STATE OF NEVADA
Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION
Jim Gibbons, Governor
Allen Biaggi, Director
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NEVADA DIVISION OF ENVIRONMENTAL PROTECTION
protecting the future for generations

09 December 2008

Notice of Decision

Water Pollution Control Permit
Number Nev2003107 (Renewal 2008)

Rodeo Creek Gold Inc.

Hollister Development Block Project

The Nevada Division of Environmental Protection has decided to renew Water Pollution Control Permit NEV2003107 to Rodeo Creek Gold Inc. This permit authorizes the construction, operation, and closure of approved mining facilities in Elko County. The Division has been provided with sufficient information, in accordance with Nevada Administrative Code (NAC) 445A.350 through NAC 445A.447, to assure the Division that the groundwater quality will not be degraded by this operation, and that public safety and health will be protected.

The permit will become effective 24 December 2008. The final determination of the Administrator may be appealed to the State Environmental Commission pursuant to Nevada Revised Statute (NRS) 445A.605 and NAC 445A.407. All requests for appeals must be filed by 5:00 PM, 19 December 2008, on Form 3, with the State Environmental Commission, 901 South Stewart Street, Suite 4001, Carson City, Nevada 89701-5249. For more information, contact Miles Shaw at (775) 687-9409 or visit the Division's Bureau of Mining Regulation website at www.ndep.nv.gov/bmrr/bmrr01.htm

Two comment letters were received during the public comment period. One, from the Elko County Board of Commissioners, in support of the Project, and one, received by e-mail from Great Basin Resource Watch (GBRW), in opposition to the renewal. The GBRW letter was received after the 28 November 2008 close of the public comment period, but is being provided a response for clarification purposes. Comment excerpts from the GBRW letter with responses by the Bureau of Mining Regulation and Reclamation (BMRR) follow.

RESPONSE TO COMMENTS

The following are verbatim excerpts from a 01 December 2008 comment letter, received by e-mail at the Bureau of Mining Regulation and Reclamation (BMRR) on 01 December 2008 at 5:02 PM, from John Hadder of Great Basin Resource Watch (GBRW). The BMRR responses follow the GBRW comments, which are in *italics*.

GBRW 1: *"The renewal application should delineate a more clear picture of the long term treatment of discharge from the Waste Rock Storage Facility (WRSF). The third quarter monitoring report show highly elevated levels of many Profile I constituents and a low pH with the East Sump reporting a range of 2.63 to 2.73 over the past year. Sulfate levels climbed from 42,000 PPM to 74,000 PPM during the same period. Some of the constituents such as manganese were consistently three orders of magnitude above acceptable limits, and iron registered at three to four orders of magnitude over the standard. Clearly there is highly reactive rock already in the WRSF, and more is likely to come. All of this is evidence for the potential for a need for long-term active management."*

BMRR 1: The waste rock was extensively characterized and tested as part of the original Permit application. As discussed in the original and the renewal fact sheet, that testing clearly indicated the potential for the waste rock to generate low pH fluids and release metals. Based on the original characterization results, the original Waste Rock Storage Facility (WRSF) was designed, engineered and constructed with a low hydraulic conductivity, compacted clay base. The expanded WRSF, which is the bulk of the facility, was designed, engineered and constructed with a geosynthetic clay liner (GCL) with a certified hydraulic conductivity of $<5 \times 10^{-9}$ cm/sec. The base of the WRSF is sloped to direct any waste rock effluent to a central solution collection channels and conveyance pipelines for discharge to 100-mil, HDPE-lined waste rock solution collection sumps (WRCS-E and WRCS-W) to prevent discharge to the environment. The Permit requires routine evacuation of the sumps through two (2) risers and quantification and characterization of the solution removed. The pH and other constituent analytical values reported over several quarters indicate poor quality, which was anticipated, but the values remain relatively constant over time.

Solution removed from the sumps (and the underground workings) must be analyzed. If solution meets Permit water quality standards, it may be used in mining operations or discharged only to rapid infiltration basins (RIBs) in accordance with the Hollister Development Block Infiltration Project Water Pollution Control Permit NEV2003114. If treatment is required, a Reverse Osmosis plant is used to treat the solution, which may then be used in mine operations or discharged only to rapid infiltration basins (RIBs) in accordance with the Hollister Development Block Infiltration Project Water Pollution Control Permit NEV2003114. Reverse Osmosis plant reject water is recycled back to the surge ponds for blending and re-treatment. To date, the NEV2003114 discharge water quality standards have never been exceeded and samples for the RIB groundwater monitoring wells remain in compliance.

A tentative permanent closure plan has been provided for the WRSF. The plan includes surface diversions, capping material, and a vegetated cover to minimize infiltration.

GBRW 2: "Neither the Water Pollution Control Permit (WPCP) application nor the NDEP factsheet definitively locates the two monitoring wells associated with this permit. GBRW strongly requests that future renewal (and new) WPCP applications contain a map of facilities

with the monitoring locations clearly shown, and we encourage a reproduction of the map in NDEP's fact sheet to improve public information."

BMRR 2: A map of the permitted facilities was included in the application. An updated Operating Plan, with an updated monitoring location map identifying the locations of the referenced monitoring wells and other monitoring locations, was submitted to the BMRR and placed in the BMRR Public File during the public comment period. The locations of the facilities and monitoring locations are also identified on the various engineering design drawings and as-built drawings, which can also be found in the BMRR Public File. The additional inclusion of maps in a fact sheet is not considered practical or necessary.

