

KINROSS

Fort Knox

2010 ANNUAL ACTIVITY REPORT



March 2011

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1. INTRODUCTION

Fairbanks Gold Mining, Inc. (FGMI), a wholly owned subsidiary of Kinross Gold Corporation, has prepared this annual report to comply with the conditions described in Section 11.b. of the Amended and Restated Millsite Lease ADL Nos. 414960 and 414961 and the ADEC Waste Management Permit 2006-DB0043 for the Fort Knox Mine.

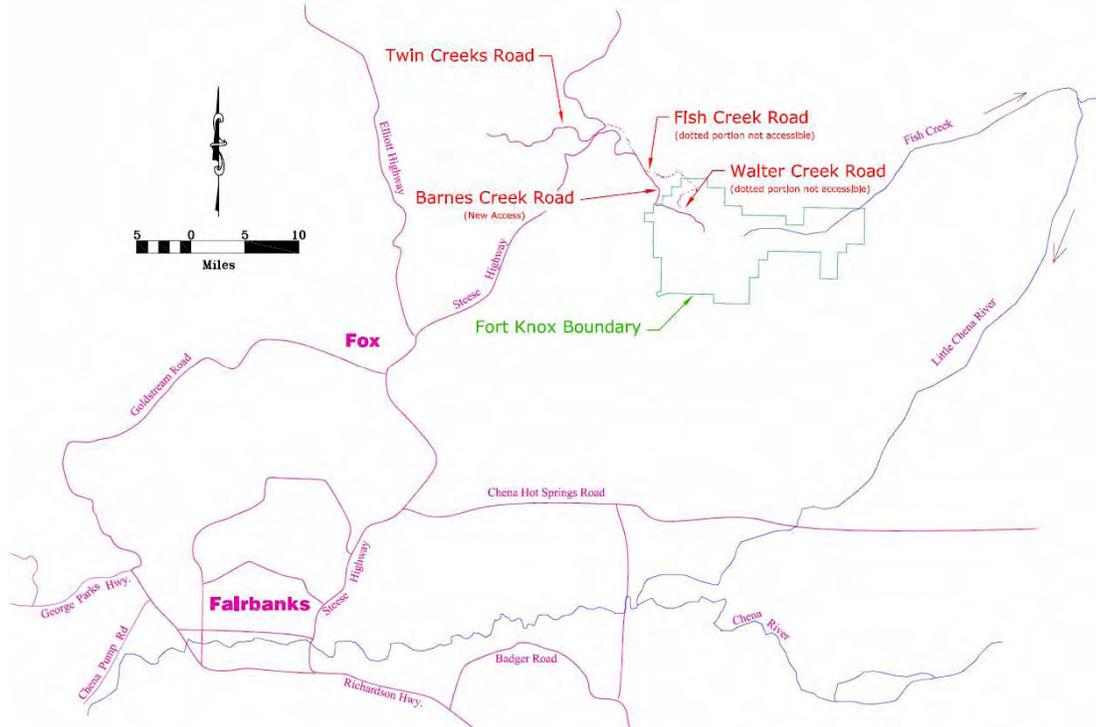
The Fort Knox mine includes the Fort Knox open pit mine, mill, tailings storage facility, water storage reservoir and the Walter Creek heap leach facility. The True North open pit mine is being reclaimed. These facilities are located within the Fairbanks North Star Borough, approximately 25 miles northeast of Fairbanks, Alaska (Figure 1).

The milling and mining operations at Fort Knox continue to operate 24-hours a day, 365 days a year. As of the end of 2010, FGMI employed 505 people. Fort Knox produced 349,729 gold equivalent ounces in 2010.



This report describes the permitting, mining, milling, heap leach and reclamation activities during calendar year 2010 and planned activities for 2011.

Figure 1: Facility Locations



2. SUMMARY OF ACTIVITIES

In 2010, Fort Knox had a range of activities underway in the areas of production, construction, exploration and permitting. In summary, these activities included:

- i Completed construction of Stage 2 of the Walter Creek Valley Fill Heap Leach;
- i Construction of Stage 3 of the heap leach was initiated and a new access road was constructed to allow room for this stage of the construction;
- i Construction was completed on the Assembly Line Preventative Maintenance (ALPM) shop to support maintenance of the haul trucks;
- i To initiate the tailings dam raise, the tailings dam was excavated to an elevation of 1466.0 fmsl and reconstructed with the angle of the engineered core reversed back to the elevation of 1488.0 fmsl; and
- i Reclamation completed in 2010 at True North included 148.6 acres graded, 52 acres covered with growth media and 269.5 acres scarified, seeded and fertilized.



In 2011, the major activities planned include:



- i Complete construction of Stage 3 of the Walter Creek Valley Fill Heap Leach;
- i Acquire permits for the construction of the TSF dam raise from ADNR, Dam Safety and ACOE;
- i Complete construction of a 27 ft. raise to the TSF up to an elevation of 1515.0 fmsl;
- i Complete the acquisition of 32 acres from the NOAA withdrawal for placement of waste rock;
- i Complete the revision and update of the Fort Knox reclamation and closure plan and obtain approvals of the plan from ADNR, ADEC and ACOE;
- i Obtain approvals of the True North reclamation and closure plan from ADNR; and
- i Complete all major earthwork activities, removal of buildings and initial revegetation activities at True North.

3. PERMITTING ACTIVITIES

The following is a list of the approved plans and permits issued to FGMI in 2010:

- i APMA 9156 Fort Knox Exploration Multiyear permit was approved for 2010 to 2014;
- i In April, ADNR, Dam Safety, issued a Certificate of Approval to Modify a Dam for the 2010 construction in preparation for a 52-foot raise of the existing tailings dam;
- i In April, ADNR, Dam Safety, issued a Certificate of Approval to Operate a Dam for operation of the TSF during the 2010 construction;
- i In April, ADNR, Dam Safety, issued a Certificate of Approval to Operate a Dam for the Pearl Creek Causeway;
- i A Certificate of Approval to Operate a Dam was issued for the Walter Creek Heap Leach Pad Dam authorizing stacking of ore on Stage 2 of the heap leach pad;
- i A new Certificate of Approval to Operate a Dam for the freshwater reservoir was issued in October 2010;
- i The Operations and Maintenance Manuals for the TSF and the Pearl Creek Causeway were revised to reflect the water management constraints of the 2010 construction season;
- i The Operations and Maintenance (O&M) Manual for the Walter Creek Heap Leach was revised and the updated for submittal to the Alaska State Dam Safety Engineer; and
- i A wetlands preliminary jurisdictional delineation was completed and submitted to the ACOE for all undisturbed land upstream of the TSF dam.

The following is a list of the planned permitting activities for FGMI in 2011:

- i Complete the permitting of the 52-foot raise of the TSF dam with the ADNR and the ACOE;
- i Revise and update the Fort Knox reclamation plan and obtain plan approval from ADNR, ADEC and ACOE; and
- i Revise and update the reclamation and closure plan for True North and obtain approval from ADNR.



