173.70

Montana Department of
ENVIRONMENTAL QUALITY

Brian Schweitzer, Governor

P.O. Box 200901 • Helena, MT 59620-0901 • (406) 444-2544 • www.deq.mt.gov

July 21, 2008

Dear Reader:

In April 2007, Elkhorn Goldfields Inc. (EGI) submitted an Operating Permit application for the Golden Dream Mine Project located 19 miles east of Boulder, Montana. The project site is in Jefferson County, north of the old mining town of Elkhorn, in portions of Sections 10, 11, 14, and 15 in Township 6 North, Range 3 West, and encompasses a proposed total permit area of 382.5 acres. The purpose of the project is to mine gold ore bodies located by exploration drilling. The mine would be developed on privately held claims and on unpatented mining claims within the Deer Lodge National Forest. Surface mine facilities would be located on privately held claims. Impacts to federally administered property would be limited to four short segments of an existing United States Forest Service (USFS) road. Approximately 1,200 feet of this road would be used to access the mine. A Road Use Permit and a fencing agreement are in place for the use of this road and are on file at the Jefferson Ranger District.

As proposed by EGI in the operating permit application, the Golden Dream Mine Project would consist of a 500 to 1000 tons-per-day mechanized, underground gold mining operation. The ore would be trucked to an offsite mill for concentration. EGI would use the dormant Diamond Hill mill circuit, currently housed at Montana Tunnels Mine near Jefferson City, as a custom mill. As part of the Proposed Action a total permit area of 382.5 acres would be established. The total disturbance area would be limited to 29.6 acres; including facilities and mining areas, and pre-existing primary and secondary access routes.

The exploration license has approved 9.4 acres of existing disturbance. The existing exploration permit disturbances would be incorporated into the Golden Dream Mine operating permit and are evaluated in this EA as part of the Proposed Action disturbance areas.

Mining disturbances would include a total of three underground portals, a facilities area to include offices, shop and equipment areas, a development rock stockpile located in an existing unreclaimed mine pit, a loading facility for stockpiling and loading ore, a water system designed to dewater the ground to be mined, treat water as needed and distribute the water to a series of percolation ponds to reintroduce the water to the groundwater system, and roads sufficient to handle mining traffic.

The Montana Department of Environmental Quality (DEQ) issued a Draft Environmental Analysis (EA) on April 7, 2008 evaluating the potential impacts from the rock picking operation and asking for comments on the proposed operation. The Draft EA addressed issues and concerns raised during public involvement and from agency scoping. A number of comment letters were received (see attachment).

The EA analyzed the potential impacts of the Proposed Action as well as the potential impacts of two alternatives: 1) No Action (Denial of the Operating Permit) and 2) Agency Modifications to the Proposed Action.

The comments received have not changed the conclusions in the Draft EA. DEQ has decided to adopt the Draft EA as the Final EA and has selected the Agency Modifications to the Proposed Action Alternative as well as one additional stipulation. The stipulations noted in the Draft EA are listed below.

1. The Proposed Action would institute a surface subsidence monitoring program prior to commencing mining to measure potential movement of the ground surface. This program includes installation of non-movable points on private and USFS land that would be measured and recorded by survey on a quarterly schedule. Four initial points have been identified to start this program. The points are conceptually located over the main decline, ventilation decline, the spiral portion of the decline, and the ore body in the location of the oxide ore zone/crown pillar backfill (Figure 3). Data would be collected, recorded in a database, and analyzed after each surveying event to monitor potential ground movement or surface subsidence. As a mitigation, the monitoring would be increased to monthly until sufficient depth is reached to allow for a reduction.

2. Surface water and groundwater monitoring would continue as specified in the operational water quality monitoring plan for a period of two years after the completion of reclamation. As a mitigation the monitoring would be continued until it is demonstrated that all applicable water quality standards have been met.

3. A spring survey conducted in late summer 2006 identified two springs in the Study Area (Figure 13): SP-1 is located west of the Project Area in the Turnley Creek drainage; and SP-2 is located in the center of the Project Area near a reclaimed leach pad in the Saddle Facilities Area. Flow from both springs is reported less than 1 gallon per minute (gpm) (Elkhorn Goldfields 2007). Spring SP-1 is included in the ongoing monitoring program (Table 13). As a mitigation, spring SP-2 will be included in the monitoring plan similarly as spring SP-1.

Additional Stipulation:
4. EGI must design the pipeline running from the water treatment plant to the percolation ponds to have a leak detection and automatic shutoff system in case of a break. The plan must be approved by DEQ before construction begins.

The operating permit will be approved contingent on EGI posting the required reclamation bond and signature by the Director of DEQ. Following are the proposed permit conditions:

Permit Area: 382.5 acres
Permitted Disturbance: 29.98 acres
Bond: $469,065 (this would be in addition to the existing exploration bond)

Information on the EGI Golden Dream Mine Project operating permit application can be obtained by writing or calling the Montana Department of Environmental Quality, c/o Herb Rolfes, P. O. Box 200901, Helena, MT 59620, telephone (406) 444-3841; e-mail address hrolfes@mt.gov.

Warren D. McCullough

Warren D. McCullough, Chief
Environmental Management Bureau

7/18/08
Date

Attachment: Response to public comments

OP /OP_Applications/ElkhornGoldfields/FEAReaderCoverlet.doc