

DEPARTMENT OF THE ARMY U.S. ARMY ENGINEER DISTRICT, ALASKA REGULATORY DIVISION P.O. BOX 6898 ELMENDORF AFB, ALASKA 99506-0898

MAR 1 3 2007

District Commander

Mr. Douglas C. Nicholson Vice President NovaGold Resources, Incorporated Post Office Box 640 Nome, Alaska 99762

Dear Mr. Nicholson:

Enclosed is the signed Department of the Army permit, file number POA-2006-742-M, Rock Creek, which authorizes the discharge of fill material into waters of the United States (U.S.), in conjunction with the construction of mining facilities at the Rock Creek Mine/Mill Complex site and the Big Hurrah Mine site, near Nome, Alaska. The Rock Creek project is located within Sections 14, 15 and 22-26, T. 10 S., R. 34 W., Kateel River Meridian, Latitude 64.616° N., Longitude 165.455° W., approximately 7 miles northwest of Nome, Alaska; with the Big Hurrah project located within Sections 2, 3, 4, 5, 10 and 11, T. 10 S., R. 28 W., Kateel River Meridian, Latitude 64.646° N., Longitude 164.238° W., approximately 50 miles northeast of Nome, Alaska. Also enclosed are two Notices of Authorization which should be posted in a prominent location, one at each work site, near the authorized work.

If changes to the plans or location of the work are necessary for any reason, plans must be submitted to us immediately. Federal law requires approval of any changes before construction begins.

Nothing in this letter excuses you from compliance with other Federal, State, or local statutes, ordinances, or regulations.

Please refer to file number POA-2006-742-M in future correspondence or if you have questions. You may contact us by writing to the above letterhead address, ATTN: CEPOA-RD-N, or by calling Mr. Don Rice of my staff at (907) 753-2712, toll free from within Alaska at (800) 478-2712, or by fax at (907) 753-5567.

Sincerely,

Kevin J. Wilson

Colonel, Corps of Engineers

District Commander

Enclosures

DEPARTMENT OF THE ARMY PERMIT

Permittee: Alaska Gold Company (A.K.A. NovaGold Resources, Inc.)

Permit No.: <u>POA-2006-742-M</u>

Issuing Office: U.S. Army Engineer District, Alaska

NOTE: The term "you" and its derivatives, as used in this permit, means the permittee or any future transferee. The term "this office" refers to the appropriate district or division office of the Corps of Engineers having jurisdiction over the permitted activity or the appropriate official of that office acting under the authority of the commanding officer.

You are authorized to perform work in accordance with the terms and conditions specified below.

Project Description:

Place approximately 15,592,411 cubic yards (cy) of fill material into 346.5 acres of waters of the U.S. for development, operation, and reclamation of the Rock Creek Mine Project; comprised of the Rock Creek Mine/Mill Complex and the Big Hurrah Mine. Reclamation shall be completed in accordance with the Rock Creek Plan of Operations, Volume 4, Reclamation Plan.

Specific features authorized by this permit are as follows (features located in uplands are not included here):

Rock Creek Mine/Mill Complex:

Feature	Acres of Waters of the U.S.	Cubic Yards
North Stockpile	83.0	6,320,000
Organic overburden stockpiles	62.0	2,362,740
Stormwater diversion channels	28.0	75,000
Class V injection system-wells	7.5	32,700
Class V injection system-gallery	8.5	60,000
Tailings storage facility	77.0	6,350,000
Access road and on-site haul roads	25.0	150,000
Infiltration zone access roads	6.0	45,778
Plant site	44.5	117,716
Total	341.5	15,513,934

Rock Creek Mitigation: Remove the temporary organic overburden stockpiles for re-application on development rock stockpiles and tailings storage facility. The 62 acres of wetlands underlying the temporary organic overburden stockpiles will be re-established. The 44 acres of the water management systems in wetlands will be reclaimed and restored to waters of the U.S. The pit lake will create 27 acres of waters of the U.S.

Big Hurrah Mine: Placement of 78,477 cy of fill material into 5 acres of wetlands to upgrade the existing Big Hurrah Mine access road.

Big Hurrah Creek Mitigation: Remove and re-contour historic placer tailings within 29 acres of the Big Hurrah Creek floodplain to simulate more natural stream and riparian characteristics, and to enhance overwintering fish habitat. The pit lake will create 14 acres of waters of the U.S.

All work will be performed in accordance with the attached plan, sheets 1-18, dated August 2006.

Project Location:

The Rock Creek Mine/Mill Complex is located within sections 14, 15, 22 - 26, T 10 S., R 34 W., Kateel River Meridian; Latitude 64.6160° N., Longitude 165.4550° W.; Snake River watershed, 7 miles northwest of Nome, Alaska.

The Big Hurrah Mine project site is located within sections 2, 3, 10, and 11, T 10 S., R 28 W., and section 34, T 9 S., R 28 W., Kateel River Meridian; Latitude 64.6460° N., Longitude 164.2380° W.; Solomon River watershed, 42 miles northeast of Nome, Alaska.

Permit Conditions:

General Conditions:

- 1. The time limit for completing the work authorized ends on <u>February 29, 2012</u>. If you find that you need more time to complete the authorized activity, submit your request for a time extension to this office for consideration at least one month before the above date is reached.
- 2. You must maintain the activity authorized by this permit in conformance with the terms and conditions of this permit. You are not relieved of this requirement if you abandon the permitted activity, although you may make a good faith transfer to a third party in compliance with General Condition 4 below. Should you wish to cease to maintain the authorized activity or should you desire to abandon it without a good faith transfer, you must obtain a modification of this permit from this office, which may require restoration of the area.
- 3. If you discover any previously unknown historic or archeological remains while accomplishing the activity authorized by this permit, you must immediately notify this office of what you have found. We will initiate the Federal and State coordination required to determine if the remains warrant a recovery effort or if the site is eligible for listing in the National Register of Historic Places.
- 4. If you sell the property associated with this permit, you must obtain the signature of the new owner in the space provided and forward a copy of the permit to this office to validate the transfer of this authorization.
- 5. If a conditioned water quality certification has been issued for your project, you must comply with the conditions specified in the certification as special conditions to this permit. For your convenience, a copy of the certification is attached if it contains such conditions.
- 6. You must allow representatives from this office to inspect the authorized activity at any time deemed necessary to ensure that it is being or has been accomplished in accordance with the terms and conditions of your permit.

