

# STATE OF ALASKA

**DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
DIVISION OF WATER  
WASTEWATER DISCHARGE PROGRAM**

**FRANK H. MURKOWSKI,  
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DRAFT June 28, 2006

File #104.62.001

Mr. Delbert Parr  
Environmental Manager  
Fairbanks Gold Mining Inc.  
PO Box 73726  
Fairbanks AK 99707-3726

**Certified Mail #  
Return Receipt Requested**

**Subject: Waste Management Permit 2006-DB0043, Fort Knox Mine**

Dear Mr. Parr:

The Alaska Department of Environmental Conservation has completed its evaluation of your Waste Management Permit renewal application for the disposal of wastes from the Fort Knox Mine, as detailed in your application materials and in the attached permit. The attached permit covers disposal of waste to the Tailings Storage Facility (TSF), inert solid waste landfill facilities, the Walter Creek Valley Heap Leach Facility, and, the groundwater and surface water monitoring systems at the Fort Knox Mine. In addition to the disposal of wastes listed above, this permit covers hazardous chemical storage and containment, and reclamation and closure activities related to the facilities.

The attached permit is issued under the provisions of Alaska Statute 46.03, and the Alaska Administrative Code, 18 AAC 15, 18 AAC 60, 18 AAC 70, and 18 AAC 72 and other applicable state laws and regulations. The attached permit incorporates the Fort Knox Project's June 2006 Waste Management Permit Renewal Application, the June 2006 Walter Creek Valley Heap Leach Facility Project Description, the June 2006 Fort Knox Mine Reclamation and Closure Plan, the June 2006 TSF and Heap Leach Closure Management Plans and the June 2006 Fort Knox Monitoring Plan. Please review the conditions and stipulations in this permit and ensure that they are all understood. This permit is effective \_\_\_\_\_, 2006, and expires \_\_\_\_\_, 2011.

Any person who disagrees with this decision may request an adjudicatory hearing in accordance with 18 AAC 15.195 - 18 AAC 15.340 or an informal review by the Division Director in accordance with 18 AAC 15.185. An informal review request must be delivered to the Director, Division of Water, 555 Cordova Street, Anchorage, AK 99501, within 15 days of receipt of the permit decision. An adjudicatory hearing request must be delivered to the Commissioner of the Department of Environmental Conservation, 410 Willoughby Avenue, Suite 303, Juneau, Alaska 99801, within 30 days of the permit decision. If a hearing is not requested within 30 days, the right to appeal is waived.

Sincerely,

**DRAFT**

Program Manager  
Wastewater Discharge Program

Enclosures: Waste Management Permit 2006-DB0043, Fort Knox Mine

CC:

Luke Boles, ADEC, Fairbanks  
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**STATE OF ALASKA  
DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
610 UNIVERSITY AVE.  
FAIRBANKS, AK 99709-3643**

**WASTE MANAGEMENT PERMIT**

**For  
The Fort Knox Mine**

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**Permit No. 2006-DB0043**

**DRAFT Date: June 28, 2006**

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This Waste Management Permit is issued to Fairbanks Gold Mining Inc., PO Box 73726 Fairbanks AK 99707-3726, for the disposal of wastes as defined in Section 1.1 of this permit, from the Fort Knox Mine. The Fort Knox Mine facilities are located 26 miles northeast of Fairbanks, AK, within Sections 9, 10, 14, 15, 16, 21, 22, 23, T.2N., R.2E., Fairbanks Meridian. This permit is issued under the provisions of Alaska Statutes 46.03, and the Alaska Administrative Code, 18 AAC 15, 18 AAC 60, 18 AAC 70 and 18 AAC 72, as amended or revised, and other applicable state laws and regulations. This permit is effective \_\_\_\_\_, 2006, and expires \_\_\_\_\_, 2011. This permit may be terminated or modified in accordance with AS 46.03.120.

This permit is subject to the conditions and stipulations contained in Sections 1 - 5. This permit incorporates by reference the Fort Knox Project's June 2006 Waste Management Permit Renewal Application, the June 2006 Walter Creek Valley Heap Leach Facility Project Description, the June 2006 Fort Knox Mine Reclamation and Closure Plan, the June 2006 TSF and Heap Leach Closure Management Plans, the January 2006 Solid Waste Management Plan and the June 2006 Fort Knox Monitoring Plan. Changes to the documents incorporated herein must be approved by the Department if they affect this permit. If the Department approves the changes, they become part of this permit.

The Department requires the permittee to conduct post-closure maintenance and monitoring for a minimum of 30 years after closure. The permittee shall assess the conditions at the facility and respond accordingly throughout the post-closure care period. At the end of the post-closure period, the Department will determine whether post-closure care and monitoring should be extended beyond 30 years, based upon the information collected by that time.

**DRAFT**

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Program Manager  
Wastewater Discharge Program

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## 1 SPECIFIC PERMIT CONDITIONS

### 1.1 INTRODUCTION

1.1.1 This permit covers disposal of waste to the inert solid waste landfill facilities, the Walter Creek Valley Heap Leach Facility, Tailings Storage Facility (TSF) and as relevant to the permitted discharge, the tailings storage facility including the mill operation, mill tailings discharge, tailings, tailings impoundment structure, seepage control structure, seepage collection basin, interceptor wells, groundwater observation wells below the TSF, and surface water monitoring of the developed wetlands and at the water supply reservoir. This permit also covers monitoring requirements for the mine pit and development rock (overburden and waste rock) for characterization of acid rock drainage, monitoring of the heap leach facility solution, hazardous chemical storage and containment. Additionally, this permit covers reclamation and closure activities of the TSF and heap leach facility, including disposal of wastewater to the pit at closure after Department approval to commence discharge.

1.1.2 This permit covers disposal of 50,000 tons per day, as a monthly average, of tailings deposited in the TSF. Ore mined from the Fort Knox Pit is crushed, followed by gravity separation cyanide-leaching in a carbon in-pulp circuit and gold doré is produced on site. When required to meet the conditions of this permit tailings are run through a cyanide destruct process prior to discharge to the TSF.

This permit also covers disposal of 161 million tons of run of mine material, mined from the Fort Knox pit, to the Walter Creek Valley Heap Leach facility. Drip or sprinkler emitters will apply cyanide containing solution to the material placed on the heap. The solution will be collected and processed in carbon in-pulp columns in the mill facility for gold recovery.

This permit also covers the disposal of inert solid waste as described in the Fort Knox Mine Solid Waste Management Plan as approved by the Department.

