

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY

Department of Natural Resources

1313 Sherman St., Room 215
Denver, Colorado 80203
Phone: (303) 866-3567
FAX: (303) 832-8106



John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Pineda
Director

February 5, 2013

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

**RE: Dawson Gold Project, NOI File No. P-2013-002,
NOI Application Adequacy Review**

Dear Mr. Felderhol:

The Division of Reclamation Mining and Safety (Division) received the Notice of Intent (NOI) to Conduct Prospecting Operations for Hard Rock/Metal Mines for the Sunrise Lode, File No. P-2013-002 on January 11, 2013. The Division acknowledges that no information in the NOI application is to be considered confidential as stated in the cover letter for the NOI application. Therefore, only Form 2 was submitted. The Division has reviewed the NOI application for adequacy. Please address the following items:

Application:

1. Project Description – Item III.9, page 3. Please specify the units for the number “5.00” (tons, cubic yards, etc).
2. Project Description – Item III.9, page 3. Of the 5.00 units of material, what is the maximum volume or weight that will be transported offsite.
3. Project Description – Item III.10, page 3. The “Drilling & Blasting” box is checked under methods of prospecting. Please provide clarification as to whether any blasting is intended, and if so, include some narrative to describe how blasting will be used and controlled.
4. Project Description – Item III.11, page 4. This narrative suggests the possibility that trenching may remove a significant amount of overburden to “delineate the extent of reserve”. Please commit to submitting a mine reclamation permit application if trenching is expected to exceed 50 tons.
5. Project Description – Item III.12, page 4. The Division has anecdotal evidence of perched aquifers in the Dawson Mountain area. Please commit to providing borehole drill logs for the purpose of determining the appropriate borehole abandonment procedures in accordance with Rule 5.4.
6. Operation and Reclamation Measures – Item IV.11, page 6. The Division has contacted the BLM regarding the proposed 800 linear feet of new mountain trail. The BLM will require it to be reclaimed. As such, the estimated reclamation cost will be included in the proposed bond.
7. Operation and Reclamation Measures – Item IV.12A, page 7. The Division received your clarification on the units for the seeding rate shown in the application via email on January 18, 2013. We have used the Rate (PLS lb/ac) from the NRCS Range and Pasture / Hayland Seeding form completed by Rick Romano for the revegetation bond estimate.

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):

8. 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.

Additional Concerns:

9. Colorado Parks and Wildlife (CPW) provided you comments relating to Townsend's big-eared bat winter roost sites and, raptor nesting sites. Please provide the Division with your responses to the CPW and acknowledgment of acceptance by the CPW.

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 prospecting operations may not commence until the adequacy issues are addressed and the bond is submitted and approved by the Division.

Please be advised the Dawson Gold Project Prospecting Application may be deemed inadequate and the application may be denied on April 6, 2013 unless the abovementioned adequacy review items are addressed to the satisfaction of the Division. If you feel more time is needed to complete your reply, the Division can grant an extension to the decision date. This will be done upon receipt of a written waiver of your right to a decision by April 6, 2013 and request for additional time. This must be received no later than the deadline date.

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

Sincerely,



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

ec: Tom Kaldenbach, DRMS
Angela Bellantoni, EAI
Stephanie Carter, BLM
DRMS file