Special Conditions:

- 1. All organic materials from excavation, fill pads and roads, development rock stockpiles, and tailings storage areas shall be removed, segregated and stockpiled for use during mine reclamation.
- 2. Any temporary or permanent standing water that will be created by project-related activities shall be tested and monitored on an ongoing basis over at least a ten year period (and longer, if needed) to determine whether toxicity/pollution levels exist that are harmful to fish, birds or other wildlife. If so, such waters shall be (1) removed immediately (if temporary), (2) treated so that toxicity/pollution is reduced to a level that no longer poses a threat to wildlife, or (3) enclosed by deterrent devices (fencing, netting, weirs, etc.) that prevent wildlife and fish from coming into contact with toxic substances or polluted water.
- 3. The Lindblom Creek culvert on the Glacier Creek Road shall be replaced with a culvert of sufficient size and design to accommodate the increased flows resulting from the diversion of Rock Creek-drainage surface waters above the proposed mine site. The culvert shall be designed to prevent downstream bed degradation from increased flows and allow fish passage. Increased scouring,

- ponding, perching of the culvert, and/or accumulation of sediment in waters of the U.S. shall be evidence of inadequate drainage and noncompliance with this condition.
- 4. A 50 foot vegetated buffer shall be maintained, to the extent practicable, between the active or rehabilitated Big Hurrah Creek channel and the Big Hurrah access road.
- 5. During Big Hurrah Creek tailings removal and channel/floodplain rehabilitation and re-contouring, the applicant shall minimize destruction of riverine tall willow vegetation. Where necessary to remove this habitat, the applicant shall salvage willows and replant or re-distribute them to increase bank or slope stability and to provide habitat for birds and shade, structure and cover for fish, including in and around newly created pools.
- 6. To reduce the potential for bird collisions with the proposed power line, bird diverter devices shall be installed and maintained within one quarter mile on either side of the new Glacier Creek Bridge. Diverters shall be spaced not more than 65 feet apart and alternate between outside wires. Power line poles and transmission lines also shall be designed to meet Avian Power Line Interaction Committee (APLIC) standards for reducing the likelihood of bird electrocution (http://www.aplic.org).
- 7. Within three months of permit issuance, the applicant shall meet with the Corps and USFWS to identify options for achieving additional mitigation that will benefit birds. Options may include restoration of previously degraded wetlands, purchase of or conservation easements on parcels with equivalent bird habitat values, in-lieu fees, or a combination thereof. In collaboration with the Corps and USFWS, the applicant shall develop a plan to offset the unavoidable loss of wetlands and high-value bird habitats. This plan shall include, but not be limited to, the specific actions or measures to be taken, and the deadlines for implementation or completion. The plan shall be submitted to the Corps for review and coordination with USFWS within one year of permit issuance. The Corps must provide written approval of the plan prior to implementation.
- 8. All fill and disturbed areas shall be stabilized to prevent erosion. Increased water turbidity and accumulation of sediment in drainages and adjacent wetlands shall be evidence of insufficient stabilization.
- 9. Project limits of authorized sites shall be clearly identified in the field (e.g., staking, flagging, silt fencing, existing footprint for maintenance activities, etc.) prior to additional clearing and construction to ensure avoidance of impacts to waters of the U.S. (including wetlands) beyond project footprints. No fill or construction materials shall be placed outside the project boundary.
- 10. Natural drainage patterns shall be maintained to the maximum extent practicable. If applicable, activities must be designed to maintain preconstruction downstream flow conditions (e.g., location, capacity, and flow rates). Furthermore, activities must not restrict or impede the passage of normal or expected high flows (unless the primary purpose of the fill is to impound waters) and the structure or discharge of dredged or fill material must withstand expected high flows. Stream channelizing shall be reduced to a minimum. Activities must, to the maximum extent practicable, reduce adverse effects such as flooding, erosion, or scouring downstream and upstream of the project site. Increased scouring, ponding, perching of a culvert, and/or accumulation of sediment in waters of the U.S. shall be evidence of inadequate drainage and noncompliance with this condition.
- 11. The applicant shall develop a plan with the Alaska Department of Transportation and Public Facilities on dust minimization, especially around subsistence areas and fish racks, prior to hauling ore from Big Hurrah Mine.
- 12. A Memorandum of Agreement between the Corps, State Historic Preservation Office, and Alaska Gold Company shall be developed. Properties at the Rock Creek Mine/Mill Complex shall be avoided. Properties at the Big Hurrah Mine Site shall be avoided or mitigated, should avoidance not be possible. The MOA shall be finalized prior to any ground disturbance at the Big Hurrah Mine site.

- 13. The permittee shall submit an annual report for review and approval by the Corps. The report, to be submitted by December 31 of each year, shall include annotated, detailed recent aerial color photographs showing the following work performed during the previous year:
 - a. All mine components prominently labeled to include water management systems, development rock stockpiles, organic overburden stockpiles, mine pit boundaries, roads, mill/facility pads, etc.
 - b. Location and size of areas disturbed, including areas that have been mechanically land cleared and areas where fill has been placed
 - c. Location and size of areas reclaimed and ready for final inspection

Special Information:

Any condition incorporated by reference into this permit by General Condition 5, remains a condition of this permit unless expressly modified or deleted, in writing, by the District Engineer or his authorized representative.

