

**PERMIT TO CONDUCT SURFACE COAL
EXPLORATION ACTIVITIES**

Usibelli Coal Mine, Inc.

**Healy Valley Coal Exploration Project
Exploration Permit**

August 6, 2013

Surface Coal Exploration Permit

Permit No. E-0603

PERMIT TO CONDUCT EXPLORATION

Date Issued: August 6, 2013

Permit Number: E-0603

Permit Name: Healy Valley Coal Exploration Project

DECISION

The Alaska Department of Natural Resources, Division of Mining, Land and Water (DMLW) in accordance with AS 27.21 and 11 AAC 90, hereby grants a Coal Exploration Permit, E-0603 to Usibelli Coal Mine, Inc. (UCM). This Permit is subject to the requirements of AS 27.21 and 11 AAC 90 for coal exploration activities.

PERMIT CONDITIONS

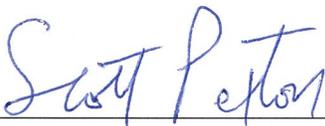
1. **TERM:** This exploration permit is for a term of two years, beginning August 6, 2013 and ending August 6, 2015.
2. **CONFORMANCE WITH APPLICATION:** This permit approves the drilling of two explorations holes. All drill sites will be reclaimed. All equipment will be removed upon completion of the exploration program.

All exploration and reclamation activities will be conducted as described in the exploration application, permit, and in compliance with 11 AAC 90.167. Any variation from the plan presented in the application must be discussed with the DMLW Coal Regulatory Program Manager and may result in revision(s) of the permit.

3. **BOND:** The reclamation bond in the amount of \$960.00 is adequate to cover the activities proposed in the application file.
4. **COMPLIANCE WITH LAW:** Operations under this permit shall be conducted in compliance with applicable federal, state and local laws and regulations now or hereafter in effect during the life of the permits.
5. **REPORTS:** Upon completion of operations and at other times, if requested, the permittee shall report, in writing, to the Director of the DMLW on matters relevant to the character and progress of operations, to include an annual report, under this permit by January 31 each year. The reports shall include a detailed statement of the work accomplished and will be filed with the Division of Mining, Land and Water, 550 West 7th Avenue, Suite 920, Anchorage, AK 99501 or by fax: (907) 269-8930.
6. **OTHER OPERATIONS ON STATE LAND:** The granting of this permit does not preclude the issuance of other permits or leases on the same land. Valid existing prior rights acquired on the lands described herein will not be adversely affected by this permit. Where these permits grant the right to enter land owned, leased, or otherwise lawfully occupied by another, the permittee shall make provisions before entering the land to pay for all damages sustained by said owner, lessee, or lawful occupant, by reason of entering upon said land.

7. **CHANGE OF ADDRESS:** The permittee shall immediately notify the Director of DMLW, in writing, of any change in the address of the permittee or the representative conducting surface coal mining and reclamation operations on site.
8. **FAILURE TO COMPLY:** If the permittee fails to comply with the conditions and stipulations contained in the permits or applicable laws or regulations, depending on the circumstances, the Director of DMLW may issue a notice of violation, issue a cessation order, assess a civil penalty, seize the reclamation bond, or take other action.
9. **APPLICATION AND PERMITS TO BE MAINTAINED ON SITE:** The permittee shall maintain and have available on site a copy of the permit application, exploration permit and any approved revisions, while exploration activities are taking place. Equipment operators are to be advised of permit conditions and stipulations.
10. **Water Use Authorization:** Appropriate water use authorization must be acquired prior to withdrawing any water
11. **Legal Access:** It has been brought to the attention of DMLW that there are questions regarding valid surface access to the lease area. If needed, appropriate legal right-of-way access must be acquired prior to accessing the site for road based exploration purposes.
12. **Federal, State or Local Approval:** Issuance of an exploration permit does not relieve the applicant from the obligation to obtain approvals and permits from other federal, state, or local regulatory authority.
13. **SPECIAL STIPULATIONS:** In accordance with AS 27.21 and 11 AAC 90, approval of the application is granted subject to all the existing general and special stipulations of the permit.
 - a. Unless approved by DNR, drill holes must be sealed and the drill sites must be reclaimed and reseeded before disturbing a new location.
 - b. All new roads, trails, pads, trenches, and other ground disturbance will be limited to that necessary to complete exploration activities.
 - c. All new roads, trails, pads, trenches, and other disturbed areas are to be reclaimed after exploration activities are completed.

APPROVAL:



Scott Pexton
Mining Section Chief

Date: August 6, 2013