1.1.3 In addition to the stipulations in this permit, the permittee shall adhere to the requirements of 18 AAC 60 Solid Waste Management Regulations as applicable, 18 AAC 70 Alaska Water Quality Standards, and 18 AAC 72.500 – 72.600 Non-Domestic Wastewater. The permittee shall also adhere to requirements of the Fort Knox Project Closure and Reclamation Plan, Solid Waste Management Plan, Monitoring Plan and the Fort Knox Project Quality Assurance Project Plan as approved by the Department. If it is discovered that the terms of this permit differ from the terms of the project documents (listed above); the terms of this permit override the terms contained in the project documents.

1.1.4 During the period beginning on the effective date of this permit and lasting through the expiration date, the permittee is authorized to dispose of wastes as specified in this permit into the TSF, Walter Creek Valley Heap Leach Facility

and the inert solid waste landfill facilities at the Fort Knox Mine. Discharge of wastewater to the pit at closure is not allowed unless specific approval from the Department has been granted. Prior to commencement of discharge of wastewater to the pit at closure the permittee shall apply to the Department for approval to commence discharge as required in Section 1.2.11 of this permit.

## 1.2 LIMITATIONS

- 1.2.1 The waste materials covered under this section are limited to up to 50,000 tons per day as a monthly average of processed and neutralized ore, meeting the conditions in this permit, deposited in the TSF. This permit also covers disposal of up to 161 million tons of run of mine material, mined from the Fort Knox pit, to the Walter Creek Valley Heap Leach facility.
- 1.2.2 Ore from satellite pits may be processed at Fort Knox provided that the following procedures are followed and the Department determines that there will be insignificant impact on mine closure, reclamation, or water quality.
  - 1.2.2.1 Compare the chemistry of new ore to the chemistry of Ft. Knox ore and add any additional constituents found in the new ore to Analytical Profile II in the Fort Knox Mine Monitoring Plan. Where required under this permit, use this revised Profile II for all monitoring.
  - 1.2.2.2 Determine the ore ratios (Tons of ore being processed at Ft. Knox to tons Satellite Pit ore) and perform Meteoric Water Mobility Procedure on mixed ore samples prior to beneficiation. Analyze rinse water and leachate using Profile II.
  - 1.2.2.3 Perform acid base accounting on mixed ore (ratios) prior to beneficiation. If net neutralization potential (NP) to acid generating potential (AP) is less than 3:1, a humidity cell test (kinetic) of adequate duration will be required. Leachate analysis will use Profile II.
  - 1.2.2.4 Perform acid base accounting on mixed ore (ratios) after beneficiation. If NP to AP ratio is less than 3:1, a humidity cell test (kinetic) of adequate duration will be required. Leachate analysis will use Profile II.
  - 1.2.2.5 Characterize the processed tailing solids (post cyanide detoxification) using Profile II. Compare to the original Fort Knox solids.
  - 1.2.2.6 Characterize the processed tailing liquor (post cyanide detoxification) using Profile II. Compare to the original Fort Knox liquor.
  - 1.2.2.7 Perform Meteoric Water Mobility Procedure on processed tailing solids (after cyanide detoxification) using Profile II. Compare to original Fort Knox data.
  - 1.2.2.8 Define all changes to the beneficiation or treatment processes which may affect monitoring, closure, tailings, water quality, or any other permit condition.
  - 1.2.2.9 Submit each of the above to the department for review and approval before processing ore from each new satellite pit.

1.2.3 The following materials shall not be disposed into the inert solid waste landfill facilities, the TSF or the Walter Creek Valley Heap Leach Facility, unless otherwise provided or approved in writing by the Department:

1.2.3.1 The disposal of treated or untreated process water in quantities or concentrations that would exceed cyanide and pH limitations in sections 1.2.4, 1.2.5 and 1.2.6 of this permit.

1.2.3.2 Chemical containers (unless triple-rinsed) and discarded, unused chemicals.

1.2.3.3 Discarded, unused chemicals not associated with the beneficiation process. Discarded, unused chemicals that are associated with the beneficiation process may be discarded into the tailing impoundment as long as they are in concentrations that would not violate the limits of sections 1.2.4, 1.2.5 and 1.2.6.

1.2.3.4 Contaminated soils, spill boom, liners used for the containment of spilled materials, chemicals used in the cleanup of spills or other spill clean up wastes other than chemicals used in the beneficiation process

1.2.3.5 Uncombusted household waste.

1.2.3.6 Laboratory wastes other than wash waters, neutralized acids and neutralized bases. Disposal/recycling of refinery slag, fire assay crucibles and cupels through the grinding and leaching circuit is permitted.

1.2.3.7 Sewage solids that are untreated and/or have less than 10% solids by weight.

1.2.3.8 Asbestos waste.

1.2.3.9 Hazardous wastes, as defined by 40 C.F.R. Part 261, including radioactive material, explosives, strong acids and untreated pathogenic waste. This prohibition does not preclude disposal of residual wastes included as byproducts of the beneficiation process due to recycling of refinery slag, fire assay crucibles and cupels.

1.2.3.10 Fuels, oil, transformers, paint and/or associated equipment and packing material.

1.2.3.11 Glycol and solvents.

1.2.3.12 Batteries.

1.2.4 Tailings deposited in the TSF shall meet the following limits: at least 90% of the

samples shall contain less than 10 mg/kg of WAD cyanide and none of the samples shall contain more than 25 mg/kg of WAD cyanide.

