). The response is adequate.
9. Item IV.6, Water Line Corridor Reclamation – (p.10). The response is adequate.
10. Item IV.7.B, Mulch Handling – (p.11). The response is adequate.
11. Exhibit A, Location Clarification. **Your response requires clarification.** As stated in our May 11 NOD the final BLM letter acknowledges proposed activity in Sections 16 and 21. Section 20 is not mentioned in the NOI application Exhibit A from the BLM. The Division requires acknowledgment from the BLM on the proposed activity in Section 20 as well to meet Rule 5.1.2(d)(vi). Please provide verification the proposed activity in Section 20 is not in contradiction to BLM acknowledged activity and no PoO is required for Section 20.
12. Drilling Fluids. The response is adequate.
13. Additional Potential Disturbance. The response is adequate.
14. Helicopter Flight Restrictions. The response is adequate.



Financial Warranty:

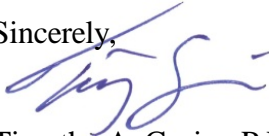
Based on your NOD responses the Division generated the attached reclamation cost estimate intended to supplement the bond held for P-2013-002. The estimate requires an additional \$14,635 to include helicopter access for reclamation, which is beyond the scope of activities approved under P-2013-002. The bond for hole abandonment held under P-2013-002 is adequate if it is converted to a statewide bond. The financial warranty for P-2013-002 consists of three certificates of deposit. I have included the necessary bond form for a statewide bond. I recommend completing this form and returning it to the Division to initiate conversion to a statewide bond.

Please be reminded that the proposed exploration operations identified in the application may not commence until the deficiencies are addressed and the bond is submitted and approved by the Division.

Please provide a written response (which should clearly indicate the Prospect ID No. P-2020-002) to address the above deficiencies within 60 days of this notice (July 25, 2020) or the Division may deny the modification application.

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

Sincerely,



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

Enclosures: 1) Reclamation Cost Estimate Summary
2) Blank Statewide Prospecting Financial Warranty on BLM land Certificate of Deposit

ec:	Michael, Cunningham, DRMS	Loren Komperdo, Zephyr
	DRMS file	Stephanie Carter, BLM
	Angela Bellantoni, PhD, EAI	Will Felderhof, Zephyr

COST SUMMARY WORK

Task description: Cost Summary

Site: Dawson Gold Project

Permit Action: New NOI

Permit/Job#: P2020002

PROJECT IDENTIFICATION

Task #: 000

State: Colorado

Abbreviation: None

Date: 5/26/2020

County: Fremont

Filename: P002-000

User: TC1

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
100	Helicopter Access (\$1450/hr; 8 HR min. - per AML program)	NA	1	8.00	\$11,600
<u>SUBTOTALS:</u>				8	\$11,600

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance: 2.02

Total = \$234

Performance bond: 1.05

Total = \$122

Job superintendent: 4.00

Total = \$278

Profit: 10.00

Total = \$1,160

TOTAL O & P = \$1,794

CONTRACT AMOUNT (direct + O & P) = \$13,394

LEGAL - ENGINEERING - PROJECT MANAGEMENT:

Financial warranty processing (legal/related costs): \$0

Total = \$0

Engineering work and/or contract/bid preparation: 4.25

Total = \$569

Reclamation management and/or administration: 5.00

\$670

CONTINGENCY: 0.00

Total = \$0

TOTAL INDIRECT COST = \$3,033

TOTAL BOND AMOUNT (direct + indirect) = \$14,633

ROUNDED TOTAL BOND AMOUNT (direct + indirect) = \$14,635