

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF MINING, LAND AND WATER

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ORIGINAL

June 12, 2002

Fairbanks Gold Mining, Inc.
P.O. Box 73726
Fairbanks, AK 99707-3726
Attn: William Jeffress

Re: Approved Amendments to Plan of Operations for the True North Project

Dear Mr. Jeffress:

The Alaska Department of Natural Resources, Division of Mining and Water Management (DNR), in accordance with and subject to the requirements and general stipulations of Alaska Statutes 27.19 (Reclamation) and 38.05 (Alaska Land Act) and the Alaska Administrative Code, Title 11 Chapters 86 (Sections 145, 150, and 800 regarding Plan of Operations), 96 (Miscellaneous Land Use) and 97 (Mining Reclamation), approves the Amendments to Plan of Operations F017522 for the True North Project submitted by:

Fairbanks Gold Mining, Inc.
P.O. Box 73726
Fairbanks, AK 99707-3726

Throughout this document, unless otherwise specifically indicated, reference to Fairbanks Gold Mining, Inc. (FGMI) is considered a reference to both Fairbanks Gold Mining, Inc. and LaTeko Resources, Inc., as tenants in common under the True North Joint Venture Agreement.

Effective dates of this plan approval are June 12, 2002 through June 12, 2007, 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.

Throughout this document, the Plan of Operations is considered to consist of the True North Project Description - September 2000 (as Amended December 2001), True North Monitoring Plan - December 2001 and the True North Reclamation Plan - December 2001. 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 is considered to be a requirement of the Plan of Operations Approval.

This Plan of Operations Approval does not take effect until FGMI submits a bond in a form and substance approved by DNR. 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 DNR's discretion, require bond review and update.

DNR has reviewed the proposed bond and has determined that the bond is adequate at least for the amount of reclamation liability expected for the first year of operations. The proposed bond is approved with the following conditions:

- 1) The "Contingency" indirect cost should be raised to 15%, and
- 2) The bond must be reviewed and any appropriate adjustments made within one year of this Plan of Operations Approval.

This plan approval is for activities upon State-managed lands listed in Appendix B of the True North Reclamation Plan.

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:

PLAN-SPECIFIC STIPULATIONS

- 1. Terms of this Plan Approval.** The Terms and Conditions contained within the True North Project Description - September 2000 (as Amended December 2001), True North Monitoring Plan - December 2001 and the True North Reclamation Plan – December 2001, and the True North Mine Project Millsite Lease (ADL 416509) 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.

- 2. The Authorized Officer** for DNR is Stan Foo, Chief of the Mining Section, Division of Mining, Land and Water or his designee. The Authorized Officer may be contacted at 550 West 7th Avenue, suite 900B, Anchorage, Alaska 99501, telephone (907) 269-8621, and fax (907) 269-8930 or at stanf@dnr.state.ak.us. FGMI will be notified of changes to the authorized officer as needed.

- 3. 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 archaeological site without a permit from the Commissioner. Activities described in the Plan are subject to the stipulations in the December 20, 2000 Plan of Operations Approval, as well as the following stipulation:
- a. This Plan of Operations Approval is contingent upon the execution of the Memorandum Of Agreement Between The Army Corps Of Engineers And The Alaska State Historic Preservation Office Regarding Adverse Effects To The Davidson Ditch (Liv-73, Cir-10, Fai-344) Near Chatanika, Alaska By Fairbanks Gold Mining, Inc. All conditions of this Memorandum of Agreement will be complied with.
- 4. Salvageable Timber.** All timber on the Millsite Area that will be cleared to allow Millsite Operations shall be salvaged in accordance with Division of Forestry requirements.
- 5. Monitoring Plan.**
- a. Monitoring results obtained during a reporting period shall be summarized and reported to the Authorized Officer quarterly, on or before the 15th day of the month following the quarter, in an electronic format acceptable to DNR. Electronic copies should also be sent to ADNR (Jim Vohden at jimv@dnr.state.ak.us), ADEC (Pete McGee at pmcgee@envircon.state.ak.us), and the Alaska Department of Fish & Game (ADF&G) (Phyllis Weber-Scannell at phyllis_weber_scannell@fishgame.state.ak.us). Amendments to this distribution list will be provided to FGMI as needed.
 - b. Quarterly monitoring reports should include at a minimum all compliance and static water level monitoring listed in the True North Monitoring Plan – December 2000.
 - c. FGMI shall submit annually to ADNR an “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; pit bench development; current pit backfill and expected pit backfill for the next year. Maps shall be 1”-500’ or other appropriate scale necessary to review the development of individual facilities. The maps shall be submitted along with the annual report as required by the millsite lease.
 - d. The Spruce Creek Dump should have a total of three lysimeters installed. For the North Dump, one lysimeter is adequate. Two lysimeters shall be installed in all other dumps. All lysimeter designs and locations must be approved by DNR before installation.

