

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

DIVISION OF WATER

Wastewater Discharge Authorization Program

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May 5, 2010

Certified Mail 7008-1830-0003-5208-2076

Mr. Timothy D. Arnold
Coeur Alaska, Inc.
3031 Clinton Dr., Suite 202
Juneau, AK 99801-7106

Subject: Lynn Canal Coeur Mine
Reference No. POA-1990-592-M6

Dear Mr. Arnold:

In accordance with Section 401 of the Federal Clean Water Act of 1977 and provisions of the Alaska Water Quality Standards, the Department of Environmental Conservation (DEC) is issuing the enclosed Certificate of Reasonable Assurance to extend the 401 certificate issued on May 6, 2005 for the proposed development of a new mine facilities and associated infrastructure approximately 45 miles north of Juneau, Alaska.

The 401 certificate issued by DEC on May 6, 2005 was for the project described in U.S. Army Corps of Engineers (Corps) Public Notice of Application for Permit reference number POA-1990-592-M and had an expiration date of May 5, 2010. The 401 certificate served two purposes: first, as a 401 Certificate of Reasonable Assurance for the U.S Army Corps of Engineers Section 404 permit, and second, served as the DEC Waste Management Permit for the facility. With this extension of the 401 certificate DEC is separating the 401 certificate for the 404 permit from the State of Alaska Waste Management Permit.

On July 17, 2009, the Corps issued a Public Notice (POA-1990-592-M6) for the project originally permitted under reference number POA-1990-592-M. The applicant's stated purpose in the public notice is to extend the time limit for the Corps permit modification. In addition, the modification would correct minor discrepancies to the previously authorized permit and plans, resulting in an overall reduction in jurisdictional impacts. For a detailed description see the Public Notice, POA-1990-592-M6. The permit modification extended the

time limit for the completion of the authorized work to July 31, 2014. At the completion of the public notice period on August 3, 2009, the Corps developed and issued the permit modification using DEC's 401 certificate issued on May 6, 2005, and the Corps did not require a new 401 certificate from DEC. Now that the 401 certificate issued on May 6, 2005, is expiring, DEC is issuing an extension of its 401 certificate based on the public notice POA-1990-592-M6.

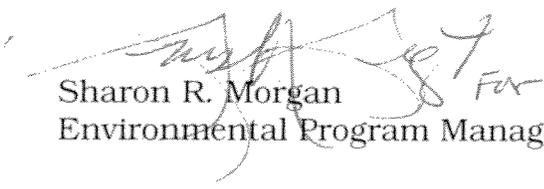
Coeur Alaska, Inc. submitted an application for a new Waste Management Permit to DEC on April 2, 2010. On April 28, 2010, DEC informed Coeur Alaska, Inc. that their application was considered administratively complete and was approved for an administrative extension of the Waste Management Permit. DEC expects to issue the new Waste Management Permit in early 2011.

Coeur Alaska, Inc. shall continue to provide proof of financial responsibility in an amount and in form(s) acceptable to DEC, in accordance with AS 46.03.100(f) and 18 AAC 60.265. If the financial assurances provided to other state and federal agencies are not sufficient to satisfy DEC requirements, Coeur Alaska, Inc. will provide any additional financial assurances determined by DEC to be necessary.

Department of Environmental Conservation (DEC) regulations provide that 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. Informal review requests must be delivered to the Director, Division of Water, 555 Cordova St., Anchorage, AK 99501, within 15 days of the permit decision. Visit <http://www.dec.state.ak.us/commish/ReviewGuidance.htm> for information on Administrative Appeals of Department decisions. Adjudicatory hearing requests must be delivered to the Commissioner of the Department of Environmental Conservation, 410 Willoughby Avenue, Suite 303, PO Box 111800, Juneau, AK 99811-1800, within 30 days of the permit decision. If a hearing is not requested within 30 days, the right to appeal is waived.

