

FORT KNOX MINE **PROJECT**

Proposed Addendum to Ft. Knox Millsite Permit

ADL No. 414960

ADL No. 414961

DEPARTMENT OF NATURAL RESOURCES
Division of Mining, Land and Water

July 11, 2000

I. Proposed Action

Fairbanks Gold Mining, Inc. ("FGMI") has requested under Section 22 of Millsite Permit ADL's 414960 and 414961 for the Ft. Knox Mine ("Millsite Permit") that the Department of Natural Resources, Division of Mining, Land and Water ("DMLW") and the Mental Health Trust Land Office ("TLO") modify the Millsite Permit to allow FGMI to accept and process at the Ft. Knox facility, ore originating from lands other than those currently allowed pursuant to the terms of the Millsite Permit.

DMLW intends to modify the Millsite Permit as necessary to address FGMI's request that ore originating from sites other than lands currently allowed pursuant to Sections 2(g) and 3 of the Ft. Knox Millsite Permit ("off-site ore") be accepted and processed at the Ft. Knox facility with the resulting off-site ore tailings to be placed in the existing tailings impoundment.

This proposed addendum to the Millsite Permit (Attachment 1) would authorize the proposed action by FGMI. Pursuant to Section 22 of the Millsite Permit the DMLW agrees to give public notice, solicit public comment, and to hold a public hearing regarding FGMI's request to modify the Millsite Permit. The TLO operating under its authority (11 AAC 99) will review the outcome from this public notice process before approving the modifications requested by FGMI.

II. Discussion

FGMI proposes to accept and process off-site ore at the Ft. Knox facility. FGMI would be required to receive authorization from the Department of Environmental Conservation ("DEC") before such acceptance and processing could take place. Authorization would be under the Solid Waste Disposal Permit 0031-BA008 to be issued by DEC for the Ft. Knox tailings impoundment and would require that specific procedures be completed by FGMI and evaluated by DEC prior to DEC deciding whether to authorize the off-site ore to be accepted at the facility and processed. The proposed DEC permit is currently out for public comment. The DEC's proposed procedures are

found in ATTACHMENT 2. The intent of these procedures is to allow DEC to evaluate what if any changes may result in monitoring, closure, tailings, water quality, or reclamation from the addition of tailings from off-site ore, to insurance that the resulting tailings will not prevent the attainment of water quality standards at permanent closure.

If DEC authorizes any off-site ore to be accepted and processed, the resulting tailings would be deposited to the existing tail disposal impoundment. No additional construction to the tailing disposal impoundment dam would be required as approval for such additional tailings from off-site ore would be limited to the design capacity of the approved impoundment dam.

Both the DMLW and TLO manage land in the area covered by the Millsite Permit. State land, managed by DMLW includes all land within the existing Millsite Permit area except the mill area (Tract C-2), and Upland Mining Lease ADL 535408 (Tract C-3), which are owned by the Mental Health Trust ("MHT") and managed by the TLO as shown in Attachment 3.

The existing mill at Ft. Knox, which is located on land that now belongs to the MHT, will be used to process off-site ore in addition to ore from Upland Mining Lease ADL 535408. The TLO has a fiduciary responsibility to the beneficiaries of the MHT to generate revenue from Trust lands. The proposed modification to the Millsite Permit allows the TLO to extend the life of the Ft. Knox Project and increases the income stream generated for the Mental Health Trust, which will be used to improve the lives and circumstances of trust beneficiaries throughout the state.

FGMI will only be authorized to accept and process off-site ore through the Ft. Knox facility after DEC has agreed, consistent with the DEC proposed procedures, that, as a result of processing ore, the tailings being discharged to the tailings impoundment meet DEC requirements.

Use of the Ft. Knox facility to process off-site ore reduces potential environmental impacts to other locations by eliminating the need for additional milling and processing facilities and creation of additional

tailings disposal sites, and provides for concentrated efforts to contain, monitor and control processing and disposal of tailings at the Ft. Knox facility. Provided that advance DEC approval is given for each new source of off-site ore, minimal risks result from the off-site ore tailings being placed in the tailings impoundment.

