Fort Knox Mine

Reclamation and Closure Plan Approval

Reclamation and Closure Plan F20149852RCP

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DEPARTMENT OF NATURAL RESOURCES
Division of Mining, Land and Water

_____, 2014

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 the Alaska Administrative Code, Title 11 and Chapter 97 (Mining Reclamation), approves the Reclamation and Closure Plan (November, 2013 R2) for the Fort Knox Gold Mine 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 "the 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 of which all outstanding common shares 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 Reclamation and Closure Plan is considered to consist of:

- Fort Knox Reclamation & Closure Plan (November, 2013 R2); and
- Fort Knox Mine Monitoring Plan (updated October 2012).

Reference to any of these plans throughout this document is considered to be a reference to the Reclamation and Closure Plan. Likewise any and all stipulations associated with the approval of any of these individual plans are considered to be a requirement of the Reclamation and Closure Plan Approval.

Effective dates of this plan approval are _____, 2014 through _____, 2019, 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 Reclamation and Closure Plan.

This plan approval is for activities upon State managed and private lands encompassed by the Fairbanks Gold Mining, Inc. Amended and Restated Millsite Lease – Fort Knox Mine Project (ADL # 414960), 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).

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

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The Reclamation and Closure Plan was found to be complete and is approved with the following conditions:

General Stipulations

Financial Assurance. This Reclamation and Closure Plan Approval does not take effect until the Permittee submits a bond in a form and substance approved by ADNR. The bond can be released or decreased as allowed per 11 AAC 97.435. Modifications to this Reclamation and Closure Plan may, at ADNR's discretion, require bond review and update. The total Bond of $96,164,867 has been accepted for the Fort Knox Mine. On or before the submission of the Annual Report, the Permittee shall submit an updated reclamation and closure cost estimate that considers any changes to the project and accounts for inflation during the preceding year. If actual updated costs are not incorporated into the cost estimate, inflation for the preceding year should be assumed to be the Anchorage CPI.

Terms of this Plan Approval. The Terms and Conditions contained within the:

- Fort Knox Reclamation & Closure Plan (November, 2013 R2);
- Revised Fort Knox Pit Lake Evaluation (January 10, 2007);
- 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 Reclamation and Closure Plan 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 Reclamation and Closure Plan Approval.

Authorized Officer. 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 Scott Pexton. The Authorized Officer may be contacted at 550 West 7th Avenue, Suite 900D, Anchorage, Alaska 99501-2577, Attention: Scott Pexton, telephone (907) 269-8621, and fax (907) 269-8930 or at scott.pexton@alaska.gov. The Permittee will be notified of changes to the authorized officer as needed.

Temporary Closure. The Permittee shall notify the Authorized Officer in writing at least thirty (30) days prior to any planned Temporary Closure of ninety (90) days or longer. The Permittee shall notify the Authorized Officer of any unanticipated

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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.

The Permittee shall ensure that the project area and facilities are maintained in a safe condition during a Temporary Closure and the Permittee shall not allow the project area or facilities to be degraded / eroded or facilities to fall into 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. The Permittee shall continue management of the heap leach solution to prevent discharge from the Walter Creek Valley Fill Heap Leach Facility, except as allowed under the terms of the ADEC Waste Management Permit 2013-DB0003.

Abandonment or Cessation of Operations. Not later than thirty (30) days after the permanent cessation or abandonment of mining operations, the Permittee 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.

Erosion Standard. Erosion features which form in areas that have been recontoured and covered with topsoil must be stabilized if they affect the long-term stability of the reclaimed area or may result in additional erosion or sedimentation. Actions to stabilize erosion features shall be conducted in a manner that minimizes disturbance to adjacent areas. Subsequent inspections shall be completed to verify that rills and gullies do not persist. If chronic or long-term erosion features are identified, then remediation of the site drainage that is contributing to the formation of the rills and gullies shall be completed.

Invasive Weed Control. The Permittee shall inspect revegetated areas to identify invasive plant species and eradicate these species to the extent practicable. If invasive plant species are identified, the Permittee shall notify the Authorized Officer.

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Project Specific Stipulations

Fort Knox Reclamation & Closure Plan – November, 2013 R2

Section 6.5.6 Heap Leach Closure – Regrading and Cover: The section is modified to include the following language: "Prior to initiation of reclamation of the heap leach, FGMI shall submit to ADNR final facility closure plans and schedule, for review and approval. The final facility closure plans shall include consideration of water quality monitoring (including drain-down quality), required ore geochemical characterization, and the results of any environmental audits. If seepage or run-off from the heap leach facility exceeds water quality standards, ADNR may require the reclamation of the heap leach to minimize infiltration and / or impacts from run-off and may require the cover to include a low-permeability layer, growth medium replacement, seed / fertilizer application and also surface diversion ditches."

Standard Stipulations

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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. (Note – This stipulation (Subsection "c" of Fuel and Hazardous Substances) does not apply to the tailings storage facility during mine operations.)

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. Manifolded 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 <u>any</u> unauthorized discharge of oil to water, <u>any</u> discharge of hazardous substances (other than oil), and <u>any</u> 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 the Permittee's, or its employees', agents', contractors', subcontractors', licensees', or invitees' act

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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. The Permittee 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 the Permittee may from time to time adopt.

At any time upon DNR's written request, the Permittee shall promptly make any and all records, documents, or other information required to be kept or maintained by law, regulation, ordinance or this Plan Approval available to DNR for inspection and copying as reasonably required by DNR to determine the Permittee 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 the Permittee, 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.

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Other Authorizations. The issuance of this authorization does not alleviate the necessity of the Permittee 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 the land under this authorization per terms of the Amended and Restated Millsite Lease (ADL nos. 414960 and 414961) and the Upland Mining Lease (ADL # 535408).

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 or the Reclamation and Closure Plan and any other affected permits or authorizations must be made by written application to DNR. Amendments to these plans 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 the Permittee or DNR as against the other.

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

Approved: _____ _____

Scott Pexton, Date

Department of Natural Resources

Appeal Right and Procedure

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC .2.040(c) and (d) and may be mailed or delivered to Joe Balash, Commissioner, Department of Natural Resourced, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska, 99501; faxed to 1-907-269-8918, or sent by electronic mail to dnr.appeals@alaska.gov. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31st calendar day after issuance. 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.