By copy of this letter we are advising the Corps of Engineers and Division of Coastal and Oceans Management of our actions and enclosing a copy of the certification for their use.

Sincerely,


Sharon R. Morgan
Environmental Program Manager

Enclosure

cc: (with encl.)

William Ashton, DEC

Allan Nakanishi, DEC

Kenwyn George, DEC

Tom Crafford, DNR

Carrie Bohan, DNR

Richard Jackson, USCOE

Reinhard W. Koenig, USCOE

Cindi Godsey, EPA

Clyde Gillespie, Coeur Alaska

Luke Russell, Coeur Alaska

Rick Richins, RTR Resource Management, Inc.

STATE OF ALASKA
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
CERTIFICATE OF REASONABLE ASSURANCE

A Certificate of Reasonable Assurance, in accordance with Section 401 of the Federal Clean Water Act and the Alaska Water Quality Standards, is issued to Coeur Alaska, Inc., 3031 Clinton Drive, Suite 202, Juneau, AK 99801-7106 to develop a mine, related facilities, and associate infrastructure. This Certificate of Reasonable Assurance is to extend the time limit concurrent with the U.S. Army Corps of Engineers (Corps) permit modification POA-1990-592-M. Additional modifications for this project are described in the Corps Public Notice of Application for Permit issued July 17, 2009, reference number POA-1990-592-M6. Modifications described in M6 are to correct minor discrepancies to the previously authorized permit and plans, resulting in an overall reduction in jurisdictional impacts; for a detailed description see the July 17, 2009 Public Notice. A total of 83.4 acres of fill was authorized under the Corps permit modification POA-1990-592-M, and as of December 2008, 45.2 acres of waters of the U.S. had been filled. The overall impact to waters of the U.S. as a result of the modification M6, would be a net reduction of 3.1 acres of similar palustrine habitat as previously authorized. See Table 1 of the Corps Public Notice that summarizes the overall changes in project impact.

Mitigation measures were evaluated and required as an integral part of the Corps permit modification POA-1990-592-M. Since the changes proposed in modification M6 would result in an overall reduction of impacts to waters of the U.S., no additional mitigation measures are proposed.

The proposed activity is located within Section 1, T. 36 S., R. 62 E., and sections 4, 5, 6, 10, 14, 15, 23, 24, 25, and 36, T 35 S., R. 62 E., Copper River Meridian approximately 45 miles north of Juneau, Alaska.

Public notice of the application for this certification was given as required by 18 AAC 15.180.

Water Quality Certification is required under Section 401 because the proposed activity will be authorized by a Corps of Engineers permit, reference number POA-1990-592-M6, and a discharge may result from the proposed activity.

Having reviewed the application and comments received in response to the public notice, the Alaska Department of Environmental Conservation (DEC) certifies that there is reasonable assurance that the proposed activity, as well as any discharge which may result, will comply with applicable provisions of Section 401 of the Clean Water Act and the Alaska Water Quality Standards, 18 AAC 70, provided that the following alternative measures are adhered to.