4. LAND STATUS

As the pit continues to expand, land available for placement of waste rock is an important consideration. NOAA located adjacent to the west boundary for FGMI's Millsite Lease has agreed to relinquish approximately 32 acres from their Withdrawal. NOAA submitted a letter of relinquishment to BLM in September for approximately 32 acres that FGMI needs for disposal of waste rock. BLM has prepared the Public Land Order which is undergoing internal review in Washington. The approval process is complete and the BLM withdrawal is extinguished when published in the Federal Register. Alaska has the parcel selected and once the parcel is accepted by Alaska, FGMI will be able to acquire the property since FGMI holds the claims on the parcel. The process is anticipated to be completed in 2011.

5. SAFETY

PEOPLE

As of December 2010, FGMI reached 3,908,425 million man hours and four years without a lost time incident. Fort Knox employees worked approximately 1,099,193 man hours in 2010.

Safety is the first priority for Fort Knox each and every day. Ongoing safety initiatives, including employee-driven safety teams such as See it Own it Solve it (SOS), STOP audits (field level risk assessment), and awards programs, focus on and reward safe behavior.

MINE ACCESS

FGMI continues to maintain the mine access roads from the Steese Highway to Fort Knox and True North (Figure 1). The road surface is graded to insure a smooth running surface and proper drainage. During the winter months, the roads are kept free of snow and are sanded as necessary to maintain safe operating conditions. In the summer months, FGMI strictly enforces the *Fugitive Emissions of Particulate Matter Control Plan* of June 2002 that was approved by the ADEC. Calcium chloride and water are the dust suppressants used on the Fish Creek, Barnes Creek, Walter Creek and Twin Creek roads. These measures have limited the amount of fugitive dust on the mine-site and access roads. There were no complaints of road dust received in 2010. Similarly, there were no complaints of noise in 2010.



In November of 2010, the access road was redirected to include the Barnes Creek Road. There is no longer access to the Fort Knox mine along Fish Creek Road (Figure 2).

FGMI Security continues to patrol the mine site and access roads to ensure the safety of our employees, contractors, guests, and the public. Access is limited based on need and function. Safety training is tailored in a similar manner.

RECREATIONAL TRAILS

The Gilmore Trail in the vicinity of the Fort Knox west pit is closed to ensure public safety. The closure is necessitated due to the expansion of the pit to the west (Phase 7).

6. MINE OPERATIONS

PIT PRODUCTION

In 2010, FGMI mined 42.4 million tons of ore and waste from the Fort Knox pit with an average production rate of 116,164 tons per day (Table 1).

Table 1: Fort Knox Annual Mining Rates

Year	Mill Ore (Million Tons)	Transition Grade Ore (Million Tons)	Leach Grade Ore (Million Tons)	Waste (Million Tons)	Total (Million Tons)
1996	.96	.36	0	15.36	16.68
1997	12.57	4.88	0	14.93	32.38
1998	13.83	5.27	0	14.19	33.29
1999	14.10	4.09	0	12.16	30.35
2000	15.51	2.20	0	17.89	35.61
2001	12.09	1.24	0	12.62	25.96
2002	11.73	.86	0	12.00	24.58
2003	11.08	2.09	0	17.43	30.60
2004	10.80	6.80	0	24.09	41.68
2005	13.23	5.86	0	44.16	63.25
2006	12.39	3.68	0	35.00	51.06
2007	11.71	10.31	0	23.92	45.98
2008	12.78	3.82	13.3	16.40	46.32
2009	11.96	4.11	12.70	20.03	48.82
2010	11.95	1.35	8.52	20.59	42.40
Total	176.68	56.92	34.52	300.77	568.97

Mining operations continue 24-hours a day, 365-days per year at the Fort Knox Mine. Ore and waste are mined using standard drilling and blasting techniques with shovel and haul truck fleets to move the material. Blast holes are sampled and assayed for production grade control purposes and material is hauled to the rock dumps, primary crusher, heap leach, or low-grade stockpiles depending on grade.

In 2010, mining within the Fort Knox open pit occurred in Phase 6 and in Phase 7 (Figure 3). FGMI expanded the existing Fort Knox pit along the West edge which is the Phase 7 expansion. This area adds 63.9 million tons to the plan. Phase 7 stripping commenced in the 4th quarter of 2008. Stripping will continue until late 2011 at which point sustained ore feed for the mill is achieved. Phase 7 will allow the Fort Knox pit to continue operations into 2016. Stockpile material will continue to be placed on the Walter Creek Heap Leach facility until 2021. The mill is scheduled to operate into 2016 when mill grade material is depleted from Phase 7.

Figure 3: Fort Knox Pit Phases



The planned pit production for 2011 is summarized in Table 2.

Table 2: Planned Mining Tons for 2011

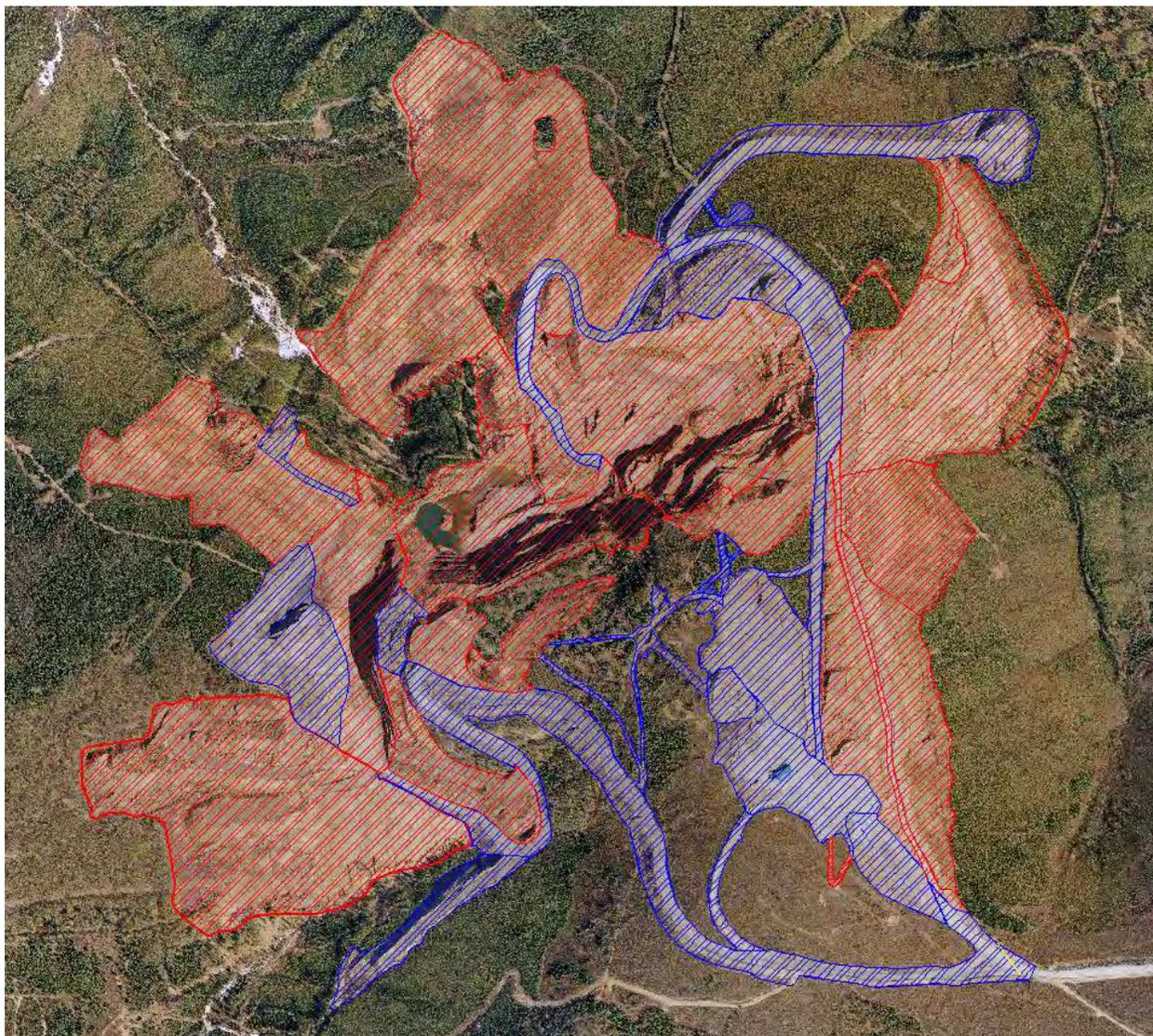
(Tons x 1,000)	Mill Grade	Low Grade	Leach Stockpile	Waste	Total
Fort Knox	0.59	0.81	3.2	34.2	38.9

