



P.O. Box 326, Cañon City, CO 81215

angela@envalternatives.com

719-275-8951

February 21, 2022

Tim Cazier
CO DRMS, Room 215
1001 E. 62nd Ave.,
Denver CO 80216

RE: P-2013-002 Zephyr Gold USA Ltd
Dawson Gold Project Response to February 3, 2022 Inspection Report

Dear Mr. Cazier,

Under P-2013-02 there have been 42 holes drilled. In 2013 drill holes there were 13 holes drilled, WG-13-08 to WG-13-20. In 2016 there were 17 holes drilled, WG-16-21 to WG-16-36 (16 holes) plus an additional hole at the WG-16-34 location called WG-16-34A. In 2018 there were 11 holes drilled, CK-18-08, DA-18-12 to DA-18-17 and WG-18-37 to WG-18-40. In 2020 there was one hole drilled DA-20-18. The total holes drilled under P-2013-02 is 42 holes. Under P-2020-02 there has been one hole drilled, EP-20-01. The total of all holes drilled under the state wide bond is 43.

Drill hole WG-13-21 was not drilled. Drill hole WG-16-34A was a redrill of WG-16-34 which was abandoned at 39 feet. First, there was an error in the name on the abandonment report for WG-16-34. This abandonment report should have been named WG-16-34A. Drill hole WG-16-34 was drilled and encountered the Mike Sutton adit at 39 feet where the core barrels became stuck and was not recovered. The crew then shut the drill rig down and went on vacation. When they returned the hole had caved in. The rig was moved over approximately 2.5 feet and the hole was redrilled as WG-16-34A. No abandonment was performed on the WG-16-34 hole because of upper hole caving and the hole never went beyond the Mike Sutton adit. I have attached the drill logs for these two holes for your reference. WP-18-18 was a drill location only. This hole was never drilled.

The Borehole Tracking chart on page 7 lists drill hole DA-20-01. The drill hole is incorrectly referenced. The correct drill hole reference is DA-20-18. The submitted abandonment report is incorrect. This hole is the twin for GC-44.

Regarding the Financial Warranty, in September 2020 the previously held site specific bond was converted to a state wide bond. The September 1, 2020 Division approval provided herein. The \$14,635 is allocated to the helicopter access to the El Plomo area. The amount of the statewide bond is \$107,290.00.

Zephyr will take corrective action on the road before May 31, 2022 as winter weather permits safe access. The Division will be notified upon scheduling the contractor.

If you have any questions, please do not hesitate to contact me at your convenience.

Respectfully submitted,


Angela Bellantoni

Enclosures:

Drill Log WG-16-34

Dill Log WG-16-34a

September 1, 2020 Statewide Bond Status Correspondence

Cc: Loren Komperdo, Will Felderhof, Dave Felderhof

DIAMOND DRILL LOG										Zephyr Minerals Ltd.				Hole Number WG-16-34		Page No. 1							
Drilling Company Godbe Drilling LLC		Collar Elevation 7206.15					Dip of hole at Collar: -62.0°		Azimuth 285.0°		Total Footage 49ft		NTS Mapsheet NAD 83, Zone 13 Royal Gorge Quad.										
Date: Hole Started 03-Aug-16		Completed 16-Aug-16		Date Logged 22-Aug-16		NAD NAD 83		Easting 3055947.2		Northing 1202961.68		Magnetic Decl. 8.3°E		Location Windy Gulch: Copper King and Last Show patented claims									
Exploration Co, Owner Zephyr Minerals Ltd.		Logged By Mark Graves		CSP		Mine Grid		Core Size: NQ				Property Name Dawson Gold Project, Canon City, CO											
Footage From To		Rock Type		Description								Sample Number		Assays									
														From		To		Length		Au g/T			
0.00 12.00		Roadfill																					
12.00 39.00		Pink Granite		medium grained equigranular, non-megacrystic, non-magnetic, massive, lacks fabric, completely fractured, sand seams at 27.0-28.0' and 37.0-38.0'																			
		EOH																					
				Hole bottomed in the Mike Sutton adit and the core barrel was lost; drillers went on vacation and when they returned, the drill had settled and the drill string would not go back down the hole; WG-16-34 was lost																			