- 1.2.5 Water recycled to the TSF shall not exceed the following WAD CN levels: at least 90% of the samples shall contain less than 10 mg/L of WAD cyanide and none of the samples shall contain more than 25 mg/L of WAD cyanide.
- 1.2.6 The pH of the slurry entering the tailing impoundment shall be between 6.0 and 11.0 pH units. The pH of the tailings decant from the tailings impoundment, after mixing of the slurry discharge, shall be between 6.0 and 11.0 pH units between February 15 and May 15, and between 6.0 and 9.5 pH units from May 16 and February 14.
- 1.2.7 Wash water from the vehicle maintenance shop may go into the tailings disposal facility. Oily water must go through an oil/water separator and the treated water may not have a sheen prior to entering the tailings disposal facility. Dry methods of cleanup shall be used for initial cleanup of oil spills in the maintenance shop.
- 1.2.8 Activities at the site which will cause a greater amount of waste material to be treated and disposed of, above that contemplated in this section of the permit, are prohibited without the prior approval by the Department.
- 1.2.9 The water in the groundwater monitoring wells, located below the toe of the TSF dam must not exceed the State Water Quality Standards (18 AAC 70) or show a statistically significant increase in concentration above the applicable WQS, including natural condition, for the parameters monitored. If these standards are exceeded or if a statistically significant change above the WQS is detected, the corrective action outlined in Section 1.9 must be implemented.
- 1.2.10 The limitations in Section 1.2 do not preclude, and authorization is hereby given for, disposal of non-hazardous incidental wastes such as (i) settled solids from sumps, ditches, and degritting basins; (ii) incinerator ash and residue; (iii) ash from combustion of scrap wood material; (iv) iron (drill steel, balls, empty case, etc.); (v) empty plastic and glass containers; (vi) inert domestic waste; (vii) construction debris; (viii) tires; (ix) spill cleanup debris approved by the Department; (x) non-terne plated used oil filters that have been gravity hot-drained; and (xi) such other material as would otherwise be disposed of in a inert solid waste landfill facility without special handling.
- 1.2.11 Water may be disposed of to the pit at closure provided that the following procedures are followed and the Department determines that there will be insignificant impact on long term water quality.
  - 1.2.11.1 A minimum of six months of monthly samples shall be collected and analyzed for Profile II from each water stream proposed to be discharged to the pit.

- 1.2.11.2 A long term pit lake water quality model shall be updated using the data collected as required in Section 1.2.11.1.
- 1.2.11.3 If the long term pit lake water quality model required in Section 1.2.11.2 predicts that water quality standards will not be achieved by the time the pit lake is expected to discharge the permittee shall propose a plan for water treatment or other corrective action that achieves water quality standards by the time the pit is expected to discharge.
- 1.2.11.4 The long term pit lake water quality model required in Section 1.2.11.2 shall be used to set benchmark values of pit lake water quality at years 1, 2, 3, 5, 10, 20 and 30 after commencement of pumping water to the pit. Benchmark values shall be used to predict if the pit lake water quality is following the long term water quality model to achieve water quality standards prior to pit lake discharge.
- 1.2.11.5 The permittee shall develop a plan for corrective action to be taken if the pit lake is not achieving the benchmark values in the years specified in Section 1.2.11.4.
- 1.2.11.6 Submit each of the above to the department for review and approval prior to commencing discharge of waters to the pit.
- 1.2.12 The Department may set or modify permit conditions based on monitoring results or changes in facility processes in accordance with permit amendment or modification procedures.

### 1.3 SITE MAINTENANCE

- 1.3.1 Information on engineering changes to the mill, new waste treatment processes, changes to solid waste disposal facilities, changes to the groundwater interception and monitoring well system, and the addition of new waste streams that discharge into the TSF must be submitted to the Department and approval must be obtained prior to any such changes or discharges.
- 1.3.2 The permittee shall provide and maintain secondary containment for all process piping and chemical mix tanks containing hazardous or toxic materials. Secondary containment is considered to be 110% of the largest tank within one containment, or the total volume of manifolded tanks. The permittee must design and install secondary containment structures in a manner that ensures that solid waste and leachate will not escape from the structures. Facilities to prevent such discharges shall be maintained in good working condition at all times by the permittee.
- 1.3.3 Secondary containment of all hazardous substances, as defined at AS 46.03.826(5), must be impermeable to those stored hazardous substances.

- 1.3.4 The permittee shall design all process piping and chemical mix tanks to allow for routine inspections for leaks. Process piping outside of the mill building must not be buried unless secondary containment is used that provides the ability to inspect for leaks. This stipulation does not apply to the recycle water return lines leading from the TSF to the mill.
- 1.3.5 The permittee shall develop the site in accordance with the plans submitted by the applicant as required by this permit and approved by the Department, and approved amendments to those plans. Pollution prevention concepts shall be incorporated into operations plans for the project.

#### 1.4 SITE CONSTRUCTION AND OPERATION

- 1.4.1 The permittee shall establish, update and maintain proof of financial responsibility in accordance with section 1.12 of this permit.
- 1.4.2 The permittee shall construct and maintain a seepage collection system below the TSF in accordance with plans approved by the Department. This seepage collection system shall be constructed and maintained such that seepage and runoff water from the TSF will be pumped back to the TSF impoundment. The seepage and runoff collection system shall be operated to ensure that the TSF operates as a no discharge facility.
- 1.4.3 The freeboard of the TSF shall be maintained to minimize overtopping as indicated in the Fort Knox Project's Operation, Maintenance and Emergency Action Manual approved by ADNR, Division of Mining, Land and Water, Dam Safety and Construction Unit.
- 1.4.4 The permittee shall ensure that wastes are deposited into the TSF in a manner that will not damage or otherwise jeopardize the integrity of the containment of the TSF.
- 1.4.5 The permittee shall take reasonable measures to control dust and/or particulates that may occur from TSF, Walter Creek Valley Heap Leach Facility, roads or other mine components by wetting or other effective measures.
- 1.4.6 The permittee shall not dispose of waste materials in quantities exceeding the design capacity of the disposal facilities.
- 1.4.7 The permittee shall control and treat surface water, groundwater and seepage as necessary to prevent off-site water quality exceedances.
- 1.4.8 The permittee shall notify the Department in writing at least 15 days before the introduction of a new chemical into the process or waste treatment streams. Material Safety Data Sheets on new chemicals must be forwarded to the

Department at time of notification and maintained on site. Introduction of new chemicals into the process require Department approval.

- 1.4.9 The permittee shall submit plans to the Department, at least 60 days before construction of the modification, and receive Department approval of any changes that will significantly modify the quality or quantity of a discharge, significantly modify the operation of a waste treatment component, or significantly modify the disposal facilities.
- 1.4.10 The permittee must notify the Department in writing at least 15 days before the introduction of new process solutions into an existing process or waste treatment component that has been significantly modified.
- 1.4.11 The permittee must submit to the Department within 90 days after completing construction of a significant modification to an existing process component:
  - 1.4.11.1 As built drawings of the process component(s) which show any changes of those aspects that would affect performance of that process component as required in 18 AAC 72.600.
  - 1.4.11.2 A summary of the quality control activities that were carried out during construction.
  - 1.4.11.3 The revised operating plans that reflect modifications made during construction.
- 1.4.12 The permittee shall maintain fuel handling and storage facilities in a manner, which will prevent the discharge of hazardous substances. A Spill Prevention, Control and Countermeasures (SPCC) plan shall be in effect according to provisions of 40 C.F.R. Part 112 for facilities storing 660 gallons of fuel in a single container above ground, 1320 gallons in the aggregate above ground, or 42,000 gallons below ground.
- 1.4.13 The permittee shall notify the Department of a discharge of any hazardous substance at the facility in conformance with 18 AAC 75 Article 3. Reportable spills include unplanned discharges of process chemicals to the TSF which would violate limitations in this permit.
- 1.4.14 Using best efforts, the permittee shall develop spill response plans for the transportation of hazardous substances, including petroleum products, by the permittee to the facility and shall require other transporters of these substances under contract with the permittee to make such spill plans available to the permittee and/or the Department upon request.
- 1.4.15 Any area of open water in the permitted disposal area must not become an attractive area for waterfowl or shorebirds. Any wildlife casualties shall be

reported to the Department and to the appropriate state and federal agencies.

