



August 31, 2016

Warren Woods  
General Manager  
Hycroft Resources & Development, Inc.  
PO Box 3030  
Winnemucca, NV 89446

**RE: Notice of Alleged Air Quality Violation and Order Nos. 2585 and 2586  
Mercury Operating Permit to Construct AP1041-2255 (FIN A0390)**

Dear Mr. Woods:

The Nevada Division of Environmental Protection – Bureau of Air Pollution Control (BAPC) alleges that Hycroft Resources & Development, Inc. (HRDI) has violated conditions of Mercury Operating Permit to Construct AP1041-2255 (Permit). Specifically, the attached Notice of Alleged Air Quality Violation and Order (NOAV) Nos. 2585 and 2586 allege that HRDI failed to conduct required annual mercury testing in 2015 for three affected systems (System 01 – Mercury Retort #1 (TU 4.001), System 02 – Furnace #1 (TU 4.002), and System 03 – Mercury Retort #2 (TU 4.003)) and failed to comply with permitted emission limits for mercury on System 01 and System 02 during source testing conducted on April 19, 2016 and April 21, 2016.

**Nevada Administrative Code (NAC) 445B.275 Violations: Acts constituting; notice** states in part:

*“1. Failure to comply with any requirement of NAC 445B.001 to 445B.3689, inclusive, any applicable requirement or any condition of an operating permit constitutes a violation. As required by NRS 445B.450, the Director shall issue a written notice of an alleged violation to any owner or operator for any violation, including, but not limited to:*

*(c) Failure to construct or operate a stationary source in accordance with any condition of an operating permit;”*

On July 29, 2016, the BAPC held an enforcement conference with HRDI to discuss *Draft* NOAV Nos. 2585 and 2586 issued on July 28, 2016. Based on the information presented during the enforcement conference the BAPC has determined that formal issuance of NOAV Nos. 2585 and 2586 is warranted.

In accordance with **NAC 445B.281 Violations: Classification; administrative fines**, failure to conduct required source testing and failure to meet permit limits for emissions during source testing constitute major violations. NOAV Nos. 2585 and 2586 represents HRDI’s fifth and sixth air quality violations within the last 60 months.

As was discussed during the enforcement conference, the BAPC makes recommendations to the Nevada State Environmental Commission (SEC) as to what an appropriate penalty may be for an air quality violation. The BAPC will be recommending a penalty of **\$3,600.00** for NOAV No. 2585 and a penalty of **\$43,920.00** for NOAV No. 2586 for a total of **\$47,520.00** based on use of the Administrative Penalty Matrix for air quality violations related to source tests.

An appeal of NOAV Nos. 2585 and 2586 may be requested pursuant to **Nevada Revised Statute (NRS) 445B.360 Appeals to Commission: Appealable matters; action by Commission; regulations.** and SEC administrative rules. A copy of SEC Appeal Form #3 is enclosed. Appeals must be received within ten (10) days of receipt of this notice, pursuant to **NRS 445B.340 Appeals to Commission: Notice of appeal.** Appeals are processed through Valerie King, the Executive Secretary for the SEC, at 901 South Stewart Street, Suite 4001, Carson City, Nevada, 89701-5249. Mrs. King can be reached at (775) 687-9374, or by fax at (775) 687-5856. Please provide me with a copy of any correspondence your company may have with the SEC.

If you have any questions regarding the alleged violations, please contact Ryan Clark at (775) 687-9536. If he is unavailable, please contact me at (775) 687-9530.

Sincerely,



Travis Osterhout, P.E.  
Supervisor, Compliance and Enforcement Branch  
Bureau of Air Pollution Control

TO/rc

Enc. 1. Notice of Alleged Air Quality Violation and Order Nos. 2585 and 2586  
2. SEC Appeal Form #3

cc (w/enc.): Valerie King, SEC  
Humboldt County Board of Commissioners  
FIN A0390 (Certified Copy)

E-copy: Jeffrey Kinder, Chief, BAPC (via email)  
Lisa Kremer, Supervisor, BAPC (via email)  
Ryan Clark, BAPC (via email)  
Todd Sylvester, HRDI (via email)  
Betsy Lang, HRDI (via email)

Certified Mail No.: 9171 9690 0935 0041 1122 57

STATE OF NEVADA  
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES  
DIVISION OF ENVIRONMENTAL PROTECTION  
BUREAU OF AIR POLLUTION CONTROL  
901 SOUTH STEWART ST., SUITE 4001  
CARSON CITY, NEVADA 89701-5249

