

Fort Knox Mine Project

DRAFT Plan of Operations Amendment Approval

Plan of Operations F20069852

DEPARTMENT OF NATURAL RESOURCES
Division of Mining, Land and Water

_____, 2006

The Alaska Department of Natural Resources, Division of Mining, Land and Water (ADNR), in accordance with and subject to Alaska Statutes 27.19 (Reclamation) and 38.05 (Alaska Land Act) and the Alaska Administrative Code, Title 11 and Chapters 86.800 (Plan of Operations), 96 (Miscellaneous Land Use) and 97 (Mining Reclamation), approves the Plan of Operations Amendment F20069852 for the Fort Knox Gold Mine Project submitted by:

Fairbanks Gold Mining, Inc.
P.O. Box 73762
Fairbanks, Alaska 99707-3726

Throughout this document, unless otherwise specifically indicated, reference to Fairbanks Gold Mining, Inc., FGMI and Permittee are considered a reference to Fairbanks Gold Mining, Inc a wholly owned subsidiary of Kinam Gold Inc. (formally known as Amax Gold Inc.) (“AGI”), a Delaware corporation all of the outstanding common shares of which are owned by Kinross Gold Corporation (“Kinross”), an Ontario corporation and the parent companies.

Throughout this document, unless otherwise specifically indicated, reference to the State, Department, ADNR, DNR or Division are considered a reference to the State of Alaska – Department of Natural Resources – Division of Mining, Land & Water.

Throughout this document, the Plan of Operations is considered to consist of: the Fort Knox Project Water Resources Management Plan (March 1994); Project Description for the Fort Knox Mine (October 1995); Fort Knox Mine Plan of Operations Amendment for placement of waste rock and low-grade stockpile in Barnes Creek (June 18, 1998); Fort Knox Mine Plan of Operations Amendment for placement of a waste rock dump in the Upper Fish Creek portion of the Tailings Storage Facility (October 26, 2000); Fort Knox Mine Plan of Operations Amendment to construct power line within Millsite Lease Area (January 25, 2006); Fort Knox Mine Plan of Operations Amendment for realignment of tailings deposition line within the Tailings Storage Facility (April 20, 2006); Fort Knox Reclamation & Closure Plan (June 19, 2006); Walter Creek Valley Fill Heap Leach Project Description (June 23, 2006); Fort Knox Mine Closure Management Plan for the Proposed Heap Leach Facility (June 2006); Fort Knox Mine Tailing Facility Closure Management Plan (June 2006); and, Fort Knox Mine Monitoring Plan (June 2006). Reference to any of these plans throughout this document is considered to be a reference to the Plan of Operations. Likewise any and all stipulations associated with the approval of any of these individual plans are considered to be a requirement of the Plan of Operations Approval.

Effective dates of this plan approval are , 2006 through , 2011, unless sooner revoked for cause; however, FGMI’s obligations under the terms and conditions of this plan approval shall continue, unless sooner terminated in accordance with the provisions of this plan approval, until completion of all requirements under and pursuant to the Plan of Operations.

This plan approval is for activities upon State managed lands encompassed by the Fairbanks Gold Mining, Inc. Amended and Restated Millsite Lease – Fort Knox Mine Project (ADL # 414960 & # 414961), Upland Mining Lease (ADL # 535408), and certain private lands within the Project Area described in Exhibit H (Agreement to Convey) of the Fort Knox Mine Project Millsite Permit (ADL # 414960 and #414961).

This plan approval does not constitute certification of any property right or land status claimed by the applicant.

The Plan of Operations was found to be complete and is approved with the following conditions:

General Stipulations

Financial Assurance. This Plan of Operations Approval does not take effect until FGMI submits a bond in a form and substance approved by ADNR. The bond shall not be released until all affected areas have been reclaimed and are approved by the Authorized Officer and all other terms of this Plan of Operations are met. Modifications to this Plan of Operations may, at ADNR's discretion, require bond review and update. The total Bond of \$_____ has been accepted for the Fort Knox Mine Project.