Further Information:

- 1. Congressional Authorities: You have been authorized to undertake the activity described above pursuant to:
 - () Section 10 of the Rivers and Harbors Act of 1899 (33 U.S.C. 403).
 - (X) Section 404 of the Clean Water Act (33 U.S.C. 1344).
 - () Section 103 of the Marine Protection, Research, and Sanctuaries Act of 1972 (33 U.S.C. 1413).
- 2. Limits of this authorization.
- a. This permit does not obviate the need to obtain other Federal, State, or local authorization required by law.
 - b. This permit does not grant any property rights or exclusive privileges.
 - c. This permit does not authorize any injury to the property or rights of others.
 - d. This permit does not authorize interference with any existing or proposed Federal project.
- 3. Limits of Federal Liability. In issuing this permit, the Federal Government does not assume any liability for the following:
- a. Damages to the permitted project or uses thereof as a result of other permitted or unpermitted activities or from natural causes.
- b. Damages to the permitted project or uses thereof as a result of current or future activities undertaken by or on behalf of the United States in the public interest.
- c. Damages to persons, property, or to other permitted or unpermitted activities or structures caused by the activity authorized by this permit.
 - d. Design or construction deficiencies associated with the permitted work.
 - e. Damage claims associated with any future modification, suspension, or revocation of this permit.
- 4. Reliance on Applicant's Data: The determination of this office that issuance of this permit is not contrary to the public interest was made in reliance on the information you provided.

- 5. Reevaluation of Permit Decision. This office may reevaluate its decision on this permit at any time the circumstances warrant. Circumstances that could require a revaluation include, but are not limited to, the following:
 - a. You fail to comply with the terms and conditions of this permit.
- b. The information provided by you in support of your permit application proves to have been false, incomplete, or inaccurate (See 4 above).
- c. Significant new information surfaces which this office did not consider in reaching the original public interest decision.

Such a reevaluation may result in a determination that it is appropriate to use the suspension, modification, and revocation procedures contained in 33 CFR 325.7 or enforcement procedures such as those contained in 33 CFR 326.4 and 326.5. The referenced enforcement procedures provide for the issuance of an administrative order requiring you to comply with the terms and conditions of your permit and for the initiation of legal action where appropriate. You will be required to pay for any corrective measures ordered by this office, and if you fail to comply with such directive, this office may in certain situations (such as those specified in 33 CFR 209.170) accomplish the corrective measures by contract or otherwise and bill you for the cost.

6. Extensions. General Condition 1 establishes a time limit for the completion of the activity authorized by this permit. Unless there are circumstances requiring either a prompt completion of the authorized activity or a reevaluation of the public interest decision, the Corps will normally give favorable consideration to a request for an extension of this time limit.

Your signature below, as permittee, indicates that you accept and agree to comply with the terms and conditions of this permit.

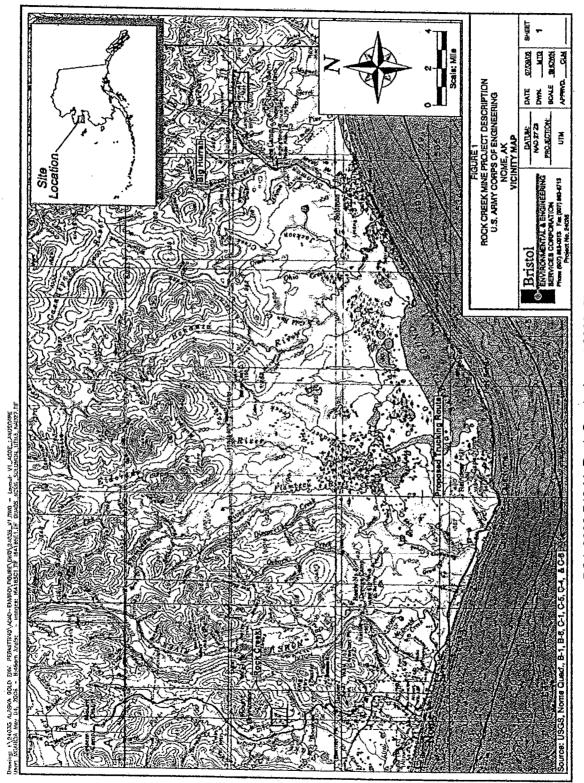
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This permit becomes effective when the Federal official, designated to act for the Secretary of the Army, has signed below.

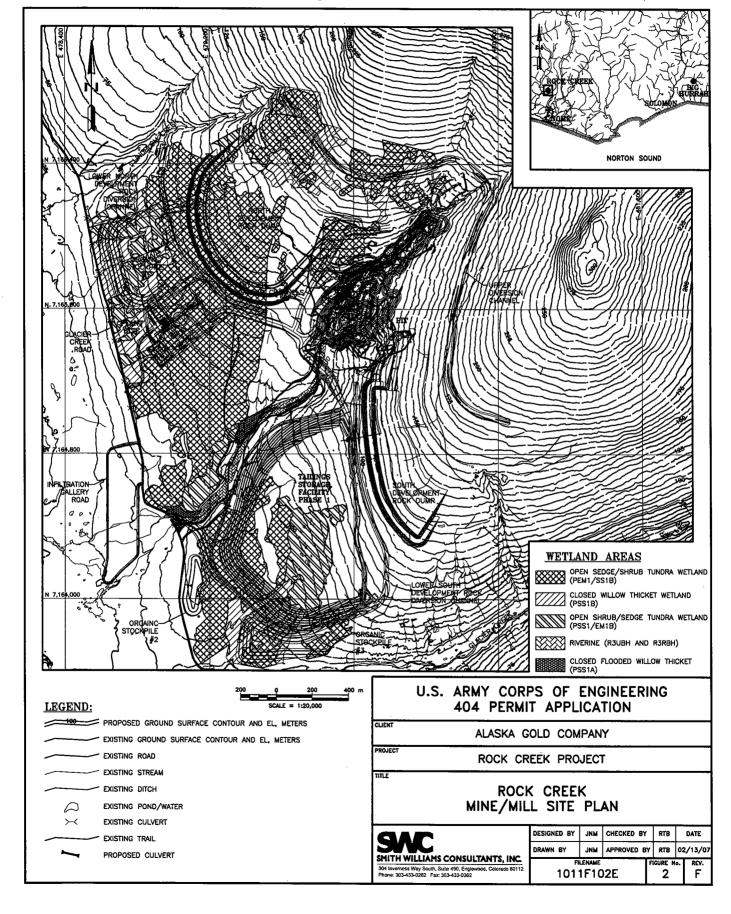
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CORPS OF ENGINEERS	