Ryan Lode, True North, Amanita, Steamboat/West ridge, and the Gil Extension are some of the known potential sites from which off-site ore could be brought to Ft. Knox for processing in the reasonably foreseeable future. Another potential site is located on the Gilmore Satellite Tracking Station. Discussions with federal agencies concerning future acquisition by the State of a portion of PLO 3708 as amended by PLO 6709, currently withdrawn for the Gilmore Satellite Tracking Station have been held, but no decision will be provided the State until an evaluation is completed. A map showing the locations of the above sites is provided as attachment 4. The tailings resulting from processing of DEC approved off-site ore would be limited to the design capacity of the Ft. Knox tailings impoundment unless an acceptable alternative is authorized after appropriate analysis in the future.

Each proposal to transport off-site ore to Ft. Knox for processing must be independently evaluated at the time that a development proposal is submitted and the permitting process for the mine site is initiated. In the independent permitting application for the True North Project, FGMI currently proposes transporting ore from True North to Ft. Knox by truck and has applied to the appropriate agencies for approval of FGMI's preferred road route. FGMI has also stated that it intends to propose to transport ore from Ryan Lode to Ft. Knox should FGMI decide to proceed with the permitting process for the Ryan Lode Project and if DEC approves the Ryan Lode ore as off-site ore for processing at Ft. Knox. A proposed preferred transportation route for transportation of Ryan Lode ore has not been identified to the agencies yet.

The Gil Extension is located in close proximity to Ft. Knox, but a route different than the existing Ft. Knox access road would be needed to transport Gil Extension ore to the Ft. Knox mill. FGMI has stated that it intends to request that off-site ore from the Gil Extension be authorized for processing at Ft. KnoxGil, if and when FGMI decides

to proceed with developing the Gil Extension and initiates the permitting process for that site.

The proposed development and resulting impacts of each future mine site that may deliver off-site ore to the Ft. Knox mill must be evaluated independently at the time each mine development proposal is submitted to initiate the permitting process. It is reasonably foreseeable at this time that potential impacts of those projects as currently proposed or projected may include additional traffic, noise, and lights, as well as safety concerns that may be associated with the proposed trucking routes for any off-site ores transported. These issues, as they arise in the context of the True North Project, are being considered in the recently initiated permitting process for that project, and are not considered in this proposed permit modification. The other potential mining sites will be reviewed and analyzed for such impacts when concrete development proposals are submitted to initiate the permitting processes.

III. Authority/Administrative Record

The Millsite Permit was issued pursuant to AS 38.05.255. The authority to modify the Millsite Permit, as shown on Attachment 1, is pursuant to Section 22 of the Millsite Permit, AS 38.05.255, AS 38.05.801 and 11AAC regulations, as applicable.

The administrative record for the proposed DMLW action is comprised of the Ft. Knox Project files and ADL's 414960 and 414961.

IV. Proposed Decision and Public Comment

The DMLW proposes to modify the Millsite Permit as shown in the proposed Addendum (see Attachment 1) and seeks public input. DMLW proposed modification is based upon AS38.05.255 and

conditioned on the DEC granting prior approval to FGMI to accept and process off-site ore from each specific proposed ore body. The modification will be issued under the conditions and limitations imposed by law and the existing Millsite Permit and those additional conditions and limitations set out in Attachment 1 to the Millsite Permit.

A public meeting/hearing will be held in Fairbanks at the Carlson Center – Pioneer Room on August 3, 2000, from 7:00 P.M. to 10:00 P.M. Public notice and comment period will be from July 17, 2000 through the close of business (5:00P.M.) August 18, 2000.

Robert Loeffler – Director

Date

ATTACHMENT 1: Proposed ADDENDUM to Ft. Knox Millsite Permit dated February 15, 1994 (ADL's 414960 and 414961)

ATTACHMENT 2: ORE FROM SATELLITE PITS – Proposed Section 1.2.2 of Appendix A to Solid Waste Permit 0031-BA008

ATTACHMENT 3: Mental Health Trust Lands within the Millsite Permit.