(Note: FGMI has submitted a reclamation cost estimate of \$20,551,994. ADNR is still reviewing this proposed bond amount and seeks public input regarding the reclamation cost estimate contained in Table 9 of the Fort Knox Reclamation and Closure Plan – June 19, 2006.)

Terms of this Plan Approval. The Terms and Conditions contained within the: Fort Knox Project Water Resources Management Plan (March 1994); Project Description for the Fort Knox Mine (October 1995); Fort Knox Mine Plan of Operations Amendment for placement of waste rock and low-grade stockpile in Barnes Creek (June 18, 1998); Fort Knox Mine Plan of Operations Amendment for placement of a waste rock dump in the Upper Fish Creek portion of the Tailings Storage Facility (October 26, 2000); Fort Knox Mine Plan of Operations Amendment to construct power line within Millsite Lease Area (January 25, 2006); Fort Knox Mine Plan of Operations Amendment for realignment of tailings deposition line within the Tailings Storage Facility (April 20, 2006); Fort Knox Reclamation & Closure Plan (June 19, 2006); Walter Creek Valley Fill Heap Leach Project Description (June 23, 2006); Fort Knox Mine Closure Management Plan for the Proposed Heap Leach Facility (June 2006); Fort Knox Mine Tailing Facility Closure Management Plan (June 2006); and, Fort Knox Mine Monitoring Plan (June 2006) are hereby included as stipulations of this Plan Approval. If there is a difference between the Plan of Operations as submitted and the terms contained within this Plan Approval, the terms contained within this Plan Approval take precedence. Changes to the documents incorporated herein must be approved by ADNR if they affect this plan

approval. If ADNR approves the changes, they become terms of this Plan of Operations Approval.

The Authorized Officer for DNR is the Director of the Division of Mining, Land and Water or his designee. The Authorized Officer is designated as Steve McGroarty. The Authorized Officer may be contacted at 3700 Airport Way, Fairbanks, Alaska 99709, telephone (907) 451-2795, and fax (907) 451-2703 or at stevem@dnr.state.ak.us. FGMI will be notified of changes to the authorized officer as needed.

Alaska Historic Preservation Act. The Alaska Historic Preservation Act (AS 41.35.200) prohibits the appropriation, excavation, removal, injury, or destruction of any State-owned historic, prehistoric (paleontological) or archeological site without a permit from the Commissioner of DNR. Activities described in the Plan of Operations Amendment as subject to the following stipulations:

- a. If cultural or paleontological resources are inadvertently discovered as a result of or during the activities authorized by this Plan of Operations Approval, all activities which would disturb such resources shall be stopped and measures taken to protect the site. The U.S. Army Corps of Engineers archeologist (907-753-2716) and the State Historic Preservation Officer (907-269-8722) shall be contacted immediately so that compliance with state and federal laws may begin.
- b. If burials or human remains are discovered as a result of or during the activities authorized by this Plan of Operations Approval, all activities which would disturb such remains shall be stopped and measures taken to protect the site. In addition to the U.S. Corps of Engineers Archeologist and the State Historic Preservation Officer, the State Troopers shall be contacted immediately so that compliance with state and federal laws may begin.

Forestry Resources. All timber on the Millsite Area that will be disturbed due to Millsite Operations shall be:

1. used for Millsite Operations in or on the Millsite Area;
2. chipped and mulched by FGMI for use as a soil amendment for incorporation into topsoil stockpiles and other suitable growth medium for the purposes of enriching growth medium stockpiles, enhancing interim reclamation, or increasing the resources to reclaim the mined area at closure, or upon Division approval in consultation with DNR Division of Forestry, otherwise incorporated into the soil; or
3. after consultation with the DNR Division of Forestry and where determined by FGMI to be of suitable size and located in affected areas that are easily

accessible, felled, limbed, bucked into log lengths, and decked in areas easily accessible to the public for collection of firewood free of charge.