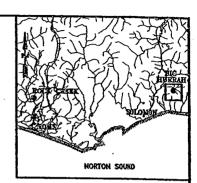
When the structures or work authorized by this permit are still in existence at the time the property is transferred the terms and conditions of this permit will continue to be binding on the new owner(s) of the property. To validate the transfer of this permit and the associated liabilities associated with compliance with its terms and conditions have the transferee sign and date below.

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(TRANSFEREE)		(DATE)
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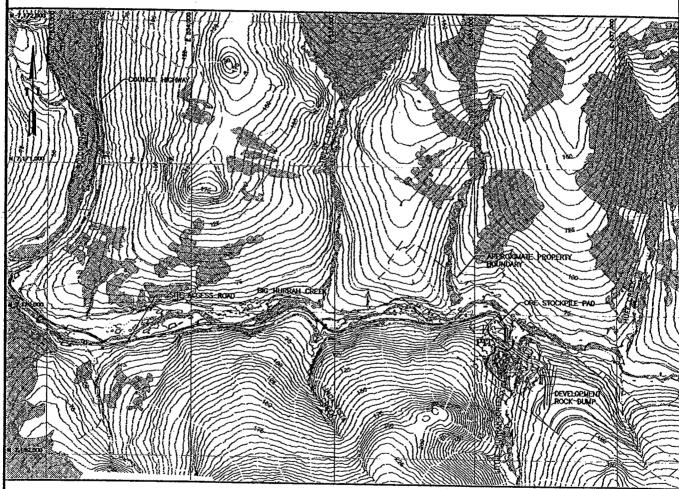


POA-2006-742-M, Rock Creek, August 2006, Sheet 1 of 18





POA-2006-742-M, Rock Creek, August 2006, Sheet 3 of 18



LEGEND:

250 0 250 600 m

EXISTING GROUND SURFACE CONTOUR AND EL, METERS

PROPOSED GROUND SURFACE CONTOUR AND EL, METERS

EXISTING ROAD

- EXISTING STREAM

EXISTING DITCH

EXISTING POND/WATER



WETLANDS PROPOSED CULVERT

U.S. ARMY CORPS OF ENGINEERING 404 PERMIT APPLICATION

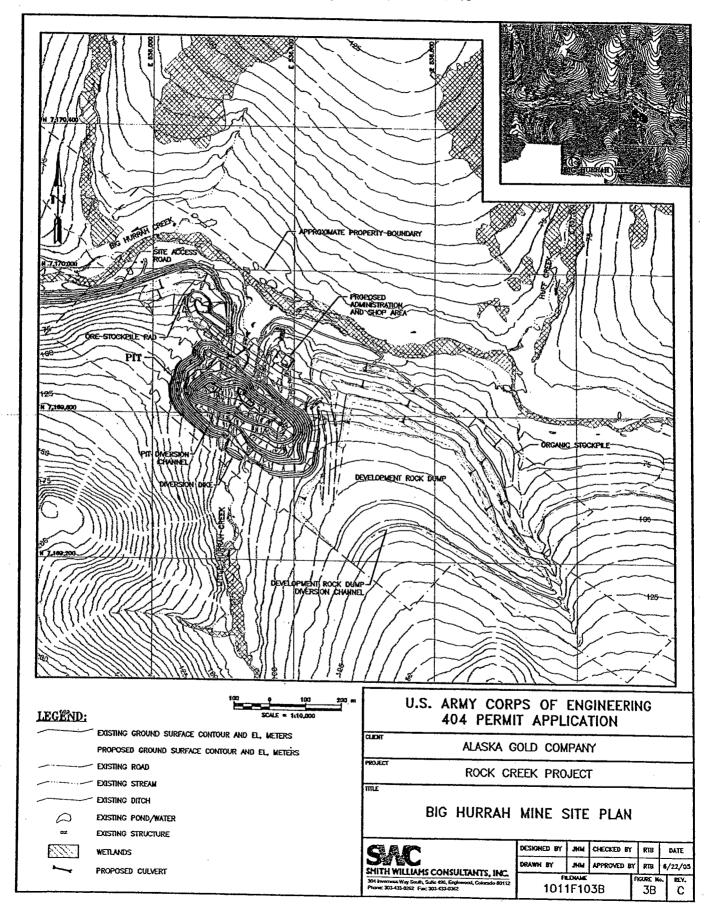
ALASKA GOLD COMPANY

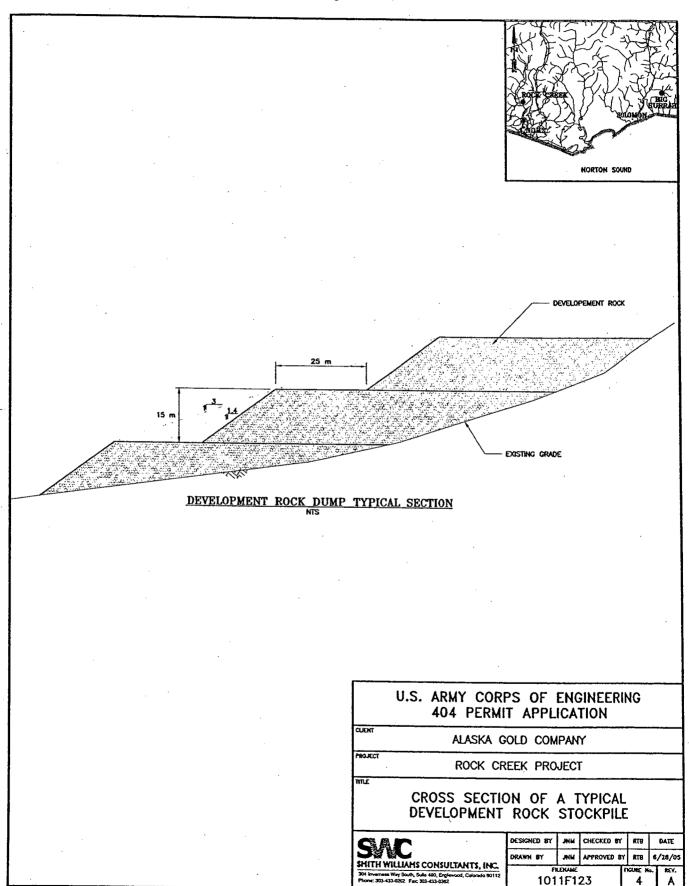
ROCK CREEK PROJECT

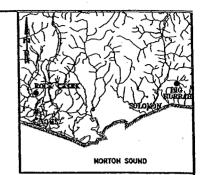
BIG HURRAH AND ACCESS ROAD OVERVIEW

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PROPOSED EINISHED CRADE

NATURAL GROUND SURFACE

ALLUMAL OVERBURDEN-

PLANT SITE SECTION

U.S. ARMY CORPS OF ENGINEERING 404 PERMIT APPLICATION

CLIENT

ALASKA GOLD COMPANY

PROJECT

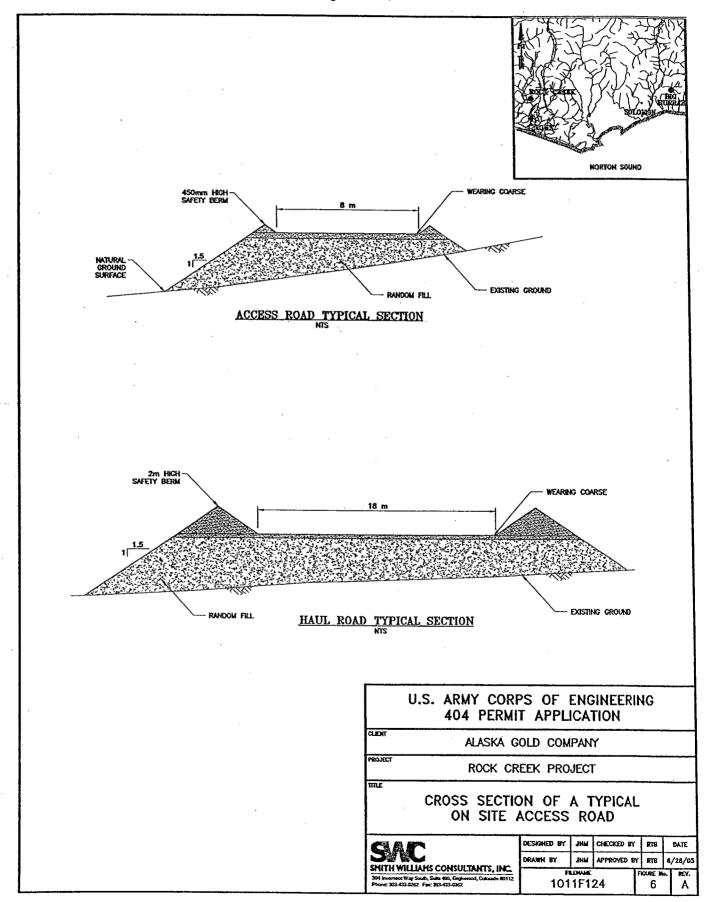
ROCK CREEK PROJECT

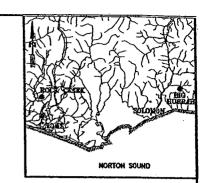
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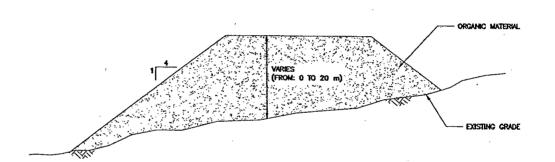
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TYPICAL ORGANIC STOCKPILE

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ALASKA GOLD COMPANY

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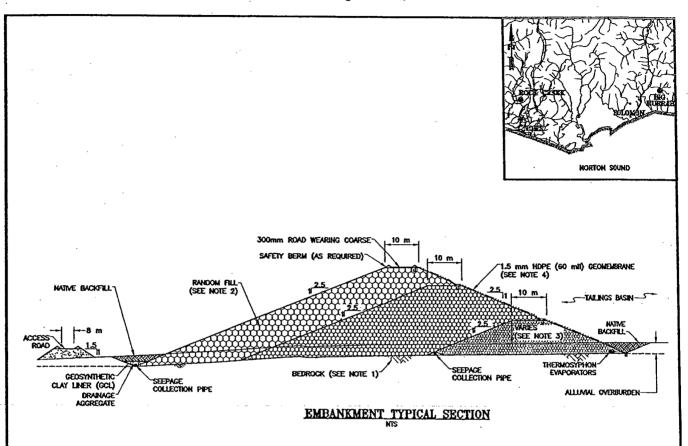
ROCK CREEK PROJECT

TITLE

CROSS SECTION OF A TYPICAL ORGANIC STOCKPILE

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SMITH WILLIAMS CONSULTANTS, INC.	ŀ
304 Inverneer Way South, Suite 490, Engloward, Colorado 80112 Phone: 303-433-0352 Fax: 303-433-0362	l

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LEGEND:



PHASE 1, STAGE 1



PHASE 1, STAGE 2



PHASE 1, STAGE 3

NOTES:

- FOUNDATION AREA MUST BE EXCAVATED TO NON-ICE RICH BEDROCK. FOUNDATION TO BE INSPECTED AND APPROVED BY THE ENGINEER.
- 2. EMBANKMENT RANDOM FILL SHALL CONSIST OF DEVELOPMENT ROCK FROM THE MINE PIT DEVELOPMENT.
- 3. EMBANKMENT HEIGHTS VARY ALONG ALKHIMENT. MAXIMUM HEIGHTS ARE: 9 m FOR STAGE 1, 20 m STAGE 2 AND 24 m FOR STAGE 3.
- A 300 mm THICK LAYER OF LINER BEDDING MATERIAL UNDERLIES THE HDPE GEOMEMBRANE.