PIT DEWATERING

As of the end of 2010, the dewatering system included a total of 22 in-pit wells, and three causeway wells for a total of 25 dewatering sources. Through the course of 2010, seven new wells were drilled. Three effectively in Phase 7, and four within the existing Phase 6 pit. The operating wells were available a large percentage of the time. Some mechanical failures occurred and some discharge lines were lost due to low flow. Four new wells and a horizontal drain system are planned for 2011. Pit dewatering is necessary to prevent the pit from filling with water and to maintain highwall stability. The average pumping rate from the dewatering system in 2010 was 1180 gpm with 910 gpm from the pit wells and 270 gpm from the causeway wells. The total pumping rate for 2010 was 25% higher than the 2009 rate, with the pit well production increasing by 60% and the causeway wells decreasing by 32%. Total water pumped to the tailing impoundment in 2009 was 1,688 acre feet (549,941,890 gallons). Roughly 68,671,200 gallons (211 acre feet) were pumped from the causeway wells directly to the Mill.

TRUE NORTH MINE

Production from the True North Mine was terminated at the end of 2004. Investigations since that time led to the decision in 2009 not to continue with any additional mining at True North. Final reclamation of the site began in the summer of 2009. By the end of 2010, 148.6 acres were graded, 52 acres had growth media placement and 269.5 acres were scarified, seeded and fertilized.



Red Hatched Area Indicates Reclamation Performed To Date at True North

7. MILL OPERATIONS

The Fort Knox mill has a daily capacity between 36,000 and 50,000 tons depending on the hardness of the ore. Mill feed is first crushed to minus 6 inches in the primary gyratory crusher located near the Fort Knox pit and then conveyed 2,600 feet to a coarse-ore stockpile located near the mill. The crushed material is conveyed to a semi-autogenous (SAG) mill. The SAG mill operates in open circuit and feeds two ball mills. The ball mills operate in closed circuit through cyclone packs. The cyclone packs regulate the size of material that is allowed to move beyond the grinding circuit. A gravity gold recovery circuit operates in conjunction with the grinding circuit. It consists of three Knelson concentrators.



Correctly sized material flows into a high rate thickener and then into leach tanks where cyanide is used to dissolve the gold. Activated carbon is used in the carbon-in-pulp circuit to absorb the gold from the cyanide solution. Carbon particles loaded with gold are removed from the slurry by carbon screens and are transferred to the gold recovery circuit. In this circuit, the gold is stripped from the carbon using a strong alkaline cyanide solution in conjunction with high temperature and

high pressure. The gold is recovered from this solution by electro-winning, where it is plated onto a cathode. The gold is removed from the cathode mechanically and melted into doré bars for shipment to an offsite refinery for final processing.

Some ore of a critical size is rejected from the SAG mill in order to increase throughput. This material is crushed and stockpiled for use on the Walter Creek Heap Leach Facility. Mill tailings are detoxified and discharged into the Tailings Storage Facility (TSF) below the mill. Table 3 displays a summary of the tonnage milled from November 1996 through December 31, 2010.

The mill continues to focus on operational improvements to increase throughput, recovery, efficiency and reliability

Improvements in the mill in 2010 included:

- i Gravity circuit upgrades,
- i SAG mill drive upgrade,
- i Tailings pumping system; and
- i #8 belt bypass conveyor.

Table 3: Fort Knox Annual Milling Rates

Year	Mill Production (Million Tons)
1996	0.77
1997	12.16
1998	13.74
1999	13.82
2000	14.99
2001	15.66
2002	15.26
2003	15.08
2004	14.59
2005	14.38
2006	14.84
2007	14.02
2008	15.11
2009	14.14
2010	14.56
Total	203.12

The projected mill throughput for 2011 is approximately 14.8 million tons and gold production is estimated at 262,342 ounces.



8. HEAP LEACH

The Walter Creek Valley Heap Leach Facility was brought into production in 2009. Construction of the in-heap storage pond was completed and the loading of heap leach ore was initiated. On October 13, 2009, ADNR issued a Certificate of Approval to operate the heap leach dam. On October 14, 2009, FGMI began filling the in-heap storage pond. In November 2009, FGMI had the first gold pour from heap leach production. In 2010, approximately 13.8 million tons were placed on the heap leach.



In 2010, construction of Stage 1 of the heap leach pad was completed and Stage 2 was constructed. Projected heap leach ore placement for 2011 is 16.98 million tons. The heap leach gold production for 2011 is estimated to be 99,762 ounces.



9. TAILINGS STORAGE FACILITY (TSF)

The TSF consists of deposited tailings, decant pond, dam, seepage interception system, and the seepage monitoring system. The tailings depositional area is within the Fish Creek drainage and includes portions of the Walter Creek, Pearl Creek, and Yellow Pup drainages.



Tailings Pond

The TSF decant pond is located within the tailings deposition area upstream of the TSF dam. The TSF decant pond fluctuates in size but covers an area that generally ranges from 300 to 400 acres. The south pond will fluctuate slightly, but should remain close to 245 acres. A bathymetric survey conducted in the fall of 2010 showed the decant pond contains approximately 4640 ac-ft of water.

The TSF dam is approximately 4,100 feet long and 325 feet tall at the crest. It impounds all of the

tailings generated by the mill. The TSF and the mill form a closed system for process water. Water used in the mill is pumped from the decant pond and process water which has had the cyanide level reduced to low levels is returned to the decant pond in the tailings slurry.