Reporting. The results of monitoring, required by all State and federal authorizations (unless otherwise indicated by the Authorized Officer), obtained during a reporting period shall be summarized and submitted to the Authorized Officer quarterly, no later than 60 days after the last day of the quarter, in hard copy and electronic format acceptable to ADNR. An annual report will be due by March 1st and shall summarize activities (surface disturbance, reclamation, mining, leaching and milling) conducted during the previous calendar year and include fourth quarter monitoring data. The annual report shall also address the adequacy of the financial responsibility, including, but not limited to, inflation, significant changes in reclamation activity costs, concurrent reclamation, expansion or other changes to the operation of the facility. Electronic and hard copies should also be sent to ADNR (Jim Vohden at jimv@dnr.state.ak.us, and Mac McLean at mac_mclean@dnr.state.ak.us), and ADEC (Luke Boles at Luke_Boles@dec.state.ak.us). Amendments to this distribution list will be provided to FGMI as needed.

As-Built Maps. FGMI shall submit to ADNR an annual “as built” map illustrating the current development of all facilities within the millsite lease boundary. The plan maps shall show cleared and grubbed areas; growth medium stockpiles; roads; waste rock dump development; material site development; and facility construction. Maps shall be 1”-500’ or other appropriate scale necessary to review the development of individual facilities.

Dam Safety Authorizations. FGMI shall acquire a Certificate of Approval to Construct a Dam prior to beginning construction of the Walter Creek Valley Fill Heap Leach Facility and a Certificate of Approval to Operate a Dam prior to the introduction of leach solution to the heap leach, from ADNR’s Dam Safety and Construction Unit (unless otherwise specifically approved by ADNR).

Temporary Closure. FGMI shall notify the Authorized Officer in writing at least thirty (30) days prior to any planned Temporary Closure of ninety (90) days or longer. Permittee shall notify the Authorized Officer of any unanticipated Temporary Closure expected to last ninety (90) days or more within ten (10) days of the first day of the Temporary Closure. The notice shall state the nature and reason for the Temporary Closure, the anticipated duration of the Temporary Closure, what actions will be taken to maintain compliance with project permits and plan approvals, and any event which would reasonably be anticipated to result in the resumption of mining or the permanent cessation of mining. Mining operations must resume for not less than ninety (90) consecutive days in order to terminate the running of the Temporary Closure. If a Temporary Closure extends beyond three (3) years, the Department may deem mining operations to be permanently abandoned or ceased, and whereupon final reclamation must commence unless otherwise agreed by the Department.

FGMI shall ensure that the project area and facilities are maintained in a safe condition during a Temporary Closure and FGMI shall not allow the project area or facilities to be degraded / eroded or facilities to fall in a state of disrepair during or as a result of the Temporary Closure. Action shall be taken to prevent or mitigate any impacts to ground or surface waters from project facilities. All collection, treatment, maintenance, and monitoring activities required under project permits or plan approvals shall be performed under any Temporary Closure. FGMI shall continue management of the heap leach solution to prevent discharge from the Walter Creek Valley Fill Heap Leach Facility.

Abandonment or Cessation of Operations. Not later than thirty (30) days after the permanent cessation or abandonment of mining operations, FGMI shall notify the Authorized Officer of the cessation of mining operations and provide a schedule for the final reclamation of the site.

Permanent Closure. For purposes of determining monitoring requirements and bond release, closure of a facility is achieved when the applicable surface and ground water quality standards have been met, and the site has been reclaimed in accordance with the reclamation plan.

“Agreement for Funding Post-Reclamation Obligations”. At least 180 days prior to the introduction of leach solution to the Walter Creek Valley Fill Heap Leach, or within 180 days of issuance of this Plan of Operations Amendment Approval (which ever is sooner), FGMI shall submit to the State a revised AGREEMENT FOR FUNDING POST-RECLAMATION OBLIGATIONS in a form and substance approved by ADNR and Alaska Department of Environmental Conservation (ADEC).