U.S. ARMY CORPS OF ENGINEERING 404 PERMIT APPLICATION

CLIENT

ALASKA GOLD COMPANY

PROJECT

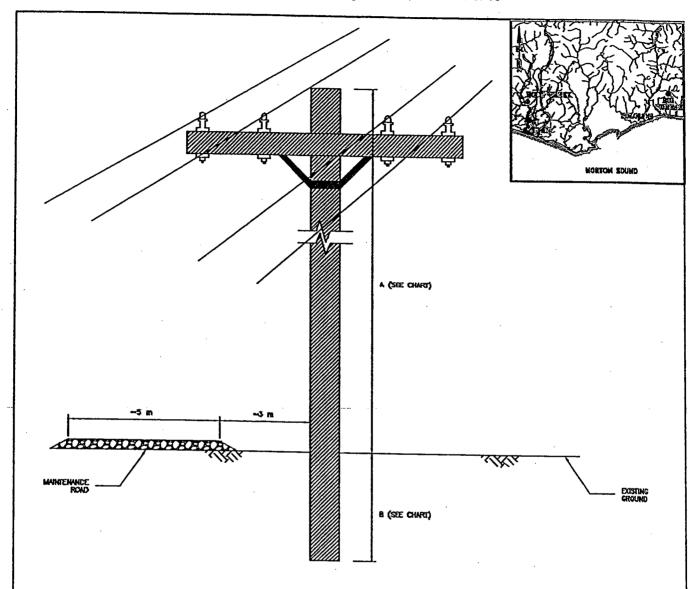
ROCK CREEK PROJECT

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CROSS SECTION OF THE ROCK CREEK TAILINGS STORAGE FACILITY DAM

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NOTES:

- 1. MBEDDNENT DEPTH (B) IS EQUAL TO 10% OF TOTAL ABOVE GROUND HEIGHT, PLUS AN ACOTTONAL 1.2 METERS.
- 2. MAINTENANCE ROAD NOT REQUIRED AT ALL LOCATIONS.

POLE SECTION	A	В
NUS POWER PLANT TO BELITZ CORNER	13.7	2.5
BELTZ CORNER TO MINE ROAD	13.7	2.5
KINE ROAD	12.2	2.4

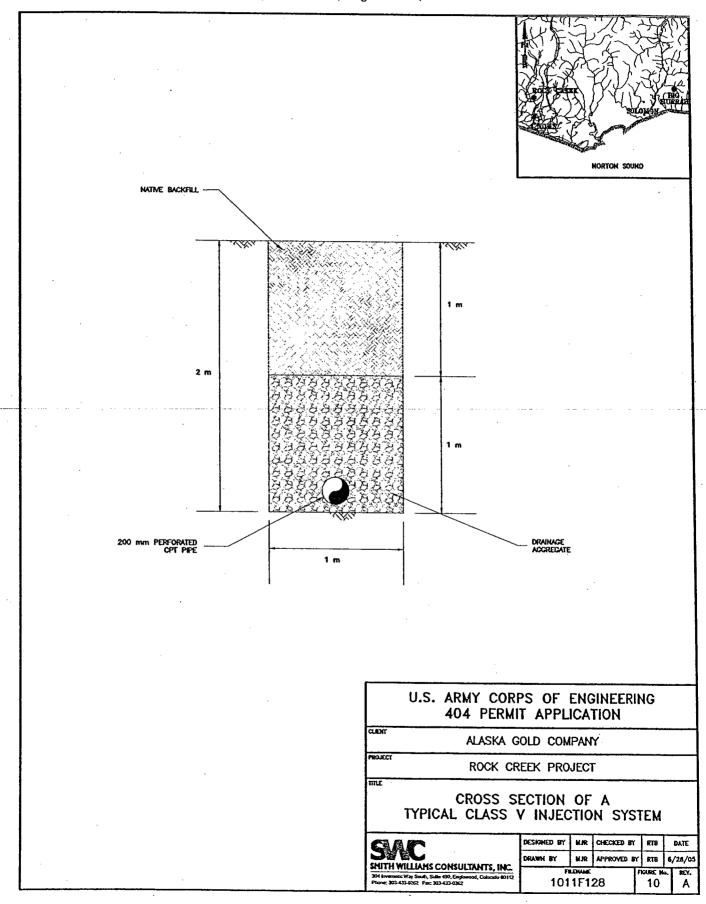
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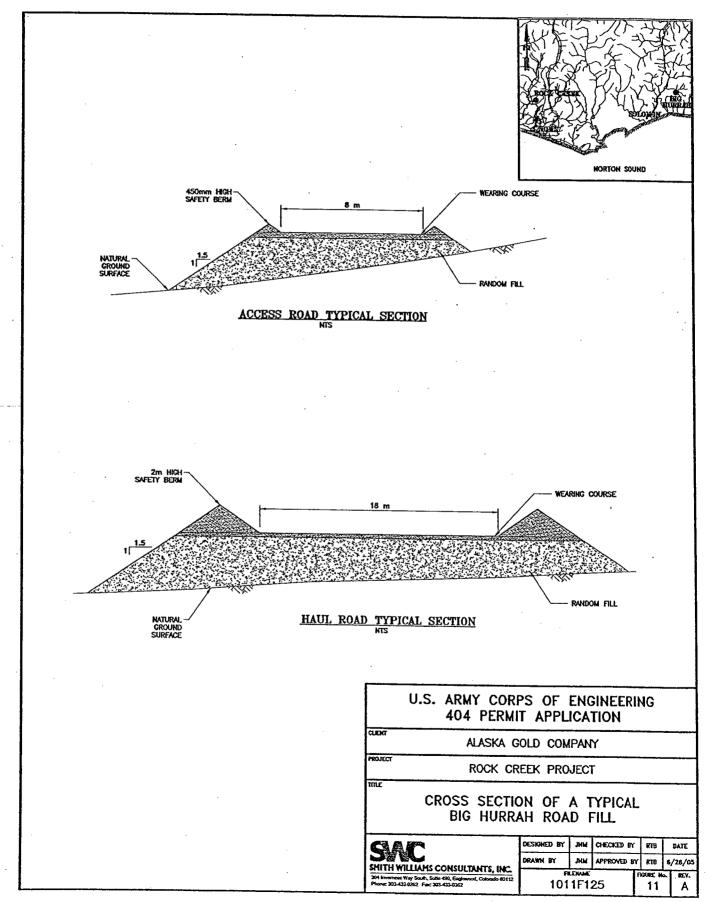
ALASKA COLD COMPANY
ROCK CREEK PROJECT