NO. 2585

**NOTICE OF ALLEGED AIR QUALITY VIOLATION AND ORDER**

**NOTICE OF ALLEGED AIR QUALITY VIOLATION**

**Person(s) to Whom Served:** Warren Woods, General Manager

**Company Name:** Hycroft Resources & Development, Inc.

**Address:** P.O. Box 3030, Winnemucca, NV 89446

**Permit Number:** AP1041-2255 **FIN:** A0390

**Site of Alleged Violation:** Hycroft Mine

**Date of Observation:** 04/19/2016 **Arrival:** N/A **Departure:** N/A

**Ambient Temperature:** N/A °F **Clear:** **Cloudy:** **Rain:** **Snow:**

**Wind Speed:** N/A mph **Wind Direction:** N/A

**It is alleged that the following regulation was violated by the person named in this notice:**

**Nevada Administrative Code (NAC) 445B.275 Violations: Acts constituting; notice.**

1. Failure to comply with any requirement of NAC 445B.001 to 445B.3689, inclusive, any applicable requirement or any condition of an operating permit constitutes a violation. As required by NRS 445B.450, the Director shall issue a written notice of an alleged violation to any owner or operator for any violation, including, but not limited to:

(c) Failure to construct or operate a stationary source in accordance with any condition of an operating permit;

**It is alleged that the following act or practice constitutes the violation:**

Failure to conduct required compliance testing.

**Evidence:**

Hycroft Resources & Development, Inc. (HRDI) operates a gold ore processing facility under the requirements of Mercury Operating Permit to Construct AP1041-2255 (Permit), issued by the Nevada Division of Environmental Protection – Bureau of Air Pollution Control (BAPC) on December 18, 2013.

HRDI is to conduct annual mercury testing as required by Section I.N of the Permit. In addition to the Permit testing requirements, HRDI is also subject to 40 CFR Part 63 Subpart EEEEEEE – National Emission Standards for Hazardous Air Pollutants: Gold Mine Ore Processing and Production Area Source Category, which requires annual testing to be conducted with no two consecutive annual compliance tests occurring less than 3 months apart or more than 15 months apart. As shown in the table below, the dates that HRDI conducted mercury testing on three affected units did not meet the annual testing requirement and were more than 15 months apart.

| System                                   | Test Dates   |          | Time Between Test Dates |
|--|--------------|----------|-------------------------|
|  | 2014         | 2016     |                         |
| System 01 - Mercury Retort #1 (TU 4.001) | December 10  | April 21 | 16 months 11 days       |
| System 02 - Furnace #1 (TU 4.002)        | December 9   | April 19 | 16 months 10 days       |
| System 03 - Mercury Retort #2 (TU 4.003) | September 30 | April 20 | 18 months 21 days       |



STATE OF NEVADA  
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES  
DIVISION OF ENVIRONMENTAL PROTECTION  
BUREAU OF AIR POLLUTION CONTROL  
901 SOUTH STEWART ST., SUITE 4001  
CARSON CITY, NEVADA 89701-5249

NO. 2586

**NOTICE OF ALLEGED AIR QUALITY VIOLATION AND ORDER**

**NOTICE OF ALLEGED AIR QUALITY VIOLATION**

**Person(s) to Whom Served:** Warren Woods, General Manager

**Company Name:** Hycroft Resources & Development, Inc.

**Address:** P.O. Box 3030, Winnemucca, NV 89446

**Permit Number:** AP1041-2255 **FIN:** A0390

**Site of Alleged Violation:** Hycroft Mine

**Date of Observation:** 7/13/16 **Arrival:** N/A **Departure:** N/A

**Ambient Temperature:** N/A °F **Clear:** **Cloudy:** **Rain:** **Snow:**

**Wind Speed:** N/A mph **Wind Direction:** N/A

**It is alleged that the following regulation was violated by the person named in this notice:**

**Nevada Administrative Code (NAC) 445B.275 Violations: Acts constituting; notice.**

1. Failure to comply with any requirement of NAC 445B.001 to 445B.3689, inclusive, any applicable requirement or any condition of an operating permit constitutes a violation. As required by NRS 445B.450, the Director shall issue a written notice of an alleged violation to any owner or operator for any violation, including, but not limited to:

(c) Failure to construct or operate a stationary source in accordance with any condition of an operating permit;

**It is alleged that the following act or practice constitutes the violation:**

Exceeded permitted emissions limits during compliance source testing.

