STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND & WATER

SEAN PARNELL, GOVERNOR

SOUTHEAST REGION OFFICE
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March 2, 2012

Coeur Alaska, Inc. (Kensington Gold Mine)
3031 Clinton Dr., Suite 202
Juneau, AK 99801

Re: Authorization for Temporary Use of Water TWUP J2012-01

Dear Coeur Alaska Inc,

Enclosed is your Authorization for the Temporary Use of Water TWUP J2012-01 for the use of water from Johnson Creek drainage, East Slate Creek drainage, ground water from boreholes, and groundwater from underground workings for use in exploration surface drilling, underground drilling, construction, dust suppressant operations, mine dewatering, mine operations, and domestic use within the Kensington Mine project area. Please make note of the expiration date, the conditions in the permit, and the other provisions and advisories. This permit allows Coeur Alaska Inc. to develop a water resource and water use as indicated. However, it **does not convey a water right or establish a priority date** for any future application for water rights.

Please be advised that this agency's approval does not relieve you of the responsibility of securing other permits that may be needed, whether state, federal, or local. This case file is officially closed upon expiration of the permit on **March 1, 2017**. Please keep this office informed of any changes of ownership or changes of address. If changes to this project are proposed during its operation, please contact this office immediately to determine if further review is necessary.

If you have any questions about your permit or water use permitting in general, please contact me at daniel.bussard@alaska.gov or 465-6363.

Regards,

Dan Palicka
Natural Resource Specialist

Cc: Jackie Timothy, ADFG
Kyle Moselle, ADNR
Dave Wilfong, ADNR
Andrea Myer, ADNR

Enclosure: **TWUP J2012-01**

State of Alaska
Department of Natural Resources
Division of Mining, Land, and Water
400 Willoughby Ave., Juneau, AK 99801
(907) 465-3400

TEMPORARY WATER USE AUTHORIZATION
TWUP J2012-01

Pursuant to AS 46.15, as amended, and the rules and regulations promulgated thereunder, authorization is hereby granted to

Coeur Alaska, Inc. (Kensington Gold Mine)
3031 Clinton Dr., Suite 202
Juneau, AK 99801

to use up to 964,000 (1.5 cubic feet per second (cfs)) gallons of water per day from all sources, at a total rate of up to 670 gallons per minute (gpm) from the effective date through April 1, 2017.

The water is to be taken from the following sources at the following rates within the following areas:

Maximum withdrawal rate per use:

- 100 gpm for exploratory and underground drilling.
- 70 gpm for construction and dust suppression operations.
- 500 gpm for mine dewatering, mine operations, and domestic use.

Water may be withdrawn from the listed water sources with in the listed areas:

Water Source	Meridian	Township	Range	1/2 or 1/4 Section
Surface runoff and tributary	CR	35 S	62 E	South 1/2 Section 3
streams of Johnson Creek				North 1/2 Section 3
				East 1/2 Section 10
				South 1/2 Section 10
				North 1/2 Section 15
				South 1/2 Section 14
				North 1/2 Section 23
Surface runoff and tributary	CR	35 S	62 E	South 1/2 Section 23
streams of East Slate Creek				NW 1/4 Section 26
				SW 1/4 Section 26
Groundwater from surface	CR	35 S	62 E	SW 1/4 Section 14
exploration boreholes				SE 1/4 Section 14
				NW 1/4 Section 10

Groundwater from surface	CR	35 S	62E	NW 1/4 Section 3
exploration boreholes				NE 1/4 Section 3
				SE 1/4 Section 3
				NE 1/4 Section 15
				SE 1/4 Section 10
Groundwater from underground	CR	35 S	62 E	SE 1/4 Section 14
workings				NW 1/4 Section 3
				South 1/2 Section 10
				NW 1/4 Section 10

The water is to be used for exploration surface drilling, underground drilling, construction, dust suppressant operations, mine dewatering, mine operations, and domestic use within the Kensington Mine project area.

Structures and equipment to be constructed and used: Suction or submersible pumps of various capacities up to 500 gpm; pipelines and hoses of various diameters up to 2000 feet in length from water source to points of use; gravity feed systems; and domestic water systems.

Changes in the natural state of water are to be made only as stated herein and for the purposes indicated.