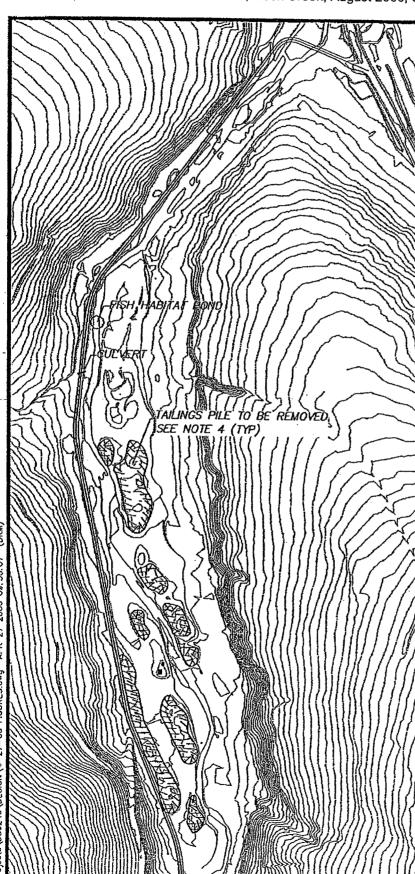
CROSS SECTION OF A TYPICAL UTILITY POLE SETTING

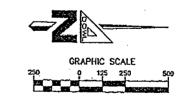
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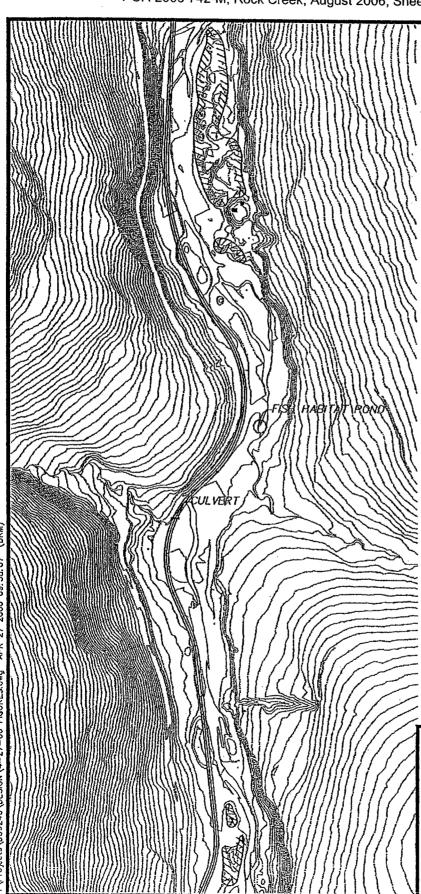
NAME: BIG HURRAH MINE ACCESS ROAD

