

ATTACHMENT 1

PROPOSED ADDENDUM

TO

FORT KNOX MINE

MILLSITE PERMIT

ADL Nos. 414960 and 414961

PROPOSED ADDENDUM TO MILLSITE PERMIT

ADL Nos. 414960 and 414961

THIS ADDENDUM ("**this Addendum**"), modifying the Millsite Permit effective as of February 15, 1994 (ADL Nos. 414960 and 414961) is agreed to and executed this _____ day of _____, 2000, by the following parties:

- (1) the State of Alaska Department of Natural Resources ("**DNR**"), acting by and through the Division of Mining, Land and Water ("**Division**") pursuant to AS 38.05.255; and
- (2) Fairbanks Gold Mining, Inc. ("**FGMI**"), a Delaware corporation the address of which is #1 Fort Knox Road, P.O. Box 73726, Fairbanks, Alaska 99707-3726, which corporation is a wholly owned subsidiary of Kinam Gold Inc. (formerly 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.

RECITALS

- A. Capitalized terms used and not otherwise defined in this addendum shall mean the same as in the Millsite Permit effective as of February 15, 1994, as amended.

- B. Effective as of February 15, 1994, DNR and FGMI entered into the Millsite Permit (ADL Nos. 414960 and 414961).
- C. Modification No. 1 to the Millsite Permit (comprising an amendment to Section 8.a.iii of the Millsite Permit as originally granted) is set forth in that certain Letter dated January 23, 1995, from Jules Tileston, Director of the Division of Mining within DNR, to William R. Jeffress, Chief of Environmental Services for FGMI. (The Millsite Permit effective as of February 15, 1994, as amended by said Modification No. 1 is referred to hereinafter as the "**Millsite Permit**".)
- D. Pursuant to (1) the settlement of Weiss v. State, Case No. 4FA-82-2208 Civil, embodied in 1991 SLA ch. 66, as amended and supplemented by 1994 FSSLA chs. 5 and 6, as amended and supplemented by 1994 SSSLA chs. 1 and 2, approved by the Superior Court on December 6, 1994, and affirmed by the Supreme Court in Weiss v. State, 939 P.2d 380 (Alaska 1997), and (2) that certain Quitclaim Deed No. 8000044 from the State of Alaska to the Alaska Mental Health Trust Authority ("**Trust Authority**") (a public corporation within the Alaska Department of Revenue (AS 47.30.011 et seq.), acting by and through the Mental Health Trust Land Office ("**TLO**") within DNR pursuant to AS 37.14.009(a)(2) and AS 38.05.801) dated September 20, 1996, recorded on September 25, 1996, at Book 971, Pages 924-930, Fairbanks Recording District,

the Trust Authority acquired all right, title, and interest of the State of Alaska in and to some but not all of the lands within the Permit Area.

- E. The Trust Authority, the TLO, and FGMI previously have determined and agreed, in addition to continuing to allow gold-bearing ores derived from lands within the area described in Section 2.g of the Millsite Permit (i.e., Sections 1-36 of Township 2 North, Range 2 East, F.M., and Sections 4-9 and 16-21 of Township 2 North, Range 3 East, Fairbanks Meridian (the lands within said 48 sections are hereinafter referred to as the "**Existing Authorized Area**"), which lands include but are not limited to the lands within Upland Mining Lease ADL 535408 ("**ADL 535408**")) to be processed through the existing mill and tailings facilities situated within the Permit Area—it is in their respective best interests to allow other gold-bearing ores, whether derived from inside the Existing Authorized Area or from outside the Existing Authorized Area, to be processed through said mill and tailings facilities if (1) the State of Alaska Department of Environmental Conservation ("**DEC**"), on a case-by-case basis, approves such processing, and (2) appropriate amendments to the Plan of Operations, the Reclamation Plan, and all other relevant permits and authorizations are approved by the issuers thereof in due course.
- F. In order to allow (subject to compliance with the procedural requirements described above) gold-bearing ores from outside the Existing Authorized Area to

be processed through the existing mill and tailings facilities situated within the Permit Area, certain modifications to the Millsite Permit must be made.

- G. The modifications to the Millsite Permit that are made pursuant to this Addendum are authorized by applicable law and are authorized and contemplated under Section 22 of the Millsite Permit.

NOW, THEREFORE, DMLW and FGMI hereby agree as follows:

1. Definitions.

For the purposes of this Addendum, the following terms not already defined above shall have the following meanings:

a. "Millsite Operations" means those activities that are conducted in or on the Permit Area pursuant to and in compliance with the Plan of Operations and the Reclamation Plan and that are normally and reasonably associated with a millsite, including but not limited to the following:

i. crushing, milling, processing, beneficiation, concentrating, vat leaching, treating, storing, removing, transporting, and selling or otherwise disposing of

