

BRIAN SANDOVAL
Governor



STATE OF NEVADA
STATE ENVIRONMENTAL COMMISSION

901 South Stewart Street, Suite 4001
Carson City, Nevada 89701-5249
Telephone (775) 687-9374
Fax (775) 687-5856
www.sec.nv.gov

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Valerie King
Executive Secretary

Misti Gower
Recording Secretary

October 7, 2016

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

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

Dear Mr. Woods:

On July 29, 2016, the Nevada Division of Environmental Protection (NDEP) held an enforcement conference with Hycroft Resources & Development, Inc. (Hycroft) to discuss supporting information regarding the draft Notice of Alleged Violation and Orders (NOAV) No. 2585 and No. 2586. As a result of that meeting, NDEP formally issued the above NOAV. See attached.

NDEP sent NOAV Nos. 2585 and 2586 via certified mail on August 31, 2016, notifying Hycroft of its appeal rights pursuant to NRS 445B.340 and NRS 445B.360. Hycroft did not appeal the NOAVs. Therefore, the State Environmental Commission (SEC) will determine the appropriate penalty for the violations contained in the above referenced NOAVs on **Wednesday, November 16, 2016 at 10:00 a.m. at the Bryan Building, Tahoe Conference Room (2nd Floor) located at 901 South Stewart Street, Carson City.**

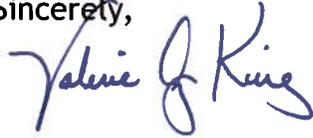
Pursuant to NRS 445B.640(1), the SEC may approve an administrative penalty of not more than \$10,000 per day per violation. During the November 16 meeting, NDEP will provide the SEC with a brief overview of the NOAVs and its recommendation for an administrative penalty of \$3,600.00 for NOAV No. 2585 and \$43,920.00 for NOAV No. 2586 for a total penalty amount of \$47,520.00. This recommended penalty was calculated using a penalty matrix previously approved by the SEC.

Although your presence is not required at this meeting, you or a representative may wish to attend to speak on behalf of Hycroft.

The SEC may, without further notice, take administrative action against Hycroft if the SEC determines that such administrative action is warranted after it considers NOAV Nos. 2585 and 2586.

If you have any questions regarding this notice, please contact me at (775) 687-9374.

Sincerely,

A handwritten signature in blue ink that reads "Valerie King". The signature is written in a cursive style with a large, stylized "V" and "K".

Valerie King, CPM
Executive Secretary

Certified Mail # 9171 9690 0935 0012 2754 24

ec: Dave Emme, Administrator
Jeffrey Kinder, Chief, BAPC
Travis Osterhout, Supervisor, BAPC
Jennifer Chisel, SEC/DAG