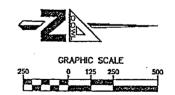
PROJECT: BIG HURRAH CREEK

LOCATION: NOME, ALASKA

WATERBODY: BIG HURRAH

DATE: 04/27/06 SHEET: FIGURE 12a







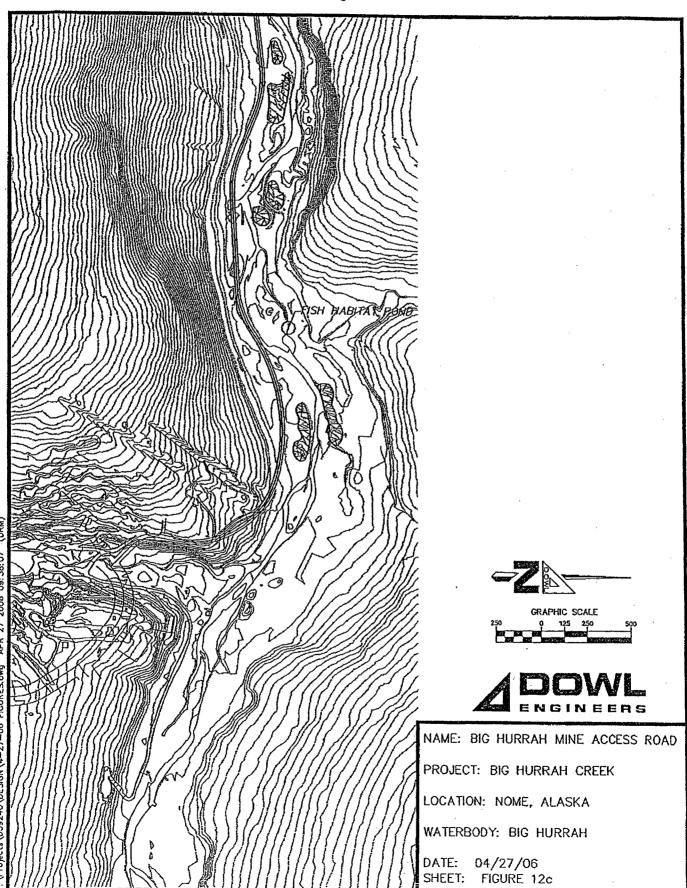
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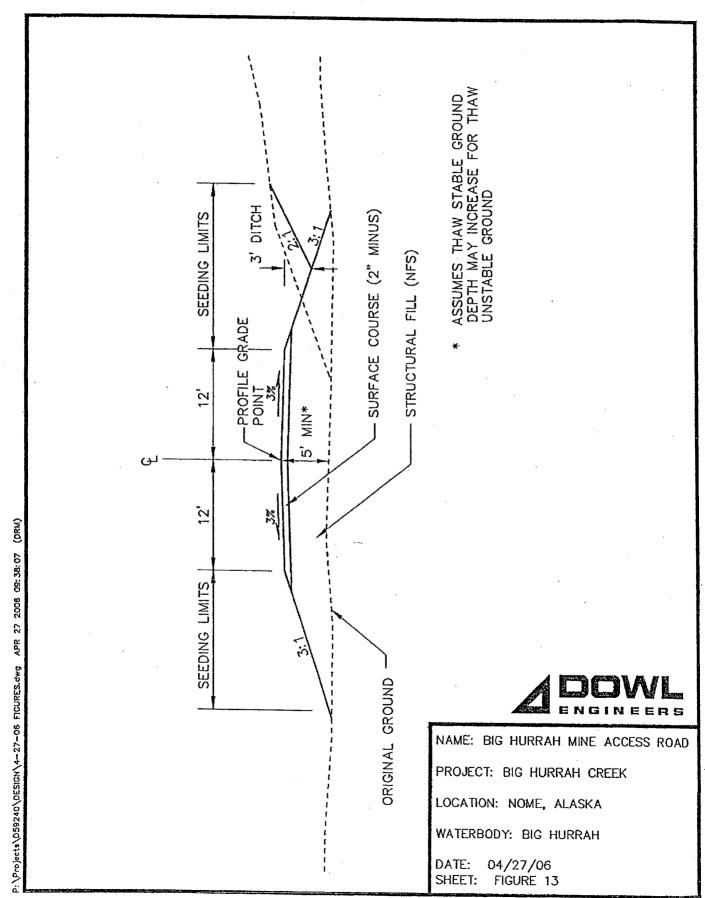
PROJECT: BIG HURRAH CREEK

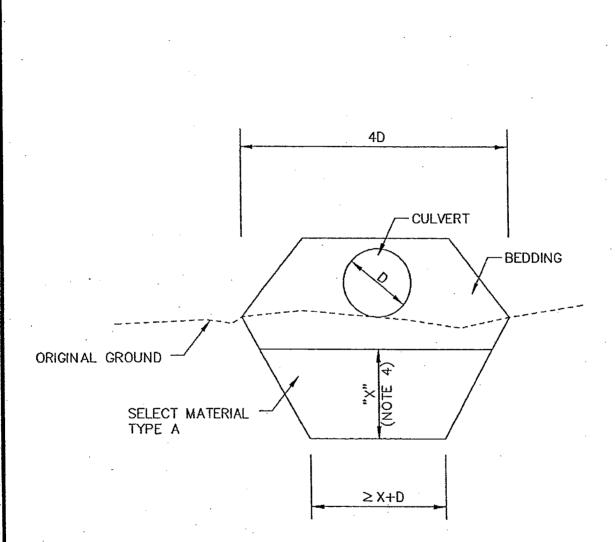
LOCATION: NOME, ALASKA

WATERBODY: BIG HURRAH

DATE: 04/27/06 SHEET: FIGURE 12b









NAME: BIG HURRAH MINE ACCESS ROAD

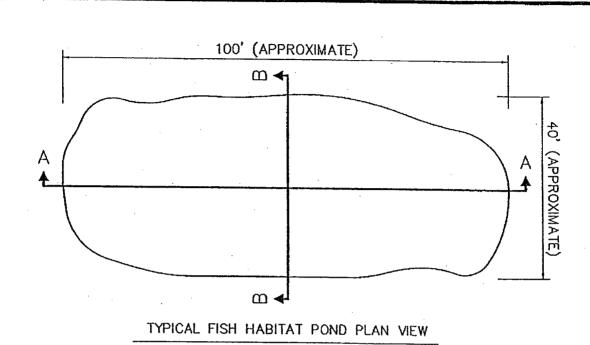
PROJECT: BIG HURRAH CREEK

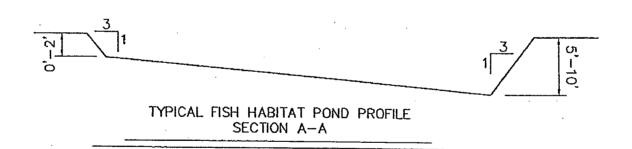
CULVERT FOUNDATION DETAIL

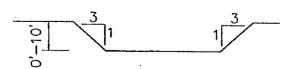
LOCATION: NOME, ALASKA

WATERBODY: BIG HURRAH

DATE: 04/27/06 SHEET: FIGURE 14







TYPICAL FISH HABITAT POND CROSS SECTION SECTION B-B



NAME: BIG HURRAH MINE ACCESS ROAD

PROJECT: BIG HURRAH CREEK

FISH HABITAT POND DETAIL

LOCATION: NOME, ALASKA

WATERBODY: BIG HURRAH

DATE: 04/27/06 SHEET: FIGURE 15