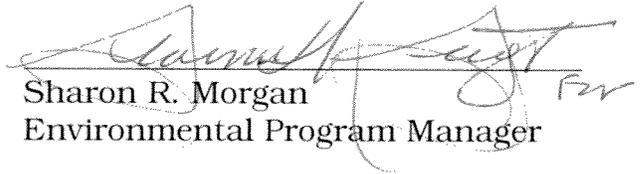
1. Reasonable precautions and controls must be used to prevent incidental and accidental discharge of petroleum products or other hazardous substances. Fuel storage and handling activities for equipment must be sited and conducted so there is no petroleum contamination of the ground, surface runoff or water bodies.
2. During construction and operation of the mine spill response equipment and supplies, such as sorbent pads, shall be available and used immediately to contain and cleanup oil, fuel, hydraulic fluid, antifreeze or other pollutant spills. For any spill amount, there are Discharge Notification and Reporting Requirements (AS 46.03.755 and 18 AAC 75 Article 3). Most importantly, contact by phone the DEC Area Response Team for Southeast Alaska, (907) 465-5340 during work hours or 1-800-478-9300 after hours. Also contact by phone the National Response Center at 1-800-424-8802. Report all spills.
3. The permittee shall submit mine operations, water quality monitoring, and closure plans to DEC for its approval before introducing any discharge into the Tailings Disposal Facility and shall secure DEC approval for any modifications to the approved plans.
4. During construction of the tailings dam the construction area shall be isolated from the flowing waters. Techniques such as stream diversion, dam and pump, or stream fluming shall be incorporated into the construction activity to insure that silt laden water resulting from construction activities is not carried downstream and to marine waters.
5. All soil disturbing construction operations that would increase turbidity of surface waters to levels that would violate Alaska Water Quality Standards shall be temporarily suspended if on-site monitoring demonstrates violations of the standards.
6. For culverts which carry waters that are discharging or will discharge into fish-bearing fresh waters or marine waters, installation shall not occur within the flowing waters of the stream/drainage. Culvert installation techniques such as stream diversion, dam and pump, or stream fluming shall be incorporated into the installation activity to insure that silt laden water is not carried into sensitive fish habitat. DNR or ADF&G habitat permits shall address the Anadromous fish-bearing streams.

7. Any disturbance in the stream banks or streambed areas shall be stabilized to prevent erosion and resultant sedimentation of the water body during and after operations. Any disturbed areas shall be re-contoured and revegetated as soon as practicable.
8. The wooden portions of the terminal docking shall not be treated with a preservative containing pentachlorophenol and if treated with creosote, the creosote shall be applied via pressure treatment that inhibits leaching at a rate that causes a sheen to form on the water.
9. The mine tailings shall be tested on a quarterly basis, in accordance with a monitoring plan approved by DEC, to insure there are no significant deviations from the original tailings analysis which may affect monitoring, closure requirements, water quality, or any other permit condition. Constituent levels that shall be measured include, but are not limited to: aluminum, ammonia, arsenic, cadmium, chromium, copper, iron, lead, mercury, nickel, nitrate, pH, selenium, silver, sulfate, total dissolved solids (TDS), zinc, meteoric water mobility, and acid base accounting. These analyses shall be included in the annual report to the U.S. Forest Service for all agencies to review.
10. All surface runoff from areas disturbed during the stripping of overburden or moving of existing overburden piles shall be diverted to existing mine cuts or stabilized areas, such as settling ponds, using berms, diversion channels, or brush barriers. Surface runoff containing sediment from disturbed areas shall not be discharged without treatment into any water body. All soil disturbing construction operations that would increase turbidity of surface waters to levels that would violate Alaska Water Quality Standards shall be temporarily suspended if on-site monitoring demonstrates said violations.
11. Organic overburden soil and topsoil stockpiles shall be stabilized as soon as practicable after placement to minimize erosion, sediment runoff or dust generation.
12. Construction of any infiltration gallery shall be isolated from the flowing waters of the stream.
13. Intertidal fill placed for the marine terminal shall be free of organic material. Fill shall be placed during low tide in those intertidal areas which are dry during low tide.
14. The appropriate water quality protection Best Management Practices shall be utilized during the proposed timber harvest around Lower Slate Lake to protect the waters of the lake, stream, and ocean.

15. Construction of any bridge abutments shall be isolated from the flowing waters of the stream.
16. Capping of the tailings, addition of organics, or other state approved mitigation measures will be required at or after mine closure if water quality criteria are not met in the impoundment, or if the tailings do not successfully re-colonize as determined by the state.

This certification expires on July 31, 2014. If your project is not completed by then and work under Corps of Engineers Permit will continue, you must submit an application for renewal of this certification no later than 30 days before the expiration date (18 AAC 15.100).

Date 5/5/2010


Sharon R. Morgan
Environmental Program Manager