## 1.5 INERT SOLID WASTE LANDFILLS

- 1.5.1 The permittee shall comply with the provisions in the Fort Knox Mine Solid Waste Management Plan as approved by the Department.
- 1.5.2 The permittee shall conduct weekly visual inspections to ensure the active landfills are being operated in accordance with the Fort Knox Mine Solid Waste Management Plan as approved by the Department.
- 1.5.3 The permittee shall close the inert solid waste landfill trenches within 60 days after waste is last deposited in that area, using a soil material at least 2 feet thick and graded to prevent water from ponding.
- 1.5.4 The permittee shall control and treat surface water, groundwater and seepage as necessary to prevent off-site water quality exceedances, shall not place solid waste in water in the inert solid waste landfill facilities, and shall not allow solid waste to wash or blow away from the facility.

## 1.6 MONITORING

- 1.6.1 The Monitoring Plan submitted on June 23, 2006 by Fairbanks Gold Mining Inc., and approved by the Department, is incorporated into this permit. Future Department-approved changes to project monitoring will be included as modifications to the Monitoring Plan and do not require reissuance or modification of this permit. The Monitoring Plan shall maintain monitoring procedures as follows:
  - 1.6.1.1 Weekly visual monitoring of the facilities for signs of damage or potential damage from settlement, ponding, leakage, erosion or operations at the site. Visual monitoring shall be documented.
  - 1.6.1.2 Monitoring of surface and ground waters near the site to ensure that water quality standards are not exceeded and that sample results are statistically valid.
  - 1.6.1.3 Sampling locations shall provide for the following monitoring: the process stream slurry prior to it being discharged to the tailing impoundment, the interceptor water into the tailing impoundment, the groundwater observation wells below the interceptor system, the surface water at the upper end of the developed wetlands and prior to entering the fresh water reservoir, and the fresh water reservoir.

- 1.6.1.4 Geochemical monitoring of overburden, development rock, run of mine ore that is placed on the Walter Creek Valley Heap leach Facility, and tailings samples from the Fort Knox Mine to ensure that there is low potential for production of leachate that is acidic and/or contains elevated levels of metals.
- 1.6.1.5 Monitoring of the tailings prior to placement in the TSF to ensure that the limitations contained in Sections 1.2.4, 1.2.5 and 1.2.6 are met.
- 1.6.1.6 A fluid management monitoring plan including a water accounting of process water discharged to the impoundment, process water recycled to the mill, and water entering the interceptor well system.
- 1.6.1.7 Wildlife monitoring as required in Section 1.4.15.
- 1.6.2 The Monitoring Plan submitted on June 23, 2006 by Fairbanks Gold Mining, Inc., and approved by the Department includes a Quality Assurance Project Plan (QAPP). The permittee shall update and maintain the QAPP to include the following:
  - 1.6.2.1 Adhere to conditions in the department approved Fort Knox Mine Project QAPP Quality Control and Quality Assurance Objectives sections. The QAPP will reflect the current sampling program for the injection of pit dewatering wastewater and solid waste components of the mine facilities. Any significant changes in the QAPP procedures shall be submitted to the Department for approval.
  - 1.6.2.2 Ensure samples are analyzed by a laboratory that follows EPA-approved procedures, quality control requirements, reporting and documentation procedures. The QAPP, containing quality control procedures and criteria, analytical methods, detection limits and reporting requirements pertinent to the permit holder's samples, shall be submitted to the Department for approval and must be updated annually and whenever changes to methods or changes in the laboratories used occur.
  - 1.6.2.3 Analyze collected samples using methods set out in EPA-600/4-79-020 Methods for Chemical Analysis of Water and Wastes; EPA-600/4-82-057 Methods for Organic Chemical Analysis of Municipal and Industrial Wastewater; Standard Methods for the Examination of Water and Wastewater (edition in effect at the time of sampling); or other methods approved by the Department. Each result must be accompanied by a reference, such as the method number, to the method that was used to perform the analysis.
  - 1.6.2.4 Conduct inspections of the TSF in conformance with the Operations, Maintenance and Emergency Action Manual approved by ADNR, Division

of Mining, Land and Water, Dam Safety and Construction Unit.

- 1.6.3 Samples taken as required by Section **Error! Reference source not found.** shall be analyzed in conformance with the most recent Monitoring Plan and QAPP submitted by Fairbanks Gold Mining, Inc., as approved by the Department.
- 1.6.4 A sample from any ground water well or surface water monitoring location that has a positive result for cyanide concentration shall be reported to the Department as soon as possible, but no later than the end of the next working day. Resampling for sample confirmation shall be performed as soon as practicable.
- 1.6.5 The permittee shall maintain a log of all wastes, other than those that have gone through the process sampling point, disposed into the TSF and all wastes disposed of in the inert solid waste landfill facilities. The log shall include the date of disposal, estimated volume of waste, a description of the waste and any required sampling or analysis performed on the waste. A summary shall be included in the annual report required in Section 1.8.
- 1.6.6 Maintenance of inspection and sampling logs, and procedures for processing, consolidating and reporting inspection and sampling data shall be in conformance with the most recent Monitoring Plan and QAPP submitted by Fairbanks Gold Mining, Inc., as approved by the Department.
- 1.6.7 Groundwater and surface water monitoring and corrective action shall be in accordance with Section 1.9, 18 AAC 60 Solid Waste Management Regulations, and the most recent Monitoring Plan and QAPP submitted by Fairbanks Gold Mining, Inc., as approved by the Department or modified by amendment to this permit.
- 1.6.8 The Department may modify monitoring requirements, including the establishment of additional compliance points in response to trends showing changes in the concentration of parameters being monitored.
- 1.6.9 If the permittee monitors any influent, effluent, receiving water, air or solid waste characteristic in addition to those identified in this permit, or more frequently than required, the permittee shall notify the department that the additional monitoring has occurred in the next quarterly report after the monitoring has occurred. The results of such monitoring shall be available for inspection by the Commissioner or his/her representative at the project site, or other location proposed by the permittee and agreed upon by the Department. The permittee shall provide copies of the results to the Department upon request.

