STATE OF NEVADA
Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION
Brian Sandoval, Governor
Leo M. Drozdoff, P.E., Director
Colleen Cripps, Ph.D., Administrator

Web posting 3/8/11

March 3, 2011

NOTICE OF DECISION

WATER POLLUTION CONTROL PERMIT
NUMBER NEV2010102

Victoria Gold Corporation U.S.
Cove Helen Underground Exploration Project

The Nevada Division of Environmental Protection (the Division) has decided to issue Water Pollution Control (WPC) Permit NEV2010102 to Victoria Gold Corporation U.S. This permit authorizes the construction, operation, and closure of approved mining facilities in Lander 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 waters of the State will not be degraded by this operation, and that public safety and health will be protected.

The permit will become effective March 18, 2011. 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, March 13, 2011, on Form 3, with the State Environmental Commission, 901 South Stewart Street, Suite 4001, Carson City, Nevada 89701-5249. For more information, contact Rob Kuczynski, P.E. at (775) 687-9441 or visit the Division's Bureau of Mining Regulation website at www.ndep.nv.gov/bmrr/bmrr01.htm

One comment letter was received during the public comment period. The letter dated February 2, 2011 and received by the Division on February 9, 2011 was from Ms. Katie Miller, Eastern Region Mining Biologist, Nevada Department of Wildlife (NDOW), Elko, Nevada. Division responses to the received comments are attached to this Notice of Decision.

The Division acknowledges the assistance provided by the Permittee in addressing NDOW's concerns.

NDOW Comment #1: "NDOW is primarily concerned with the potential impact to the pit lake at Newmont's [Newmont Mining Corporation] Cove Pit."…"Although the proponent states that dewatering efforts in the Cove Helen Underground Exploration Project will not impact pit lake levels, NDOW finds this very difficult to believe."

Division Response: Prior to their WPC Permit application submittals, the Permittee commissioned a series of hydrogeologic studies of the Cove Helen Underground Exploration Project (Cove Helen Project) by HydroGeo, Inc. (Crested Butte, CO). These studies included the following:

- *Assessment of potential impacts from the Cove Helen Project operations including dewatering on ground and surface water resources, including the Cove pit lake and Reese River Valley;*
- *Analysis of potential groundwater inflows into the proposed underground workings;*
- *Ways to evacuate and dispose of excess groundwater using rapid infiltration basins (RIBs) and potential hydrologic impacts of operating these RIBs;*
- *Methods to reduce groundwater inflows to the exploration workings if excessive flows occur, including grouting;*
- *Calculation of the filling of the exploration workings after the Cove Helen Project is completed; and*
- *Assessment of the water quality of groundwater flow from the workings based on geochemical testing (ABA, MWMP, humidity cell, and whole rock geochemistry) of rock samples from the Cove Helen Project area and evidence from the Cove Pit closure activities.*

Based on these studies it was concluded that there would be no significant impacts to any groundwater or surface water resource in the Cove Helen Project area, including the Cove Pit Lake, Reese River Valley, area springs, or nearby wells. These results were brought forward in the WPCP applications for both the Cove Helen Project and its associated Rapid Infiltration Basins are also being used for the BLM NEPA analysis.

HydroGeo, Inc. concluded from their hydrogeologic studies that the Cove Helen Project underground workings will potentially draw some water from the Cove Pit Lake. However, rate of this withdrawal is far less that the current inflow into the pit lake. As a result there will be no draining of the pit lake only a very small slowing of the pit lake filling. In addition if groundwater control measures are employed during construction of the decline, groundwater inflows and related effects to the pit lake will be reduced.

NDOW Comment #2: "The decline is directly adjacent to the existing Cove Pit. Although a fault line may be present, the transmis[s]ivity between those zones of contact are uncertain."

Division Response: There are five main faults (Light House, Hidden Valley, Cay, Bay, and Dome) within the Cove Helen Project area, each with their own unique hydrogeologic characteristics.

In general, the north-south striking, steeply dipping faults and fractures in the vicinity of the Cove Pit area provide a localized decrease in horizontal hydraulic conductivity, but provide a moderate north-south to west-east lateral hydraulic conductivity.