GBRW 3: "Given the lack of information regarding the monitoring locations it is not clear whether the single downgradient monitoring well from the WRSF is sufficient. However, GBRW suspects it is not adequate to detect contaminated waste rock fluids infiltrating into the groundwater, especially in the future, or to delineate contaminant sources (to be discussed below). We recommend four monitoring wells in close proximity to the WRSF: 3 downgradient – west, east, and south; 1 upgradient well for water quality comparison purposes."

BMRR 3: Monitor Well DWG-1R and its abandoned predecessor DWG-1 were installed prior to any construction associated with Permit NEV2003107. The water quality results for samples collected from both these wells indicate the pre-existence of poor quality water below surface within the East Pit. The "Lower" sump at the WRSF was constructed to provide a means to evacuate upwelling stormwater diverted, by prior design, into the East Pit and to minimize the potential to 'float' the overlying East and West collection sump liners. Samples of solution from the "Lower" sump, constructed in pre-existing pit backfill material, also exhibit poor quality. Although poor, the quality in the well and the sump has remained constant during the first Permit term (5 years).

It is not believed that the WRSF is contributing to the poor solution quality in DWG-1R or the East Pit backfill, nor is it believed that the solution in the East Pit backfill is migrating beyond the pit limits. This conclusion is based on the design of the WRSF and collection sumps and on previous hydrologic studies, which consider both the East and West pits to be distinct hydrologic sinks. This latter interpretation is supported by the continued good water quality exhibited by samples from Monitor Well W-E-1. This well was also constructed prior to any of the approved NEV2003107 development. Monitor Well W-E-1 is located on the surface drainage divide between the two pits along the inferred south-southeast groundwater gradient trend. This well has reported consistent, relatively good water quality since installation. (It should be noted that baseline water chemistry for the area exhibits elevated values for aluminum, arsenic, iron, manganese, etc.) Finally, the water quality in water supply well WW-5 has also not demonstrated any evidence of degradation by the NEV2003107 activities. This well, located to the south of the East Pit and an historic, reclaimed waste rock dump, was constructed as a production well but has only been used as a monitoring well for over a decade.

GBRW 4: Serious contamination consistently observed from the DGW-1R well sampling is very concerning.[3] There is no mention of this in the renewal application, why not? GBRW sees the lack of disclosure and proposed action to resolve this contamination problem as a deficiency, thus an incomplete application. NDEP's factsheet does not adequately address the actions to be taken in regard to this groundwater contamination. The fact sheet states, "Very poor water quality … has led to speculation that degradation related to previous mining activity in the East Pit (Newmont Mining corporation) may be occurring and is being investigated by the closure branch, " (page

13), but what is the investigation? Regardless of "speculated" source, well DGW-1R is part of permit NEV2003107, and so a clear explanation of action needs to be part of this permit. The factsheet closes the issue with, "Other permit monitoring related to the Waste Rock Storage Facility is considered adequate for compliance until the issue is resolved," (page 13). Which other permit is being referred to here, and how is non-compliance in the "other" permit connected to this permit? Great Basin Resource Watch does not support renewal of this permit or the "other" permit until this issue is resolved, and effective monitoring wells are in place.

BMRR 4: As discussed in response BMRR 3, the WRSF and the activities permitted in accordance with Water Pollution Control Permit NEV2003107 for the Hollister Development Block Project are not considered to be contributing to poor quality solution identified in Monitor Well DGW-1R. A greater understanding of the complex hydrologic system is the focus of an on-going site-wide hydrologic investigation being completed in accordance with requirements of Water Pollution Control Permit NEV0088022 for the post-closure monitoring of the separate Hollister Project facilities.

The referenced "Other permit monitoring…" in the fact sheet is not a reference to another permit; it is reference to the other Permit monitoring requirements of NEV2003107, including, but not limited to, routine collection, evacuation, quantification, and characterization of WRSF sump solution and the identified monitor well testing. Trends have been established by the data collected since before NEV2003107 activities began. Variation from the established trends has not been identified but will require further investigation if it occurs.

GBRW 5: The Hollister site has become more complex due to the Block Development Bock Project (HDBP) creating multiple company responsibilities. As mentioned above there will be a long-term management need for the WRSF materials from the HDBP, and there exists a long-term management problem with the Newmont's workings. NDEP needs to establish a joint responsibility within the two companies as groundwater contamination could result from both sets of workings, which are in close proximity. GBRW understands that RGC should not be responsible for existing contamination, which NDEP suspects is causing problems at well DWG-1R. However, this company must have been fully aware of the nature of the ore at the Hollister site area and the existing contamination problems including the DGW-1R well, part of this permit, that has shown contamination since 2005[3]. Unless RGC can demonstrate how contamination from the WRSF is not connected to well DWG-1R it must be responsible and there needs to be a management plan as part of the NEV2003107 permit renewal. RGC needs to show, for example, that all draindown fluid from the WRSF is being captured by the drain system. To do this may require more monitoring wells as suggested above.

BMRR 5: The BMRR concurs that permitting the site is a complex challenge. For this reason, the BMRR is regulating the separate facilities with separate permits that have been drafted to address two (2) facilities with very different areal extents, vintages and purposes. The BMRR believes that the Hollister Development Block Project facility, authorized in accordance with Permit NEV2003107, has performed and will continue to perform as designed and constructed to prevent degradation of waters of the State.

Special BMRR Comment: Since Permit NEV2003107 does not allow discharge, except to the rapid infiltration basins (RIBs) permitted in accordance with the Hollister Development Block Infiltration Project Water Pollution Control Permit NEV2003114, the BMRR is adding a Permit Limit to NEV2003107 identical to the NEV2003114 Permit Limit I.G.1 constituent concentrations

established through pre-construction characterization of receiving groundwater in the area of the underground workings and the NEV2003114 RIBs.

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