- e. Humidity Cell testing done on samples where the ratio of net neutralization potential to net acid generation is less than 3:1 shall be run for a minimum of 52 weeks.
- f. Acid-base accounting (ABA) to determine the neutralization potential (NP) to sulfide acid potential (SAP) ratio (NP/SAP), and Net Acid Generation (NAG) test reliably correlated to NP/SAP (for correlation with ABA tests), will be performed on all quarterly composite blast hole chip ore and waste characterization samples. If any quarterly ABA and NAG shows an NP/SAP of less than 3 then ABAs and NAGs will be performed on all subsequent monthly composite blast hole chip samples (ore and waste). If any monthly ABA and NAG shows an NP/SAP less than 2.5 then NAGs will be performed on subsequent weekly composite blast hole chip samples (ore and waste), and ABAs will continue to be performed monthly. If any monthly composite blast hole chip sample ABA and NAG shows an NP/SAP of less than 2, then the NAG procedure will be performed on the individual blast pattern composite blast hole chip samples (ore and waste) that composed the weekly composite, and ABAs will continue to be performed monthly.
- g. If the testing frequency increases to more than quarterly, then FGMI will notify DNR of the increased testing, and will make all ABA or NAG testing results available to DNR.
- h. If NP/SAP from a single blast pattern sample is less than 2, then kinetic testing (52-week Humidity Cell Testing) will be performed on the sample.
- i. Post Closure Monitoring of Surface and Ground Water, as outlined in Table 3-2 in the Monitoring Plan, will include monitoring of lysimeters, toe seep surveys, and any pit water that may be present. The lysimeter monitoring will include a volume measurement.

6. True North Project Description.

- a. Mining Below Water Table. FGMI shall monitor water table elevations and adjust mine plans to ensure that mining does not intersect the water table and an adequate thickness of in situ material remains above the water table to avoid adverse impacts to both surface and ground water quality.
- b. Waste rock shall not be removed from the millsite boundary.
- c. This Plan Approval authorizes the expansion of the mine pits only to the 'reserve pit' boundary, that is the boundaries of the Central, East, Zeppelin, Shepard, and Hindenburg pits shown in Figure 3-1 in the Reclamation Plan (December 2001). Before any mining can proceed beyond this boundary to the 'resource' pit boundary, additional analysis must be undertaken to determine if there are significant geochemical differences in this waste

rock and ore. ADNR and ADEC must approve any changes to the Plan of Operations prior to mining outside of the 'reserve pit' boundaries.

7. True North Project Reclamation Plan.

- a. Unless otherwise approved by DNR, all reclamation shall be completed within 2.5 to 5 years after the cessation of the transport of ore from the True North Mine.
- b. *Exploration Drill Hole Closure.* Unless retained for monitoring purposes, all drill holes will be abandoned in compliance with ADEC requirements.
- c. Stipulations regarding specific sections of True North Project Reclamation Plan – September 2000:

4.1.7.3.1. Growth Medium. Growth medium replacement depths on waste rock dumps, pits and roads will be determined based upon water quality monitoring data and final facility closure plans developed to achieve closure water quality objectives. Revegetation success may also affect growth medium replacement requirements.

- d. If waste rock is backfilled into any one of the pits, the surface of the backfilled slopes should be free-draining, the slopes should be treated to minimize infiltration, and the pit floor should be of a configuration such that any precipitation that does infiltrate into the backfilled waste rock will not drain out of the pit to surface waters.
- e. FGMI will notify DNR of any areas where topsoil will not be salvaged under the waste rock dumps prior to constructing those portions of the dumps.
- f. Reducing infiltration will be a primary objective of reclaiming waste rock dumps, and when ripping for soil scarification. If it is determined that infiltration may be adversely affecting water quality, DNR may require FGMI to add additional growth medium or take additional measures to reduce infiltration. When ripping for soil scarification, care must be taken to balance the needs of revegetation with keeping an intact surface to reduce infiltration potential.
- g. *Low-Grade Stockpiles.* If the low-grade stockpiled ore is not hauled away and processed, FGMI must revise the reclamation plan to address reclaiming this ore at the True North site. The stockpile shall be reclaimed and monitored to the same standards as the approved waste rock dumps, and to ensure protection of surface and ground water.