During the effective period of this authorization, the permittee shall comply with the following conditions:

CONDITIONS

1. Follow acceptable engineering standards in exercising the privileges granted herein.

2. Comply with all applicable laws, and any rules and/or regulations issued thereunder.

3. Except for claims or losses arising from negligence of the State, defend and indemnify the State against and hold harmless from any and all claims, demands, suits, loss, liability and expense for injury to or death of persons and damages to or loss of property arising out of or connected with the exercise of the privileges covered by this authorization.

4. Notify the Alaska Division of Mining, Land, & Water upon change of address.

5. This authorization does not authorize the permittee to enter upon any lands until proper rights-of-way, easements, or permission documents from the appropriate land owner have been obtained.

6. Failure to respond to a request for additional information during the term of the authorization may result in the termination of this authorization.

7. The permittee shall allow an authorized representative of the ADNR Water Resources Section to inspect, at reasonable times, any facilities, equipment, practices, or operators regulated or required under this authorization.

8. The permittee is responsible for the actions of contractors, agents, or other persons who perform work to accomplish the approved project, and shall ensure that workers are familiar with the requirements of this authorization. For any activity that significantly deviates from the approved project during its siting, construction, or operation, the permittee is required to contact the Water Resources Section and obtain approval before beginning the activity.

9. The permittee is responsible for obtaining and complying with other permits and approvals (federal, state, or local) that may be required.

10. The ADNR Water Resources Section may modify this authorization to include different limitations, expand monitoring requirements, evaluate impacts, or require restoration at the site.

11. Any false statements or representations, in any application, record, report, plan, or other document filed or required to be maintained under this authorization, may result in the termination of this authorization.

12. The permittee shall pay an annual Administrative Service Fee that shall be assessed upon this water use authorization, per 11 AAC 05.010 (a) (8) (m).

13. Pursuant to 11 AAC 93.220 (f), this authorization may be suspended by the Department of Natural Resources to protect the water rights of other persons or the public interest.

14. In surface water sources the permittee's water intake structure shall be designed to prevent fish entrapment, entrainment, or injury. The effective screen opening may not exceed ¼ inch; maximum water velocity at the screen/ water interface may not exceed 0.5 feet per second when the pump is operating.

15. The permittee will comply with all Department of Environmental Conservation (DEC) regulations that apply to temporary camps / drinking water and maintain any necessary permits for such.

16. The withdrawal or diversion of water for consumptive uses, uses resulting in return flow to a drainage other than the drainage of the water source, or uses resulting in retention or storage of water, except for water retained for treatment purposes pursuant to ADEC permits, is subject to the instream flow requirements of issued water rights pertaining to the drainage of the water source. These instream flow requirements are as follows:

    Johnson Creek (Water Right LAS 24432)
    Withdraw no water from Johnson Creek or its drainage when the natural stream flow, as measured at a point downstream from the infiltration gallery as approved in the stream gauging plan, is less than the flow amounts in the following schedule:

January – April	2.5 cubic feet per second (cfs)
May – October	no restrictions
November –December	2.5 cfs

East Slate Creek (Water Right 24486)
Maintain within East Slate Creek downstream from the tailings impoundment dam and diversion discharge at a point approved in the stream gauging plan, stream flows not less than the flow amounts in the following schedule, or natural Lower Slate Lake inflow if inflow is concurrently less than the otherwise required flow:

January	2.7 cfs
February – March	3.5 cfs
April	1.9 cfs
May – August	2.2 cfs
September – October	5.7 cfs
November – December	2.7 cfs

This Temporary Water Use Authorization is issued pursuant to 11 AAC 93.220. No water right or priority is established by a temporary water use authorization issued pursuant to 11 AAC 93.220. Water so used is subject to appropriation by others (11 AAC 93.210(b)).

Pursuant to 11 AAC 93.210 (b), authorized temporary water use is subject to amendment, modification, or revocation by the Department of Natural Resources if the Department determines that amendment, modification, or revocation is necessary to supply water to lawful appropriators of record or to protect the public interest.

This authorization shall **EXPIRE** on March 1, 2017.

This authorization becomes **EFFECTIVE** on March 1, 2012.

Approved:

Ted Deats, Natural Resource Manager — Date: 3/2/12