

STATE OF NEVADA

Department of Conservation & Natural Resources

Brian Sandoval, Governor

Leo M. Drozdoff, P.E., Director

DIVISION OF ENVIRONMENTAL PROTECTION

Colleen Cripps, Ph.D., Administrator

January 25, 2011

George Burke
President
American Assay Laboratories
1500 Glendale Avenue
Sparks, NV 89431

Re: Notice of Alleged Air Quality Violation and Order No. 2283
Class III Air Quality Operating Permit AP8734-2232 (FIN A0585)

Dear Mr. Burke:

On August 19, 2010, the Nevada Division of Environmental Protection, Bureau of Air Pollution Control (NDEP) performed an unscheduled inspection of the American Assay Laboratories (AAL) facility located at 2320 Last Chance Road, Elko, Nevada. The NDEP inspector documented that AAL failed to apply for and receive a modified air quality operating permit prior to replacing and/or the installation of additional processing equipment.

On November 29, 2010 the NDEP held an enforcement conference with AAL to discuss the alleged air quality violation. Based on the information discussed during the enforcement conference, the NDEP confirmed that issuance of a Notice of Alleged Air Quality Violation and Order to AAL was warranted.

NAC 445B.275 Violations: Acts constituting; notice states, in part, that: "1. Failure to comply with any requirement of NAC 445B.001 to 445B.3791, inclusive, any applicable requirement or any condition of an operating permit constitutes a violation. As required by Nevada Revised Statutes 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:

(d) Commencing construction or modification of a stationary source without applying for and receiving an operating permit or a modification of an operating permit as required by NAC 445B.001 to 445B.3497, inclusive, or a mercury operating permit to construct as required by NAC 445B.3611 to 445B.3689, inclusive, and sections 2 to 42, inclusive, of the CAMR regulation;

The attached Notice of Alleged Air Quality Violation and Order (NOAV) No. 2283 alleges that AAL failed to apply for and receive a modified air quality operating permit prior to replacing, installation and operation of additional equipment. As defined by **NAC 445B.281 Violations: Classification; administrative fines**, NOAV No. 2283 constitutes a major air quality violation. NOAV 2283 is AAL's second violation in five years.

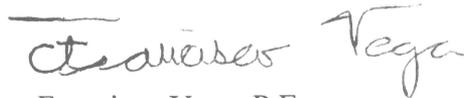
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An appeal of NOAV 2283 may be requested pursuant to Nevada Revised Statutes (NRS) 445B.360 and to the SEC's administrative rules. A copy of SEC Appeal Form #3 is enclosed. Appeals must be received within 10 days of receipt of this notice, pursuant to NRS 445B.340. Appeals are processed through John Walker, the Executive Secretary for the SEC, at 901 South Stewart Street, Suite 4001, Carson City, Nevada, 89701-5249. Mr. Walker can be reached at 775-687-9308, 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 about the alleged violations or the enforcement conference, please call Joseph Prary at 775-687-9340, or call me at 775-687-9343.

Sincerely,



Francisco Vega, P.E.
Supervisor, Compliance and Enforcement Branch
Bureau of Air Pollution Control

FV/jp

Enclosures: 1. Notice of Alleged Air Quality Violation and Order No. 2283
2. SEC Appeal Form #3

cc (w/enc. 1): John Walker, SEC
Elko County Board of Commissioners
Files (A0585)

Route to (w/enc. 1): Colleen Cripps, NDEP
Michael Elges, NDEP
Jeff Denison, NDEP

Certified Mail # 7010 0290 0001 6793 5648

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. 2283

NOTICE OF ALLEGED AIR QUALITY VIOLATION AND ORDER

NOTICE OF ALLEGED AIR QUALITY VIOLATION

Person(s) to Whom Served: George Burke – President

Company Name: American Assay Laboratories LLC

Address: 1500 Glendale Avenue, Sparks NV 89431

Permit Number: AP8734-2232

FIN: A0585

Site of Alleged Violation: 2320 Last Chance Road, Elko, NV, 89801

Date of Observation: August 19, 2010 **Arrival:** 8:00 AM **Departure:** 9:30 AM

Ambient Temperature: 65 to 75 °F **Clear:** X **Cloudy:** **Rain:** **Snow:**

Wind Speed: 0.0 mph **Wind Direction:**

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

NAC 445B.275 Violations: Acts constituting; notice. 1. Failure to comply with any requirement of NAC 445B.001 to 445B.3791, 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:

(d) Commencing construction or modification of a stationary source without applying for and receiving an operating permit or a modification of an operating permit as required by NAC 445B.001 to 445B.3497,

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

Failure to apply for and receive a modified air quality operating permit prior to replacing and adding additional equipment.

Evidence:

American Assay Laboratories (AAL) operates an ore sample preparation facility under Class III Air Quality Operating Permit AP8734-2232 issued by the Nevada Division of Environmental Protection, Bureau of Air Pollution Control (NDEP). The facility is located at 2320 Last Chance Road in Elko NV.

On August 19, 2010 an inspection was conducted of the facility. During the inspection it was discovered that the TM Engineering Jaw Crusher had been removed from the facility and replaced with two terminator jaw crushers and an additional Keegor Vertical Spindle Pulverizer was added to the facility. It was explained to the inspector that approximately a year and half ago the TM Engineering Jaw Crusher broke, at that time the decision was made to replace the TM Engineering Jaw Crusher with the two terminator jaw crushers and add the additional Keegor Vertical Spindle Pulverizer.

On November 30, 2010 an enforcement conference was held between the NDEP and the president of AAL, George Burke. During the conference, AAL's president told the NDEP that the TM Engineering jaw crusher and the terminator jaw crusher are the same units. With this new information the NDEP changed the number of the unpermitted pieces of equipment from 3 to 2. During close out of the enforcement conference, AAL's president was disputing the length of the time that the unpermitted equipment had been on site. That afternoon, the NDEP received an e-mail from AAL's president. The e-mail stated; the additional TM crusher (terminator) jaw crusher and the Keegor Vertical Spindle Pulverizer were installed at the Elko facility in April and May, 2010.

NOTICE OF ALLEGED AIR QUALITY VIOLATION AND ORDER

NOTICE OF ALLEGED AIR QUALITY VIOLATION

Evidence Continued:

On December 7, 2010 an additional inspection of AAL Elko's facility was conducted. The inspection was conducted to confirm that the unpermitted equipment had been removed and to speak with the facility manager to determine when the additional equipment was installed. Upon conclusion of the compliance inspection the inspector left the facility confident that the additional equipment was installed at the Elko facility in April and May, 2010.

American Assay Laboratories failed to apply for and receive a modified air quality operating permit prior to replacing and/or installing additional equipment. NOAV 2283 constitutes a major violation under NAC 445B.281 Violations: Classification; administrative fines. NOAV 2283 is American Assay Laboratories second violation in five years.

ORDER

Under the authority of 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: \$

X To take corrective action: Apply and obtain a modified air quality operating permit, before adding or replacing any crushing or screening equipment.

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: Francisco Vega, P.E. Supervisor Compliance and Enforcement Branch

Phone: 775-687-9343 Date: January 25, 2011

FV/jp

Certified Mail #: 7010 0290 0001 6793 5648

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.