## 1.7 MODIFIED LIMITS AND REPORTING

- 1.7.1 If the WAD cyanide concentration in the interceptor water from the interceptor wells exceeds 1 mg/l, during routine quarterly sampling a check sample will be taken to confirm the results. If the check sample is also above 1 mg/l, then weekly

sampling will begin for WAD cyanide in the interceptor water and will continue until the average of the previous 6 samples is less than 1 mg/l, at which time the frequency shall revert back to monthly.

- 1.7.2 If the average concentration of the WAD cyanide in the previous 6 samples of the interceptor water exceeds 2 mg/l, the tailing waste slurry WAD cyanide limits in sections 1.2.4 and 1.2.5 are changed to a monthly average of 2 mg/l, and a maximum of 10 mg/l.
- 1.7.3 If the average concentration of the WAD cyanide in the previous 6 months of the interceptor water is less than 1 mg/l, the tailing waste slurry WAD cyanide limits in section 1.2.4 and 1.2.5 revert back to a monthly average of 10 mg/l, and a maximum of 25 mg/l.

## 1.8 REPORTING

- 1.8.1 For each year of sample collection and analysis, the permittee shall submit to the Department quarterly monitoring reports, for a total of three quarterly reports each year and one annual monitoring report, which includes the fourth quarter monitoring data, summarizing the inspection and monitoring results set out in Section 1.6. All quarterly reports shall be submitted to the Department no later than 60 days after the last day of the quarter. The annual report will be due annually by March 1<sup>st</sup> and will summarize the preceding calendar year. Copies of the laboratory reports should be submitted with the quarterly reports for the first year of data collection and analysis, or for the first year after a change of the laboratory performing the analysis is made. Electronic copies of reports shall be submitted to the Department using commercially available software along with the hard copies, or according to electronic reporting requirements established by the Department.
- 1.8.2 Quarterly and annual reports required in Section 1.8.1 shall include information necessary to determine data validity, data variations and trends, and any exceedence of limits contained in this permit, water quality standards or criteria (see Section 1.1.3). All records and information which validate the QAPP, resulting from the monitoring activities required by this permit, including but not limited to all records of analyses performed, calibration and maintenance of instrumentation, and recordings from continuous monitoring instrumentation, shall be retained in Alaska for observation by the Department for three years. Upon request from the Department, the permittee shall submit certified copies of such records. The Department may at its discretion perform field and laboratory audits of monitoring activities.
- 1.8.3 An annual meeting with the Department will be held in conjunction with the Department of Natural Resources in which the annual report required in Section 1.8.1 will be presented to the agencies. The annual report shall be available to the Department two weeks prior to the annual meeting.

- 1.8.4 The annual report required in Section 1.8.1 shall also address the adequacy of the financial responsibility, including, but not limited to, inflation, significant changes in reclamation activity costs, and concurrent reclamation, expansion or other changes to the operation of the facility.
- 1.8.5 The permittee shall maintain an updated Plan of Operations and Reclamation Plan, as required by ADNR, showing site use and development plans, and shall provide the Department with copies of any amendments to that Plan of Operations affecting the waste disposal operations authorized by the permit.
- 1.8.6 Notifications and reporting as required under this permit shall be submitted to the Department at the following address:

Department of Environmental Conservation  
Division of Water  
610 University Avenue  
Fairbanks, Alaska 99709-3643

Phone: (907) 451-2142

Knowingly making a false statement, by the permittee, the operator or other employees, including contractors, on any such report may result in the imposition of criminal penalties as provided for under AS 46.03.790.

## 1.9 CORRECTIVE ACTIONS

- 1.9.1 The permittee shall comply with 18 AAC 60.815 if the visual monitoring program in Section 1.6.1.1 discovers damage or potential damage to the waste disposal-related facility that could lead to water quality violations.
- 1.9.2 The permittee shall comply with 18 AAC 60.820-860 if statistically significant increase above background water quality and/or an exceedance of water quality standards in any of the groundwater sampling locations is detected. Statistical significance shall be determined using one of the methods outlined in 18 AAC 60.830(h) and performance standards outlined in 18 AAC 60.830(i). The permittee shall comply with the notification requirements in 18 AAC 850(c) upon determination of a statistically significant increase above background water quality.
- 1.9.3 If a violation of water quality standards is detected at a surface water or groundwater monitoring station, or if an exceedance of the limits set out in Section 1.2 is detected, the permittee shall:
- 1.9.3.1 Verbally notify the Department within 24 hours of receipt of monitoring results.

- 1.9.3.2 Determine the extent of the exceedance.
- 1.9.3.3 In consultation with the Department and documented in writing, implement a plan to determine the cause and/or source of the exceedance.
- 1.9.3.4 Submit to the Department, within seven working days after an exceedance is verified by the permittee, a plan for corrective actions to prevent adverse environmental impacts and further exceedences of applicable water quality standards or permit limits.
- 1.9.3.5 Implement the corrective action plan as approved by the Department.

## 1.10 TEMPORARY CLOSURE

- 1.10.1 A temporary closure shall be defined as a suspension of mining, milling or heap leaching activities for more than 90 days but less than three years. The length of time for a temporary closure may be extended beyond three years by written authorization from the Department. The permittee shall submit a conceptual temporary closure plan to the Department prior to commencement of material placement on the Walter Creek Valley Heap Leach Facility.
- 1.10.2 The permittee shall submit a specific temporary closure plan to the Department no later than ten days after a temporary closure has been initiated. The permittee is encouraged to submit the specific plan immediately upon availability, and prior to commencement of the temporary closure if possible. The specific plan shall include the following:
  - 1.10.2.1 The procedures, methods, and schedule to be implemented for the treatment, disposal, and/or storage of process water.
  - 1.10.2.2 The control of surface and groundwater drainage to and from the facility and the surrounding area.
  - 1.10.2.3 The control of erosion from the TSF, Walter Creek Valley Heap Leach Facility and inert solid waste landfills.
  - 1.10.2.4 The secure storage of chemicals during the period of closure.
- 1.10.3 The Department shall have 15 days to review and approve or request modifications to the temporary closure plan.
- 1.10.4 Once a temporary closure plan has been approved, full implementation of the approved specific plan is required. The plan can be amended by submitting a revised plan to the Department for approval.