TAILINGS DEPOSITION

During the 2011 construction season, tailings will be deposited along the dam face by spigoting. The main tailings line will run along the upstream dam face at the 1505 elevation of the engineered random fill. The tailings will flow into 8" spigot pipes evenly spaced along the dam face. The 8" perforated pipes will be left in place as the tails build up around the pipe.

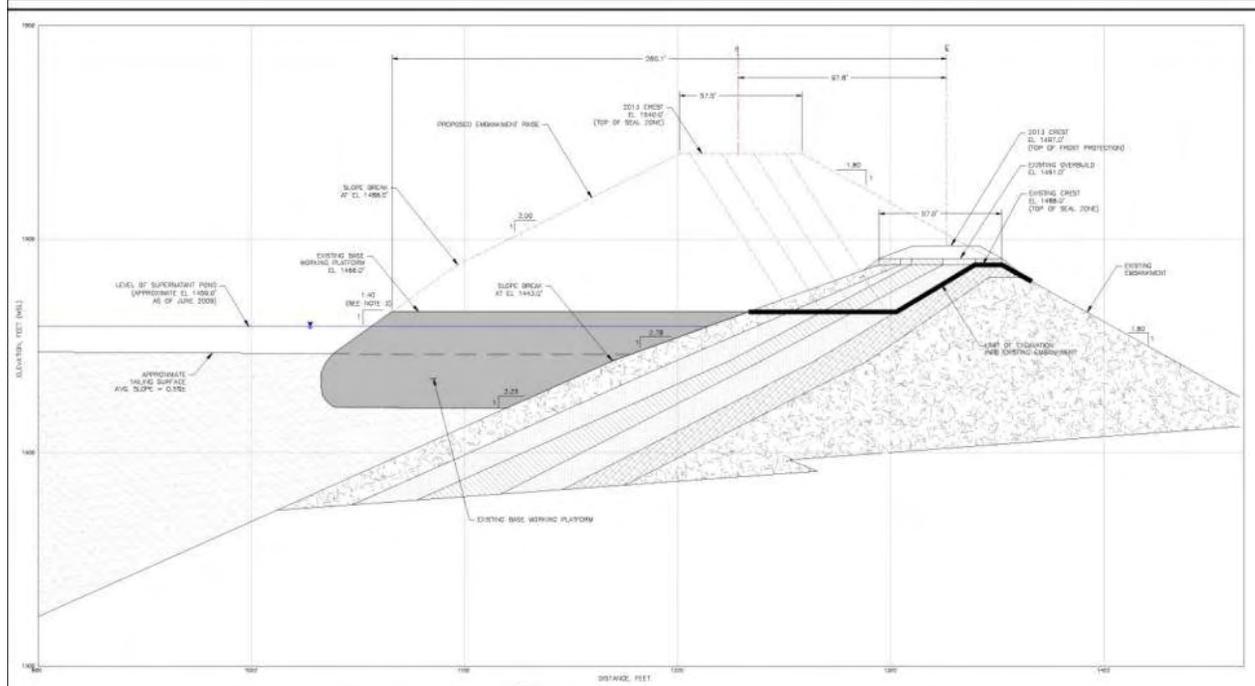


Tailings as deposited in TSF 1

TSF DAM RAISE

In 2011, FGMI plans to continue with construction of a 52-foot raise of the TSF dam. The raise is necessary to accommodate the planned production through the end of the known mine life. Increases in planned production with the addition of Phase 7 will exceed the current capacity of the TSF. The dam raise will be a modified centerline construction as depicted in Figure 4.

Figure 4: TSF Modified Centerline Design



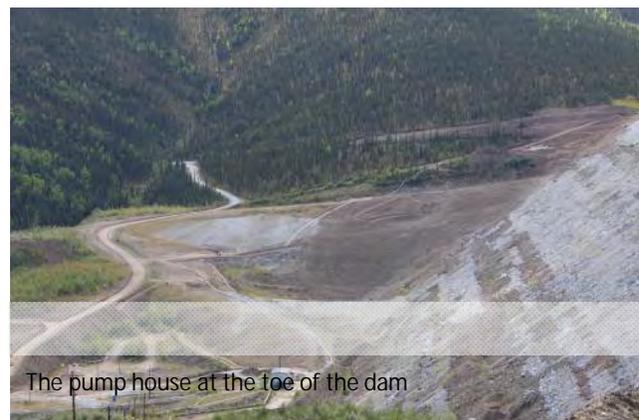
Construction of the dam raise will require two years. Construction will occur in 2011 and 2013. In 2010, the dam was excavated from its current elevation of 1,488 to 1,466 and then reconstructed as shown in Figure 4 to the 1,488 elevation. In 2011 and 2013, the dam will be constructed to its design height of 1,540 elevation.

To accommodate the 2010 construction, the Pearl Creek Causeway was permitted as a dam. The dam was operated with a differential of up to 40 feet in the height of tailing south of the causeway versus north. During the 2010 construction season, tailings were pumped to the south of the causeway. Water was pumped from the south side of the causeway to the north as required for mill process water.

TSF INTERCEPTOR SYSTEM

The TSF dam is designed for seepage to pass beneath the dam in fractured bedrock. The seepage is captured by the pump back system and the interceptor system. The pump-back system includes a pump-back sump together with a pumping and piping system designed to return the seepage to the TSF. The interceptor system is a series of interceptor wells developed just downstream of the dam (Figure 5).

The interceptor wells collect groundwater and any seepage and routes it to the pump back system which returns it to the TSF. Most of the seepage passing beneath the dam feeds into a large lined sump from which all



seepage is pumped back to the decant pond at a rate of approximately 2,200 gpm. Any seepage not captured directly by the pump back system is captured by the interceptor wells. These wells form a hydraulic barrier preventing any seepage from migrating further downstream and assuring the TSF operates as a zero discharge facility.

The interceptor well system continues to function as designed, maintaining a continuous cone of depression across the Fish Creek valley. The interceptor wells operate continuously with individual pumping rates ranging from approximately 10 gpm to 110 gpm (Table 4). There were no new interceptor wells installed in 2010 and no interceptor wells were decommissioned.