**Evidence:**

Hycroft Resources & Development, Inc. (HRDI) operates a gold ore processing facility under the requirements of Mercury Operating Permit to Construct AP1041-2255 (Permit), issued by the Nevada Division of Environmental Protection – Bureau of Air Pollution Control (BAPC) on December 18, 2013.

On April 19, 2016 and April 21, 2016, HRDI conducted required annual mercury testing on System 01 – Mercury Retort #1 (TU 4.001) and System 02 – Furnace #1 (TU 4.002). Results from the testing show that System 01 had an average emission rate of  $1.46 \times 10^{-3}$  gr/dscf, which is 208% of the permitted emission limit of  $7.00 \times 10^{-4}$  gr/dscf. Testing also showed that System 02 had an average emission rate of  $1.71 \times 10^{-5}$  gr/dscf, which is 341% of the permitted emission limit of  $5.00 \times 10^{-6}$  gr/dscf.

On July 29, 2016, the BAPC held an enforcement conference with HRDI to determine whether the issuance of Notice of Alleged Air Quality Violation and Order (NOAV) No. 2586 was or was not warranted. Based on the information presented during the enforcement conference the BAPC has determined that formal issuance of NOAV No. 2586 is warranted.

In accordance with **NAC 445B.281 Violations: Classification; administrative fines**, failure to comply with a permitted emission limit constitutes a major violation. This NOAV, in conjunction with NOAV No. 2585 issued under the same cover, represent HRDI's fifth and sixth air quality violations within the last 60 months.

**NOTICE OF ALLEGED AIR QUALITY VIOLATION AND ORDER**

**ORDER**

Under the authority of Nevada Revised Statute (NRS) 445B.100 to 445B.640, inclusive, the person named in this notice is ordered:

\_\_\_\_\_ To pay the following administrative fine in accordance with 445B.281.1: \$ \_\_\_\_\_

To take corrective action: Conduct retesting on System 01 – Mercury Retort #1 (TU 4.001) and System 02 – Furnace #1 (TU 4.002) to show compliance with permitted emission limits. \_\_\_\_\_

\_\_\_\_\_ To appear for a hearing before the Environmental Commission at:  
Date: \_\_\_\_\_ Time: \_\_\_\_\_

\_\_\_\_\_ To appear for an enforcement conference at:  
Date: \_\_\_\_\_ Time: \_\_\_\_\_

\_\_\_\_\_ This notice is a warning.

Signature  \_\_\_\_\_  
Issued by: Travis Osterhout, P.E.  
Supervisor, Compliance and Enforcement Branch  
Bureau of Air Pollution Control

Phone: 775-687-9530 Date: August 31, 2016

TO/rc

Certified Mail No.: 9171 9690 0935 0041 1122 57

*This order becomes final unless appealed within ten (10) days after receipt of this notice or ten (10) days after a required enforcement conference. The person named in this order may appeal this notice by submitting a written request for a hearing to the Chairman of the Environmental Commission, 901 South Stewart Street, Suite 4001, Carson City, Nevada 89701-5249. An administrative fine may be levied by the Environmental Commission of not more than \$10,000 per day of violation.*



State of Nevada

Dept. of Conservation & Natural Resources

State Environmental Commission [SEC.nv.gov](http://SEC.nv.gov)  
901 South Stewart Street, Suite 4001, Carson City, Nevada 89701

**FORM 3: FORM FOR REQUESTING AN APPEAL HEARING**  
(Provide attachments as needed)

**1. Name, address, telephone number, and signature of appellant:**

Name: \_\_\_\_\_

Physical Address: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Signature: \_\_\_\_\_

Representative capacity (if applicable): \_\_\_\_\_

**2. Attach copy of Nevada Division of Environmental Protection final decision, such as permit or notice of alleged violation, being appealed.**

**3. Specify grounds of appeal: (check all that apply)**

- Final decision in violation of constitutional or statutory provision;
- Final decision made upon unlawful procedure;
- Final decision was affected by other error of law;
- Final decision was clearly erroneous in view of the reliable, probative and substantial evidence on the whole record;
- Final decision was arbitrary or capricious or characterized by abuse of discretion;

**4. For each ground of appeal checked above, please list the constitutional, Nevada Revised Statute (NRS), and/or Nevada Administrative Code (NAC) provision allegedly violated. Also list the statutes and/or or regulations that give the State Environmental Commission jurisdiction to hear the appeal.**

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5. For each ground of appeal checked above, provide a brief and concise statement of the facts which provide the basis for the appeal.

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Date of Request: \_\_\_\_\_.

Send Form to: Executive Secretary, State Environmental Commission, 901 South Stewart Street, Suite 4001, Carson City, NV 89701