1.10.5 During temporary closure of the site, the permittee shall:

- 1.10.5.1 Continue pollution control activities associated with the TSF, the Walter Creek Valley Heap Leach Facility and the inert solid waste landfill facilities, including but not limited to dust control, maintenance of the drainage diversion structures, maintenance of all seepage control structures and processes, management of the heap leach solution to prevent discharge from the heap leach facility, and maintenance of the TSF including appropriate freeboard as specified by this permit or the temporary closure plan.
- 1.10.5.2 Continue monitoring and reporting activities of all active portions of the site including the TSF, the Walter Creek Valley Heap Leach Facility and the inert solid waste landfills as specified by this permit or the temporary closure plan.
- 1.10.5.3 Complete reclamation and corrective action requirements as appropriate under the Reclamation and Closure Plan in light of the nature of the closure.

1.11 PERMANENT CLOSURE

- 1.11.1 Within 90 days of the decision that permanent cessation of the mill or heap leaching processes will occur, updated reclamation and monitoring plans must be submitted to the Department for approval. The updated plans must address current conditions at the facility.
- 1.11.2 Permanent closure of the site must be implemented and completed in accordance with the conditions of this permit and with the Plan of Operations and Reclamation and Closure Plan approved by the Department and ADNR.
- 1.11.3 Permanent closure of the waste disposal facilities will be complete when the following criteria are met:
  - 1.11.3.1 A Department-approved cover system is installed on the TSF and the Walter Creek Valley Heap Leach Facility and drainage channels are constructed and stable;
  - 1.11.3.2 The spillway of the tailing dam is constructed and stable;
  - 1.11.3.3 A vegetative cover is established on the waste disposal facilities as prescribed in the Reclamation and Closure Plan or most recent Reclamation and Closure Plan approved by the Department and ADNR;
  - 1.11.3.4 Active water treatment is not required for any water discharged from the facilities, any surface water discharge from the mine site or facilities meets water quality criteria contained in the Alaska Water Quality Standards (18 AAC 70), and, any groundwater discharge from the seepage collection

system meets Alaska Water Quality Standards (18 AAC 70) or does not exhibit a statistically significant increase above the background concentrations using methods described in 18 AAC 60.830 for the analysis of statistical significance.

- 1.11.4 Permanent closure must be achieved prior to the cessation of any care and maintenance activities required by Section 1.10.5 and the approved temporary closure plan if a period of temporary closure immediately preceded commencement of permanent closure.
  - 1.11.5 The permittee shall maintain the facility, correcting any erosion or settlement of the TSF and Walter Creek Valley Heap Leach Facility that may impair water quality or otherwise threaten the environment, up until the time that this permit, or any successor permit, is transferred to another entity or terminated by the Department.
  - 1.11.6 Post-closure monitoring of the groundwater, surface water and visual monitoring for settlement and erosion shall occur according to the sampling schedule set out in the current Monitoring Plan approved by the Department. This schedule and the parameters monitored may be modified by the Department based on the monitoring results received.
- 1.12 PROOF OF FINANCIAL RESPONSIBILITY
- 1.12.1 The permittee shall provide the Department with proof of financial responsibility for closure of the facilities and post-closure monitoring. The proof of financial responsibility shall cover costs incurred for closure and post-closure monitoring of TSF, the Walter Creek Valley Heap Leach Facility, the inert solid waste landfills, and related facilities, shall cover the activities set out in Section 3, and shall be in the amount shown in Section 3. The area covered by the financial responsibility required in this section is shown on the map attached as Section 5. The financial responsibility amount shown in Section 3 shall be in place prior to any placement ore on the Walter Creek Valley Heap Leach Facility.
  - 1.12.2 Annually, or during the renewal, modification or amendment of this permit, the Department, in consultation with ADNR, will review and modify if appropriate, the financial responsibility requirements including adjustments for inflation, concurrent reclamation and expansion or other changes to the operation of the facility. The permittee shall address the adequacy of the financial responsibility in the annual report required in Section 1.8.1.
  - 1.12.3 The proof of financial responsibility may be in the form of a trust fund, surety bond, letter of credit, insurance, or any other mechanism approved by the Department.
  - 1.12.4 Approved proof of financial responsibility must remain available through the post-closure period, up to 30 years, and may not be released until the Department

certifies in writing that closure of the facility and the required post-closure monitoring have been successfully concluded, or that another entity will assume responsibility for permit compliance and/or post-closure monitoring.

- 1.12.5 It shall be the responsibility of the permittee to provide acceptable proof of financial responsibility. The Department will accept or reject said Offer of Proof as expeditiously as possible, but in no event later than 30 days after its receipt.
- 1.12.6 If the permittee is unable to provide proof of financial responsibility, which is acceptable to the Department and is approved by the Department in writing within the time period stated above, this permit will expire automatically at that time, notwithstanding any other approvals to the contrary, unless the Department's failure to act is responsible for the delay in accepting or rejecting this proof.
- 1.12.7 If the permittee fails to comply with the terms and conditions of this permit, as written, renewed, modified or amended, and if the Department concludes that such failure may prevent, inhibit or delay satisfactory closure or post-closure monitoring of the disposal facility, then the Department may exercise its rights under the approved mechanism for financial responsibility to access the funds and use them for appropriate closure and post-closure activities.

### 1.13 FACILITY AUDIT

- 1.13.1 The permittee shall conduct periodic audits for the purpose of reviewing performance under this permit and approvals, and the agencies' regulatory oversight of such performance, and to aid in updating the Reclamation and Closure Plan and associated closure and post closure monitoring cost estimate. The first audit shall occur in 2010 or prior to final closure if final closure occurs prior to 2010. Subsequent environmental audits shall occur every five years. Audits shall be timed so that the auditor's site visit occurs during the snow-free season, far enough in advance of the deadline for the permittee's submittal of an updated Reclamation and Closure Plan, and, associated closure and post closure monitoring cost estimate and so that the results of the audit can be taken into account in that update. In January of the audit year, the parties shall confer to discuss the minimum qualifications of and process for selecting an independent, third-party auditor, and the minimum requirements for the scope of the audit. The third party contractor and the scope of the audit should be mutually agreed upon by the Department, ADNR, and the permittee, but in the event that agreement cannot be reached, the agencies retain the final contractor selection and scope of audit decisions. The purpose of the audit will be to determine whether the permittee's environmental management systems and the regulatory controls in place provide reasonable assurances that environmental objectives in the current Plan of Operations and relevant permits and approvals are being met and that the systems and controls are functioning as intended. The audit results will be used by the permittee and the agencies to assist in updating, renewing, or issuing approvals and permits, in updating policies, plans, and procedures, in determining compliance with permits and approvals, and in evaluating the adequacy of the financial

responsibility.