Environmental Audit. Periodic third-party environmental audits shall be conducted for the purpose of evaluating FGMI’s performance under its permits and plan approvals, to determine compliance with applicable environmental laws and regulations, and to assist in updating, renewing or issuing permits and plan approvals. The environmental audit shall include an evaluation of the adequacy of the reclamation financial sureties, including FGMI’s bonding obligations under the terms of the Agreement for Funding Post-Reclamation Obligations. The environmental audit shall also evaluate the adequacy of agency oversight to protect environmental resources.

An environmental audit shall occur during the snow-free season in 2010; or prior to final closure if this occurs prior to 2010. Subsequent audits shall occur every five years and prior to final closure, unless otherwise approved by ADNR and Alaska Department of Environmental Conservation (ADEC). This audit will include all aspects of the project, including, but not limited to, the access roads, material sites, development rock dumps, mine, heap leach facility, tailings facility, and any constructed wetlands used as a treatment works. The third-party contractor and the

scope of the environmental audit should be mutually agreed on by ADNR, ADEC, TLO and FGMI, but in the event that agreement cannot be reached, ADNR, ADEC and TLO retain the final decision authority regarding the selection of the contractor and the scope of the audit. Costs for the third-party environmental audit shall be borne by FGMI.

PROJECT SPECIFIC STIPULATIONS

(Note: DNR is still reviewing the Project Documents listed below and may include project specific stipulations in the Final Plan of Operations Approval based upon this review and consideration of public comments.)

Fort Knox Reclamation & Closure Plan – June 19, 2006

Walter Creek Valley Fill Heap Leach Facility Project Description – June 2006

Fort Knox Mine Closure Management Plan for the Proposed Heap Leach Facility - June 2006

Fort Knox Mine Tailing Facility Closure Management Plan – June 2006

Fort Knox Mine Monitoring Plan – June 2006

Standard Stipulations

Fuel and Hazardous Substances. Secondary containment shall be provided for fuel or hazardous substances.

- a. **Container marking.** All independent fuel and hazardous substance containers shall be marked with the contents and the Permittee's name using paint or a permanent label.
- b. **Fuel or hazardous substance transfers.** Except for hand operated equipment, secondary containment or a surface liner must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or hazardous substance transfers, where feasible and prudent. Appropriate spill response equipment must be on hand during any transfer or handling of fuel or hazardous substances to respond to a spill of up to five gallons. Transfer operations shall be attended by trained personnel at all times.

Vehicle refueling shall not occur below the ordinary high waterline of any waterbody. This restriction does not apply to water-borne vessels provided no more than 30 gallons of fuel are transferred at any given time.

- c. **Storing containers within 100 feet of waterbodies.** Containers with a total capacity larger than 55 gallons which contain fuel or hazardous substances shall not be stored within 100 feet of a waterbody.
- d. **Exceptions.** The Authorized Officer may under unique or special circumstances grant exceptions to this stipulation on a case-by-case basis. Requests for exceptions should be made to the Authorized Officer.
- e. **Definitions.**
 - 1) **"Containers"** means any item which is used to hold fuel or hazardous substances. This includes tanks, drums, double-walled tanks, portable testing facilities, fuel tanks on small equipment such as light plants and generators, flow test holding tanks, slop oil tanks, bladders, and bags. Manifolder tanks or any tanks in a series must be considered as a single container. Vehicles, including mobile seismic tanks, are not intended to be included under this definition.
 - 2) **"Hazardous substance"** is defined under AS 46.03.826(5) as (A) an element or compound which, when it enters into the atmosphere, or in or upon the water, or surface or subsurface land of the state, presents and imminent and substantial danger to the public health or welfare, including but not limited to fish, animals, vegetation, or any part of the natural habitat in which they are found; (B) oil; or (C) a substance defined as a hazardous substance under 42 U.S.C. 9601(14).
 - 3) **"Secondary containment"** means an impermeable diked area or portable impermeable containment structure capable of containing 110 percent of the volume of the largest container. Double-walled tanks do not qualify as secondary containment unless valves and piping are contained within the outer double wall.
 - 4) **"Surface liner"** means any safe, non-permeable container (e.g., drips pans, fold-a-tanks, etc.) designed to catch and hold fluids for the purpose of preventing spills. Surface liners should be of adequate size and volume based on worst-case spill risk.
 - 5) **Notification.** The Permittee shall immediately notify DNR and DEC by phone of any unauthorized discharge of oil to water, any discharge of hazardous substances (other than oil), and any discharge of oil greater than 55 gallons on land. All fires and explosions must also be reported to