- 8. Permanent Closure.** For purposes of determining monitoring requirements and bond release, closure of a facility is achieved when the following requirements are met:
- a. Monitoring well, lysimeter and toe seep survey results indicate that infiltration through the facilities is not expected to degrade ground water such that it exceeds water quality standards or documented natural background conditions;
 - b. Any runoff from mine-disturbed areas and any related ponds must meet water quality standards or documented natural background conditions;
 - c. Any backfilling, regrading and capping of facilities needed to achieve closure water quality objectives has been completed; and,
 - d. All mine-disturbed areas, except pit walls and other areas approved by DNR, shall exhibit 70% vegetation cover criteria three years after the last application of growth medium, fertilizer or seed.
- 9. Public Access.** FGMI may be required to re-establish access to the remaining segments of the RS-2477. FGMI shall develop site access roads in such a manner that controlled public access can be maintained to the RS-2477 where it extends beyond the project haul roads.

Standard Stipulations

- 10. 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 using paint or a permanent label.
 - b. **Fuel or hazardous substance transfers.** 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. 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.
 - c. **Storing containers within 100 feet of water bodies.** Containers with a total capacity larger than 55 gallons, which contain fuel or hazardous substances, shall not be stored within 100 feet of a water body.

d. **Exceptions.** The Authorized Officer may, under certain circumstances, grant exceptions to this stipulation on a case-by-case basis. Requests for exceptions must be made to the Authorized Officer.

Definitions.

"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 single independent containers. Vehicles, including mobile seismic tanks, are not intended to be included under this definition.

"Hazardous substances" are defined as (a) an element or compound which, when it enters the atmosphere, water, or land, presents an imminent and substantial danger to the public health or welfare, including fish, animals, or vegetation; (b) oil; or (c) a substance defined as a hazardous substance under 42 U.S.C. 9601(14).

"Secondary containment" means an impermeable diked area or portable impermeable containment structure capable of containing 110 percent of the volume of the largest independent container. Double-walled tanks do not qualify as secondary containment unless an exception is granted for a particular tank.

"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 must be of adequate size and the volume of the liner must be based on worst-case spill risk.

11. Notification of Discharge of Fuel or Hazardous Substances. The permittee shall notify DNR of any unauthorized discharges of oil to water, any discharge of hazardous substances (other than oil), any discharge of oil solely to land and outside an impermeable revetment, all fires, and all explosions (other than normal blasting operations). This notification will be included in the quarterly report described in Stipulation 5 A.

12. 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, but such procedures may not deny DNR access.

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 compliance with local, state and federal laws applicable to the operations authorized under this plan approval.

- 13. 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).
- 14. Assignment.** This plan approval may be transferred or assigned with prior written approval from DNR. DNR will only disapprove a transfer for 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; 3) has committed in writing to be bound by this plan approval to the same extent as FGMI; and, 4) provided to DNR all proofs of insurance, bonds, or undertakings required by this plan approval, and any other information or assurances required by DNR to establish that the assignee will be as responsible for compliance as the assignor. Transfer of this plan approval may, at DNR's discretion, require bond review and update.
- 15. 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.
- 16. 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, to the existence, number, or nature of such valid existing rights.
- 17. 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.

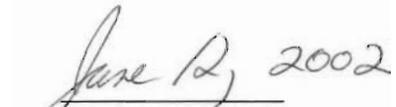
- 18. Change of Address.** Any change of address must be submitted in writing to the Authorized Officer.
- 19. Modifications.** Any request for modification of the plan of operations and any other affected permits or authorizations must be made by written application to DNR. Amendments to the Plan of Operations may, at the discretion of DNR, require bond review and update.
- 20. 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.
- 21. 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 represents FGMI's acceptance of these special stipulations.

Approved:



Bob Loeffler, Director
Department of Natural Resources



Date