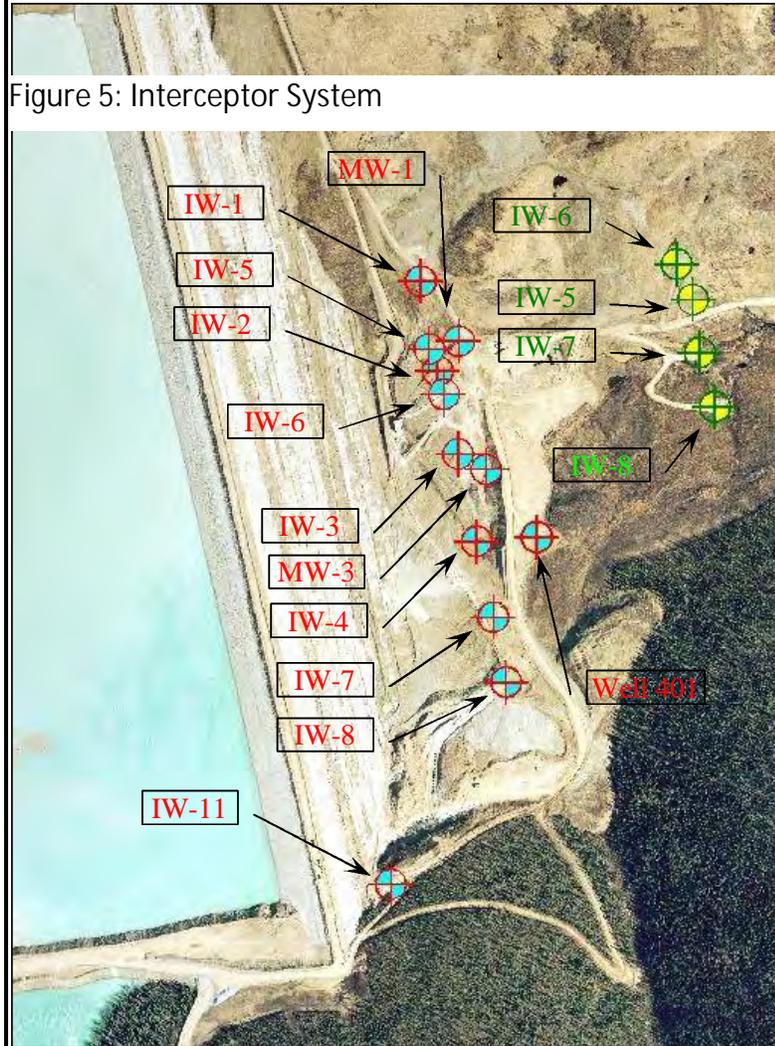


Table 4: TSF Interceptor System Pumping Rates

Well ID	Approx. Average Pumping Rate (gpm)	Well Depth (ft)
IW-1	59	320
IW-2	16	329
IW-3	16	310
IW-4	20	330
IW-5	106	380
IW-6	18	380
IW-7	31	197
IW-8	45	184
IW-11	18	296
MW-1	12	305
MW-3	14	296
Well 401	10	36
Toe Drain	3	n/a
Total	368	

TSF DECANT AND SEEPAGE METALS CONCENTRATIONS

Arsenic, antimony, selenium and lead concentrations continue to be analyzed in the TSF decant and seepage reclaim (Figures 6, 7, 8, and 9). The decant water analyses indicate that arsenic, antimony, and selenium concentrations increased significantly as a result of introducing True North ore into the mill tailings beginning in 2001 and ending in 2004. A trend of decreasing arsenic, antimony, and selenium concentrations can be identified from 2004 through 2010 in Figures 6, 8, and 9. Lead is occasionally detected in the TSF decant and seepage but most often not detected in collected samples (Figure 7).