DNR. The DNR 24 hour incident notification number is (907) 451-2678; the Fax number is (907) 451-2751. The DEC spill report number is (800) 478-9300. DNR and DEC shall be supplied with all follow-up incident reports.

- 6) **Remediation.** Should any unlawful discharge, leakage, spillage, emission, or pollution of any type occur due to Permittee's, or its employees', agents', contractors', subcontractors', licensees', or invitees' act or omission, the Permittee, at its expense, shall be obligated to clean the area to the reasonable satisfaction of the State of Alaska.

Inspection and Entry. FGMI shall permit authorized representatives of DNR to enter into and upon the area and facilities covered under this plan approval at all reasonable times without notice for the purpose of inspecting the area and activities covered under this plan approval. Said inspections shall be subject to such safety and security procedures as FGMI may from time to time adopt.

At any time upon DNR's written request, FGMI shall promptly make any and all records, documents, or other information required to be kept or maintained by law, regulation, ordinance or this Plan of Operations Approval available to DNR for inspection and copying as reasonably required by DNR to determine FGMI in compliance with local, state and federal laws applicable to the operations authorized under this plan approval.

Violations. This authorization is revocable immediately upon violation of any of its terms, conditions, stipulations, nonpayment of fees, or upon failure to comply with any other applicable laws, statutes and regulations (federal and State).

Assignment. This plan approval may be transferred or assigned with prior written approval from DNR. DNR will only disapprove a transfer with good cause and will evaluate whether the proposed assignee (1) is qualified to hold interests in state mining rights under AS 38.05.190 and to acquire all other permits and authorizations necessary to conduct operations under the plan; (2) is on notice of default or subject to an enforcement action by any state agency on any lease, reclamation bond, or other permit within the state. Any assignee must commit in writing to be bound by this plan approval to the same extent as FGMI, and must provide to DNR all proofs of insurance, bonds, or undertakings required by this plan approval. Transfer of this plan approval may, at DNR's discretion, require bond review and update.

Other Authorizations. The issuance of this authorization does not alleviate the necessity of FGMI to obtain authorizations required by other agencies for this activity.

Valid Existing Rights. This authorization is subject to all valid existing rights in and to the land under this authorization. The State of Alaska makes no representations

or warranties whatsoever, either expressed or implied, as to the existence, number, or nature of such valid existing rights.

Reservation of Rights. DNR reserves the right to grant additional authorizations to third parties for compatible uses on or adjacent to the land under this authorization.

Change of Address. Any change of address must be submitted in writing to the Authorized Officer.

Modifications. Any request for modification of the plan of operations and any other affected permits or authorizations must be made by written application to DNR. Amendments to the Plan of Operations may, at the discretion of DNR, require bond review and update.

Statutes and Regulations. This plan approval is subject to all applicable state and federal statutes, including state, federal, and any local statutes and ordinances in effect on the effective date of this plan approval, new statutes, regulations, and ordinances enacted or promulgated after said effective date, and changes to existing statutes and regulations made after the effective date, to the extent constitutionally permissible.

Severability. If any clause or provision herein contained shall be adjudicated to be invalid, it shall not affect the validity or effect of any other clause or provision of this plan approval, nor constitute any cause of action in favor of either FGMI or DNR as against the other.

Commencement of permitted activities will be considered an acceptance by FGMI of these special stipulations.

Approved: _____
Steve McGroarty,
Department of Natural Resources

_____ Date

Appeal Right and Procedure

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received by _____ and may be mailed or delivered to Michael Menge, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or sent by electronic mail to dnr_appeals@dnr.state.ak.us. This decision takes effect immediately. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on _____. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.