The north-south trending Lighthouse Fault, flanks the east side of the Cove Helen Project, but becomes less of a barrier on the northern part of the project site. The portion of the fault that serves as a barrier is most likely the result of clay gouge along the fault. Rocks along the footwall (west) side of the fault are more fractured and consequently have a greater hydraulic conductivity. The hydraulic conductivity ranges from 0.08 to 0.5 feet per day on the hanging wall side and 0.05 to 2.5 feet per day on the footwall side of the fault.

A set of northeast trending faults occurs in the Project area perpendicular to the proposed decline path that influences groundwater flow. The Hidden Valley Fault forms a significant barrier to flow on the west side of the Cove Pit. Exploration boreholes drilled into the fault indicate that there is a thick gouge zone along the fault. The hydraulic conductivity of the Hidden Valley Fault is estimated to be about 0.1 feet per day.

The Cay, Bay, and Dome faults, which transect the Cove Pit in a northeast-southwest direction, moderately compartmentalize the groundwater flow system. The hydraulic conductivity of these faults is about 0.5 feet per day.

The bedrock units near the Project portal entrance (north highwall of the Cove Pit) are affected by intense faulting and fracturing and by hydrothermal alteration. This area is characterized by argillization of the limestones, by northwest-southeast faulting, and by local karstification. This area has a high hydraulic conductivity of about 10 to 20 feet per day.

During previous operations at the Cove Mine, the groundwater flow direction was primarily from the west to the east and flows into the mine occurred primarily along faults and fracture systems and to a lesser degree from the hydrogeologic units. As a result of the high dewatering rates required at the Cove Mine, a preliminary groundwater inflow analysis was completed on the proposed Cove Helen Underground Exploration decline and exploration development.

The estimated groundwater inflow to the decline and workings is based on hydrologic testing and groundwater model calibration efforts, hydrogeologic and geologic information compiled by the Permittee and discussions with Newmont personnel. To analyze the inflow along the known geologic structures and hydrogeologic units, the hydraulic conductivities of the water-bearing zones were calculated based on hydraulic parameters developed pumping tests and groundwater modeling calibrations.

A purpose of the Cove Helen Project will be to collect additional hydrogeologic data so that the groundwater inflow calculations can be further refined and the dewatering system optimized. During exploration decline development, long-hole hydrogeologic testing will be completed ahead of decline development to evaluate groundwater conditions including pressure head, flow, and hydraulic conductivity. In the case of potentially high groundwater inflows, a cover grouting program will be applied to control these flows.

The "Groundwater" section of the Fact Sheet has been expanded to include a discussion of the potential groundwater inflows and management.

NDOW Comment #3: "It seems very likely that dewatering will impact the pit lake levels, exposing the high walls and once dewatering ceases, this has the potential to negatively impact ground water quality."…"NDOW feels this is a very valid concern, given a similar scenario on another Victoria Gold project (Big Springs Mine), which has negatively impacted Lahontan cutthroat trout, and which the impacts to ground water quality remain to be seen."

Division Response: *At this time, the Cove Helen Project dewatering activities are not expected to lower water levels in the Cove Pit Lake, no addition pit highwalls will be exposed and there will no related effects to groundwater quality. Refer also to the Division Response to NDOW Comment #1.*

The hydrogeology of the Cove Helen Project is completely different than that of the Big Springs Project. The series of events that caused the reduction of groundwater levels at Big Springs have no relationship to the Cove Helen Project.

NDOW Comment #4: "Prior to the issuance of this permit, NDOW feels a more rigorous hydrogeologic examination be conducted to assure stakeholders that this Lighthouse Fault provides a robust barrier to water transmis[s]ivity from the Cove pit lake and the Reese River Valley hydrogeologic basin."

Division Response: *Previous Permittees (Echo Bay Minerals, Ltd. and Newmont) conducted numerous hydrogeologic studies related to the Cove Pit Lake, Lighthouse Fault and the Reese River Valley during operations and closure of the McCoy/Cove Mine from 1988 to present. Based on these studies and actual field observations of numerous monitoring wells it has been shown that the Lighthouse Fault provides a significant hydrogeologic barrier between the Cove Pit area and the Reese River Valley.*