DIAMOND DRILL LOG										Zephyr Minerals Ltd.				Hole Number WG-16-34a				Page N	
Drilling Company Godbe Drilling LLC			Collar Elevation 7206.22					Dip of hole at Collar: -70.0°		Azimuth 50.0°		Total Footage 115ft		NTS Mapsheet NAD 83, Zone 13 Royal Gorge C					
Date: Hole Started 17-Aug-16		Completed 21-Aug-16	Date Logged 22-Aug-16		NAD	Easting	Northing						Magnetic Decl. 8.3°E		Location Windy Gulch: Copper King and Last Show patented claims				
Exploration Co, Owner Zephyr Minerals Ltd.			Logged By Mark Graves		CSP										Property Name Dawson Gold Project, Canon City, CO				
					Mine Grid														
Footage From To		Rock Type	Description									Sample Number	Assays						
			**Groundwater not encountered in drill hole										From	To	Length	Au g/T			
0.00 15.00		Roadfill																	
15.00 52.00		Pink Granite	medium grained equigranular, non-megacrystic, non-magnetic, completely fractured; 80% lost core									265757	45	48	3	<0.005			
												265758	48	52	4	0.062			
52.00 57.00		M. Sutton adit																	
57.00 115.00		Windy Gulch	57.0-60.0': Upper Sulphide Zone - protolith completely gossanized									265759	57	60	3	2.0			
EOH		Zone										265760	60	61	1	0.99			
		(WGZ)	60.0-61.0': fine grained biotite gneiss, completely fractured																
			61.0-69.0': pink granite, medium grained equigranular, non-megacrystic and non-magnetic									265761	61	65	4	0.076			
												265762	65	69	4	0.052			
			69.0-75.0': fine grained biotite gneiss, completely fractured									265763	69	75	6	0.9			
			75.0-82.5': fine grained biotite gneiss, bluish and talcose altered at 75.0-77.0'; gossanous with numerous limonite veinlets cross-cutting and following fabric; coarse pyrite veinlets at 81.5'									265764	75.0	78.0	3	3.8			
												265765	78.0	81.5	2.5	0.3			
												265767	81.5	85	3.5	2.0			
			82.5-83.0: biotite-rich zone																
			83.0-92.0': silica and fault gouge zone - dark grey									265768	85.0	88.0	3	2.5			
												265769	88.0	92.0	4	10.8			
			92.0-93.5': fine grained biotite gneiss, bluish coloured and talcose									265770	92.0	96.0	4	1.6			
												265772	96.0	100.0	4	0.129			
			93.5-115.0': fine grained biotite gneiss, quite gossanous, numerous minute limonite veinlets, hematite on fractures									265773	100.0	103.5	3.5	0.023			
												265774	103.5	106.5	3	0.637			
												265775	106.5	109.5	3	3.5			
			** twisted off rods at 115.0' - left 10 rods and a core barrel in the hole									265776	109.5	112.0	2.5	0.079			
												265777	112.0	115.0	3	0.383			



COLORADO

Division of Reclamation,
Mining and Safety

Department of Natural Resources

September 1, 2020

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

**Re: Dawson Gold Project, DRMS NOI File Nos. P-2013-002 and P-2020-002;
Statewide Bond Status and Allocation**

Dear Mr. Felderhof:

The Division of Reclamation, Mining and Safety has completed the review of your statewide bond allocation for both Dawson Gold Project Notices of Intent (NOIs): P-2013-002 (Dawson Mountain area) and P-2020-002 (El Plomo area). Based on the Division's acceptance of the \$14,635 bond to cover helicopter access to the El Plomo area for reclamation, understanding El Plomo hole abandonment bond is to be allocated from the previously accepted bond for the abandonment of eighteen 400-ft and two 1,000-ft deep holes phased over the duration of the Dawson Mountain area program, and the recent notification to twin the GC-44 hole; we have adjusted the statewide bond allocation to each project accordingly. The statewide bond held by the Division is \$107,290.00. The enclosed bond calculation sheets include updated unit costs for the tasks associated with Dawson Mountain area reclamation (summary sheet only) through modification MD-03. The detailed Borehole Sealing worksheet (Task 01a) has been revised to include the three El Plomo planned holes and the GC-44 twin hole. The number of 400-ft deep holes was then adjusted down from 18 to 12 and one of the two 1,000-ft deep holes was allocated to GC-44 in order to not exceed the available remaining funds for hole abandonment.

If you have any questions, you may contact me at the Division of Reclamation, Mining and Safety at 1313 Sherman Street, Room 215, Denver, CO 80203, by telephone at 303-328-5229 (cell), or by email at tim.cazier@state.co.us.

Sincerely,

Timothy A. Cazier, P.E.