The intent of the audits will be to determine if both the facility management and regulatory controls of the facility provide reasonable assurances that the facility and controls are functioning as intended.

The scope of subsequent audits may be revised as mutually agreed upon prior to initiation of each audit, to address specific issues or objectives not previously identified in this permit; however, the agencies retain the final decision authority for the scope of subsequent audits. Identification of such issues or objectives may be accomplished through a joint permittee/agency meeting prior to the audit.

- 1.13.2 The audit will be an objective, systematic, documented review of the conditions, operations, and practices related to permit requirements and facility management conducted under this permit.

#### 1.14 POLLUTION PREVENTION STRATEGY

- 1.14.1 During the life of the project the permittee is encouraged to implement pollution prevention practices at the facility. To implement pollution prevention, it is recommended that the permittee evaluate all physical and maintenance phases of the operation, including all process and waste treatment components, mechanical maintenance facilities, chemical storage and facility maintenance by doing:

1.14.1.1 an assessment of toxic chemicals used, and/or hazardous wastes generated. This should include data on the types, amount, and hazardous constituents of toxic substances and hazardous waste streams;

1.14.1.2 a review of potential reduction options for toxic chemical use and hazardous waste generation;

1.14.1.3 an evaluation considering costs associated with the use of toxic chemicals and the generation of hazardous wastes including:

- the cost of purchasing chemicals
- the cost of disposal
- the cost of storage
- the cost of waste treatment
- the cost of environmental compliance and liability
- the use of the Alaska Materials Exchange to obtain raw chemicals;

1.14.1.4 an analysis of reduction options including equipment/technology modifications, process/procedure modifications, product reformulation/redesign, raw material substitution, improvements in housekeeping, maintenance, training, and inventory control, education, and

conservation (energy, water, etc.), that identifies which options are technically and economically feasible; and

- 1.14.1.5 numeric or performance reduction goals for chemicals used and/or waste generated.

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## 2 GENERAL PERMIT CONDITIONS

### 2.1 ACCESS AND INSPECTION

The permittee shall allow the Commissioner or his/her representative access to the permitted facility at reasonable times to conduct scheduled or unscheduled inspections or tests to determine compliance with this permit, state laws, and regulations.

### 2.2 INFORMATION ACCESS

Except where protected from disclosure by applicable State or Federal law, all records and reports submitted in accordance with the terms of this permit shall be available for public inspection at the State of Alaska Department of Environmental Conservation, Fairbanks Office, Fairbanks, Alaska.

### 2.3 CIVIL AND CRIMINAL LIABILITY

Nothing in this permit shall relieve the permittee from any potential civil or criminal liability for noncompliance with the permit or with applicable laws.

### 2.4 AVAILABILITY

The permittee shall post or maintain a copy of this permit available to the public at the facility.

### 2.5 ADVERSE IMPACT

The permittee shall take all necessary means to minimize any adverse impacts to the receiving waters or lands resulting from noncompliance with any limitation specified in this permit, including any additional monitoring needed to determine the nature and impact of the noncomplying activity. The permittee shall cleanup and restore all areas adversely impacted by the noncompliance.

### 2.6 CULTURAL OR PALEONTOLOGICAL RESOURCES

Should cultural or paleontological resources be discovered as a result of this activity, work, which would disturb such resources, is to be stopped, and the State Historic Preservation Office, Division of Parks and Outdoor Recreation, Department of Natural Resources (907-465-4563), is to be notified promptly.

### 2.7 APPLICATIONS FOR RENEWAL

In accordance with 18 AAC 15.100(d), an application for renewal or amendment of this permit must be made no later than 30 days before the expiration date of the permit or the planned effective date of the amendment.

## 2.8 OTHER LEGAL OBLIGATIONS

This permit does not relieve the permittee from the duty to obtain any other necessary permits from the Department or from other local, state, or federal agencies, and to comply with the requirements contained in any such permits. All activities conducted and all plans implemented by the permittee pursuant to the terms of this permit shall comply with all applicable local, state, and federal laws and regulations.

## 2.9 TRANSFER OF OWNERSHIP

In the event of any change in control or ownership of the permitted facility, the permittee shall notify the succeeding owner or controller of the existence of this permit by letter, a copy of which shall be forwarded to the Director of the ADEC Division of Water. The original permittee remains responsible for permit compliance unless and until the succeeding owner or controller agrees in writing to assume such responsibility, and the Department approves assignment of the permit. The Department will not unreasonably withhold such approval.

As between the State and the permittee, no transfer of this permit shall relieve the permittee of any liability arising out of operations conducted prior to such transfer, regardless of whether such liability accrues before or after such transfer.

## 2.10 POLLUTION PREVENTION

In order to prevent and minimize present and future pollution, when making management decisions that effect waste generation, the permittee shall consider the following order of priority options as outlined in AS 46.06.021:

- waste source reduction,
- recycling of waste,
- waste treatment, and
- waste disposal

### 3 FINANCIAL RESPONSIBILITY FOR THE FORT KNOX MINE CLOSURE, MAINTENANCE AND POST-CLOSURE MONITORING COSTS

Solid waste regulations (18 AAC 60) allow the Department to require proof of financial responsibility for closure of the facility and post-closure monitoring. The total proof of financial responsibility for the life of this permit, unless modified sooner, shall be \$X,XXX,XXX. The total financial responsibility includes financial responsibility required by Alaska Department of Environmental Conservation under 18 AAC 60 and the Alaska Department of Natural Resources under Title 11 of the Alaska Administrative Code. The permittee can apply to have the amount of the financial responsibility adjusted during the life of the permit, if for example concurrent reclamation has been completed. The total financial responsibility is based on the following:

CLOSURE MAINTENANCE ITEM	FINANCIAL RESPONSIBILITY
<b>Direct Costs</b>	
Equipment Capital	\$
Equipment Operation and Maintenance	\$
Manpower	\$
Revegetation Requirements	\$
Materials, Supplies and Other	\$
<b>Direct Cost Subtotal</b>	<b>\$</b>
<b>Administration Costs</b>	
Engineering Redesign (X% of Direct Costs)	\$
Contractor Profit (X% of Direct Costs)	\$
Contractor Overhead (X% of Direct Costs)	\$
Reclamation Management (X% of Direct Costs)	\$
Contract Administration (X% of Direct Costs)	\$
Contingency (X% of Direct Costs)	\$
Mobilization and Demobilization (X% of Direct Costs)	\$
Performance Bond (X% of Direct Costs)	\$
Payment Bond (X% of Direct Costs)	\$
Insurance Premiums (X% of Labor Costs)	\$
<b>Administration Cost Subtotal</b>	<b>\$</b>
<b>Total Direct and Administrative Costs</b>	<b>\$</b>
Inflation (5 years at X% per year)	\$
30-year Post Closure Monitoring <sup>1</sup>	\$
<b>TOTAL FINANCIAL RESPONSIBILITY REQUIRED:</b>	<b>\$<sup>2</sup></b>

**Note: Fairbanks Gold Mining Inc. has submitted a closure and post closure cost estimate of \$20,431,084. ADEC is still reviewing this proposed financial responsibility amount and seeks public input regarding the closure and post closure cost estimate contained on the following website: [www.dnr.state.ak.us/mlw/mining/largemine](http://www.dnr.state.ak.us/mlw/mining/largemine)**

<sup>1</sup> Post closure monitoring costs are based on monitoring costing \$XX,XXX per event in years 1, 2, 5, 10, 20 and 30 after closure with X% annual inflation.

<sup>2</sup> The financial responsibility will be reevaluated and adjusted as allowed in Section 1.12.2 or as requested by the permittee.

#### **4 GLOSSARY OF TERMS**

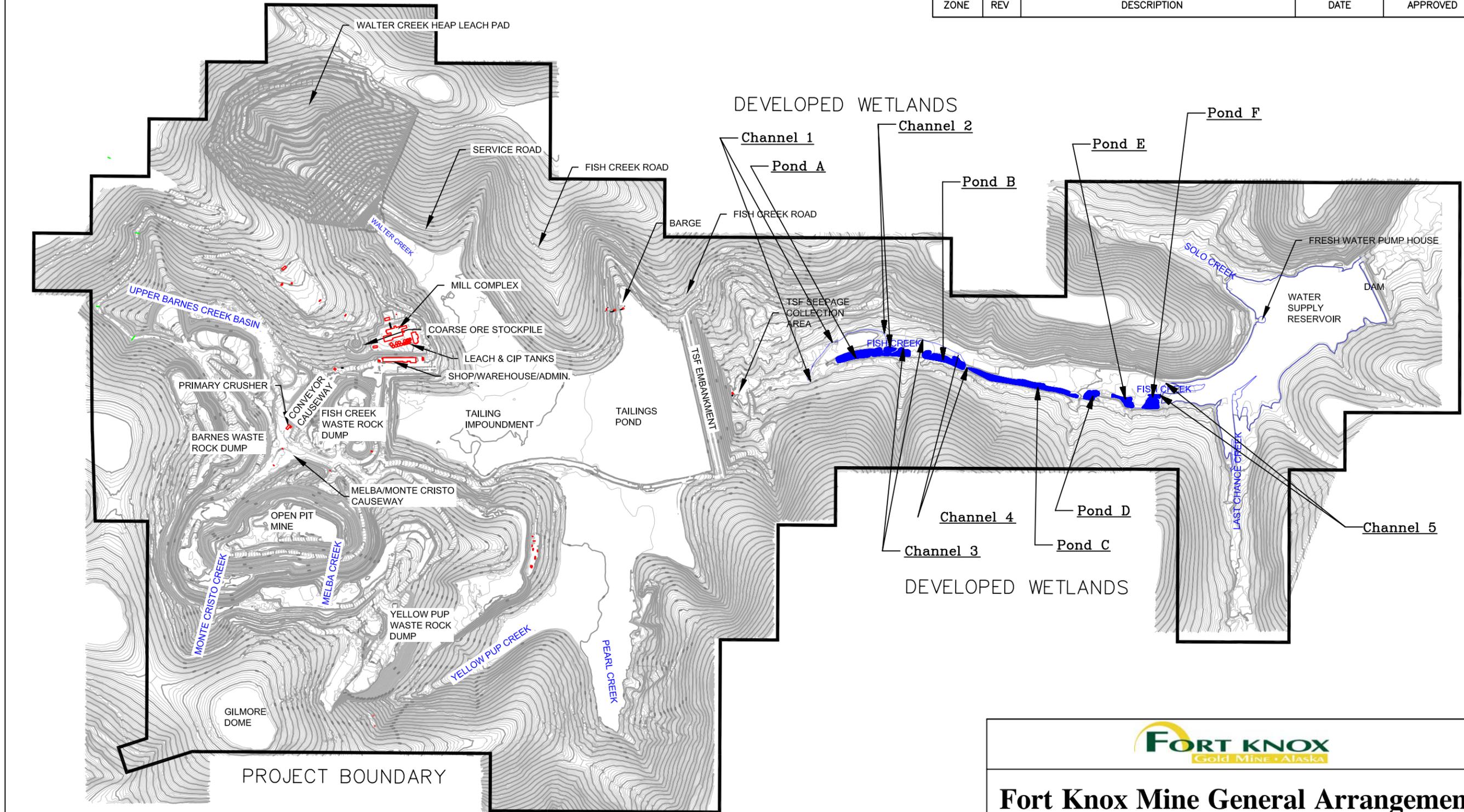
AAC	Alaska Administrative Code
ABA	Acid Base Accounting
ADEC	Alaska Department of Environmental Conservation
ADNR	Alaska Department of Natural Resources
AP	Acid Potential: calculated from ABA
CFR	Code of Federal Regulations
FGMI	Fairbanks Gold Mining Inc. (the permittee)
NP	Neutralization Potential: calculated from ABA
NP/AP ratio	Neutralization Potential to Acid Potential Ratio
Permittee	Fairbanks Gold Mining Inc.
QAPP	Quality Assurance Project Plan
SPCC	Spill Prevention Control and Countermeasure
TSF	Tailings Storage Facility
WAD CN	Weak Acid Dissociable Cyanide
WQS	Alaska Water Quality Standards (18 AAC 70)

## **5 FACILITY MAP**

### **5.1 FORT KNOX MINE AREA MAP**

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REVISIONS				
ZONE	REV	DESCRIPTION	DATE	APPROVED



# Fort Knox Mine General Arrangement

SIZE	DRAWING NAME	<b>Figure 1.1</b>	REV
SCALE: NTS	DATE: 11/2005		SHEET 1 OF 1