Figure 6: Average Quarterly Arsenic Concentrations in Decant

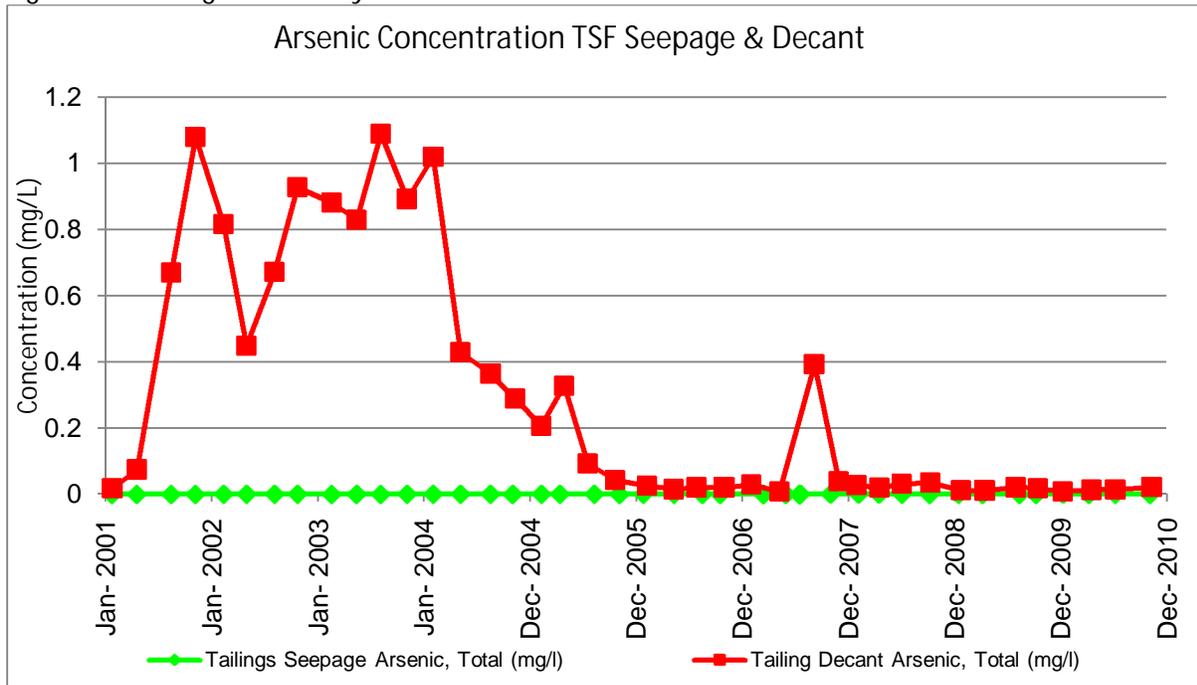


Figure 7: Average Quarterly Lead Concentrations in Decant

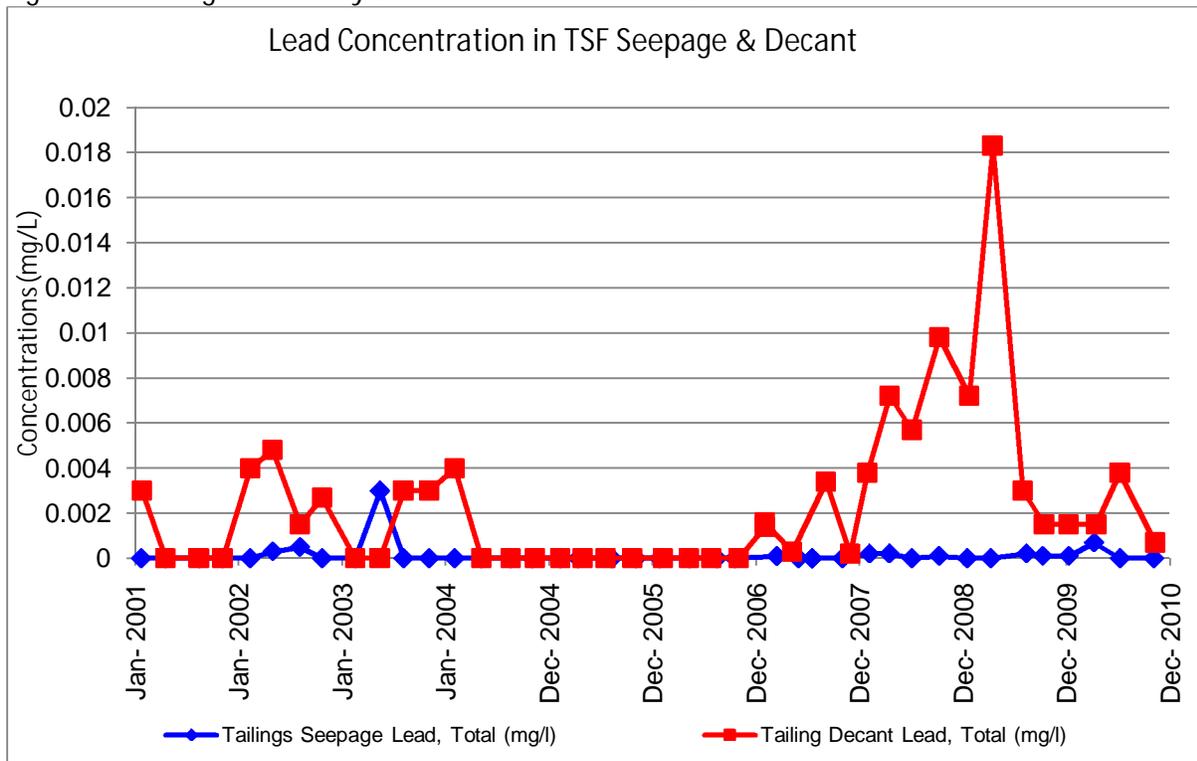


Figure 8: Average Quarterly Antimony Concentrations in Decant

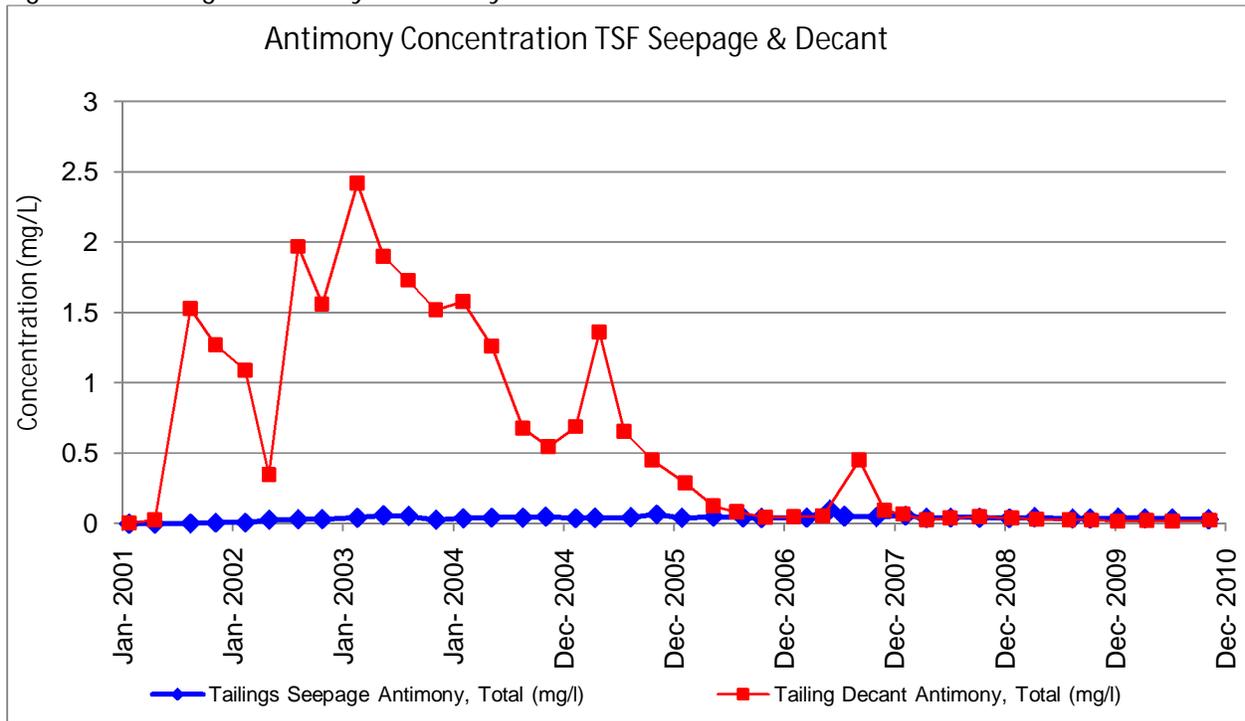
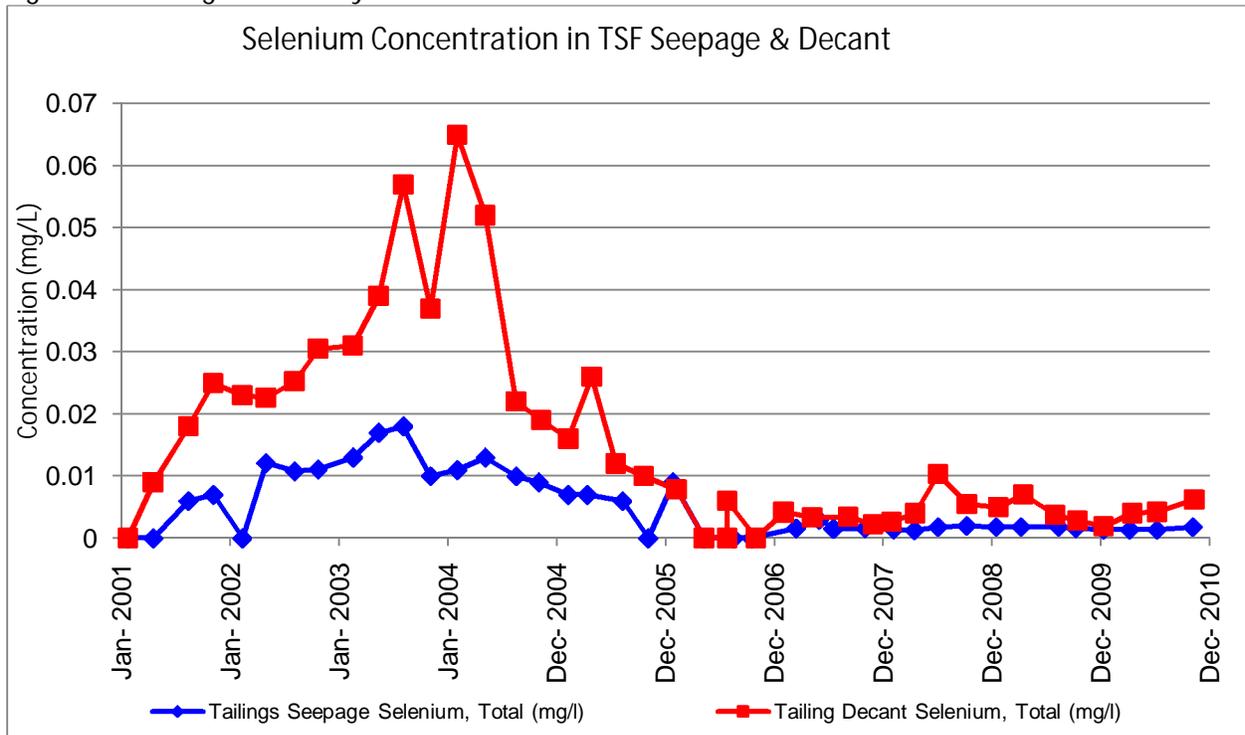


Figure 9: Average Quarterly Selenium Concentrations in Decant



10. FRESH WATER SUPPLY RESERVOIR and WETLANDS



Fresh Water Reservoir

The Alaska Department of Fish and Game (ADF&G) continues with their work on the water supply reservoir (WSR) and associated wetlands. In the 2010 annual technical report prepared by ADF&G summarizing their work on the WSR and wetlands, certain conclusions were stated:

- i Self-sustaining populations of Arctic grayling and burbot have been established in the WSR; and
- i The post-mining goal for the Arctic grayling population was set at 800 to 1,600 fish greater than 200 mm in length, and the spring 2009 population estimate for Arctic grayling was 3,223 fish greater than 200 mm in length.