(A) gold-bearing ores derived from lands within the Existing Authorized Area or

(B) gold-bearing ores derived from lands outside the Existing Authorized Area,

if (1) DEC, on a case-by-case basis, has approved such processing and (2) appropriate amendments to the Plan of Operations, the Reclamation Plan, and all other relevant permits and authorizations have been approved by the issuers thereof in due course;

ii. placing, constructing, erecting, installing, maintaining, repairing, using, replacing, and removing excavations, openings, shafts, ditches, drains, settling ponds, tailings ponds, stockpiles, waste dumps, roads, haulageways, buildings, structures, machinery, equipment, and other Facilities at locations specified in the Plan of Operations and the Reclamation Plan, on or below the surface of the Permit Area, as may be reasonably necessary or desirable for the purpose of engaging in the activities described in paragraph *i* above;

iii. reclaiming the Permit Area in conformance with the provisions of (A) the Millsite Permit as modified by this Addendum and (B) the Reclamation Plan; and

iv. any and all other actions in or on the Permit Area which may be reasonably necessary or desirable to carry on Millsite Operations subject to the limitations and restrictions of any and all other permits, authorizations, statutes, laws, regulations, and ordinances existing at the time of the action.

b. **"Plan of Operations"** means the plan of operations submitted to the Division by FGMI in accordance with 11 AAC 86.800, as said plan of operations is updated, revised, amended, or supplemented from time to time by FGMI and approved by the Division and the TLO, for

i. the development and operation of an open pit gold mine on the lands within ADL 535408 and

ii. the conduct of Millsite Operations within the Permit Area.

c. **"Project Description"** means the "Project Description for the Fort Knox Mine (August 1992)" submitted by FGMI to the Division, as said document is updated, revised, amended, or supplemented from time to time by FGMI in a writing submitted to the Division and the TLO, describing

i. the proposed development and operation of an open pit gold mine on lands within ADL 535408 and

ii. the proposed Millsite Operations within the Permit Area.

2. Additional Grant.

Subject to the reservations, exceptions, exclusions, limitations, conditions, and other provisions contained in the Millsite Permit as modified by this Addendum, DNR hereby grants to FGMI and its successors and assigns the right to use the Permit Area to conduct Millsite Operations on, for, respecting, or in connection with gold-bearing ores derived from outside the Existing Authorized Area, subject to (A) approval by DEC, on a case-by-case basis, of such operations, (B) approval by the Division and the TLO of appropriate updates, revisions, amendments, or supplements to the Plan of Operations for the Permit Area, (C) approval by the Division of any necessary updates, revisions, amendments, or supplements to the Reclamation Plan for the Permit Area, and (D) receipt by FGMI of any other necessary regulatory approvals or authorizations required at the time, to have and to hold said additional right for the term set forth in the Millsite Permit:

3. Use Charge.

a. Nothing herein changes the manner in which the Use Charge, or any other amount or amounts, which may become due and owing to the Division or the TLO respecting any of the lands within the Permit Area, shall be determined and paid.

b. Notwithstanding the foregoing, during the period commencing on the effective date hereof and continuing until December 31, 2000, the Division and FGMI hereby agree to propose, evaluate, and consider, in good faith, the feasibility,

desirability, and efficacy of one or more alternative mechanisms for determining the "reasonable annual rent" to be charged under the Millsite Permit pursuant to AS 38.05.255.

4. Nonpossessory Interest in Real Property.

The additional rights granted to FGMI by this Addendum shall constitute a nonpossessory interest in real property in the nature of

- (a) an easement appurtenant to ADL 535408, if and for so long as ADL 535408 remains in effect during the term of the Millsite Permit, and
- (b) a transferable easement in gross for so long as the Millsite Permit remains in effect after the termination or expiration of ADL 535408,

which is granted for the term provided in Section 4 of the Millsite Permit but is subject to termination upon a material breach of the Millsite Permit that is not cured in the manner provided in Section 18 of the Millsite Permit. No estate in or to the lands within the Permit Area is conveyed to FGMI by this Addendum.

5. Further Actions.

Each of the parties hereby agrees to take such actions and to execute such additional instruments as may be reasonably necessary or desirable from time to time to implement the intents and purposes of the Millsite Permit as modified by this Addendum and to provide constructive notice thereof.

Without limiting the generality of the foregoing, each of the parties also hereby agrees in good faith to seek to prepare, revise, and finalize, together with the TLO, prior to December 31, 2000, the terms of an amended and restated millsite lease under AS 38.05.255 that restates the terms of the Millsite Permit as modified by this Addendum and such agreements as heretofore or hereafter may be executed by the TLO and FGMI respecting any of the lands within the Permit Area, but the failure of the parties to finalize such an amended and restated millsite lease shall not affect the validity or continuing effectiveness of either (1) the Millsite Permit as modified by this Addendum or (2) such agreements such agreements as heretofore or hereafter may be executed by the TLO and FGMI respecting any of the lands within the Permit Area.

EFFECTIVE as of the ____ day of _____, 2000.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER

By: _____
Director

FAIRBANKS GOLD MINING, INC.

By: _____
Title: _____

STATE OF ALASKA)
) ss.
_____ JUDICIAL DISTRICT)

THIS CERTIFIES THAT on the _____ day of _____, 2000, at _____, Alaska, the foregoing document was acknowledged before me by (name) _____, Director of the STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES, DIVISION OF MINING, LAND AND WATER, on behalf of said division within said department acting pursuant to AS 38.05.255 and other applicable authority.

Notary Public for the State of Alaska
My commission expires _____

STATE OF ALASKA)
) ss.
_____ JUDICIAL DISTRICT)

THIS CERTIFIES THAT on the _____ day of _____, 2000, at _____, Alaska, the foregoing document was acknowledged before me by (name) _____, (title) _____, of FAIRBANKS GOLD MINING, INC., a Delaware corporation, on behalf of the corporation.

Notary Public for the State of Alaska
My commission expires _____