Environmental Protection Specialist

Enclosures – bond calculation sheets

ec: Michael, Cunningham, DRMS
David Felderhof, Zephyr
Angela Bellantoni, PhD, EAI
Jeff Thompson, DRMS

Loren Komperdo, Zephyr
Stephanie Carter, BLM
Will Felderhof, Zephyr
DRMS file



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

COST SUMMARY WORK

Task description: Cost Summary – 2020 Borehole Limitation

Site: Dawson Gold Project

Permit Action: 2020 Update

Permit/Job#: P2013002

PROJECT IDENTIFICATION

Task #: 000

State: Colorado

Abbreviation: None

Date: 8/31/2020

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
01a	Drill Hole Sealing/Abandonment [Statewide]	NA	14	33.00	\$33,886
020	Recontour 3 pads (1,000 sqft ea)	LOADER	1	1.96	\$222
04A	Haul 312 CY for Road Stabilization & Mix w/ Cat 324	TRUCK1	1	21.00	\$6,384
04C	Recontour 11.5 x 7,400 ft New Road	EXCAVATE	1	106.79	\$12,447
050	Reveg 7.8 Acres	REVEGE	1	10.00	\$14,324
060	Mob/Demob	MOBILIZE	1	3.56	\$4,065
061	"Intra-site" Mob/Demob	MOBILIZE	1	3.00	\$1,872
<u>SUBTOTALS:</u>				179.31	\$73,200

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance: 2.02

Total = \$1,479

Performance bond: 1.05

Total = \$769

Job superintendent: 79.00

Total = \$5,494

Profit: 10.00

Total = \$7,320

TOTAL O & P = \$15,062

CONTRACT AMOUNT (direct + O & P) = \$88,262

LEGAL - ENGINEERING - PROJECT MANAGEMENT:

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

Total = \$0

Engineering work and/or contract/bid preparation: 0.00

Total = \$0

Reclamation management and/or administration: 5.00

\$4,413

CONTINGENCY: 0.00

Total = \$0

TOTAL INDIRECT COST = \$19,475

TOTAL BOND AMOUNT (direct + indirect) = \$92,675

BOREHOLE SEALING WORK

Task #: 01a Statewide Drill Hole LIMIT
 Mine: Dawson Gold Project
 Permit no.: P-2013-002 & P-2020-002
 Permitting action: 2020 Bond Estimate Update

Date: 8/31/2020
 Prepared by: TC1

Hole	Hole (Casing) diam. (in)	Total depth (ft)	Hole volume (cf)	# Holes	Cwt of bulk cement (assuming 94 lbs of cement per 1.18 cf of hole, that is 100 lbs of cement fills 1.25 cf)	Cement cost per cwt (CIRCES)	Cement total cost	Rig setup time per hole (hr)	Rig time to fill hole (hrs/hole)	Total rig time (setup + fill) per hole (hr)	Rig w/ crew hourly rate (Circes, Reed drill, 9.0")	Total rig cost	2,500 gal water truck w/driver hourly rate (CIRCES)	Water truck w/ driver cost (rig fill time x truck rate)	Octoplug (Circes, \$33.29 per hole)	Cut surface casing & mark (Circes, \$3.26/lf)	% Liab.	Total cost before bond release or increment obligation	Total cost	Total rig time (setup + fill), reduced for liab. %
Cased Exploration Drill Holes (0 - 400ft)	4	400	35	12	28	\$15.95	\$445	1.50	0.33	1.83	\$484.60	\$888	\$49.96	\$17	\$399	\$156	100%	\$22,872	\$22,872	1.83
Cased Exploration Drill Holes (0 - 1,000ft)	4	1000	87	1	70	\$15.95	\$1,114	1.50	0.83	2.33	\$484.60	\$1,130	\$49.96	\$42	\$33	\$13	100%	\$2,331	\$2,331	2.33
El Plomo Cased Exploration Drill Holes (0 - 1,500ft)	3	1500	74	3	59	\$15.95	\$940	1.50	0.70	2.20	\$484.60	\$1,067	\$49.96	\$35	\$100	\$39	100%	\$6,541	\$6,541	2.20
GC-44 Cased Exploration Drill Hole (0 - 1,000ft)	3.75	1000	77	1	61	\$15.95	\$979	1.50	0.73	2.23	\$484.60	\$1,081	\$49.96	\$36	\$33	\$13	100%	\$2,142	\$2,142	2.23
										33.15 rig hours / 1 rigs						Grand Total			\$33,886	9 rig hours / 2 rigs
										33.15 project hours									4 project hours	

Assumptions:

Cwt of bulk cement (assuming 94 lbs of cement per 1.18 cf of hole, that is 100 lbs of cement fills 1.25 cf)

1.25

Cement cost per cwt (CIRCES)

\$ 15.95

Rig setup time per hole (hr)

Rig w/ crew hourly rate (CIRCES, Atlas Copco ROC D3-01, 3.0 in.)

\$ 484.60

2,500 gal water truck w/driver hourly rate (Circos)

\$ 49.96

Octoplug (Circos, \$ depends on dia.)

\$ 33.29

Cut surface casing & mark (Circos, \$/lf)

\$ 3.26

Cut surface casing: assumed length

4.0 ft