Additional work to further enhance the fishery in the WSR and wetlands is being considered and includes:

- i Development of a second wetland complex along the north side of the Fish Creek valley;
- i Conversion of the existing Gil causeway into revegetated islands;
- i Civil work in Last Chance Creek to mitigate aufeis;
- i Continued maintenance of the road down the valley between the tailings dam and the freshwater reservoir;
- i Construction of a passive water treatment wetlands below the tailing dam; and
- i Removal of beaver dams to maintain Arctic grayling spawning in the developed wetlands.

11. RECLAMATION

FORT KNOX

In 2010, reclamation and stabilization at Fort Knox was focused on the disturbance associated with rerouting of the access road and grading to ensure containment in the event of a ruptured seepage line below the tailings dam. Reclamation consisted of seeding and fertilizing the disturbed areas (Figure 10 and Figure 11). Vegetation was seen to begin growth and the areas should see some form of stabilization by next spring/summer.

Figure 10: Fort Knox Reclamation below the Tailings Dam



Figure 11: Stabilization above Andrew's Road



Reclamation planned in 2011 includes fertilization of the previously reclaimed borrow areas, as well as any maintenance to 2010 revegetation that may be required.

The current reclamation plan for the Fort Knox Mine has been revised to reflect changes to the life of mine plan of operations and is awaiting approval from ADNR, ADEC and ACOE. The plan was revised to address additional disturbance as a result of the expansion of the pit and resulting changes to waste rock dumps. The final pit lake increased in size with the larger pit. The raise of the TSF dam necessitated certain changes in the reclamation and closure plan for the TSF. A new deposition plan and spillway design were included to reflect the increased height of the dam.

Growth media is stockpiled for use in final reclamation and closure. It is estimated that approximately four million cubic yards are required for final reclamation. Table 5 summarizes the volumes of growth media stockpiled:

Table 5: Fort Knox Growth Media Stockpile Quantities

Stockpile Area	Volume (Cubic Yards)
Yellow Pup GM Stockpile	617,000
TSF South GM Stockpile	291,400
Barnes Creek Phase 7 GM Stockpile	474,000
Pit Berm Surplus	184,795
TSF North GM Stockpile	3,186,400
Yellow Pup Phase 6 GM Stockpile	513,000
Walter Creek GM Stockpile	550,000
Total	5,816,595

TRUE NORTH

Production from the True North Mine was terminated at the end of 2004. Investigations since that time led to the decision in 2009 not to continue with any additional mining at True North and final reclamation of the site commenced. A plan was submitted in April 2008 that was never approved. When the decision was made in 2009 to complete final reclamation, there was no approved reclamation plan. ADNR began approving reclamation piece by piece by issuing Miscellaneous Land Use Permits for the planned reclamation activity. FGMI submitted an updated reclamation plan for True North in January 2011. ADNR is currently reviewing and the updated plan.

Reclamation of True North began in 2005 and encompassed approximately 124 acres. Approximately 100 acres were successfully stabilized. In the spring of 2008 a request for a partial release of financial assurance on the 100 acres was submitted to ADNR. To date, ADNR has not acted upon the request.

Seed and fertilizer typically were applied on reclaimed disturbance using either a broadcaster mounted on a D4 dozer or by aerial application using a fixed wing aircraft.

Seed and fertilizer also were applied manually in some areas to ensure that vegetative growth is successful. The seed mix applied was comprised of 50% Arctared Red Fescue, 20% Tundra Glaucous Bluegrass, 20% Gruening Alpine Bluegrass, and 10%

Tufted Hairgrass. The seed application rate was approximately 11 lbs/acre. Fertilizer was applied at a rate of 300 lbs/acre with an N-P-K analysis of 20-20-10.



Aerial Application of Seed

The True North reclamation performed in 2009 focused on completing the major earthwork. Acreage completed in the summer of 2008 was seeded and fertilized. With the mild winter conditions in 2009, earthwork continued through much of the winter.

The largest reclamation project in 2010 was the remediation of the North Shepard dump slump. The scope of the project consisted of excavating the slump material down to the bedrock. Approximately 75,000 cubic yards of the material was hauled away from the slump and placed on the pit floors as growth media. The slump was then graded, scarified, seeded and fertilized. Survey prisms were placed around and on top of the reclaimed area and are being monitored on a regular basis to track any movement. Since completion of the remediation, there has been minimal movement seen. Table 6 summarizes the work completed in 2010.

Table 6: Reclamation Work Completed at True North in 2010

Area	Graded	GM Placement	Scarified	Seeded
East Pit Dump	-	-	50.5	50.5
East Pit GM Stockpile	-	-	3.0	3.0
Mid Shepard Dump	4.2	-	4.2	4.2
South Shepard Dump	-	-	68.6	68.6
North Shepard Dump	9.4	-	9.4	9.4
Shepard Pit	38.5	38.5	38.5	38.5
North Central Pit	33.6	33.6	33.6	33.6
Hindenburg Pit	53.2	53.2	53.2	53.2
Hindenburg Dump	8.5	8.5	8.5	8.5
Upper B Stockpad	1.2	-	-	-
Total	148.6	13.8	269.5	269.5

Table 7 summarizes the volumes of growth media stockpiled that remains at True North. The current stockpiled material is adequate to cover all existing disturbance to be reclaimed with one-foot of growth media.

Table 7: True North Growth Media Stockpile Quantities

Stockpile Area	Volume (Cubic Yards)
Shop Pad Growth Media Stockpile	720,000
Hindenburg Growth Media Stockpile	130,000
Total	850,000

In 2011, FGMI is striving to complete all major reclamation activities including grading, growth media placement, and revegetation and decommissioning of approved monitoring wells. After 2011, FGMI will continue to monitor the success of the reclamation activities and address any areas or issues that do not meet the performance standards for successful reclamation.



North Shepard Dump Revegetation

12. FINANCIAL ASSURANCE

As required by ADNR, ADEC and ACOE, financial assurances are being revised and updated to reflect current plans. The new financial assurance costs being submitted to the agencies are \$65,785,797 for Fort Knox and \$3,225,840 for True North. These financial assurance costs are subject to revision with agency approval of the revised reclamation plans for Fort Knox and True North. Table 8 reflects the current financial assurances and those being proposed in the January 2011 updates of the reclamation plans.

Table 8: Financial Assurance Amounts

Plan/Permit/Lease #	2010 Amount (\$)	2011 Proposed Amount (\$)
Fort Knox Reclamation and Closure Plan	\$37,083,406	\$65,785,797
True North Reclamation and Closure Plan	\$2,536,874	\$3,225,840
Total	\$39,620,280	\$69,011,637

13. MINE WATER USEAGE (WATER BALANCE)

The Fort Knox water balance tracks water movement throughout the mine-site, including natural processes such as precipitation, evaporation, and seepage as well as mine operation water needs. The water balance that Fort Knox uses was built by a contractor using GoldSim software. GoldSim is a graphical simulation software that enables FGMI to construct complex models simulating the water balance both dynamically (using historic data) and probabilistically (using statistical simulations based on known factors).

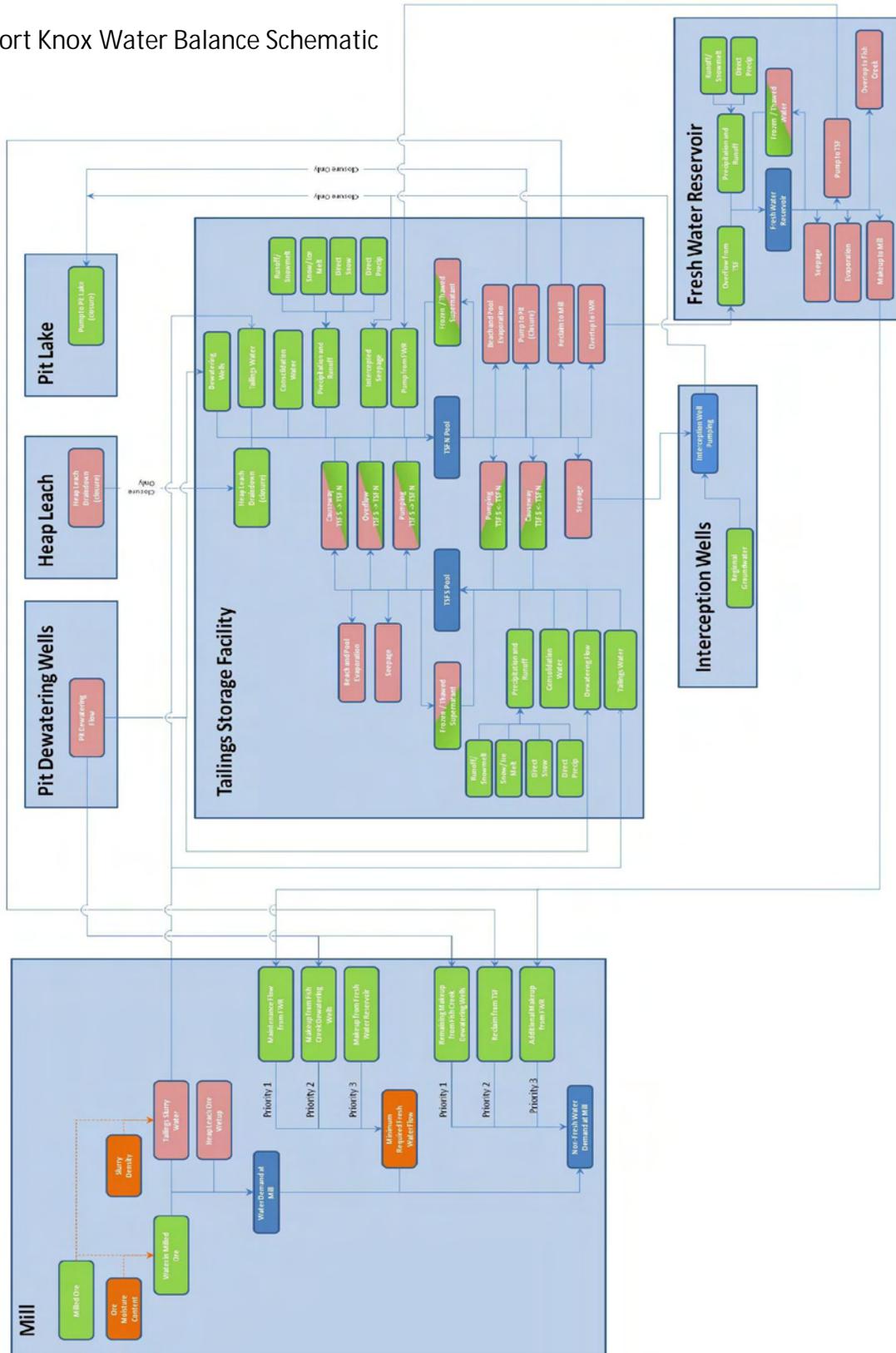
The Fort Knox operational water balance focuses on mining and milling activities and is calibrated to recorded data on a regular basis so that site processes may be accurately represented and continually updated to reflect changing mine operations. In this way, confidence in predictive values increases the longer the model is operated and mine planning and the closure design may be continually optimized. Data used in calibration activities includes: tailing pond and fresh water reservoir water levels, seepage rates, precipitation and evaporation records, pumping schedules, production data, mill water flows, tailings deposition schedules, pool bathymetry, and information on mine process changes. The water balance is recalibrated whenever the model shows that the predicted water balance differed from actual measurements by more than four percent.

The water balance is continually updated with the most current information, including natural water inflows/outflows and water use throughout the mine-site. The dynamic nature of the water balance enables FGMI to actively manage water on site, with the goal of minimizing water use and maximizing efficiency. Water uses at Fort Knox are summarized in Table 9. A diagram of the water balance model used by Fort Knox can be found in Figure 12.

Table 9: Fort Knox Water Balance Summary for 2010

Water Balance Process	Volume (ac*ft/year)
Fresh Water Reservoir (WSR) to Mill	420
Fresh Water Reservoir (WSR) to TSF	120
TSF to Mill	12980
Mill to TSF (Estimated water in tailings slurry)	12880
Heap Leach	0 (relative to TSF)
Pit Dewater to TSF	980
Seepage Reclaim	2240

Figure 12: Fort Knox Water Balance Schematic



14. EXPLORATION

FGMI continues with an exploration program in the pit and in the surrounding area with the goal of identifying additional reserves that can further expand the existing pit or lead to development of another operation. Exploration in the vicinity of the Fort Knox mine in 2009 consisted of the following:

- i Drilling, trenching, geophysical surveys, and geochemical surveys at the Gil Project.
- i Drilling, trenching, and geochemical surveys on the Gilmore Dome claims directly south of Fort Knox mine.
- i Geophysical surveys and drilling on the Steamboat Project.

In 2011, Exploration work plans call for the following:

- i Geophysical and geochemical surveys on the Gil Project to be followed up with a drilling program. The goal of the drilling program is to expand the strike length of known mineralization and test new targets.
- i Geochemical survey followed by drilling on the Gilmore Dome claims.

